



Rent & Service Charge Policy

13 February 2008

**Clydesdale Housing Association Limited is a Registered Scottish Charity
(SCO34228)**

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1. INTRODUCTION

- 1.1 The purpose of this document is to set out the policy of Clydesdale Housing Association in relation to the setting of rents and service charges for the Association's properties.
- 1.2 The Rent & Service Charge Policy will ensure full compliance with regard to the relevant rent and service charge provisions of the 1988 and 2001 Housing (Scotland) Acts, and Communities Scotland/SFHA/COSLA Activity Standards AS 1.6 and 1.7. This will include using a fair system for apportioning rents and service charges between different properties, consulting tenants, and having regard to their views on proposed rent and service charge increases, and making available to tenants, on request, information about the rents and service charge policy.
- 1.3 The policy will be agreed by the Committee of Management and will be implemented by the Association's officers until amended by the Committee of Management.

2. RENT & SERVICE CHARGE POLICY OBJECTIVES

- 2.1 The Association's Mission Statement is:

"Sustaining Rural Communities: Involving Tenants."

- 2.2 The Association's rent and service charge policy objectives derive from the above statement:
 - to ensure that the rents meet the Association's anticipated relevant costs in order to provide high quality homes for rent and ensure the long term viability of the Association;
 - to ensure, whenever possible, that rents are affordable for those in low paid employment;
 - to ensure, wherever possible, that rents are comparable with rents of other Registered Social Landlords providing similar accommodation;
 - for properties transferred to the Association from other landlords, ensure compliance with those clauses relating to rent in the relevant sale/purchase agreements;
 - to ensure compliance rent increase provisions contained in leasing agreements with other agencies/organisations;
 - to use a fair system for apportioning rents and service charges between different properties;
 - to consult tenants on rent and service charge increases;
 - to ensure full compliance with regard to the relevant rents and service charge provisions of the 1988 and 2001 Housing (Scotland) Acts, and Communities Scotland Activity Standards AS 1.6 & 1.7.
- 2.3 These objectives are explained more fully in the following sections.

3. LONG TERM FINANCIAL VIABILITY

- 3.1** Ensuring the long term viability of the Association is the first objective of Clydesdale's rent policy.
- 3.2** The rents set for the Association must ensure that:
- funds are available to meet the Association's anticipated relevant costs such as management and maintenance costs and the servicing of loan repayments;
 - funds are available to meet long term major repair costs for such items as windows, external doors, kitchen units and roofs;
 - funds are available to fund the planned refurbishment programme promised during any stock transfer process.
- 3.3** The Association will continually seek to achieve good value for money for the goods and services it purchases – goods and services which are ultimately funded from rental income. In keeping control of overheads the Association will ensure that proposed rent increases are kept to a minimum.

4. AFFORDABILITY

- 4.1** The second objective of the rent policy is to ensure, wherever possible, that rents are affordable for those in low paid employment.
- 4.2** The Association recognises that a conflict can arise between setting rents that ensure financial viability and achieving affordable rent levels. The Association will aim to balance both these requirements when reviewing rent levels. An annual analysis of rent arrears will be carried out to establish whether arrears are caused directly by increasing rent levels.
- 4.3** The Association accepts the Scottish Federation of Housing Associations' (SFHA) measure of affordability as:
- “For rent to be affordable, households with one person (head of household or partner) working 16 hours or more should only exceptionally be dependant on Housing Benefit in order to pay it.” - SFHA Guidance Booklet No 5 (revised January 2002), Developing Affordable Rents.*
- 4.4** Annually, the Association will annually gather information on rent affordability using the Scottish Continuous Recording System (SCORE) which compiles information regarding all new lets and re-lets. A full tenant income and affordability survey will be carried out in 2008/9 along with a survey of tenants to measure their view of how affordable rents are. Rent affordability will be fully considered by the Management Committee before any decision to increase rents. Clydesdale's performance against the SFHA affordability measure will be included in all tenant consultation material relating to proposed rent increases.

5. COMPARABILITY

- 5.1** The third objective of Clydesdale's rent policy is to ensure, wherever possible, that rents are comparable with those of other Registered Social Landlords providing similar accommodation.

5.2 The objective is not to seek full financial comparability since there will always be non-financial reasons why tenants choose certain houses/estates over broadly similar houses/estates provided by other social landlords.

5.3 In addition, other social landlords have different:

- rent structures;
- forms of funding; and
- strategic objectives;

which means that rents will never be fully comparable.

5.4 Nevertheless, the Association will collect available data on rents to allow a benchmark comparison between the various rents charged between local social landlords and social landlords within the Association's peer group.

6. RENT STRUCTURES

6.1 Under the 1988 Housing (Scotland) Act, the Association is required to set its own rent levels. The system devised by the Association seeks to fairly differentiate between different sizes of house, house types, floor level (for flats only), heating type, facilities and house condition. In simple terms, larger houses with more facilities generate a higher rent level. Appendix 1 details how this system operates.

6.2 The system for setting rents as outlined above is used only to set rent levels for new houses. The base rent for the "ideal" 5 apartment house as detailed in Appendix 1 will be increased annually in line with the Association's approved rent increase. Clause 8.8 of this policy details how rents for existing properties will be increased.

7. TRANSFER PROPERTIES

7.1 In relation to those properties purchased from other landlords it will be Clydesdale's policy to comply with the relevant clauses in the Sale/Purchase agreement.

7.2 The Association inherited rent levels from previous landlords at the point of transfer with no information regarding the basis on which those rents were initially set.

7.3 As rent increases for transferred properties are restricted by previously set contract conditions, the percentage increase for transferred properties may vary across each transferred scheme and be different from the Association's 'general' rent increase.

8. RENT INCREASES

8.1 Clydesdale will consult with tenants and any relevant tenant organisations about proposed increases in rents or service charges. Feedback obtained from tenants will be fully considered before we make our decision. The tenant consultation period will be for a minimum duration of 6 weeks.

8.2 Rent increases will normally take place only once every twelve months, any increase required will normally be implemented from 28 March.

8.3 In accordance with the Association's approach to long term financial planning, rent increase forecasts will be developed and presented at the Annual Tenant

Conference. The Association's medium-term rent increase forecasts will be included in our Service Plan, subject to annual review.

8.5 Rent increases for the forthcoming year will be set at a Committee meeting which allows for:

- adequate time to compile and analyse Income Survey results for affordability testing purposes;
- timely production of the forthcoming year's budget;
- analysis of the impact of the proposed increase and alternative increases on the Association's long term financial plans;
- adequate consultation with tenants (as detailed in our Tenant Participation Strategy) and relevant stakeholders (i.e. lenders); and
- dispatch of rent increase notifications to tenants.

8.6 It will be Clydesdale's policy that rent notifications, informing tenants of any increase in their rent, will be sent out as soon as possible but with at least a minimum of four weeks before the beginning of the rental period for which the increase applies.

8.7 Where rent increases are represented in terms of inflation or inflation plus an additional percentage rate, inflation will be the preceding September *'all-items retail prices index – including mortgage payments'*.

8.8 Percentage rent increases for existing properties will be applied to the current annual rent as recorded on the Association's rent accounting system.

8.9 The agreed percentage increase for proposed new-build properties will be applied to the Association's base rent for the "ideal" 5 apartment house as detailed in Appendix 1.

9. COMMITTEE REPORTS

9.1 Under the Association's scheme of delegation the annual setting of rent is a function retained by the Committee of Management.

9.2 In order that the Committee of Management makes an informed decision about any change in rent levels it is critical they are presented with relevant information. Accordingly, the report which accompanies the agenda item should contain the following;

- an option appraisal detailing the financial implication, to the Association, of various rent levels and any long term impact. This will mean an annual budget, projected Income & Expenditure Account, projected Balance Sheet and updated 30-Year Financial Projection;
- where available in a reliable form, some type of affordability measure which would indicate whether the Association's rents continue to be affordable to those on low wages;
- details of tenant feedback obtained via the consultation process regarding the proposed increase;
- data on comparable rent levels charged by similar RSLs;

- a statement that the proposed change is in line with any Sale/Purchase agreements for stock transfer properties; and
- a recommendation for the forthcoming year's rent increase.

9.3 The report will be discussed in open Committee and any decision regarding rent increases will be formally approved and minuted by the full Management Committee.

10. POLICY REVIEW

10.1 This policy will remain in place until formally amended and approved by the Management Committee.

10.2 The policy will be formally reviewed annually with any suggestions for amendment made to the full Management Committee.

10.3 Occasions which would require earlier revision might include the following:

- new properties are either purchased or built and an initial rent has to be set;
- financial pressures are such that the rent clause in any Sale/Purchase agreements for stock transfer properties ceases to be sufficient to meet costs or to meet refurbishment needs;
- the Association's Rules are amended.

11. EQUALITY & DIVERSITY

11.1 Clydesdale Housing Association operates under the overarching duty of a Registered Social Landlord to provide housing accommodation and related services in a manner which encourages equal opportunities and in particular the observance of equal opportunity requirements as specified in the Housing (Scotland) Act 2001.

11.2 No person or group of persons applying for housing will be treated less favorably than other persons or group of persons because of their sex, marital status, family circumstances, race, ethnic or national origins, disability, age, religion, political orientation or sexual orientation.

11.3 A summary of the main aims of this policy and related literature is available in alternative formats and languages on request.

Approved by the Committee of Management on: 13 February 2008	
Signed	Signed
Secretary/Chairperson	Chief Executive/Senior Staff Member

1. RENTS

1.1 Under the 1988 Housing (Scotland) Act the Association is required to set its own rent levels. The Association has opted for a rent setting mechanism comprising three elements:

- Points System;
- Base Rents;
- Rent Setting Formula.

1.2 Points System

A base figure of 100 has been adopted for an "ideal" house in each apartment size, as follows:

Base = 100 = 2apt, 2 person detached house with all amenities
 100 = 3apt, 4 person
 100 = 4apt, 6 person
 100 = 5apt, 8 person

Points are then deducted from this according to the table shown below.

a) Points Deduction Table

<u>Factor</u>	<u>Category</u>	<u>Points Deducted</u>
Bedspace	no. bedrooms as per "ideal"	0
	one bed space less than "ideal"	2
House type	detached	0
	Semi-detached	2
	End-terrace	4
	Mid-terrace	6
	Flat	10
Location (tenement only)	Ground/1st floor	0
	2nd floor	2
Central Heating Type	solid fuel	0
	gas	0
	electric	2
	none	4
Lacking Facilities	no garden	2
	shower only	2
	kitchen area	2
House Condition	modernised	0
	unmodernised	10

1.3 Base Rents

Alongside the points mechanism, a base rent has been set for each of the house sizes 5apt, 4apt, 3apt and 2apt with the following relationships:

5apt 100 points = 100%
4apt 100 points = 95% of 5apt base
3apt 100 points = 90% of 5apt base
2apt 100 points = 85% of 5apt base.

The actual base rent for the "ideal" 5apt house for 2008/9 is £3,504.

1.4 Service Charges

Service charge income will fund such services as landscape maintenance, communal repairs, landlord power supply, the garden maintenance scheme and the cost of staff administration time and expenses.

Service charges will be set which seek to recover the cost of providing the above services. Common service cost items shall be apportioned to each property on a fair basis and in a manner that can be presented to tenants and owners which clearly shows how service charges have been arrived at.

1.5 Rent Setting Formula

Using the base rent and the points mechanism in the following formula the rent for a property is thus calculated:

$$\text{Rent} = (\text{percentage of 5apt base}) \times \frac{(100 - \text{points deducted})}{100}$$

2. Stock Transfer Rents

2.1 The above rent structure will not be adopted for properties transferred to the Association from other landlords.

2.2 Stock transfer rents will be increased in order to ensure compliance with those clauses relating to rent in the relevant sale/purchase agreements.

3. Leased Properties

3.1 Rent levels for leased properties will be based on the rent setting mechanism detailed under 1 above.

3.2 Where the cost of maintaining or managing the leased property is anticipated to be at levels exceeding normal tenanted properties, the Association will calculate a value for these additional costs and add them to the figure calculated by the rent setting mechanism.