



# **Rent and Service Charge Policy**



**NewArch Homes**

**February 2025**

## Policy Statement & Scope

This policy sets out NewArch Homes' approach to setting, reviewing and communicating rents for its different types of tenures. This policy applies to all tenants and leaseholders of NewArch Homes. It outlines the methods and formulas used to calculate rents for each type of tenancy and how rents are reviewed annually, ensuring affordability for residents whilst maintaining the financial viability of the organisation.

## Legal and Regulatory Framework

The policy aims to meet the requirements of all applicable legislation and regulation. Specifically, this policy complies with the Regulator for Social Housing's:

- Rent Standard (April 2020)
- Annual rent setting guidance
- Consumer Standards (including Tenancy Standard & Transparency, Influence & Accountability Standard)
- Governance and Financial Viability Standard

## Aims and Objectives of the Policy

The aim of this policy is to set out NewArch Homes' approach to setting rents for its properties and to ensure that the process is fair, transparent, consistent, and compliant with regulation. The objectives of this policy are:

- To ensure rents and service charges are set and varied in line with legal and regulatory requirements.
- To take account of affordability of tenants when setting rents.
- To ensure information on rents are provided clearly to tenants at the start each tenancy.
- To ensure ongoing changes to our rents are communicated clearly and in line with our legal, regulatory, and contractual obligations.

## Exclusions

This Policy does not cover rents on non-residential properties, garages, or service charges.

## Rent Setting Policy – Social Rent Properties

### New Lets – General Needs Properties

Where a new social rented property is let to a new tenant, the rent will be set using the Government's Rent Formula ('Formula Rent') with an upward tolerance – "Rent Flexibility" – of 5%. The application of the rent flexibility will be determined by taking into consideration local market conditions and affordability.

### New Lets – Supported Housing Properties

Rents for new Supported Housing social rented properties will be set at Formula Rent with an upward tolerance – “Rent Flexibility” – of 10%. The application of the rent flexibility will be determined by taking into consideration local market conditions, affordability, and the development scheme appraisal.

#### Re-lets – General Needs Properties

Where a social rented property is re-let to a new tenant, the rent will be set at Formula Rent with an upward tolerance – “Rent Flexibility” – of 5%. The application of the rent flexibility will be determined by taking into consideration local market conditions and affordability.

Where a social rented property is re-let to the same tenant, this is considered a continuation of the same tenancy for the purposes of rent setting. There will be no new rent set but the new tenancy will be let at the prior rent. Examples of this can be when there is a renewal of an assured short-hold tenancy, an extension of a starter tenancy, or where a tenancy moves from a joint to a sole tenancy.

#### Re-lets – Supported Housing Properties

Rents for Supported Housing properties that are re-let will be set at Formula Rent with an upward tolerance – “Rent Flexibility” – of 5%. The application of the rent flexibility will be determined by taking into consideration local market conditions and affordability.

#### Annual rent variations during the tenancy

Rents will be reviewed annually, effective 1 April each year except where an existing tenancy agreement confers a different review date. Increases will be capped at CPI + 1%, in line with RSH’s Rent Standard. Residents will be given at least one month’s notice of any changes.

### Rent Setting Policy – Affordable Rent Properties

Affordable rents will only be charged on properties where there is a relevant agreement in place with Homes England or if the property was already an Affordable Rent property at the time of acquisition. Gross Market Rents will be calculated according to a RICS (Royal Institute of Chartered Surveyors) methodology by an independent valuer, as per the guidance from the regulator.

#### New lets & re-lets

Affordable rents for all new tenants will be set at up to 80% of the Market Rent (inclusive of the Service Charge). Some properties will be subject to additional rent-setting restrictions imposed by the contractual requirements of the planning consent (Section 106). Examples of this could be ‘the lower of 100% Local Housing Allowance or 80% of Market Rent’.

#### Re-lets to existing tenants

Where an Affordable Rent property is re-let to the same tenant, the rent set will be re-based up to 80% of Market Rent based on a new valuation, unless the new amount constitutes an increase greater than a maximum of CPI + 1%, or any contractual (s106) rent ceiling.

#### Annual rent variations during the tenancy

Rents will be reviewed annually, effective 1 April each year except where an existing tenancy agreement confers a different review date. Increases will be capped at CPI + 1%, in line with RSH’s

Rent Standard and subject to any additional contractual limitations. Residents will be given at least one month's notice of any changes.

### Rent Setting Policy – Intermediate Rent

Intermediate Rents (IMR) are not subject to regulation under RSH's Rent Standard 2020. Rents for these properties, both for new lets and re-lets, will be set at up to 80% of Market Rent plus any service charges, using an appropriate RICS methodology.

#### Annual rent variations during the tenancy

Rents for IMRs will be reviewed annually in April after the first 12 months of the tenancy (subject to contract provisions) and at re-let or renewal of the tenancy. Rents will be reviewed up to 80% of Market Rent based on a new valuation. Residents will be given at least one month's notice of any changes.

### Rent Setting Policy – Shared Ownership

Rent setting and annual rent reviews for Shared Ownership properties are also not subject to regulation under RSH's Rent Standard 2020. These will both be as specified in the individual lease. Rents are set as a specified % of the unacquired value of the Shared Ownership property.

#### Annual rent variations during the lease

Reviews are usually based on RPI or CPI plus a small uplift; there will be variations in the review methodology depending on when the lease was granted. Residents will be given at least one month's notice of any changes.

### Service Charge Setting Policy

Service Charges must be transparent and reasonable, complying with relevant Service Charge legislation.

These will be based on actual costs incurred (in providing the Services) plus a reasonable management and audit fee. Estimates will be reviewed annually and adjustments may be made at the end of the Financial Year to reflect any over or under-spend during the year. Fixed and variable Service Charge terms will be clearly identified in Tenancy or Shared Ownership agreements.

Annual statements providing expenditure breakdowns will be provided to leaseholders, who will also be consulted on any Major Works via Section 20 notices.

### Hardship and Support

Tenants and leaseholders facing financial hardship will be signposted to welfare support, budgeting advice and discretionary housing payments. Flexible payment arrangements may be considered on a

case-by-case basis. Engaging and remaining transparent will allow us to consider all the options available to find the best way to support individual households.

## Complaints and Disputes

Tenants and leaseholders can challenge rent and service charges, or our application of this policy, through our internal complaints process, detailed in our Complaints Policy. Complaints may also be escalated to the Housing Ombudsman if unresolved, with details of how to do so within the Complaints Policy.

Tenants and leaseholders can also challenge service charges at the First-tier Tribunal if charges are deemed unfair.

## Review

This Policy will be reviewed every three years or sooner (if there are relevant changes to the regulatory environment) by the Board of NewArch Homes. Material changes to this policy will also be subject to resident consultation.

Next Review Date: February 2028 or earlier

## Version Control

This is Version 2 of the Rent and Service Charge Policy, effective from February 2025. It replaces Version 1 which was effective from February 2024.

Approved by NewArch Homes Board: 13<sup>th</sup> February 2025