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Bromford Group Rent & Service Charge Policy 2022/23

Policy Statement & Purpose.

Bromford is committed to the provision of social and affordable housing at rents which are affordable to our customers. Against this background the aim of this policy is to provide a framework which ensures that rents and service charges are set at a level that:

- are affordable for people in low paid work.
- maintains Bromford's financial viability.
- delivers an economic return to Bromford sufficient to sustain the delivery of high-quality services.
- ensures sustained and effective demand for our homes.
- complies with the regulatory requirements of our regulator- the Regulator of Social Housing (RSH).
- complies with other legislation applicable to Housing Associations.

Scope.

This policy applies to all rents and service charges for all Bromford Group's rental customers including shared owners plus non-domestic accommodation such as rents for garages and commercial shop premises.

Rents.

Legal & Regulatory Requirements.

In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations.

The government policy recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan. The government is looking to the social housing sector to make the best possible use of its resources to help provide the homes that the country needs.

Links to documents.

<https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020>

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Setting rents.

The government's policy on rent setting (the rent standard) covers the following.

Social Rent (General Needs, Housing for Older People and Supported Housing). Bromford set the rent on homes to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level and rent caps. The flexibility allows Bromford to add an additional 5% or 10% (for supported housing) on top of the formula rent, which the group has chosen to exercise. Formula rent plus the additional flexibility is subject to a rent cap which acts as a maximum ceiling on the rent that can be charged and depends on the size of a property. When a property is re-let this is the rent that will apply to the new customer.

Affordable Rent. Bromford set the rent on homes to be let at affordable rent, at 80% of market rent (inclusive of service charges). Bromford limits the affordable rent charged on a property to the LHA rate which is applicable. When a property is re-let to a new customer the rent is re-based on a new market valuation.

Increasing rents.

The government's policy sets out the parameters around increasing rents. From 1 April 2020, registered providers may not increase social and affordable rents by more than CPI (as of September the previous year) + 1 percentage point in any year. This limit is a ceiling and Bromford are free to apply a lower increase, or to freeze or reduce rents, if they wish to do so.

This limit on social rent increases must be adhered to even if a customer's rent is below formula rent, or if a lower annual increase has been previously applied. Bromford limit the increase on affordable rent to LHA rate for the forthcoming financial year.

Other types of rent.

The government's policy statement does not apply to the following categories of low-cost rental accommodation which Bromford owns and operates.

Shared Ownership. Homes where the customer buys a % of the property and pays rent on the remaining % which is retained by Bromford. Rent is set in accordance with the lease and as a percentage of the unsold equity.

Intermediate rent. Bromford Group has a small number of intermediate rent homes. These are schemes developed outside of Homes England investment programmes. Intermediate rents are set at up to 80% of market rent, either inclusive or exclusive of service charges (depending on the agreement) and are capped at LHA rates.

Specialised Supported Housing. This is a subcategory of Supported Housing and is designated for occupation by, and made available to, residents who require specialised services or support. Rents are either set at formula rent + 10% or as per the terms of the licence.

Temporary Social Housing. Accommodation which is made available to a person who would otherwise be homeless. Rents are set at formula rent + 5% or 10% and increased by CPI+1%.

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Care Homes. Establishments that are care homes for the purposes of the Care Standards Act 2000. Rents are set at formula rent +10% discretion.

Fair rents. Any secure tenancies are subject to the Fair Rent Regime, which applies to tenancies which predate the 1988 Housing Act. Bromford has 241 tenancies (as of October 2021) subject to this legislation and do not re-let any homes on this type of rent. These tenancies have their rents reviewed every two years and the rent is registered by the Rent Officer within the relevant local authority. Our policy is to set reviewed rents at the lower of social rent + 5% or 10% flexibility and the rent set by the Rent Officer.

Market Rents. Market rents are calculated on comparison with the local area and reviewed annually.

Mortgage Rescue. Homes that Bromford have bought and then rent back to the owner to prevent them from losing their home. Rent is set at less than market rates in the local area using the Capital Funding Guide.

My Place. There are two different categories. My Place Remodelled, which are old social rent schemes – rents are set at formula +10% and increased by CPI+1%. My Place New Build, rents are set in agreement with the local authority and increased by CPI+1%.

Commercial Units. Rents are set in line with the terms of the lease. The rent is rebased at periodic intervals in line with the lease provision with annual uplifts also agreed as part of the lease.

Garages and Parking Spaces. Rents are set in line with market forces and increased by CPI +1%.

Managed Properties.

Bromford owns properties that are managed externally by other organisations. We still maintain responsibility for setting the rents for these homes and this is either done through applying formula rent + 5% or 10% and increased by CPI+1% or by a commercial lease arrangement.

Conversely, we also manage homes on behalf of other housing providers, in these cases the rents are set by the legal owner of those homes, and we are responsible for collecting the rent on their behalf.

2022/23 Rent increases.

The following table sets out the type of rents that Bromford Group currently uses along with the applicable rate for 2021/22 and 2022/23. Note for 2021/22, CPI (as of September 2021) was 3.1%.

Tenure Type	New or re-let	2022/23 increase	2021/22 Increase
Social Rent (General Needs, Housing for Older People & Supported Housing)	Formula + 5/10% discretion	4.1%	1.5%
Affordable Rent	Up to 80% of market including service charges	4.1%	1.5%
Shared Ownership	As per valuation and share sold	Valuation or lease	Valuation or lease
Intermediate Rents	80% of market excluding service charges	Valuation or lease	Valuation or lease
Specialised Supported Housing	Extra Care: Formula +10% discretion Hostels: As per licence agreement	4.1%	1.5%
Temporary Social Housing	Formula + 5/10% discretion	4.1%	1.5%
Care Homes	Formula + 10% discretion	4.1%	1.5%
Fair Rents (Registered Rent)	No new homes	Fair Rent Regime	Fair Rent Regime
Market Rent	As per valuation	Valuation	Valuation
Mortgage Rescue	As per capital funding guide	4.1%	1.5%
My Place	Remodelled: Formula + 10% discretion New Build: In conjunction with the Local Authority	4.1%	1.5%
Commercial Units	As per lease	As per lease	As per lease
Garages	As per agreement	4.1%	1.5%

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Grey period.

This is the period between January and March when, due to timing, any newly let properties will not receive a rent review letter giving them the legally required notice to changes in their rent for the following year.

During this period, we will continue to let homes on the 2021/22 rent rate. In order to affect the necessary increase and comply with our legal notification obligations both the 2021/22 and the 2022/23 rents and service charges and the dates they are applicable from, are included on either an insert in the signup paperwork or on the tenancy agreement, which the customer is required to sign.

Other Reviews.

The increases in the above table are applicable for the April 2022 rent review. There are 3,243 homes where the lease agreement dictates their rent is reviewed in October 2022. These are Shared Ownership homes, and the rent increase is set out in the individual leases and are index linked.

Bromford also has homes with individual review dates that fall outside of the two main review dates, these are as follows:

Review Date	Scheme Name	Service Charge Review Date	No. of homes Reviewed
30 th April	David French Court	1 st August	6
1 st Monday in July	High Cross Avenue	No S/C	6
31 st July	Lime Grove	31 st July	5
31 st August	Coate Gardens	No S/C	7
1 st Monday in October	Swains Meadow	No S/C	3
31 st October	Saxonbury	1 st April	10
1 st November	Strand Services	1 st November	3
1 st November	Ottersfield	1 st November	45
1 st December	River Leys	1 st December	12

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Service charges.

Legal & Regulatory Requirements.

A service charge is an amount payable by a tenant, leaseholder, or freeholder (customers) as part of or in addition to the rent for services, communal repairs, maintenance, improvements, insurance, or the landlord's costs of management.

Bromford provides services on both a 'variable' and a 'fixed' service charge basis.

A fixed service charge is one where the provisions of the occupancy agreement do not require the service charge to be set on review (usually annually) according to the actual costs incurred. This means that:

- If the service charges are less than the costs incurred, the landlord will have to fund the deficit, but
- If the service charges are more than the costs incurred, the landlord will keep any surplus.

A variable service charge is one where the provisions of the occupancy agreement allow the landlord to change the service charge each year (and perhaps during the year depending on provisions) according to actual costs incurred or estimated. This means that:

- If the service charges are less than the costs incurred, the landlord will be able to recoup any deficit, but
- If the service charges are more than the costs incurred, the landlord will have to refund any surplus.

The Landlord and Tenant Act 1985 limits the amount of service charges payable in that the costs must be reasonably incurred, and works must be of a reasonable standard. Variable service charges are administered in accordance with the provisions set out in the Act. A fixed charge does not benefit from the 'reasonableness' requirement and as such will be interpreted according to the usual principles of contractual interpretation.

The number of customers on each type of service charge (as of October 2021) is set out in the table below:

Legacy Organisation	Fixed		Variable		TOTAL
	Rented	Owners	Rented	Owners	
Bromford	19,537	0	68	6,196	25,801
Merlin	0	0	4,827	776	5,603
Severn Vale	1,109	0	662	160	1,931
TOTAL	20,646	0	5,557	7,132	33,335

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Setting of service charges.

Service charges are set annually for each scheme or building. These will be based on the known costs for each service going forward or based on actual costs of the service for the previous full financial year, plus any assumed inflationary costs and any other information provided, to ensure all costs are covered or recouped.

Bromford will consider any relevant service charge setting provisions set out in the tenancy agreement, lease, or transfer agreement in setting service charges.

Where applicable, amendments to service charges will be carried out as follows:

- Tenancy agreement (tenants/shared owners) – as per conditions detailed within the tenancy agreement and, if applicable, compliance with Landlord and Tenant Act (LTA) 1985 (as amended)
- Lease (leaseholders) – by means of deed of variation and, if applicable, compliance with LTA 1985 (as amended)
- Transfer agreement (freeholders) – by means of a deed of variation, and if applicable, registered with the land registry.

For new homes, charges are only added from the date the property is ready to let and customers moving into that property are only liable for charges from the start of their tenancy.

Apportionment of service charges.

The tenancy agreement or the lease will usually set out our obligations in respect of the provision of services for customers and may include an outline of how the costs of the services are apportioned between customers.

Where there is no specific apportionment method included in the agreement, Bromford will use an “equal split” apportionment method to apportion costs based on the number of homes that receive the service.

Service charges can be apportioned on an estate level, block, or scheme level. Estate level service charges usually relate to works or services that do not touch the building or block. They are external to the building but are within Bromford’s land and the service is available to Bromford customers.

Services that can be charged.

A schedule providing a brief description of common services for which a service charge may be levied is provided as Appendix 1. This schedule is not an exhaustive list and Bromford reserves the right to provide and charge for additional services to those contained in the schedule.

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Service charge subsidies.

Bromford currently has four types of service charge subsidy:

- Section 106 subsidy: This subsidy is applied where Bromford's estimated service charge exceeds the service charge cap on a S. 106 agreement. To comply with the service charge limit set by the S. 106 agreement a subsidy is applied.
- Ok Each Day subsidy: This service replaced pull cords in 2016 in legacy Merlin homes, at the time it was agreed that any existing customer who were self-funded, i.e., not in receipt of Housing Benefit, would have the charge subsidised. This subsidy does not apply to any new customers.
- Legacy Merlin subsidy: When variable service charges were introduced for groups of homes, they were done so on a staged basis with full cost recovery planned over several years and Bromford subsidised the shortfall. Current tenants with tenancies that do not include full recovery of service charges will be subject to an annual decrease in the amount of subsidy they receive. The decrease in subsidy will be no more than £3.00 per week per annum until full recovery is achieved. This subsidy does not apply to any new customers.
- Discretionary subsidy: Exec or the Board can approve a discretionary subsidy to be applied in specific instances where it is thought that charges or uplifts would place an undue financial burden on our customers.

The Executive team will continue to monitor the application of subsidies and the Board may at its discretion amend, suspend, or terminate a subsidy scheme.

Responsibilities.

The board is responsible for this policy.

The Director of Finance is responsible for the implementation of this policy and ensuring it is adhered to.

Risks.

Having an effective rent and service charge setting policy helps ensure the following strategic risks are mitigated.

- Failure to comply with housing law - failure to comply with the housing acts or other legislation results in proceedings against and negative perception of Bromford.
- Ineffective rent and debt management - rising levels of bad debt and/or a decrease in our cash flow caused by ineffective rent and debt management, impact of current economic conditions or implementation of the rent standard.
- Poor leasehold service charge recovery - leasehold service charges not set at an appropriate level and/or recovery rate less than planned.
- Non-compliance with regulatory standards - Bromford fails to comply with the rent standard as set out within the regulatory framework.

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Assurance Framework.

To ensure we comply with the policy (and hence the accompanying legislative and regulatory requirements) we have built controls into the setting and amendment of rents. This includes the following elements:

- The annual rent increase process is treated as a significant project. There are regular project team meetings with all relevant parts of the business represented along with a clear project plan.
- A full check of all rent data is undertaken prior to loading into the housing management system to check movements are consistent with the policy.
- Outliers in service charge increases and decreases are checked and verified to ensure validity of charges.
- Checks are made between correspondence sent to customers and the system to ensure accuracy.
- An independent review checks that the rent increase has been correctly applied through a large-scale analytic review of all movements.
- Only finance staff are permitted to amend rents and service charges within the housing management system. Reports are run throughout the year that show all changes made are consistent with the policy.
- We are alert to any changes to the rent setting framework and will review policies and procedures to reflect changes.

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Appendix 1: Common services that can be charged.

1. Buildings Insurance_

Bromford provides building insurance for all Bromford owned homes. Leaseholders and Shared Owners will be charged for building insurance service charge where stated in their lease.

2. Caretaking services_

This includes the cost of staff carrying out day-to-day cleaning and property maintenance duties to communal areas, such as litter picking. The service charge cost for this item only applies to schemes where the work is carried out.

3. Electricity supply_

This relates to the costs of electricity supplied for items such as lighting in communal areas, cooking in communal areas, laundries, lifts, and door entry systems.

Where electricity supply is provided to individual dwellings, this will be charged to customers as a personal recharge.

4. Water and legionella testing_

Where there is a communal water facility Bromford will charge for the costs of supplying this service. Bromford will also charge for the cost of periodic testing for Legionella.

Where Bromford provides water to individual dwellings, the cost of this will be charged to the individual directly and will be recovered as a personal recharge.

5. Sewage treatment plants and cess pits _

This includes the servicing, maintenance and repairing (where necessary) of sewage treatment plants that are owned by Bromford and serve its homes. The cost for this item is charged to homes that benefit from the service.

6. Communal gas and heating systems_

This may include the cost of provision of heating and/or hot water installations, expenditure on fuel (oil, gas, electricity, or solid fuel) and the cost of maintenance, insurance and depreciation of gas and heating installations owned by Bromford that serve communal areas of its homes.

Leaseholders and Shared Owners will be charged a service charge for the cost associated with communal areas; however, some are responsible for their own individual gas and heating systems.

For tenanted dwellings, the repair and maintenance costs associated with any gas and heating installations owned by Bromford which serves the dwellings are excluded from the service charge because of the effect of s11 of the Landlord and Tenant Act 1985, which means the costs are met from net rent.

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Where Bromford provides heating and/or hot water to individual dwellings, the expenditure on fuel (oil, gas, electricity, or solid fuel) will be charged to the individual directly and will be recovered as a personal recharge.

7. Communal lighting

This includes the cost of maintenance and periodic testing of:

- communal internal lighting (including emergency lighting) in corridors, common rooms, and other communal facilities such as laundry and guest rooms; and
- communal external lighting, including bollards, security lighting, car parks and streetlamps owned by Bromford.

8. Communal cleaning

This relates to the cleaning of the communal areas of a block or scheme. We charge each scheme or block for the cost of providing an agreed cleaning service to that block.

9. Window cleaning

This relates to the cleaning of internal and external communal windows in a block or scheme. Customers are responsible for the window cleaning for their own homes save for where the lease or tenancy agreement states otherwise.

10. Gardening and grounds maintenance

This relates to gardening and grounds maintenance of the external communal areas of the scheme or block. This includes services such as grass cutting, shrub/hedge maintenance, moss spraying, tree maintenance etc.

11. Pesticides and pest control

This relates to the removal and treatment of pest infestation in communal areas.

12. Communal fire detection and firefighting equipment

Recoverable service charge items include the maintenance of fire detection and smoke dispersal systems, the cost of providing fire risk assessments, the costs of servicing fire-fighting equipment, together with their periodic testing and repair and replacement.

13. Lift maintenance

Lift maintenance costs can include maintenance and repair. These costs are divided equally between the homes in the scheme or block, including those on the ground floor. Likewise, the cost of maintaining a communal stair lift will be included in the service charge for those blocks or schemes that have a stair lift regardless of how many residents that use the stair lift.

Stair lifts fitted within individual homes which are owned by the customer, including those funded through a disabled facilities grant, are the responsibility of the customer to maintain.

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Where stair lifts fitted within individual homes are owned by Bromford, the costs for maintenance and repair may be charged to the individual customer as a personal recharge.

14. Door entry, smoke, and fire alarm systems_

This relates to the cost of providing, maintaining, testing, and repairing door entry, smoke, and fire alarm systems in communal areas.

Where the service is provided to individual homes, the cost of the service will be charged to the customer as a personal recharge.

15. CCTV maintenance_

This relates to the cost of provision and maintenance of CCTV systems in communal areas.

16. TV aerial / satellite_

In those homes served by a communal TV aerial system the cost of maintaining a central amplifier and electricity supplied to central amplifiers or satellites are recoverable service charge costs.

Where a television is provided in a communal lounge for the benefit of all customers, then the licence fee is collected through the service charge.

17. Laundry equipment, white goods, and specialist equipment_

Where communal laundry equipment, white goods, and other specialist equipment such as in a scooter room, is provided, the cost of maintenance, servicing, testing, or repairing the equipment will be recovered as a service charge.

18. Provision charge_

This relates to the cost of future renewal or replacement of plant, machinery, and other assets which Bromford may need to repair, replace, or renew during or at the end of the asset's life span, such as:

- door entry systems
- boilers serving common parts
- emergency lighting
- fire alarms and equipment
- carpets and floorings to common parts
- communal kitchen equipment and facilities
- CCTV systems
- TV Aerials
- Hard landscaping to walkways/paths/communal parking areas
- Fence/wall and gates
- Signage
- Furniture

This is not an exhaustive list.

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The charge for this item will be based on the cost of each item divided by its estimated life span.

19. Reserve fund_

We may also set up a general reserve fund as part of the annual service charge. This will be used for internal and external decoration / cyclical maintenance and will normally only be charged to leaseholders and shared owners. However internal decoration deemed to be over and above the normal cyclical requirement can be charged to all customers.

20. Sinking funds_

Where the lease provides for it, sinking funds will be set up for leaseholders and shared owners to provide for communal items which will only need replacing once or twice over a long period of time. Items for replacement may include additional items depending on the terms of the Lease or Transfer agreement, but in most cases, these may include:

- Roof
- Lifts
- Sewage plants

Sinking funds are calculated in the same way as depreciation of items following a full property survey and estimation of the life of the components. However, contributions may be reviewed and amended as appropriate. This is to prevent a shortfall in the fund when an item is due to be replaced, where the original estimated replacement costs may have since increased. Interest should be added into the fund at the prevailing rate.

Contributions to the sinking fund will be identified separately. Customers will be provided with a statement of the sinking fund account at the end of each financial year.

21. Usage charge_

Usage charges can be applied to all tenures to cover the replacement of smaller items in common areas. Charges are based on ensuring items are 'fit for purpose' and items are replaced as and when necessary, rather than at the end of their life. Charges are calculated based on the items currently provided, using the depreciation method with the addition of RPI each year.

Items may include:

- Furniture & furnishings
- Electrical goods

22. Estate management charge_

This relates to the cost of day-to-day works and repairs carried out to the communal areas of a property's estate subject to the restrictions of S. 11 of the Landlord and Tenant Act 1985. This can include works such as removal of graffiti, removal of fly tipping, repairs to bollards, fences, potholes etc.

Where a customer is responsible for causing damage that requires works to be carried out to a communal area and Bromford can correctly identify the customer, the cost of the work will be charged to the customer as a personal recharge.

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23. Block management charge_

This relates to the cost of day-to-day works and repairs carried out to the communal areas of a block subject to the restrictions of S. 11 of the Landlord and Tenant Act 1985. This can include works such as repair of communal door, decontamination of refuse bins, replacement of light bulb etc.

Where a customer is responsible for causing damage that requires works to be carried out to a communal area and Bromford can correctly identify the customer, the cost of the work will be charged to the customer as a personal recharge.

24. Enhanced housing management_

Tenants may receive intensive housing management services. The costs incurred for the provision of the service is a recoverable service charge. Intensive housing management services include a wide range of services provided by Bromford that are deemed to be over and above the services provided for a basic tenancy.

The services must be linked to providing adequate accommodation for the customer, considering any needs they may have. The services provided will not be funded elsewhere.

25. OK_Each_Day_

Tenants in sheltered housing receive OK Each Day, a daily contact system that provides tenants with a way of letting Bromford know every day if they are okay in their home and if not, we can summon assistance for the customer 365 days of the year.

26. Management Costs_

Bromford is entitled to charge a fee to cover management costs. Bromford currently have various methods of calculating this cost, inherited from legacy organisations. Bromford will continue to monitor its management charge to ensure full and proper recovery of management costs.

27. External Management Company.

Sometimes with new development schemes, Bromford may be charged a third-party management charge which would be passed on to customers as a separate service charge that is not covered under Bromford's management costs.