



Rent and Service Charge Policy

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Scottish Charity No.: SC042342 Registered Office: 55 Newtown Street, Duns, TD11 3AU

Rent & Service Charge Policy 2017/18

1. INTRODUCTION

- 1.1. This policy outlines the methodology that Berwickshire Housing Association (BHA) uses to set rents and service charges for all its property, taking account of statutory and regulatory requirements.
- 1.2. BHA's Rent Setting & Service Charges Policy applies to all of BHA's tenancies. This policy has been set by The Trustees of BHA and will be operated by officers of BHA.
- 1.3. Rental income is the largest part of BHA's income / cash flow. BHA therefore aims to set rent levels and service charges that are affordable to tenants and sharing owners, viable for BHA and broadly comparable with other landlords. BHA must ensure that costs are covered and that sufficient income is generated for the ongoing provision of good quality accommodation and associated services for people in housing need.

2. AIMS & OBJECTIVES

- 2.1. The Rent Setting & Service Charges Policy aims to provide a strategic framework for setting charges that are affordable, equitable, transparent and consistent, while ensuring that at all times BHA is a financially viable and sustainable organisation.
- 2.2. The main objectives of this policy include:
 - 2.2.1 establishing a framework for setting rent and service charges that is equitable, transparent and consistent, and which allows sufficient consultation with tenants / sharing owners when charges are reviewed annually;
 - 2.2.2 ensuring that the rent and service charges set each year provide sufficient resources for BHA to provide a quality management and maintenance service, as well as cover the costs associated with voids and bad debts, loan repayments, planned programmed renewals and new build;
 - 2.2.3 setting rent levels and service charges that are affordable to households on modest incomes, taking account of available data on household incomes and charges levied by other comparable social landlords within the local housing market.

- 2.2.4 to provide a framework for calculating rents for a full range of new build property types to be used when applying for Housing Association Grant.
- 2.2.5 to comply with the law and the Scottish Housing Regulator Performance Standard AS1.6 which states “We set rents that take account of affordability, the costs of managing and maintaining our houses, comparability with other social landlords in the area, and that enable us to service existing loans and fulfil contractual obligations. We have a fair system of apportioning rents between individual properties”
- 2.2.6 in setting service charges we will comply with the Scottish Housing Regulator Performance Standard AS1.7 which states “We price the services to our tenants and recover costs in a fair and accountable manner”.

3. CORPORATE FIT

3.1 Legislation and best practice

BHA will comply with the law and the principles contained within performance standards and guidance notes issued by the Scottish Housing Regulator in terms of rent setting and service charges.

The Rent Setting & Service Charges Policy complies with legislation, guidance and good practice including:

- 3.1.1 The Housing (Scotland) Act 2001 (Sections 25 & 54);
- 3.1.1 Performance Standards for Registered Social Landlords (sections AS1.6, AS1.7 and GS2.2 in particular); and
- 3.1.3 Raising Standards in Housing (Chapter 10).

3.2 Equalities

BHA’s Rent Setting & Service Charges Policy complies with BHA’s Equal Opportunities and Diversity Policy to ensure equality of treatment for all tenants without discrimination or prejudice. At all times BHA will therefore consider all tenants, regardless of sex, faith or religion, race, ethnic origin, sexual orientation, mental or physical health, disability or marital status.

3.3 Confidentiality

BHA recognises that confidentiality is important to tenants and will treat their tenancy information in the strictest confidence under the Data Protection Act 1998 and in line with BHA’s Confidentiality Statement.

3.4 Business Plan and Risk Management

BHA's Business Plan depends significantly upon generating revenue from the properties that it rents. BHA therefore seeks to mitigate against business risk through setting rent levels and service charges that are affordable, equitable, transparent and consistent, while ensuring that at all times that the organisation is financially viable and sustainable.

3.5 The Trustees

The Trustees, will monitor the implementation of this policy to ensure that it is properly operated, that there is appropriate officer involvement in the processes used in setting rent levels and service charges, and that there is effective scrutiny of the Rent Setting & Service Charges Policy.

The Trustees will ensure that the Rent Setting & Service Charges Policy is meeting its intended objectives and that appropriate monitoring and reporting of activities takes place.

In implementing its Rent Setting & Service Charges Policy certain functions are the responsibility of The Trustees or nominated committee, although staff has delegated authority to undertake many tasks.

BHA's Board has the ultimate responsibility for rent setting and policy review. As a result The Trustees require to formally approve all rent increases annually. The Trustees are committed to tenant participation and acknowledge the requirement placed upon all RSLs to consult with tenants when reviewing the rental and service charging costs.

4. AFFORDABILITY

4.1 BHA will aim to set rents at levels which are:

4.1.1 affordable to tenants whether they are employed on low income or receive state benefit, in determining 'affordability' BHA will be guided by the Scottish Federation of Housing Associations' definition of affordability:

4.1.2 that tenants should have residual income of not less than 140% of the relevant income support level

4.1.3 able to meet management and maintenance costs, loan charges, voids, bad debts, provision for future major repairs and costs of other services provided; and comparable with the rents charged by other registered social landlords in the area.

4.2 BHA will actively seek information on income levels through SCORE

and equivalent methods. BHA will continue to monitor up-to-date and accurate comparative information on rent levels within its area of operation, to assess the affordability of rent levels being charged

- 4.3 BHA will proactively encourage the maximisation of tenant income through benefit take up activity. To this end BHA's Financial Inclusion Officer will annually develop and target information and advice to promote benefit maximisation for tenants.

5. FINANCIAL VIABILITY

- 5.1. It is crucial that BHA sets rents that take account of the costs of running the business, as set out in its business plan. The vast majority of BHA's income is derived from rents and it is therefore vital that the levels of these rents allow BHA to be financially viable.

- 5.2. This means that BHA will:

- a) calculate annually the projected expenditure to be financed from rental income in the following areas:
- housing management – the costs of providing a high standard housing management service, as costed in our budget, including items such as staff, rent collection, allocation, information and advice costs
 - responsive repairs and cyclical maintenance;
 - planned programmed renewals and new build – the cost of improving or replacing components / SHQS
 - loan repayments and interest charges;
 - employee and administration costs;
 - office costs and overheads; and
 - any other costs associated with running the organisation.
- b) compare the management and maintenance costs with other RSLs of a similar size and type to help provide information to our tenants on efficiency and cost effectiveness;
- c) ensure that expenditure is continually monitored against rental income due and received, via The Trustees/ Committee reporting arrangements in place; and
- d) through good arrears and void management, minimise the amount of rental income lost.

6. RENT SETTING MECHANISM & RENT DIFFERENTIALS

- 6.1. The rent setting structure is the mechanism used to determine the amount of rent charged for each type of property
- 6.2. BHA will apply a differential rent level weighting for each property according to size and type.
- 6.3. BHA does not intend to impose rent levels that differentiate according to geographical location or between those who are existing tenants or those who become new tenants. Similarly, BHA will not impose cost-reflective rent increases for works required to meet the Energy Efficiency Standard for Social Housing (EESH)
- 6.4. The mechanism for reviewing rent charges annually will take account of changes in the cost of living reflected in the prevailing Retail Price Index (RPI). BHA will review the published RPI figure for September in each year and will use this year on year RPI as the reference point for determining rent increases in the financial year ahead. However, where RPI is negative, RPI will be deemed to be 0%
- 6.5. The Trustees will agree annually the level of rental income for the following year after full tenant consultation on a proposed increase by Trustees

7. SERVICE CHARGES

- 7.1. For certain properties, BHA may provide additional services (e.g. close cleaning, stair lighting, estate caretaking, grounds maintenance etc). The costs of these additional services require to be recovered through additional services charges to those residents who benefit from the specific service or services provided. Not all households receive additional services, and those who do may pay varying amounts to reflect the different types of services being provided.
- 7.2. BHA will only seek to charge the actual costs incurred for providing the services, where additional services are provided, these, as well as the services charges; will be clearly set out in BHA's Scottish Secure Tenancy Agreement
- 7.3. BHA may provide Renewable Energy Systems within properties to reduce overall costs for tenants and assist with Fuel Poverty. In certain situations these may be provided and service charged accordingly. This will be dependent on the evaluation criteria gained from pilot exercises and linked to the financial benefits for the tenant.

TASK	TIMESCALE
Details of Retail Price Index figure (based upon September RPI figure for rent increase)	October
Initial discussion on proposed rent increases at Board	November
Rent increase consultation letter to tenants	December
Rent Consultation Meeting(s)	January
Rent increase review feedback from tenants (Finance Committee)	January
Rent increase approved by The Trustees	February
Rent increase letters go out (at least 28 days before 1 April)	February
New rent increase applies Annually from first Monday in April to 31 st March of following year	April

11. COMPARABILITY WITH OTHER RSLs

11.1. In determining the rent levels for the properties that it owns, BHA will consider those set by other social landlords in the area and out with the area, but of a similar size and type. This means that BHA will:

- collect details on the rents set by all other registered social landlords operating within our area and out with the area, but of a similar size and type;
- aim to set rents that compare favourably with those charged by other social landlords for similar property; and
- seek to justify any rent levels that are not broadly comparable with those charged by other social landlords for similar property.

12. MAKING PAYMENTS

12.1. BHA will aim to combine cost-effectiveness and convenience to tenants in its payment methods and subject to review may extend, restrict or otherwise change rent payment methods in the future.

12.2. BHA operates a weekly rent debit, meaning that it collects its rent every

week. Tenants must therefore, where possible, pay their rent every Monday, the day the debit is charged to the rent account.

12.3. There are currently several ways that tenants can pay their rent to BHA including: Direct Debit; Standing Order; phone; via 'Allpay' on-line

12.4. In line with BHA's Arrears Policy, BHA will assist tenants in applying for Housing Benefit or other such benefits that provide assistance with rental payments.

BHA will seek to maintain a close working relationship with local authorities and the Benefits Agency to minimise any difficulties in connection with benefit claims, to maximise the general take-up of benefits and to expedite the direct payment of Housing Benefit to BHA. If tenants require advice and assistance on their financial situation BHA will provide Financial Inclusion services to assist. This will include in-depth one-to-one work with individuals reviewing their financial information.

13. MONITORING & REVIEW

13.1. BHA will publicise its Rent Setting & Service Charges through its newsletters, tenants' handbook, website and any other relevant social media channels.

13.2. BHA will typically review its methodology for setting rents and service charges annually. This may change if required by statutory, regulatory or best practice requirements.

13.3. Actual rent levels and service charges will be reviewed annually in consultation with tenants. BHA will commission periodic customer satisfaction surveys and thereby seek to measure and assess general tenant perceptions. As part of the survey process, feedback will be sought on the affordability and value for money of rents and service charges.

14. DEFINITION OF STANDARD RENTS

It is some years since BHA last undertook an exercise to define how it differentiates its different sized properties in terms of rents.

The Scottish Housing Regulator does publish comparative tables of all RSL rents by apartment size but the most recent available data refers to the 2013/14 financial year. It is also not clear from these tables how other RSLs differentiate between similar sized housing units that are houses as compared with a flat.

BHA does give a different weight to houses and flats and therefore have different standard rents. Our existing standard rents have been derived from the initial standard rents determined in 2001 and have had inflation added to

them every year. As inflation is a percentage of the original amount, over the years the weightings have moved slightly from those originally set.

Looking at the most recent data for average rents available from the Scottish Housing Regulator, it seems that our 1 and 2 apartment rents are higher than the Scottish peer average and three apartment are about the same as the peer average, our 4 apartment are cheaper than the peer average and our 5+ apartments are higher than the peer average. Overall our average rent is very close to the peer average.

We will continue to monitor how our rents compare with other Scottish Rural RSLs identifying any proposed changes and the implication for our long term sustainability.

15. NEW BUILD PROPERTIES

The policy for the setting of rents and service charges for BHA's new build properties differs from properties transferred to BHA from stock transfer or any subsequent properties acquired or developed from 1995 – March 2014.

The Board agreed that new build developments completed from April 2015 onwards would incur a standard rent + 9% charge. However following the incremental rise of Local Housing Allowance and the increase in construction costs per unit as we plan future developments the following rent calculation methodology for any new build properties completed in 2016/17 onwards will be:

- **Base rent for general needs property (any size) = standard rent + 10%.**
- **Non-standard properties increase = standard rent + up to 20% (remains as previously agreed)**