

## Training session 05

---

# Your landlord and your money

June 2025

---

**These notes are part of a series of 10 training sessions**

- 01 Know your social housing rights
- 02 The standards your landlord needs to meet
- 03 Your landlord and the law
- 04 Equality and diversity in social housing
- 05 Your landlord and your money
- 06 Awaab's Law – making your home safer, faster
- 07 Handling your complaints
- 08 Working with your landlord – resident panels
- 09 Running your residents' association
- 10 Access to information (coming soon)

# Contents

---

Sources of income	2
Value for money	3
What is rent and service charge spent on?	4

# Sources of income

Landlords have a diverse range of ways in which they make income:

**Rent** – generally social housing rents are set in accordance with government policy as defined within the Rent Standard and can only be increased once every twelve months. The requirements of the Rent Standard are:

- Compliance with Government directives on social housing rents and affordable rents;
- “Affordable rents” – are set at 80% of gross market rents – where valuations are done to RICS standard;
- This does not apply to a “high income social tenant” (HIST) households earning £60,000 or more, where the Registered Providers can charge market rent, and other forms of housing than low-income rental housing;
- Explanation of how rents and service charges are set must be provided to residents.

**Service charges** – generally service charges are a recharging of actual costs incurred by a landlord based on forward estimates and subsequent adjustments. Landlords must produce annual statements for service charges and be able to demonstrate that they have applied fair accounting principles to the way in which costs have been allocated and any overheads accounted for.

**Voids and bad debt allowances** – these are an expected level of income loss that a landlord will allow for based on periods when tenanted properties are empty (void loss) and rent and service charge arrears written off (bad debts).

**Recharging and major works** – landlords will often recharge the cost of works to residents where responsibility for a specific repair lays with the resident. Where there are leaseholders and shared-owners, landlords will recharge an appointed cost of major works programmes alongside service charge billing.

**Insurance** – income from insurance settlements where repairs are covered by the landlord’s insurance policy.

**Sales and disposals** – income from selling homes to residents, other landlords or disposing into the private market.

**Capital grants and loans** – landlords will also be in receipt of grants to build new homes and upgrade existing homes which will be matched alongside debt finance from banks and capital markets.

# Value for money

The Regulator of Social Housing set expectations for housing associations (not Councils) through its Value for Money Standard and the associated Metrics that are designed to give transparency; however, is this how residents measure value?

## Value for Money metrics

The Regulator of Social Housing has set a series of Metrics that all Registered Providers must measure and report against; these are laid out and explained below. The information needed to calculate each of these metrics can be drawn from the Registered Provider's annual accounts.

- Reinvestment – this measures the total amount spent each year on new and existing homes as a percentage of fixed assets;
- New Supply (Social Housing Units) – this measures the number of new social housing homes a Registered Provider has built each year as a percentage of its total number of homes;
- New Supply (Non-Social Housing Units) – this measures the number of new non-social housing homes a Registered Provider has built each year as a percentage of its total number of homes;
- Gearing – this measures the amount of debt a Registered Provider has as a percentage of its fixed assets;
- EBITDA MRI Interest Cover – this measures the net income of a Registered Provider each year as a percentage of the interest it paid;
- Headline Social Housing Cost – this measures the per property cost of providing housing management services;
- Operating Margin (Social Housing Lettings) – this measures the surplus that a Registered Provider creates each year as a percentage of its income from social housing lettings;
- Operating Margin (Overall) – this measures the surplus that a Registered Provider creates each year as a percentage of all its income;
- Return on Capital Employed – this measures the surplus that a Registered Provider creates each year as a percentage of its current value.

## What is rent and service charge spent on?

Figures for housing associations are collated and published by the Regulator of Social Housing in their annual *Global Accounts for Private Registered Providers*; figures for Councils are not so easy to access in a global format. However, all landlords spend rent and service charges under the same categories:

- Major works expenditure – capital expenditure on existing homes and neighbourhoods;
- New development and financing costs – capital expenditure on building new homes and the fees associated with the debt finance that funds this development;
- Existing property and building costs – routine and planned maintenance;
- Estate costs – grounds maintenance, cleaning, caretaking and other services;
- Office costs and other overheads – salaries and on costs, rent, business rates, utilities and general overheads;
- Professional fees – legal, accountancy, technical and consultancy fees;
- Resident involvement and subscriptions – resident surveys and engagement, membership fees and other subscriptions;
- Debt – capital repayments of historic debt;
- Depreciation and impairment of housing properties.

The table below is extracted from the Global Accounts for Private Registered Providers and illustrates the consolidated income and expenditure for the housing association sector.

<b>£1billion</b>	<b>2024</b>	<b>2023</b>
<i>Income</i>		
Rents	16.5	15.2
Service charges	2.0	1.7
Capital grants	0.5	0.5
Other and revenue grants	0.3	0.3
<b>Turnover from social housing lettings</b>	<b>19.3</b>	<b>17.7</b>
<i>Expenditure</i>		
Management	3.7	3.4
Service charge costs	2.6	2.3
Routine maintenance	3.4	3.0
Planned maintenance	1.3	1.3
Major works expenditure	0.8	0.7
Void and bad debts	0.4	0.4
Depreciation and impairment of housing properties	2.9	2.7
Other costs (including lease costs)	0.4	0.4
<b>Expenditure on social housing lettings</b>	<b>15.1</b>	<b>13.9</b>
<b>Operating surplus on social housing lettings</b>	<b>4.2</b>	<b>3.8</b>