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Rent and Service Charge Policy (Scotland)

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**PLACES FOR PEOPLE SCOTLAND**

(Trading name for Castle Rock Edinvar Housing Association)

**RENT AND SERVICE CHARGE POLICY - RENTED AND LEASED PROPERTIES (SCOTLAND)**

# 1.0 Introduction

* 1. This Rent and Service ChargePolicy (Scotland) forms part of the wider Affordable Housing Rent & Service Charge Policy and sets out how the organisation will set, review, and change rent and service charges for customers.

# 2.0 Policy Statement

2. 1. General statement
      1. Places for People’s Affordable Housing businesses will set and manage rent and other charges to customers in accordance with the following principles:
3. Compliance with all relevant legislative obligations.
4. Compliance with statutory guidance issued by government supervisory agencies including the Regulator of Social Housing, the Scottish Housing Regulator, the Department for Levelling Up, Housing and Communities and any successors or other statutory or regulated agencies appointed in this area.
5. Within the terms of tenancy contracts issued to customers.
6. In a manner which ensures the financial viability of the Places for People Group.
7. In a fair and equitable manner as regards the interests of customers.
8. In consultation with customer representatives, where required.
   1. Training
      1. Training on the Affordable Housing Rent and Service Charge Policy will form part of the induction training for all new Housing Management and Development staff. Additional training will be provided for staff who deal specifically with the setting and review of rents and service charges. This document should be read in conjunction with relevant procedural guidance for colleagues as it relates to specific areas of operation.
   2. Communication
      1. Principles for rent setting and review will be made available to customers in an easily understandable form. A customer’s Q&A section is reviewed annually and provided on the Places for People website for this purpose.
      2. Details of how to appeal against a rent increase will be made available to those customers who have the right to appeal.
      3. All customers will receive written notice of any proposed changes to their rent or other charges in line with the terms of their tenancy agreement and any statutory requirements.
      4. Customers will not receive a rent increase more than once every 52 weeks.
   3. Equal Opportunities

We will not discriminate in the operation of this policy on the basis of gender, race including colour, nationality, ethnic or national origin, religion or belief, age, disability, sexual orientation, pregnancy and maternity, marriage or civil partnership or gender reassignment. We aim to promote equal opportunities and comply with the requirements of the Equality Act 2010.

# 3.0 References

The Scottish Social Housing Charter outcomes for rents and service charges state that:

* A balance is struck between the level of services provided, the cost of those services and how far current and prospective tenants and other customers can afford them
* Tenants get clear information on how rent and other money is spent

Guidance contained in the Social Housing Charter will be followed, unless the Scottish Government introduces legislation that sets aside, however temporary, the terms and conditions of the Charter. This legislation could take the form of time-limited rent caps and freezes on levels of rent

# 4.0 General Principles

4.1 This rent and service chargepolicy applies to all our rented and residential leased properties.

4.2 The level of rent to be charged for each property is based on individual local authority measures to ensure a balance between average earnings and average rents. In line with Scottish Federation of Housing Associations guidance, households should, on average, spend approximately 30% of household income on rent regardless of tenure, size, amenities and level of services to common areas.

4.3 A rent point system was instigated in April 2006. Existing rents were not increased up to new policy levels immediately but phased in over a number of years. Some rents were above policy level and we agreed to freeze them until the policy rent reached the current rent level. All new tenants will have rents set at policy level.

4.4 The rent point system was reviewed after consultation with customers in 2013/14. The rent setting policy will be used to determine rent levels and will be the basis for submitting proposed fair rent levels to the Rent Officer for former secure tenants with pre-January 1989 tenancies.

4.5 All rehabilitated properties will be improved to the same standard. A property will be classified as improved if the work was carried out under our rehabilitation programme. A tenement stair will be classified as improved if a comprehensive common repair has taken place.

4.6 Rents include any services we provide for communal areas such as stair cleaning and grounds maintenance. The only service charges shown separately from the rent are:

* The cost of staff in sheltered housing developments
* The personal heating charge where the building has a communal boiler
* Any support charges we collect on behalf of other agencies

# 5.0 Client Group and Affordability

5.1 We aim to provide social rented housing for customers at a rent level which they can afford.

5.2 The concept of affordability is based on the idea that there is some proportion of a household's income that could be paid in rent for a dwelling of a given quality standard without causing hardship.

5.3 The Welfare Reforms have removed the direct link between housing benefit entitlement, social rents and income. We have chosen to measure affordability using likely income based on (ONS) produced data for “elementary occupations”, “bottom decile earnings” and minimum wage rates. We measure our rents against these earnings and deem rents to be affordable if the rents are 25 - 30% of earnings.

# 6.0 Required Rental Income

6.1 Rent setting describes the process of working out the total amount of rent we have to charge, in order to cover all costs. The costs that have to be covered by rental income include:

|  |  |
| --- | --- |
| 6.1.1 | **Housing Management Costs** - these are costs associated with the provision of Housing Management services. They are common costs shared by all tenants. |
| 6.1.2 | **Voids and Bad Debts** - these are the amounts of rental income lost when a property is empty or when rent arrears cannot be recovered. |
| 6.1.3 | **Property Maintenance costs** - these are costs associated with the provision of a day-to-day repairs service and a cyclical maintenance programme. These are common costs that are shared by all tenants. |
| 6.1.4 | **Planned Maintenance** - these are costs associated with improving or replacing building components. We have a life cycle costing system which enables the actual costs of renewals and replacements to be determined. |
| 6.1.5 | **Interest charges** - these are costs associated with the private loans taken out to fund the building or the improvement of the housing stock. The cost of a private loan will depend on the amount borrowed, the length of time it was borrowed for and the interest rate charged by the lender. |
| 6.1.6 | **Indirect and overhead costs** - these costs include the running of the office, the salaries of finance and administrative staff, information technology and depreciation. |
|  |  |

# 7.0 Rent Structure

7.1 The main objective of a rent structure is to determine the amount of rent to be charged for each different type of property. It is a method of dividing the total amount of required rental income between our different property sizes and types. The rent structure for shared properties is contained in Appendix One.

7.2 The rent level for each individual property is set according to a points system. The number of points allocated to each property type depends on the size and the amenities within the property. It is assumed that all properties are new build, or have undergone rehabilitation, so points are deducted for unimproved properties.

|  |  |  |
| --- | --- | --- |
| **House Type** | **Points 2018** |  |
| Detached house | 74 |  |
| Semi-detached house | 73 |  |
| Terrace house | 72 |  |
| 4-in-a-block (street entrance) | 68 |  |
| Main-door flat | 67 |  |
| 4-in-a-block stair entrance | 64 |  |
| Flat off common stair | 63 |  |
|  |  |  |
| Size |  |  |
| \*Living-room 1 person | 4 |  |
| 2 person | 7 |  |
| 3 person | 19 |  |
| 4 person | 22 |  |
| 5 person | 28 |  |
| 6 person | 31 |  |
| 7 person | 38 |  |
| 8 person | 41 |  |
| 9 person | 46 |  |
| 10 person | 50 |  |
|  |  |  |
| Additional public/utility room(s) | 4 |  |
|  |  |  |
| Each additional bathroom/WC | 2 |  |
| additional dining room | 2 |  |
| Box room, natural light | 2 |  |
| Integrated living room/dining/kitchen | 2 |  |
| Gas CH new build | 2 |  |
|  |  |  |
| **Amenities** |  |  |
|  |  |  |
| Lift | 2 |  |
| Own Garden | 1 |  |
| Private play areas | 1 |  |
|  |  |  |
|  |  |  |
| **Communal Area Services**  Depends on the size of the area, the number of properties, the nature of the work and how often it is carried out | | |
| Grounds Maintenance RPAMENITY0 | 1 |  |
| RPAMENITY1 | 2 |  |
| RPAMENITY2 | 4 |  |
| RPAMENITY3 | 7 |  |
|  |  |  |
| Depends on the size of the area, the number of properties and the level of service provided | | |
| Stair and common area cleaning, common area utility charges |  |  |
| RPCOM0 | 1 |  |
| RPCOM1 | 2 |  |
| RPCOM2 | 4 |  |
| RPCOM3 | 7 |  |
| RPCOM4 | 12 |  |
| RPCOM5 | 25 |  |
| RPCOM6 | 9 |  |
|  |  |  |
| Alarm call System | 3 |  |
|  |  |  |
| Usually applicable to communal lounges and laundries | | |
| Depreciation of furniture and equipment |  |  |
| RPCOMDEP0 | 3 |  |
| RPCOMDEP1 | 10 |  |
| RPCOMDEP3 | 2 |  |
|  |  |  |
| WIFI communal | 1 |  |
|  |  |  |
| Deductions: |  |  |
| Bed-sit | -6 |  |
| Unimproved stair | -1 |  |
| Integral Kitchen (no window) | -1 |  |
| Integral Kitchen (not separate) | -1 |  |
| Internal Bathroom (no window) | -1 |  |
| Electric CH | -1 |  |
| Single Glazing | -1 |  |
|  |  |  |
| EPC Band D  EPC Band E  EPC Band F  EPC Band G | -1  -2  -3  -4 |  |

7.3 The end result of the rent structure calculation is a points value for each individual property.

# 8.0 Rent Calculation

8.1 The principle for determining the rent levels for all rented properties is set out below.

8.1.1 New rents are set from April each year. The required annual rental income for the 12-month period is calculated in the form of an expenditure budget. This budget takes into account all actual and anticipated costs.

8.1.2 The known annual income for all properties still subject to a fair rent is calculated and then deducted from the required annual rental income. This leaves the annual income that has to be obtained from the remaining properties (annual income required).

8.1.3 The points total for each property is added together to produce an overall points total for rented properties.

* + 1. The 'price per point' is then obtained by dividing the annual income required by the overall points total for rented properties.
    2. The rent for each individual property is then calculated by multiplying the points total for each property by the 'price per point'.
  1. The above principle was applied to all our properties in 1995 when the basis of the current Rent Policy was introduced. Since 2006 the ‘price per point’ has been uprated each year by the Board. Our present policy, in consultation with our customers is that annual increases be no more than the Retail Price Index (RPI) in September + 1% each year.
  2. The Places for People Scotland Board agreed an uprate in the weekly ‘price per point’ of between \_\_\_\_\_ for the April 2023 rent review. Rent is calculated using this ‘price per point’ for all new tenants and new leased properties. The fair rent levels are determined by the Rent Officer, but we can propose a new rent when the rent is due for re-registration every three years. The rent level proposed will be calculated from 1 July each year. We do this by multiplying the points total for the fair rent property by the anticipated 'price per point' in the third year of the rent registration cycle.

# 9.0 Occupancy Charge Calculation

9.1 The principle for determining the occupancy charge levels for our shared ownership properties is set out below.

9.1.1 The rent points for the property are calculated in the same way as for a rented property (see above) without the external services.

9.1.2 The rents points are multiplied by the “price per point” to create an annual figure.

9.1.3 Our average management costs have maintenance and insurance costs deducted. We then add back a management charge to cover our administration costs. This is the basic Occupancy Charge level for the property.

9.1.4 The occupancy charge set for each sharing owner will depend on the percentage of the property purchased. For example, if a sharing owner buys a 25% share of a property, they will pay an occupancy charge which is equivalent to 75% of the basic occupancy charge level.

# 10.0 Service Charge Calculation

10.1 Most services provided to customers are now included in the rent and accounted for by rent points. We will continue to monitor the cost of providing service charges to each development and ensure the rent reflects these costs.

10.2 The only service charges that are set out with the rent are as follows:

1. Staff costs in sheltered housing
2. Personal heating charges where there is a communal heating system
3. Support charges we collect on behalf of other agencies

# 11.0 Rent and Service Charge Reviews and Increases

11.1 The rents and services charges for our properties will be reviewed on an annual basis. Thesereviews will take into account our expenditure in the previous financial year and any known or reasonably anticipated changes in costs. They will also take into account the affordability of rents to our typical client groups and our business plan objectives.

11.2 Any increase in rent will be applied on 1 April. The rent for a leased property will be increased according to the provisions in their agreement. The rents of customers subject to fair rents are set by the Rent Officer (as detailed above) and the rate of increase up to the full registered rent is determined by legislation.

11.3 Any increase in service charge will be applied on 1 April. The service charge for a leased property will be increased according to the provisions in their agreement.

11.4 All customers will receive written notice of the proposed rent and/or service charge increase in accordance with the terms of their agreement. This will include a breakdown of any remaining service charges.

# 12.0 Complaints

All tenants and agencies with leased properties have the right to make a complaint if they feel that an issue relating to their rent has not been dealt with properly. Our Complaints Policy is available free of charge at any of our offices.

# 13.0 Appeals

Fair Rent tenants can appeal to the private rented housing panel if they do not agree with the rent set by the Rent Officer.

# 14.0 Rent Arrears

The Scottish Government requires that every housing association should adopt and implement a formal policy for arrears prevention and control. This requirement can be found in a separate Rent Arrears Policy which is available free of charge from all of our offices.

# 15.0 Availability of Rent and Service Charge Policy

Additional copies of this Rent and Service Charge Policy (Scotland) are available on request and free of charge from all of our offices. A summary of the Rent and Service Charge Policy can be made available in a number of other languages and on tape, if required

# 16.0 Review of Rent and Service Charge Policy

This Rent and Service ChargePolicy (Scotland), which forms part of the wider Affordable Housing Rent & Service Charge Policy, has been approved by our Board. The Board has agreed that the Rent and Service ChargePolicy be reviewed on an annual basis, to ensure that the aims of the Policy are being achieved. This review will include consultation with customers in accordance with the Associations Participation Strategy. No major changes will be made without consultation with tenants.

Definitions in Scottish Regulatory System for information

|  |  |
| --- | --- |
| **Term** | **Definition** |
| Abandoned House | An empty house where a tenant has stopped living in the house without informing the landlord. |
| Affordability | The level of rent landlords/government believes a tenant can pay without causing hardship. |
| Affordable Housing | Housing that is available to buy or rent, at a level below the local market level. This can include low cost home ownership, mid-market rented homes or homes that are rented from a Local Authority or Registered Social Landlord. |
| Affordable Housing Supply Programme (AHSP**)** | The Scottish Government’s programme for providing grants to Local Authorities and Registered Social Landlords to support the delivery of new affordable housing, to meet needs in their area. |
| Allocation Policy | The Landlord’s rules for deciding who should get priority in the allocation of houses when they become available for let. Every Local Authority and Registered Social Landlord is legally obliged to have such a policy and must publish it and regularly review it. |
| Annual Assurance Statement | Social landlords must submit an Annual Assurance Statement to the Scottish Housing Regulator each year providing assurance that their organisation complies with the relevant requirements of chapter 3 of the Regulatory Framework. This includes regulatory requirements that apply to all social landlords and the Standards of Governance and Financial Management that apply to Registered Social Landlords (RSLs). The Statement should be made and submitted by the RSL’s governing body, or the relevant local authority committee which has been delegated authority to complete the Statement by the local authority. |
| Annual Return of the Charter | Each year, every Registered Social Landlord must complete a report that details how they perform against each of the outcomes in the Scottish Social Housing Charter. They submit this report to the Scottish Housing Regulator (SHR) and they must publish it for their tenants too. |
| Average cost Per Unit | This is worked out by taking the total cost and dividing it by the number of houses involved. Average or unit costs are used in business planning for things like day to day repairs and housing management costs. |
| Factoring | A term most commonly associated with the provision of services connected to the management and maintenance of the common parts of lands/buildings owned by two or more persons, which can include the RSL, and used to any extent for residential purposes. It may involve the RSL providing and instructing repairs to common parts of a tenement. For example: the roof/common close/common garden. |
| Fair Rent | A fair rent can apply to accommodation in the RSL and private rented sector which was let before 2 January 1989 without a resident landlord. A rent officer will set a rent level based on a range of information about the property. The rent officer’s determination can be challenged by application to First Tier Tribunal Housing and Property Chamber. |
| General Needs | Houses provided to meet the needs of families and other households without any special design features. Sometimes known as mainstream housing. |
| Housing Association | A not-for-profit landlord that is registered with and monitored by the Scottish Housing Regulator (SHR) whose membership is open to tenants amongst others. There can be non-registered housing associations using the name; therefore, tenants need to ensure the housing association is registered with the SHR. |
| Low Cost Home Ownership | Houses built and sold at a price that is lower than the local market value. |
| Mid Market Rent | Mid-market rent homes charge rents that are higher than the social rented sector but lower than the market rent for a particular area. |
| Registered Social Landlords (RSLs) | An independent landlord (including housing associations, housing cooperatives, Abbeyfield societies and co-ownership societies) registered with the Scottish Housing Regulator (SHR), which owns and manages houses on a not-for-profit basis. It must be established to provide housing and that it must operate in Scotland. |
| Rent Officer | A government official employed by Rent Service Scotland who determines and registers rents for houses let on regulated tenancies, sets the Local Housing Allowance (LHA) for a local area and adjudicates on rent increases for tenants with a private residential tenancy. |
| Rent Structure | The system by which different rents are charged for different properties owned by a landlord. Often it is worked out based on house size and type, but might also include area, level of amenity and quality of the environment. |
| Scottish Housing Regulator | The independent regulator of social housing services in Scotland. They are responsible for assessing and reporting on how all landlords are performing (including local authority landlords), and the financial wellbeing and standard of governance of RSLs. They can intervene to secure improvements where necessary. |
| Scottish Secure Tenancy (SST) | Introduced on 30 September 2002, 1 December 2017, the Scottish Secure Tenancy replaced the secure tenancy and became the new standard tenancy for all new tenancies in the social rented sector. The government have provided a model SST agreement which can be used by local authority or registered social landlords when creating the tenancy setting out the rules that allow a tenant to occupy the house and describing the rights and responsibilities of the tenant and landlord. |
| Short Scottish Secure Tenancy (SSST) | A short form of the Scottish Secure Tenancy which can only be used in a limited a range of circumstances by the landlord, these include where prospective tenants have previously been evicted for antisocial behaviour; where prospective tenants or others who will reside with the tenant have been subject to an antisocial behaviour order or have previously behaved in an antisocial manner; creation of temporary lettings; and properties leased by the landlord from another body. The SSST will initially run for a fixed period which can be either six months or 12 months depending on the reason used for its creation. These periods can be continued although any continuation in respect of SSSTs which have been created owing to previous antisocial behaviour cannot extend the length of the SSST beyond 18 months. Tenants in SSSTs have limited protection from eviction and have no rights of succession. |

# **APPENDIX ONE**

**Shared properties - Rent Structure**

1. We have a number of properties which are let to more than one household, the majority of which are single people sharing accommodation. Many of these shared properties are let under leases or management agreements to agencies who provide support to people in housing need. In the main, these properties are covered by the rent structure outlined above, as the sharing households are housed in our standard accommodation.

2. There are, however, a number of shared leased properties which have been purpose built or adapted for an agency or for us. It would be difficult to lease these properties in the future to a single household. These properties have also cost more to build or rehabilitate.

3. The Board has agreed that the rent of these properties be calculated according to the rent structure for individual properties. However, points will only be awarded for one single bedroom and for one bathroom or WC, to reflect the amenity of the property enjoyed by an individual. The size of the living-room will be calculated according to the total number of people (tenants and resident staff) sharing the accommodation.

4. As facilities within the property are shared, a deduction will be made from the points total, according to the number of people (tenants and resident staff) sharing.

No. sharing Points deduction

2 20

3 25

4 30

5 35

6 40

7 45

8 50

9 55

5. The resulting points value for the shared leased property will then be multiplied by the number of people (tenants and resident staff) sharing, to produce the final points value for the property.