



Rent Setting and Service Charge Policy (Social and Affordable Properties)

SER-POL-15

Version 11.2

Date approved: 23 September 2025

Approved by: Parent Board

1. Policy Statement

- 1.1 Southway Housing Trust's (the Trust's) rent setting and service charge policy aims to strike a balance between providing affordable housing and enabling the Trust to use rental income to support other activities that benefit our communities.
- 1.2 Rents and charges will be reviewed on an annual basis and will always be set in line with the Regulator of Social Housing's Rent Standard, most recently published in April 2020. The Rent Standard sets the required outcomes for how registered providers must set and increase rents for all their social housing stock in line with the government policy as outlined in their Policy Statement on Rents for Social Housing (the Policy Statement).
- 1.3 The Trust is committed to keeping rents and service charges affordable.
- 1.4 This Policy covers Social and Affordable Rents. The Trust also has Market Rent, Leasehold and Shared Ownership properties, which are covered by separate policies.
- 1.5 When setting rents, Southway must ensure compliance with the terms of any agreements with Homes England or the Secretary of State.

2. Rent Policy

- 2.1 The Trust will charge a Social Rent for all properties transferred from Manchester City Council (except approx. 70 converted to an Affordable Rent in line with a previous capital funding regime). It will also charge a Social Rent on new schemes developed with/without grant for this purpose, and Social Rent stock acquired from other landlords.
- 2.2 The Trust will charge an Affordable Rent on new schemes developed with grant for this purpose. It will also charge an Affordable Rent on converted properties, and those acquired without grant or via an equity investment from a local authority.
- 2.3 Unless the Parent Board directs otherwise, all rents will be varied annually to the extent permitted by the tenancy agreements and the latest Rent Standard and government policy.

Social Rents

- 2.4 When letting or re-letting a Social Rent property the rent must be no higher than the Formula Rent, subject to the rent flexibility level. The Formula Rent

takes into account the properties location, number of bedrooms and property value. Formula Rent is exclusive of service charge. The Formula Rent reflects the maximum annual increase permitted by government regulation and the valuation factor used in the calculation reflects improvements carried out to the property. Further details on the basis for how Formula Rent is calculated can be found in the government's Policy Statement.

- 2.5 The Policy Statement recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. As a result, the policy contains flexibility for registered providers to set rents at up to 5% above the Formula Rent for general needs and 10% for supported housing, where there is a clear rationale for doing so which takes into account local circumstances and affordability.
- 2.6 Following consideration of this matter, and in support of its social/affordable housing development programme, Southway's Board has determined to utilise the following flexibility when setting Social Rents:
- +5% for general needs relets and new build properties,
 - +10% for new build supported housing, not relets of existing schemes.
- 2.7 Flexibility will be applied to new general needs Social Rent tenancies with the exception of tenancy transfers that are within the Executive Director - Homes and Communities discretion (e.g. property condition moves, exceptional lets) and rightsizing moves to free up family homes in line with approved policy.
- 2.8 For properties within Manchester, the Trust will offer two 'non charging' weeks each year. The rent as calculated annually will be rebased from a 52 week to a 50-week base and this rebased rent will be charged in all other rent weeks for that year. For properties outside Manchester rents will be set on the basis of 52 weeks in a year, or in line with the tenancy conditions we adopt (subject to consultation with transferring tenants).
- 2.9 For general needs Social Rent properties the maximum Social Rent plus benefit eligible service charges will be the Local Housing Allowance.
- 2.10 There is no maximum Local Housing Allowance assessment for tenants of sheltered housing and living with care schemes. This reflects the age related nature of this accommodation and the rules of benefit eligibility relating only to working age household.

Affordable Rents

- 2.11 Affordable Rents will be reviewed each time a property is let or relet. They must not increase by more than CPI + 1% each year.
- 2.12 When letting an Affordable Rent property, the Affordable Rent (inclusive of benefit eligible service charges) will be set at 80% of the gross market rent for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.
- 2.13 The valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. Southway may not always need to undertake a full valuation on each occasion that a property is let on Affordable Rent. In areas where Affordable Rent is widely used, Southway may have adequate comparables not necessitating a full valuation.
- 2.14 Properties let by registered providers are not subject to the Local Housing Allowance (LHA), however reflecting local authorities definition of affordability Southway's Board has determined that the maximum Affordable Rent for general needs properties in Manchester will be the lower of the LHA and 80% of the gross market rent.
- 2.15 Where a tenant is charged other amounts that are personal charges for individual usage these can be charged and increased over and above the Affordable Rent, subject to the terms of the tenancy.
- 2.16 Affordability checks will be carried out prior to the let of Affordable Rent properties to ensure the prospective tenant's financial situation will enable a successful tenancy to be maintained.

3. Service Charge Policy

- 3.1 Service charges will be raised in relation to maintenance of communal areas and any personal use items provided by the Trust. Residents will not be re-charged service charges for works falling under Southway's statutory duties under section 11 of the Landlord and Tenant Act 1985.
- 3.2 Service charges will be based on actual costs, shall offer value for money and be fair and reasonable. Accurate information will be provided about the calculation of the charges that are levied.

- 3.3 Residents who occupy a block of two or four properties with a single boiler will be charged a variable service charge to reflect their use of gas, assessed via the application of individual property heat meter.
- 3.4 Residents moving into Southway properties after 26 November 2007 will be charged a service charge for:
- Communal facilities, such as cleaning estate and electricity charges,
 - Personal use charges including heating, water, alarm system.
- 3.5 Service charges will be calculated at a level sufficient to recover the estimated direct cost of the service provision and any associated indirect costs such as administration. These will be apportioned in a reasonable manner between the households receiving those services and in accordance with the terms of the tenancy or lease.
- 3.6 For newly developed schemes an assessment will be undertaken to establish whether to apply a variable or fixed service charge. A fixed service charge will be applied where a variable service charge would incur disproportionate costs to administer. In such cases a fixed service charge will be set to recover the estimated service cost and increased annually by the maximum permitted by government regulation.
- 3.7 Service charges will be reset annually in April with reference to projected annual budgets, tenancy/lease agreements, applicable guidance, regulations, legislation and affordability. A management charge of 10% to 15% will be applied or, if lower, the maximum uplift permitted by law.
- 3.8 The Parent Board will be informed of changes to service charges at its first meeting after the amendment is made.
- 3.9 Variable service charge statements for the year to March will be prepared and issued before the end of September. Should any delays occur issuing service charge statements residents will be notified in line with the requirements of relevant legislation.
- 3.10 Where charges are variable the annual statement identifies actual costs incurred, charges levied and the resulting amounts over/under charged. Any overcharged amounts will be returned to residents or an adjustment made to the next year's service charge. Any undercharged amounts will be recovered from residents via a separate sub-account or adjustment to the next year's service charge.

- 3.11 Where a new service is introduced during a rent year the charge will be calculated from the date the new service commences and be reviewed thereafter annually from the next rent review date.

4. Appeals

- 4.1 Rents and service charges may be subject to query or challenge by customers. The calculation of charges as defined in this policy is intended to be fair and transparent. Where calculation is reasonably challenged by a directly affected party, the methodology on calculating the charge will be explained.
- 4.2 Residents have the right to challenge the payability and reasonableness of variable service charges at the First-tier Tribunal (Property Chamber).

5. Responsibility and Reporting

- 5.1 The Executive Director: Finance and Development will be responsible for the implementation, application, and operational review of this policy, and monitoring its legal and regulatory compliance, subject to the approval of the Parent Board.
- 5.2 Rent Conversions will be reported to the People and Places Committee, by the Executive Director - Homes and Communities, as part of the Annual Lettings Report.
- 5.3 Changes in government policy, legislation, accounting guidance, Southway's Business Plan or other relevant factors will be reported to the Parent Board, along with an assessment of their impact and appropriate recommendations as to how to proceed.
- 5.4 It may on occasion be appropriate to set some individual property rents on a different basis to achieve broader strategic objectives. The Executive Director - Homes and Communities has delegated authority to let any property at a rate outside of this rent and service charge policy. Any such occurrence will be reported to the People and Places Committee (Sections 12.2.3 and 12.2.4 of Financial Regulations relates).
- 5.5 As set out in Financial Regulations, the Chief Executive has delegated authority to apply a lower service charge amount. This could arise with regards an exceptional item or unexpected cost, or where the overall rate of increase is judged as excessive, leading to an adverse impact for customers. The basis for the reduction and financial impact is to be reported to Board at

its next meeting, this should include steps to regularise the position and avoid a recurring service charge subsidy in subsequent years.

6. Information and Consultation

- 6.1 Customers will be notified of changes in charges as appropriate and in line with best practice, the Tenancy Agreement and applicable legislation.

7. Related Policy Documents

- Affordable Rent Collection, Arrears and Debt Recovery Policy
- Write Off Policy
- Leaseholder Management Policy
- Shared Ownership Management Policy
- Equalities Scheme
- Customer Care Policy
- Financial Regulations
- Procurement Policy
- Accounting Policies

POLICY REVIEW HISTORY
<i>To be completed during each review</i>

Previous versions

(version number – approved by – approval date – title if different)

V1 – Shadow Board – 25/09/2007

V2 – Board – 24/11/2009

V3 – Board – 21/01/2014

V4 – Board – 13/01/2018

V5 – Board – 19/06/2018

V6 – Board – 12/01/2019

V7 – Board – 18/01/2020

V7.1 Board – 16/06/2020 confirmation that affordable rents plus benefit eligible service charges will continue to be set at the lower of 80% market rent and the LHA (noting that a new higher rate of LHA has been adopted by Government). Affordability checks will be carried out prior to the let of affordable rent properties.

Board 26/01/2021 no changes

V8 – Board – 22/01/2022

- reference to the Regulator's Rent Standard
- clarification in relation to relets of Affordable Rent properties
- minor textual amendments

V9 – Board – 06/12/2022 approved affordable rent at 80% of market value outside Manchester, providing this is in line with the relevant Local Authority definition of affordability.

V10 – Board – 11/06/2024

- Section 2 clarifies Social Rent, Local Housing Allowance, Core Area reworded to be within Manchester, removed references to Welfare Reform and Work Act replaced with maximum increase permitted by government regulation.
- Section 3 Service Charges Policy rewritten including reference to revised annual budget charging cycle and internal audit recommendations.
- Section 5 clarifies per Financial Regulations the Chief Executive has delegated authority to reduce a service charge, reporting any such instance to the Board.
- References to revised Executive structure.

Date of last EIA:	September 2025
Review lead by:	Executive Director: Finance and Development

Main points or amendments made and reasons.

V11 – Board – 25/03/2025

- Revisions to reflect legal advice in the drafting of the policy.
- Section 1 revisions to clarify definitional aspects
- Sections 2.4 clarifies the definition of Formula Rent
- Sections 2.5 to 2.7 reflect the introduction of flexibility on social rent properties approved by Board 18 January 2025
- Sections 2.12 to 2.15 clarify the basis for setting Affordable Rents
- Section 3 revisions to clarify the operation of service charges
- Section 4.2 clarification that tenants and leaseholders have a right to challenge variable service charges

V11.1 - Clarification to remove references leaseholders who have a separate policy, prior to consultation with tenants in June 2025

V11.2 - Clarification that converting properties from Social to Affordable Rent applied to approx. 70 homes, and that this is not part of the current funding regime hence removed from Policy. Updated title Executive Director - Homes and Communities.

Next review due:

Q4 2028/29

Approval level:

Parent Board