

# **WISHAW AND DISTRICT HOUSING ASSOCIATION**

## **RENT SETTING POLICY**

**As with all the Association's policies and procedures, this document, where required, can be translated into other community languages on request. For people with visual impairment, taped, large print or Braille versions can also be provided. Further information on the implementation of this policy is available at the office.**

Wishaw and District Housing Association acknowledges that, under the Housing (Scotland) Act 2001, it is required to consult with residents on policies that directly affect the management of the properties. Until the full consultation process is complete, this document is implemented as an interim policy.

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## **1.0 INTRODUCTION**

Wishaw and District Housing Association is a registered social landlord committed to providing good quality affordable housing and related services, specifically the management and maintenance of the properties. At the same time the Association is required to operate as a self sustaining business and as such must ensure that it generates sufficient income to cover its expenditure in meeting all of its management and maintenance commitments.

As rents are the main source of revenue income for the Association it is imperative that the Association ensures that rents are set at a level which are not only affordable to its tenants but which also cover all of its revenue costs such as loan repayments, management costs and reactive and cyclical maintenance costs. The income from rents must also provide for an annual contribution towards major planned repairs. This means that the rent setting process must be seen as an integral part of the Association's internal management including budgeting and longer term planning.

The Rent Setting Policy is intended to lay out the criteria for setting the initial rents for individual properties as well as clarifying the process by which the annual variation in rents will be determined. In doing so the policy is also intended to ensure that both individual property rents and annual rent increases are set within a framework which can be seen to be consistent, fair and equitable. The policy is also intended to explain and clarify the rent setting and rent review processes to both staff and residents within the Association's rented and shared ownership properties.

## **2.0 AIMS AND OBJECTIVES**

The primary aim of the Rent Setting Policy is to put in place a logical and understandable framework which ensures that rents for individual properties are set in a consistent manner that fairly reflects the amenities provided within the property. The policy also aims to set the rent setting process within the context of the need to maximise rental income to secure the Association's continuing viability whilst ensuring rents remain affordable to those in housing need.

Arising from this overall aim the key objectives of the Rent Setting Policy are to ensure;

- The Association has sufficient income to meet all of its management and maintenance responsibilities.
- Rents are favourably comparable with those charged by other housing providers within the Association's area of operation and registered social landlords within the same peer group category as defined by Communities Scotland.
- The Association is able to continue to provide the highest possible standard of service to its residents.
- The rents set for individual properties adequately reflects the range of amenities within different types of properties as well the perceived desirability of certain factors of the property (e.g. terraced houses versus semi-detached).
- Similar rents are charged for similar properties and to identify and address any inconsistencies.

- Rents set are the minimum necessary to generate sufficient income to meet the Association's costs and ensure continuing viability.
- The Association abides by all legal and good practice requirements when implementing its rent setting process.

### **3.0 RENT SETTING CRITERIA**

#### **3.1 Viability**

The Association has a responsibility to ensure that the rental income generated by its housing stock is sufficient to ensure that the costs it incurs can be met both in the short and the longer term. When setting rents the Association will therefore take into consideration a full and realistic assessment of the relevant costs including;

- Management Costs
- Reactive & Cyclical Maintenance Costs
- Contribution to the Planned Maintenance Contribution
- Contribution to Reserves
- Cover for Voids and Bad Debts
- Loan Charges

The level of provision required for each criteria will be assessed in line with the Association's Financial Procedures and will be carried out as part of the budgeting process.

#### **3.2 Affordability**

##### **3.2.1 *Definition of Affordability***

The Association is not only required to demonstrate that its rents are affordable to tenants who are in full time employment, it is also committed to providing affordable housing to those in housing need. However, it is also recognised that assessments of affordability are difficult and problematic and the measurements are, more often than not, unreliable and inaccurate.

The Association will seek guidance on methods of assessing affordability from both Communities Scotland and the Scottish Federation of Housing Associations.

## 4.0 COMPARABILITY

### 4.1 Measuring Comparability

The Association is also committed to ensuring that it remains an attractive housing option for those in housing need both in terms of the quality of housing it provides and in financial terms. The Association will therefore seek to ensure that the rents it charges are broadly consistent with rents charged by other registered social landlords in the Association's area of operation.

In identifying appropriate landlords with which to make rent comparisons the Association will take into account;

- The number of units in the landlord's management
- The client group of the organisation
- The location of the organisation and its area of operation
- The type of property the organisation manages

In order to ensure that its rents are comparable globally the Association will compare its charges with those of similar Association's outwith its area of operation by considering the average rents of registered social landlords within the same peer group as identified in the summary of the annual statistical returns produced by Communities Scotland.

### 4.2 Comparability Failure

The Association recognises that there may be legitimate variations in rents highlighted during the comparability assessment. Reasons for legitimate variations may include;

- Other landlords not providing similar levels of management and maintenance services
- Significant differences in the costs to be covered by rental income
- Incompatible methods of producing rent figures (e.g. use of average rents versus use of 'typical rent' for a property type or size)

However, where the comparability assessment highlights significant differentials that cannot be justified the Association will seek to identify the reasons for the failures and, where necessary and appropriate, will adopt a remedial strategy to address the key differences.

## 5.0 RENT SETTING STRUCTURE

### 5.1 Purpose of Rent Setting Structure

The rent structure determines the rent that will be charged for individual properties, taking into account specific property characteristics such as property size and type and the amenities and facilities provided within the property.

The key objectives of the structure is to ensure that similar rents are charged for similar accommodation and that the rents charged fairly reflect the level of amenities provided in different properties.

## **5.2 Rent Setting Methodology**

The Association's rent structure is points based. This means points are awarded for individual property characteristics. The number of points awarded to each characteristic will be weighted to reflect the relative importance and/or desirability of each characteristic to the Association and/or tenants. A list of the characteristics used in the Association's rent setting structure is given in Appendix 1 of this policy.

The monetary value attached to a point will be determined by;

$$\frac{\text{Total Annual Income Required by the Association}}{\text{Total Number of Points for all the Properties}}$$

The rent for each individual property will be set by multiplying the number of points per property by the rent per point (also known as the multiplier) defined above.

## **5.3 Service Charges**

### **5.3.1 *Services Provided***

The Association will seek to provide all services required to ensure that the properties and environmental under its management are maintained to the highest possible standard. Where appropriate, the costs of service provision will be included in the rent but will be detailed in the rent notifications as service charges.

The services covered by service charges will commonly include;

- Landscape Maintenance
- The provision of common lighting (e.g. back courtyard & close lighting)
- Stair and bin store cleaning

### **5.3.2 *Service Charges Eligible for Housing Benefit***

Service charges eligible for housing benefit will be set to reflect the actual costs incurred by the Association in providing the service and the costs will, as far as possible, be kept to a minimum.

The Association will also seek to ensure that, where possible, the service charges made will be eligible for housing benefit in order to avoid those relying on benefit having to directly pay for any service provided by the Association. However, housing benefit eligible service charges will be added to the rent when assessing affordability.

### **5.3.3 *Non-Housing Benefit Eligible Service Charges***

Service charges that are not eligible for housing benefit will only be made in exceptional circumstances and where completely necessary and unavoidable.

## **5.4 Tenant Improvements**

Where a tenant carries out work in the house that qualifies as a tenant improvement under the terms of the Association's policy on Residents' Improvements and Alterations, no increase in the rent for additional amenities will be made as the tenant will retain responsibility for the maintenance of the fittings for the period of their tenancy.

However, when the tenant leaves the property and the Association assumes responsibility for the maintenance of the fittings, a re-assessment of the rent will be carried out prior to the property being re-let. Where applicable, a charge will be made for the additional amenities which reflects the cost to the Association of maintaining the fittings and ultimately replacing the items.

## **5.5 Factors not Considered in the Rent Setting Process**

Services and provisions either administered, promoted or directly provided by the Association that are not considered as part of the rent setting process include;

- Home Contents Insurance
- Charges for the provision of Medical Adaptations
- Additional charges for the provision of special needs housing
- Individual residents' eligibility for housing benefit

## **5.6 Shared Ownership Occupancy Charges**

The annual charge for shared ownership properties will initially be set using the same points based criteria as that used for rented properties. However a deduction from the basic annual charge will be made in recognition that sharing owners are wholly responsible for the repairs and maintenance of their properties. The deduction made will be based on the annual maintenance allowances set by Communities Scotland and will be equivalent to the maintenance allowance the Association is required to set aside each year for each of its rented properties.

The basic annual occupancy charge will be calculated on a pro-rata basis to reflect the actual share in the property rented from the Association.

The actual monthly occupancy charge to the sharing owner will also include a management fee, buildings insurance premium and the service charge for the estate/building.

## **5.7 Rental Charges for Large Scale Voluntary Stock Transfers**

Under the terms of the transfer contract the Association inherited the individual rents for each property transferred. As such the Association had no mechanism for setting the rents for transferred properties and had no means of setting “out a clear rationale for the rent structures covering different property types, sizes and amenities” as required under good practice.

The Association therefore applied to Communities Scotland for permission to implement a revised rent setting mechanism to the transferred properties in order to ensure harmonisation and consistency across all of the Association’s stock. Permission was granted in January 2005 and, as a result, rent charges for properties transferred to the Association as part of the large scale voluntary stock transfer 1996 will be subject to the rent setting criteria detailed in this policy.

## **6.0 RENT REVIEWS**

### **6.1 Date**

The rent charge will only be reviewed annually and variations applied from 28<sup>th</sup> March every year. A review of the service charges will normally be carried out at the same time.

However, previous secure tenants of the Association have retained the right to have their rent determined by the Fair Rents Officer under provisions of the Housing (Scotland) Act 2001. The Association will therefore continue to apply to the Rent Registration Services for a rent review for previous secure tenancies every three years unless the tenant chooses to opt out of the fair rents scheme. In order to keep rents across the stock as consistent as possible the proposed rents presented to the Fair Rents Officer will be determined using the rent setting structure outlined in this policy.

### **6.2 Method of Determining Level of Variation**

#### **6.2.1 *Non Transferred Stock – Previous Assured Tenancies***

The Association recognises that in all probability, any variations to the rent charges will be an increase in order to ensure that the Association’s rental income keeps pace with the rising costs in the wider economy.

However, in order to keep rents as affordable as possible the maximum increase will be set at Retail Price Index plus the percentage required to cover costs of service provision in the coming financial year.

#### **6.2.2 *Non Transferred Stock – Previous Secure Tenancies***

The assumed percentage increase applied to the rents for previous secure tenancies shall be reviewed every three years.

### **6.2.3 Large Scale Voluntary Stock Transfers**

Under the terms of the transfer contract the Association was committed to applying rent increases of no more than Retail price Index plus 1% for 30 years from the date of transfer. However, Communities Scotland gave the Association permission to set aside this term and to apply the same rent review process and variation to the transferred properties as was being applied to the rest of the Association's stock.

### **6.3 Retail Price Index**

The terms of the contract for the transferred stock states that the Retail Price Index figure to be used in determining the level of rent increase is to be the RPI figure published in December of each year.

In order to ensure consistency across the range of rent increases, the Association will use December's RPI figure in the rent review process for all properties.

### **6.4 Tenant Consultation**

In line with the legal requirements of the Housing (Scotland) Act 2001, the Association will consult with all affected tenants and sharing owners on the proposed level of increase in rent and/or service charge prior to implementation.

Affected tenants and sharing owners will be invited to participate in the consultation exercise by submitting comments on the proposals. All opinions, comments and suggestions relevant to the proposed rent increase that are submitted within the consultation period will be presented to the Association's Board of Directors for consideration prior to final approval for the rent increase being given.

## **7.0 RIGHT OF APPEAL**

### **7.1 Internal Process**

All tenants and sharing owners have the right to appeal against any decision made by the Association in relation to the rents and services charges levied for services provided. They may also make a formal complaint if they feel aggrieved at the treatment they have received from staff during the rent setting, rent increase and/or consultation exercises.

Appeals and complaints will be dealt with in accordance with the Association's complaints procedures. In line with these procedures residents have the right to have their appeal or complaint referred to the Association's Complaints and Grievances Committee for consideration.

A copy of the Complaints and Appeals Procedures is available from the office on request.

## **7.2 Previous Secure Tenants**

Previous secure tenants of the Association retain the right to appeal the level of rent charge to the Fair Rents Officer.

## **7.3 Sharing Owners**

Sharing owners may appeal against any new charges to be levied and have the right to take their appeal to either a surveyor appointed by the Royal Institute of Chartered Surveyors (RICS) or to a panel of valuers from the RICS, the Rent Registration Services and a person approved by Communities Scotland. However as invoking this appeals procedure would involve a cost to both the Association and the sharing owner, the Association will at all times seek to resolve such appeals internally and in consultation with the sharing owner.

## **8.0 DELEGATION OF RESPONSIBILITY**

The practical implementation of the rent setting and rent increases processes will be undertaken by staff of the Association. As rental income is so fundamental to the ongoing viability of the Association and its ability to provide management and maintenance services, the process of setting and varying rents will be seen as a multi-departmental exercise.

No rent variation will be implemented without the approval of the Board of Directors.

## **9.0 INFORMATION & ADVICE**

A copy of the Association's Rent Setting Policy will be made available on request and where necessary will be made available on tape or in Braille or will be translated into other languages as required.

## **10.0 REVIEW OF THE POLICY**

The full Rent Setting Policy will be reviewed by the Association's Policy and Resources Committee at least once every three years. However the Tenancy Services Committee may refer elements of the policy to the Policy and Resources Committee for review within that timescale if required.

Full reviews of the policy will only be implemented after consultation with tenants and sharing owners of the Association in line with the Association's Consultation Strategy.

### **Policy History**

First Adopted by Management Committee	-	23 <sup>rd</sup> February 1995
First Revision by Management Committee	-	27 <sup>th</sup> July 1999
(Section 4.0 Revised by Management Committee)	-	26 <sup>th</sup> October 1999
Second Revision by Board of Management	-	6 <sup>th</sup> April 2004
Third Revision by Board of Directors	-	5 <sup>th</sup> June 2007

## RENT SETTING POLICY – APPENDIX 1

### RENT SETTING CRITERIA

AMENITY	POINTS
Base Property	1060
Main Door Ground Floor Flat/Lower Cottage Flat	50
Ground Floor Flat	0
Main Door Upper Flat/Upper Cottage Flat	50
Upper Flat	0
Main Door Ground Floor Maisonette Flat	50
Main Door Upper Maisonette Flat	50
Upper Maisonette Flat	0
Terraced Bungalow	50
End Terraced Bungalow	100
Detached Bungalow	150
Semi detached Bungalow	100
Terraced House	50
End Terraced House	100
Detached House	150
Semi Detached House	100
Boxroom	20
Single Bedroom	50
Double Bedroom	75
Dining Space within Kitchen	25
Dining Room/Dining Area	50
Additional Bathroom/Shower Room or En-suite Bathroom/Shower Room	40
Additional WC	20
Utility Room	20
Private Driveway	40
Garage	60
Dedicated Parking Bay	20
Off Street Parking	20
Shared Front Garden	10
Shared Back Garden	10
Exclusive Front Garden	20
Exclusive Back Garden	20
Door Entry System	10
No Double Glazing	-20
Extra Small Kitchen	-20

## RENT SETTING POLICY – APPENDIX 2

### TIMETABLE FOR THE PROCESSING OF THE ANNUAL RENT REVIEW

MONTH	TASK	RESP.
<b>OCTOBER</b>	Calculate the service charges for the coming financial year	<b>H.O.M.</b>
	Calculate proposed budget and prepare report for the Financial Management Committee	<b>F.M.</b>
	Financial Management Committee approve proposed budget in principal	<b>FIN. MGT. C'TTEE</b>
	Prepare rent review report for Policy & Resources Committee	<b>A.C.E./F.M.</b>
	Policy & Resources Committee approve proposed rent increase in principal	<b>P &amp; R C'TTEE</b>
<b>NOVEMBER</b>	Start of Consultation Exercise	<b>H.O.M.</b>
<b>JANUARY</b>	Rent Consultation 'Open day'	<b>H.O.M.</b>
	End of Consultation Exercise	
	Budget report and proposed rent increase presented to Board of Management for approval – including any responses from the consultation exercise for consideration <b>(N.B. Board meeting must be held after the RPI figure for December had been published, usually in the second week of Jan)</b>	<b>A.C.E./F.M.</b>
	Preparatory work for the notification and implementation of the agreed rent increase	<b>TEN. SER.</b>
<b>FEBRUARY</b>	Every tenant & sharing owner issued with an individual rent increase notification.	<b>H.O.M.</b>
	Inform Housing Benefit Department of individual increased rents	<b>H.O.M.</b>
<b>MARCH</b>	Apply rent increases to individual accounts	<b>H.O.M.</b>