

TOPIC: Rent Policy

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Code: HM05

THE PURPOSE

The Policy is designed so that Rents are set at a level that provides a reasonable balance between affordability for the tenants and the needs to ensure the Association's continued viability.

1. INTRODUCTION

Shettleston Housing Association operates in accordance with;

- Statutory requirements,
- The standards set down in the Scottish Social Housing Charter,
- The requirements of the Scottish Housing Regulator,

in the formulation and implementation of all its policies. SHA seeks to fulfil its Corporate Aims through the development and implementation of its policies and all SHA's policies operate to achieve its Strategic Objectives as set out in its Internal Management Plan.

2. EQUALITIES AND DIVERSITY

SHA is committed to providing equality of opportunity to all persons or groups within its area of operations in every aspect of its activities.

In operating this policy SHA will endeavor to ensure, equality of opportunity for all, at all times, and in all circumstances. The potential impact of this policy, either positive or negative, on any protected characteristics, was considered when developing this policy. This Equality Impact Assessment is attached to the policy.

In line with this commitment to equality, this policy, and any summary or information leaflet, can be made available, free of charge, in a variety of formats including; large print, translation into another language or audio tape.

3. ACCESS TO POLICY INFORMATION

SHA will ensure that its policies are made fully available to all tenants, applicants, members, persons or groups within its areas. Every effort will be made by SHA to support access and promote awareness of its policies by posting these on its website, developing summaries, guidance and information leaflets as appropriate.

4. TENANT INVOLVEMENT AND CONSULTATION

SHA is committed to meet the requirements of the Housing (Scotland) Act 2010 in all of its policies and to meet the requirements of the Scottish Social Housing Charter. SHA will involve tenants in the development of its policies and seek feedback in appropriate circumstances. It will ensure that any material change to services affecting tenants in this and other policies will be the subject of consultation.

5. POLICY MONITORING

SHA is committed to ensure that adequate monitoring of the implementation of its policies is undertaken. This will be achieved through regular review by the Management Committee, customer/tenant feedback surveys and regular consultation with tenant/resident groups.

6. RISK MANAGEMENT AND ASSESSMENT

SHA has a detailed Risk Management Policy in place and it will assess the risks to the Association in the implementation of each of its policies as part of its risk management strategy.

7. PROCEDURES

SHA will develop a detailed set of procedures identifying actions, roles and responsibilities in the implementation its policies. These procedures will be subject to regular review and audit.

8. TRAINING

SHA will ensure that its staff are properly trained in terms of their knowledge and understanding of statutory requirements and the requirements of the Scottish Social Housing Charter pertaining to its policies. It will ensure that appropriate staff are kept up to date with all procedures pertaining to the implementation of policies. The Management Committee will have access to training to ensure that it can maintain appropriate control and overview of the policy and procedures.

9. PURPOSE OF THE POLICY

The purpose of this Policy is for rents to be set at a level that provides a reasonable balance between affordability for our tenants and the need to ensure the Association's continued financial viability.

10. RENTS

This Rent Policy seeks to outline the seven rent systems which are in operation concurrently across the Association's stock of rented dwellings.

A separate section within the policy document is given over to each of these systems as follows:

Section 11	:	SST Rents for improved/new build to October 1996
Section 12	:	SST Rents for improved/new build from November 1996
Section 13	:	SST Rents for all new tenants from 1st April 2015
Section 14	:	Stock Transfer, Fair Rents and Mortgage to Rent Properties
Section 15	:	Sharing Owners
Section 16	:	Rents for Leased Housing
Section 17	:	Review
Section 18	:	Tenant Consultation on Annual Rent Increase

11. SST RENTS FOR IMPROVED/NEW BUILD TO OCTOBER 1996

11.1 Introduction

In setting rents for SST tenancies the Association requires to consider:

- Its aims and objectives
 - The needs and resources of existing and future tenants
 - Statute and The Scottish Housing Charter
 - SFHA Guidance
- a) The Association wishes to contribute to the regeneration of the Shettleston. It regards its principal contribution to this as being the provision of good quality rented housing at affordable rents for those who wish to live in Shettleston. In support of this the Association lets its houses from an open waiting list which emphasises housing need as the basis for allocation.
 - b) The Association has carried out a series of Income and Household Surveys to establish the income levels and resources available to existing tenants, and the Association will monitor the resources of future tenants through participation in SCORE (Scottish Continuous Recording).
 - c) In setting its rents, Shettleston must conform to The Scottish Housing Charter, as required by section 31 of the Housing (Scotland) Act 2010, the Scottish Ministers, in this Scottish Housing Charter, set the standards and outcomes that all social landlords should aim to achieve when performing their housing activities.

Section 14 and 15 of the charter sets out the standards and outcomes required when dealing with rent and service charges.

- *A balance is struck between level of services provided, the cost of the services and how far current and prospective tenants and service users can afford them.*

- *Tenants get clear information on how rents and other money is spent, including details of individual items of expenditure above thresholds agreed between landlords and tenants.*
- d) Consideration has also been given to the guidance contained in the SFHA's Rent Setting Guidance (January 2010)

11.2 **General Policy : Rent Fixing Structure**

The Association has, by reference to its own income and expenditure figures, and tenant income information established **average** SST rents which if applied equally across the relevant Association stock will be sufficient to cover the Association's costs **and** be affordable to existing and future clients.

To these average rents the Association will then apply a number of agreed standard variables relating to the amenity and characteristics of a particular property. These variables are expressed as positive and negative percentages.

The Association will review the average rents on an annual basis.

11.3 **Average Rents**

a) **Costs**

The Association requires to set rents which are sufficient to cover the following costs:

- Management
- Maintenance
- Loan Charges
- Void and Bad Debt
- Planned Maintenance

b) **Services**

In addition to covering the cost of providing and managing the accommodation the Association also needs to recover the costs of providing any additional services.

The following services may be provided:

- Close Cleaning
- Backcourt Maintenance
- Garden Maintenance
- Common Ground Maintenance
- Furniture
- Window Cleaning

Where such a service is provided the Association will separately identify the cost of provision. The Association undertakes to ensure that any service continues to be **offered** and represents good value for money and shall incorporate obtaining views on service performance as part of the annual consultation process. These views will be used to supplement other feedback received throughout the year.

11.4 **Affordability**

In guidance to housing Associations on rent setting, SFHA recommend the following affordability measure:

“For a rent (including service charges) to be affordable, households with one person working 35 hours or more should only exceptionally be dependent on Housing Benefit in or to pay it”

11.5 **Comparability**

The Association will monitor its assured rents in order to compare them against similar properties i.e.:

- Shettleston and other housing association SST & SST (FAIR RENT) rents
- Glasgow Housing Association Rents

The Association is of the view that the rented private sector is insufficiently large in the area to warrant consideration and that the costs of owner occupation are inappropriate for the purposes of comparison.

11.6 **Individual Rent Fixing**

On the basis of an analysis of the Association's stock by house type and amenity, the following base rents will apply:

The following additions or deductions will apply, depending on the individual characteristics of the property:

Kitchen:

Breakfast-bar type	-	minus	2.5%	2 apt
	-	minus	7.5%	3 apt
Internal	-	minus	5%	3 apt
	-	minus	7.5%	4 apt
Galley	-	plus	2.5%	2 apt
	-	minus	2.5%	4 apt
Dining	-	plus	5%	2 apt
	-	plus	2.5%	3 apt

Heating:

Full Central Heating	-	plus	10%	
Part Central Heating	-	plus	7.5%	
MVHR	-	plus	2.5%	
(Whole House Heat Recovery Ventilation Unit - All New Build since 2013)				

Dwelling type:

Mid-terraced house	-	plus	7.5%
End-terraced house	-	plus	10%
Maisonette with own front door	-	plus	5%
Wheelchair standard	-	plus	5%
Ground floor flat	-	minus	5%
Cottage Flat	-	plus	5%

Bathroom:

Internal	-	minus	1%
Shower only	-	minus	2.5%
Additional w.c.	-	plus	1%

Windows:

Double/Triple Glazing	-	plus	5%
Part Double Glazing	-	plus	2.5%
Original Condition	-	minus	2.5%

Garden:

Large back and front garden provided	-	plus	7.5%
Small back and front garden only	-	plus	5%
Car Port	-	plus	4%
Patio at rear	-	plus	3%

Space Standards:

Single Bedroom (less than 10 sq m)- Less than standard	-	minus	2.5%
Laid down in Housing (Scotland) Act 1987	-	minus	5%

SECTION 12 SST RENTS FOR IMPROVED/NEW BUILD FROM NOVEMBER 1996**12.1 Introduction**

In 1996 the Association took the decision that all new build developments post 1996 should be set 7.5% above the base rent for similar properties with the Associations stock.

This decision was taken to accommodate downward pressure on HAG and increased development costs across the wider Glasgow area.

12.2 Affordability

Investigation was undertaken by the Association as to the "Affordability" effect of such increased rents by means of a SCORE analysis of all new lets from April 1996. The increased average "base" rents did not affect the Affordability results, and the base rents Appendix 1 were approved.

12.3 Individual Rent Fixing

Base Rents for Development Programme Completions from November 1996 i.e. includes 7.5% Additional for New Build - **SEE APPENDIX 1**

Additions or Deductions are applied in the same way as described at Section 11.6.

* In relation to the New Build Development at Glenalmond Street an addition has been made to base rent to take account of projected charges for use of the Communal Heating System.

12.4 Rent Statements

Rent Statements will be made available to all tenants on request. Tenants will be sent a copy of their Rent Statement annually. This will be done in June of each year, 3 months after the annual rent increase in April.

SECTION 13 SST RENTS FOR ALL NEW TENANTS FROM 1ST APRIL 2015

13.1 Introduction

In December 2014, the Association consulted with its tenants on changes to the rent policy and following the consultation took the decision that for all new tenants of the Association from 1st April 2015, there would be an increased base rent figure.

13.2 Affordability

Investigation was undertaken by the Association as to the "Affordability" effect of such increased rents by means of a SCORE analysis of all new lets from April 2014. The increased average "base" rents did not affect the Affordability results, and the base rents in Appendix 1 were approved.

13.3 Individual Rent Fixing

Base Rents for all new tenants from the 1st April 2015 are set as per **APPENDIX 1**

12.4 Rent Statements

Rent Statements will be made available to all tenants on request. Tenants will be sent a copy of their Rent Statement annually. This will be done in June of each year, 3 months after the annual rent increase in April.

SECTION 14 STOCK TRANSFER, FAIR RENTS AND MORTGAGE TO RENT PROPERTIES

Stock Transfer, Fair Rent and Mortgage to Rent Properties

14.1 Contractual Rents

Some of the Association's properties were acquired through stock transfer. The rules relating to these properties have been, or are, at variance with aspects of this policy. This section addresses these variations.

Until April 2015 the rents applicable to these properties reflected the historic rents which applied at the point of transfer. In some cases these rent levels were higher than would be applicable on the basis of the Association's Rent Policy, in others they were lower. In all cases the Association applied the same annual rent increase as was applicable to the rest of its stock.

From April 2015 the Association will apply new rents on re-lets on the basis of this Rent Policy irrespective of whether that will result in a higher or lower rent than is the case on the outgoing rent. The Association's intention is to standardise its rents as much as is possible.

There is one exception to this arrangement i.e. Inter war tenement properties transferred to the Association from GHA in 2009. In these properties the Association made clear that it would apply rents based on its own Rent Policy on all relets. However from this general provision it excluded the rents applicable to tenants of such properties, as at the transfer in March 2009, who subsequently transferred from within the other ex GHA interwar tenement properties. This was set out as a commitment to tenants as part of the stock transfer.

This same exclusion will continue to apply.

14.2 Fair Rents

As at 2015 i.e. the date of revision of this Policy, the Association still has a small number of fair rent tenancies within its stock. These fair rents are re-registered by the Rent Officer and apply for 3 years. When proposing a Fair Rent the Association will use the current base rent plus adjustments for property characteristics and will apply an increase equivalent to twice the most recent annual rent increase, thereby maintaining parity with rents set directly by the Association.

Fair rents are applicable to the individual tenancy and will end at the end of that tenancy. They will not carry over to any new tenancies, including assignation or succession arising from the current fair rent tenancy.

In the event of the rent registered by the Rent Officer is less than that proposed by the Association by more than **£150** per annum, the policy will be to appeal the matter through the Rent Assessment Committee.

14.3 Mortgage to Rent

The Association has acquired a small number of properties via Mortgage to Rent legislation in which the rents are set from the outset on the basis of a standard formula designed to ensure that the rent is sufficient to cover the private finance costs involved in the transfer. It follows that these rents can be, and usually are, at variance with Association rents set on the basis of this Policy.

It is the Association's policy that these opening rent levels will continue to be applied, subject to agreed annual increases.

SECTION 15 SHARING OWNERS

15.1 Introduction

The Scottish Government Housing Investment Guidance Note (SHGN 2012/02) sets out the way in which rental values should be calculated for Shared Ownership properties. There are currently 47 Shared Ownership Units within the Association's stock.

15.2 Rental Calculation: Specified Rent

Associations are required to set a rent on the portion of the property to be rented by the sharing owner. This is called the specified rent, and the method to be applied is as follow:

- 6.1 Calculate full SST Rent for the property (per Section 2 or Section 3 of this policy)
- 6.2 Deduct notional maintenance allowance from relevant current guidance.
- 6.3 Deduct notional management allowance from relevant current guidance.
- 6.4 Pro rota remaining balance (the Basic Rent)

ADD

- 6.5 Management Costs
- 6.6 Factoring Fee
- 6.7 Buildings Insurance
- 6.8 Service Charges (if appropriate)

15.3 Staircasing

Should a Sharing Owner elect to buy a further share of the property, the Shared Ownership rent must be re-calculated to reflect the reduction in the rented share.

If the date of a staircasing transaction coincides with the rent review date, the rent must be assessed and the new apportioned to reflect the reduction in rented share.

SECTION 16 RENTS FOR LEASED HOUSING

16.1 Introduction

The Association lets a number of properties to other organisations. The form of these arrangements entered into vary. All of the arrangements exist where the Association wishes that the property should be used for providing special needs housing with an element of support **and** where the Association feels that this can most appropriately be done by letting the property to another organisation which has specialist skills in providing and managing the type of supported housing in question. Any such arrangements must confirm to SHGN 93/18 (Lease of Housing Association property Section 66 Consent).

Earlier Sections of this Policy outline how the rent setting methodology adopted by the Association. However, it is not always appropriate for rents set under this policy to be applied to those properties.

In setting rents for those arrangements the Association will be concerned with:-

1. The extent to which rental income will cover the Association's costs.
2. The Affordability of charges made to scheme residents.

The Association's costs will vary from scheme but will fall into the following areas:-

a. **Management Costs**

These will be largely determined by the extent to which the Association retains responsibility through the let for the housing management/support arrangements within the project.

In most of these arrangements the Associations input will very possibly be less than would be the case with directly tenanted property. The management cost element will be set at a level to cover the actual costs involved in this area; including the costs of insuring the building, administering and servicing the various requirements of the individual arrangements etc.

b. **Maintenance Costs**

Again an element should be included within the rent to cover the anticipated costs of carrying out repairs and maintenance in accordance with the obligations of the agreed let.

c. **Life Cycle Provision**

The Association will identify the amount that will need to be set aside from the rent each year to cover anticipated future major repairs.

d. **Residual Loan**

Where the scheme has not been 100% HAG funded the rent charged will also need to cover the specific costs related to repayment of any private finance loan.

e. **Service Charges**

In some circumstances the Association incurs costs in providing/maintaining services beyond the provision and management of the living accommodation covered by the agreement e.g. carrying out landscape maintenance, maintaining a lift or intruder alarm system. These costs will be separately identified and added to the rent.

16.2 **Affordability**

In arrangements the rents charged to the residents will be set by the lease organisation and will take into account that organisation's need to cover the Association's rent and all other costs incurred by it in managing the scheme and supporting the residents.

The Association, in setting its rent, will be conscious of the effect that the rent level might have on the Affordability or otherwise of the resident's charges.

While it is recognised that the issue of Affordability is far more complex in special needs housing the Association will be anxious to ensure, in negotiating lease arrangements, that as far as possible charges are set at a level which do not cause financial hardship to potential residents.

16.3 Reviewing Rents subject to External Management Arrangements

Rents will be reviewed each year with effect from 1st April. Any changes in the rent will be determined by changes in the Association's costs.

SECTION 17 REVIEW

With the exception of SST (Fair Rents), the Association will review all its SST rents on an annual basis with a view to adjusting them on the 1st April each year. The review will take into account both costs incurred over the previous 12 months and reasonably anticipated costs over the coming year.

SECTION 18 TENANT CONSULTATION ON ANNUAL RENT INCREASE

The Association is obliged to conform to the statutory requirements of the Housing (Scotland) Act 2001 at they relate to Tenant Participation and Consultation. A specific requirement in this regard relates to the need for us to conduct a consultation exercise in relation to our proposed Annual Rent Increase.

The Consultation exercise will be carried out during the month of January using the R.P.I. figure for December

Section 54 of the Housing (Scotland) Act 2001 places duties on Local Authority Landlords and Registered Social Landlords to consult with both individual tenants and registered tenant groups to be consulted by Landlords on issues affecting them. It places a duty on landlords to notify tenants of any proposals and the likely effect of any proposal.

Landlords must have regard to representations by individual tenants or tenants groups.

A local authority landlord and a registered social landlord under a Scottish Secure tenancy or a short Scottish Secure Tenancy must notify the tenant and every registered tenant organisation of any proposals concerning:-

- Its policy in relation to housing management, repairs or maintenance, where the proposals, if implemented, is likely significantly to affect the tenant.
- The standard of service in relation to housing management, repairs and maintenance **which it intends to provide.**

The Association shall incorporate obtaining views on service performance as part of the annual consultation process. These views will be used to supplement other feedback received throughout the year.

APPENDIX 1

BASE RENTS 2015 - 2016

PROPERTY TYPE	EXISTING	POST NOV 1996 (includes 7.5% for NB)	NEW BUILD POST 2005
1 apt with internal kitchen	2363	2263	2822
2 apt with internal kitchen	2675	2552	3176
3 apt with galley kitchen	2860	2932	3527
4 apt with dining kitchen	3003	3183	3879
5 apt with dining kitchen	3153	3468	4245
6 apt with dining kitchen	3232	3750	4587
7 apt with dining kitchen	3394	3994	4938

Rent Increase for 2015: 2.6%