



Rent and Service Charge Affordability Policy



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1. Purpose

- 1.1 The purpose of this policy is to set out Tai Tarian's approach to local rent and service charge setting.
- 1.2 Contract-holder feedback has informed the policy's affordability principles, which have been adopted to achieve outcomes focussed upon value for money, fairness and sustainability.

2. Policy Statement

- 2.1 Tai Tarian is firm in its commitment to working with contract-holders and stakeholders to set rents and service charges that are affordable.
- 2.2 Tai Tarian takes into account contract-holders' views, local circumstances, including income levels, and wants to ensure that rents and service charges deliver value for money. Rental and service charge income is essential for Tai Tarian to provide vital services to the contract-holders we support and to continue to build and invest in high quality homes.
- 2.3 Affordability is important because Tai Tarian wants to sustain occupation contracts, as well as make effective and efficient use of the income received from rents.
- 2.4 In addition to affordability and value for money considerations, rent and service charge setting impacts on the viability and sustainability of the organisation.
- 2.5 Tai Tarian acknowledges the 'Living Rent Model' which sets a maximum ratio of income that should be taken up by housing costs; which is not more than 28% of net income for rent only and up to 33% where service charges are included.
- 2.6 The development of a local rent and service charge setting policy is acknowledged as a process that will evolve as both sector wide and local information continue to become available.

3. Co-design Approach

- 3.1 This policy draws upon a co-design approach, which ensures that all of the assets available are fully utilised.

- 3.2 Contract-holders including our Academy, staff and board members are involved with the affordability work.
- 3.3 The co-design work during 2019, including an online survey sent to 7275 contract-holders, confirmed that 93% (1391) of contract-holders believed that rents were affordable and 90% (1353) would recommend Tai Tarian to others. 1498 contract-holders responded to the survey which represents a 17% response rate when compared to our total contract-holder population of 8800 or a 20.6% response rate when compared to the number of people sent a direct link to the survey.
- 3.4 During 2021, an online survey sent to 3,655 contract-holders with a service charge confirmed that 81% (401) believed that our service charges were affordable and 70% (346) believed that our service charges provide value for money. 492 contract-holders responded to the survey which represents a 13.5% rate when compared to the number of people with a service charge sent a direct link to the survey.
- 3.5 A rent and service charge cost of living survey was issued and a co-design session held in October 2023. Texts with a link to our survey were sent out to 8,016 contract-holders. 1030 contract-holders responded to the survey which represents a 11% response rate when compared to the total contract-holder population of 8,944 or a 13% response rate when compared to the number of people sent a direct link to the survey.
- 3.6 Face-to-face co-design sessions have also taken place with contract-holders and members of the Academy, as well as attendance at community events and our Haven housing schemes, with the feedback informing the development of the rent and service charge principles.

4. Principles

- 4.1 Tai Tarian's affordability principles share the same basis as the draft sector-wide affordability principles which have been produced and they are as follows:
- **Affordable:** We will consider the total costs of renting homes and incomes to understand what is affordable for our contract-holders, and ensure that contract-holders have the greatest opportunity to sustain their occupation contracts and thrive.

- **Sustainable:** We will set rents that allow us to continue to provide high quality, safe, warm homes for the people who need them in the communities we serve.
- **Engage:** We will involve contract-holders to develop and review our approach to rent setting; and inform our decisions on rents.
- **Fair:** We will work to ensure that rents and other charges are set fairly and our homes and services represent value for money.
- **Accountable:** We will be open, transparent and accountable when we make decisions on rents.

4.2 The basis for Tai Tarian’s co-designed principles commenced during 2019, with some further work carried out to refine Principle 2 during 2020. The basis has continued to evolve, with a service charge principle developed during 2021. The principles are as follows:

- **Principle 1:** We will assess our rents against market rents and agree a proposal based upon the results.
- **Principle 2:** Our rents will be affordable in line with the Living Rent Model for households with contract-holders who earn a low wage.
- **Principle 3:** Our rents will take into consideration the number of bedrooms within the property. We will consider the feasibility of introducing a minimum size bedroom requirement.
- **Principle 4:** We will set out what contract-holders will receive for service charges, and will ensure the amount is fair, reasonable, and provides value for money.

5. Rent Setting Arrangements

- 5.1 Tai Tarian is required to make an assessment of cost efficiencies, value for money and affordability for contract-holders when setting rents.
- 5.2 Tai Tarian takes account of the Welsh Government’s rent policy, which was released in 2020 for a 5 year period. The policy sets the total maximum rent envelope increase per annum at CPI+1%.

- 5.3 Should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing will determine the appropriate change to rent levels to be applied for that year only.
- 5.4 The level of rents for individual contract-holders can be reduced or frozen or can rise by up to an additional £2 over and above CPI+1%, on condition that total rental income collected increases by no more than CPI+1%.
- 5.5 A range of data sources, as set out in Community Housing Cymru's Rent Affordability Tool, are taken into account when considering the uplift to be made to each property type. This includes the Annual Survey of Hours and Earnings (ASHE) table, together with household composition to calculate an individual's income. The Organisation of Economic Co-operation and Development (OECD) Modified Equivalency scale is applied to calculate household income scenarios.
- 5.6 The data sources referred to above allow Tai Tarian to test that we can fulfil the requirements of the 'Living Rent Model' (28% of income for rent and 33% when inclusive of service charges).
- 5.7 Data is also used to help assess how Tai Tarian compares with private sector rents and average *social landlord rents so as to ensure the rents set are affordable and fair.
- 5.8 Feedback from contract-holders enables 'the contract-holders' voice' to test and challenge our rents against the data sets used. For instance, what impact the rent setting process should and will have for different sized properties and if there are any re-distribution requirements which need to be factored in.

6. Service Charge Setting Arrangements

- 6.1 Tai Tarian seeks to recover the cost of providing services over and above those covered by the rent through the application of a service charge.
- 6.2 Service charges for properties are charged on a financial year. The charge is based on the actual charge for the previous calendar year January – December.
- 6.3 Charges will only be changed once a year, unless Tai Tarian introduces a new service via consultation.

- 6.4 Service charges will be set based on a budget for the coming year, which takes account of the forecast actual cost of providing and maintaining the agreed services, and replacement equipment. The budget will also include a 15% administration fee on all items.
- 6.5 Tenancies (now known as occupation contracts) that were entered into prior to and including 25th April 2015, depending upon the type can operate a variable or fixed service charge. Those post this date can operate a fixed service charge.
- 6.6 Service charges are for services deemed essential for the occupation of the property e.g. in Haven schemes, the provision of emergency alarm systems and a cleaning service in communal areas. Other services may be appropriate because they improve the quality of life, e.g. window cleaning. A complete list of services is set out in the Service Charge Procedure.
- 6.7 Service charges are considered on an individual property and where appropriate scheme basis, taking account of the needs of the contract-holders, the need to keep costs to a minimum, and any additional charges for Managing Agent services.
- 6.8 Contract-holders' views will be taken account of in the provision of all services in terms of their necessity, affordability, and value for money. Co-design and consultation provide opportunities to improve service delivery by tailoring services to what contract-holders want and are prepared to pay for.
- 6.9 All information provided for contract-holders, including a service charge service level agreement, will be presented in a clear and understandable format.
- 6.10 Contract-holders have a statutory right to request a written summary of service charge costs.
- 6.11 Contract-holders have the right to inspect and take copies of supporting documents such as invoices and receipts. Tai Tarian will make this information available within 28 days of the request for the information.
- 6.12 Any contract-holder wishing to query or discuss their service charge should in the first instance contact their Housing Officer.

7. Policy Review

7.1 This policy will be monitored on a regular basis to ensure it remains fit for purpose, reflects our practices and any changes in legislation.

8. Welsh Language Implications

8.1 This policy complies with our Welsh Language Scheme.

9. Equality Implications

9.1 We support and promote equality of opportunity for all contract-holders under the Equality Act (2010).

9.2 A cross section of contract-holders completed the affordability survey administered during 2019, 2021 and 2023 in terms of age, working and non-working, and geographical spread across the County Borough.

10. Accessibility

10.1 A copy of this policy will be made readily available to stakeholders on the website. We will in all reasonable circumstances make information available in a variety of information formats, including: large print; audio media; and other languages.

11. Links to other documents

- Independent Review of Affordable Housing Supply – Government Response Roadmap (July 2019)
- Regulatory Assurance Plan
- CHC Rent Affordability Tool
- JRF Poverty in Wales 2020
- Altair / CHC: A local approach to setting rent including JRF Living Rent Model
- Service Charge Procedure Manual
- Process map for service charges – ‘Annual calculations’

*Registered social landlord (RSL) and housing association are terms in use within the housing sector. The Renting Homes (Wales) Act 2016 has introduced the term ‘community landlord’ which is primarily local authorities and registered social landlords