

# RENT POLICY

## FEBRUARY 2019



**LANARKSHIRE**  
HOUSING ASSOCIATION LTD



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191 Brandon Street  
Motherwell ML1 1RS  
Tel: (01698) 269119  
Fax: (01698) 275202

(\*Note Lanarkshire Housing Association, hereinafter referred to as LHA)

## 1.0 AIMS

- 1.1 LHA's corporate vision is "to provide good quality, affordable housing services in strong local communities within a voluntary framework of governance".
- 1.2 The rent policy aims to safeguard rental income, as our primary revenue source, whilst ensuring rents are maintained at an affordable level for tenants. Additionally, securing our financial viability and operational effectiveness whilst continuing our commitment to improve our housing stock.
- 1.3 We will monitor our rent levels and benchmark rents against other social landlords, to ensure our rent levels compare favourably with similar landlords.
- 1.4 The rent policy sets the principals and methodology for our rent setting process, as determined by our rent structure, which is integral to our strategic planning process.

## 2.0 RENT POLICY – OBJECTIVES

- 2.1 Our rent policy and rent setting structure is sufficiently flexible to address our diverse housing mix. The rent setting process allows for rents to be set for all rented, shared ownership, mortgage to rent and new property acquisitions, whilst addressing the rent differential for old and new developments.
- 2.2 Key objectives of the policy are: -
  - Affordability for tenants
  - Viability of the organisation
  - Comparability with other local RSL's

## 3.0 HOUSING (SCOTLAND) ACT 2010 – THE SCOTTISH SOCIAL HOUSING CHARTER

- 3.1 The Scottish Social Housing Charter (the Charter) was introduced in April 2012 and set outcomes and standards social landlords should achieve. The purpose of the Charter is to help improve the quality and value of the services social landlords provide and supports Scottish Government's aim to creating a 'Safer and Stronger' Scotland. We will take full cognisance of the Charter in our policy development.
- 3.2 In relation to **Charter Standard 13: Value for Money**: 'Social Landlords manage their business so that:
  - tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay'.

We aim to ensure tenants receive value for money through our rent setting process and by the Association efficiently managing our costs and services.

### 3.3 In relation to **Charter Outcomes 14 & 15: Rents and Service Charge:**

‘Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- a balance is struck between the level of services provided, the cost of the 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, including details of any individual items of expenditure above the thresholds agreed between landlord and tenants’

We will provide clear information to tenants on how rent and service charges are calculated and consult tenants annually on the rent review process.

### 3.4 In relation to **Charter Outcome 2 – Communication**

‘Social Landlords manage their businesses so that:

- tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides’.

We aim to ensure that tenants and customers find it simple to contact us by providing clear information in plain English. We aim to make it easy for all customers to access information and to understand our decisions and actions. Additionally we will ensure our customers are readily able to provide feedback on our services or make complaints when required.

### 3.5 In relation to **Charter outcome 3 - Participation**

‘Social landlords manage their businesses so that:

- Tenants and other customers find it easy to participate in and influence their landlord’s decisions at a level they feel comfortable with’.

Tenant participation is at the heart of our activities and we will actively encourage tenants to become involved, particularly during the rent review process to give an account of their views. Our Tenant Participation Strategy provides the framework to ensure we comply with our statutory duties, tenant’s needs and good practice.

3.6 We will provide tenants with details of our performance, as reported to the Scottish Housing Regulator in our annual return on the Charter. We will issue customers with a copy of our Landlord Report (as published annually by the Regulator) together with our annual performance report, to demonstrate how our performance compares with the Scottish average for social landlords and other similar RSL’s.

## 4.0 EXPENDITURE TO BE MET FROM RENTAL INCOME

4.1 Our annual rent review takes account of revenue required to sustain anticipated costs for the forthcoming year, in addition to the undernoted costs which are met from rental income:

- Repairing and improving our homes - the cost of providing a high standard maintenance service including day to day (reactive) repairs, recurring (cyclical) repairs, in addition to Planned Maintenance and improvements.
- Management costs – including all staff and administrative costs
- Costs of running the business – including office and administration costs
- Paying loans – relating to property development
- Other property costs - including service costs with a provision set aside to meet income lost owing to properties remaining void or rent deemed irrecoverable.

## **5.0 RENT STRUCTURE**

- 5.1 The rent structure provides a framework for rent setting for all Association properties and is linked to our comprehensive financial planning. Good financial planning ensures continued viability, placing us in a strong financial position to invest in our properties. We aim to ensure tenants receive value for money through efficient management of costs and services, including reducing rent arrears and the period that houses remain void, as vital components to managing arrears and resources effectively.
- 5.2 Details of the rent structure are provided in **Appendix 1** of this policy; with the rent setting process designed around a points based system. This method of rent setting is consistent, simple to understand and used for all property types. The rent structure also addresses rents for shared ownership and older tenemental properties. Rents charged for each property is the output of the rent setting points accumulated, with the total points multiplied by a pence per point value to give the annual rent of the property.

## **6.0 AFFORDABILITY**

- 6.1 We will monitor and compare rent levels with other social landlords and assess affordability for those in housing need. We will consult tenants annually as part of our rent review exercise and report the outcome of the consultation to the governing body.
- 6.2 We will assist tenants in accessing benefits, debt and money advice alongside income maximisation services provided through partnership arrangements with the Citizen's Advice Bureau AFTAR project and NLC's Money Advice Service.
- 6.3 We acknowledge that changes imposed by the Welfare Reform Act 2012 bring a number of challenges in relation to rent collection. We aim to assist tenants through these changes by positive communication and engagement, ensuring tenants are aware how the changes may affect them and their requirement to meet rent payments. A wide range of convenient payment methods are available to meet tenant's needs.
- 6.4 Our Arrears Management Strategy will address rent recovery using proactive and reactive measures for successful rent recovery.
- 6.5 Changes relating to under-occupancy, the benefit cap and non-dependant contribution rules may require tenants to pay an increased rental contribution or to apply for discretionary housing payments. We will support tenants in these cases to ensure they are aware of the changes, how it will affect them and what assistance is available to help meet the rent due.
- 6.6 We monitor the level of tenants in receipt of housing benefit (HB), acknowledging that at present approximately 50% of tenants receive HB assistance. We are positively addressing challenges relating to rent collection through improvements in our Information Technology systems, to allow both tenants and officers improved access to our rent account systems.

## **7.0 RENT COMPARISON**

7.1 Our Annual Performance report includes a comparison of rent levels with both the Scottish Average (as published by the SHR) and other comparable RSL's.

## **8.0 RENT REVIEW**

8.1 In reviewing rents, account will be taken of funding requirements including capital investment for future planned maintenance.

8.2 Our annual rent review will be subject to tenant consultation and tenant feedback then reported to Committee prior to the final decision on the rent review. A summary of historic annual percentage increases is enclosed as **Appendix 2**

8.3 The rent review recommendation report will be issued to the Management Committee (normally in November each year) by the Corporate Services Director. Tenant consultation will then be undertaken and the outcome report submitted to the Housing Services Sub-Committee (normally early in February each year) and assessed as part of the final rent review report, normally submitted to the Management Committee late February each year.

8.4 In compliance with the requirements of Section 25 of the Housing (Scotland) Act 2001, four weeks' notice of the revised rent will be provided to tenants. We will not normally review rents out with the annual review cycle.

8.5 An information leaflet entitled 'Delivering Affordable Rents' is issued annually as part of the rent review consultation process to give tenants good quality information on how their rent is calculated.

8.6 Secure tenants have their rents registered with the Rent Officer every three years and will be advised of the proposed rent and final registered rent compliant with the review timescale.

## **9.0 OTHER PROPERTIES**

### **9.1 Leased Properties**

Where lease agreements are in place with other agencies, rent and service charge will be calculated on the same basis as our rent setting process. Any additional rent or service charge will be subject to approval by Housing Services Sub-Committee.

### **9.2 Mortgage to Rent Properties (MTR)**

Rents for properties acquired through MTR, will be subject of rent assessment using our standard rent setting process. A comparison will be made to the assumed rent provided by Scottish Government for HAG calculation. Where the intimated rent is higher than our standard rent set, we will use the higher rent level. Where properties acquired have addition features not included in our rent setting, a review of the rent amenities will be undertaken, taking account of additional amenities identified.

## **10.0 PROPERTY SERVICE CHARGE**

10.1 Details of our Property Service Charge Policy are enclosed in **Appendix 3**, the aims of this policy ensure services are recharged fairly and cover actual costs.

10.2 We will review the level of service charge for each scheme and all property types within that scheme on an annual basis (separate from the rent review).

## **11.0 RENT COLLECTION**

11.1 We provide a range of efficient and responsive rent collection methods which offer tenants accessible and convenient ways to pay their rent. We will review rent payment methods regularly to take account of changes in technology and ensure compatibility with tenants needs.

11.2 Our rent collection process is accountable and efficient rent payment processing enhances rent and arrears recovery. Processes will be subject to regular review to ensure they effectively meet tenants' needs and maximise rent collection.

11.3 Our Arrears Policy and procedures use a preventative and reactive approach to respond quickly if/when arrears arise. We aim to recover rent fairly and effectively, minimising non-payment of rent through a sensitive and supportive arrears strategy to prevent and reduce arrears.

11.4 Arrears reports will be presented to each Housing Sub-Committee, confirming arrears performance and detailing arrears actions taken. Arrears will be recorded under the categories of technical, non-technical and former tenants' rent arrears, with benchmarking targets set for these categories reported to the Management Committee.

## **12.0 COMPLAINTS**

12.1 Complaints arising from our rent setting process will be addressed in accordance with our Complaints Handling procedures.

## **13.0 POLICY REVIEW – MONITORING**

13.1 We monitor the operation of the Rent and Service Charge Policy, to ensure rent charges achieve policy objectives and comply with the rent setting process.

13.2 The rent policy will be reviewed every three years or sooner if revised guidance or review requirements are identified.

LHA's Rent Structure incorporates a rent setting process to determine the rent level for individual properties. The key objective of the rent structure is to provide a simple rent calculation, taking account of individual characteristics of each property.

**POINTS BASED SYSTEM**

We use a points based rent setting system, which provides a base rent points, plus additional points for property type, livingroom, bathroom and kitchen type, with points awarded for each feature and element within the property. The relative importance of the property characteristics is represented by weighting given to each attribute within the property

The rent structure adopted is designed to be: -

- Easy to understand
- Easy to apply
- Transparent
- Flexible
- Fair

The main factors reflected in this points system of our rent setting include:

- Property type
- Property size
- Amenities/features within property
- Energy efficiency & central heating
- Sinking fund provision

**RENT STRUCTURE**

The rent structure determines how rents are calculated for individual properties, reflecting property characteristic. Points are calculated as an accumulation of points for each amenity within the property.

**All properties will be subject to 600 Base Rent points, with additions determined by house type, size and type of kitchen and bathroom.**

	<b>Points</b>
<b>Base Rent</b>	<b>600</b>
<b>Single Bedroom</b>	<b>70</b>
<b>Double Bedroom</b>	<b>90</b>
<b>Living/Diner</b>	<b>100</b>
<b>Kitchen/Dining Area</b>	<b>90</b>
<b>Dining Area</b>	<b>30</b>
<b>Standard Kitchen</b>	<b>70</b>
<b>Kitchen off Living Room</b>	<b>55</b>
<b>Recessed Kitchen</b>	<b>35</b>
<b>Standard Bathroom</b>	<b>50</b>
<b>Bathroom + Shower</b>	<b>80</b>
<b>Shower</b>	<b>30</b>
<b>Standard Bathroom +Additional WC</b>	<b>60</b>
<b>Conservatory ( with integrated heating)</b>	<b>50</b>
<b>Conservatory ( no heating)</b>	<b>30</b>

Central Heating is subject to a 10% addition to the total point level as per the example shown below:-

<b>2 Apartment Flat</b>	<b>Points</b>
Base Rent	600
Double Bedroom	90
Standard Kitchen	70
Standard Bathroom	50
Central Heating (10% of above)	81
Sinking Fund (See Below)	370
<b>Total Points</b>	<b>1261</b>

### Pence Per point

The rent calculation is the multiplication of the points, times the pence per point, which is set each year, following the rent review. As at April 2017 the pence per point was 2.9367.

### Sinking Fund

Additional points are added for the sinking fund provision, to take account of future repairs and renewals. This is based on accommodation size as follows: -

<b>House Size</b>	<b>£per annum</b>
<b>1 person/2 apartment</b>	<b>350</b>
<b>2 person/2 apartment</b>	<b>370</b>
<b>3 person/3 apartment</b>	<b>390</b>
<b>4 person/3 apartment</b>	<b>410</b>
<b>4 person/4 apartment</b>	<b>420</b>
<b>5 person/4 apartment</b>	<b>430</b>
<b>6 person /4 apartment</b>	<b>450</b>
<b>6 person/ 5 apartment</b>	<b>460</b>
<b>7 person/ 5apartment</b>	<b>470</b>

### Semi Detached & Terraced properties

Supplementary points are added to the total points accumulated for the provision of amenities, on a house type basis, with an additional percentage added to total points for house types as follows:

<b>TERRACED HOUSES</b>	<b>ADD 2% OF TOTAL</b>
<b>SEMI-DETACHED HOUSES</b>	<b>ADD 4% OF TOTAL</b>

### Tenemental properties

Tenemental properties are subject to a deduction from total rent points based on this house type:

<b>- 8% Reduction.</b>
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### Shared Ownership

Occupancy charges for shared ownership properties are subject of a -15% reduction to the standard rent, to take account of full repairing lease criterion of low cost home ownership

## **Mortgage to Rent Properties**

The rent for Mortgage to Rent properties will be calculated using our standard point based system. Where Scottish Government standard HAG calculation produces a higher rent than our rent calculation, the Scottish Government rent calculation will be used as the rent set. Where amenities are identified in MTR properties that are not governed by our rent policy, we will review the amenity point identified and incorporate this in future rent policy review.

## **Newly acquired properties**

Rent levels for properties acquired on the open market will be calculated on the same basis as our rent setting process.

## **Variations to standard point based calculation**

Our housing stock is divided into various geographical areas within Lanarkshire, however, no variation is applied for geographical areas.

## **New Build Scheme (Gavin Street/Adele Street 1990) - Previous H.A.G. Structure**

This particular scheme was completed in 1990, financed through the previous H.A.G. structure and did not require private finance to supplement HAG. Rents for this development are set at an intermediate level within the rent setting mechanism, with the sinking fund set at 50% of the standard rent sinking fund figures.

Attic flats within this development are subject to an approved reduction to take account of the nature of the property type. All properties within this development are subject of the standard rent review process.

## **Energy Efficient Amenities**

Specific properties with identified energy efficiency amenities will be subject to an adjustment of up to 10% of total point calculation.

## **Dalziel Street, Motherwell.**

The rent level for the Dalziel Street development will be subject of a rent structure addition of £7.50 per month, i.e. £90 per annum.

## **Properties not covered by the Rent Point based system**

### **Properties under the 'old' H.A.G. Structure**

Rent levels for properties financed through the previous H.A.G. structure takes account of previous assured rent levels for similar properties with similar elements, with the annual review taking account of the standard rent review criteria. Any imbalance of rents within older developments e.g. where original rents were "fair rents" will be harmonised at termination of tenancy in line with our normal rent structure.

### **Stock Transfer Properties**

Rent levels for former Scottish Homes' stock transfer properties (only the North Orchard Street scheme) will normally incorporate a rent review levied at RPI + 1%. The rent review is approved as part of our normal rent review exercise. Relet of stock transfer properties, provides the opportunity to bring the rent level in line with our normal rent structure.

## **Fair Rent Properties (Secure Tenancies)**

Re-registration of fair rents for secure tenants is set by the Rent Officer on a three-year cycle. The rent review for these properties is normally based on a three-year inflationary increase.

## Historic Rent Review Figures 1990-2017

## Appendix 2

	<b>Standard Assured</b>	<b>Other Levels</b>	<b>Stock Transfer</b>
Rent increase 1990/1991	8%	-	-
Rent Increase 1991/1992	10%	-	-
Rent Increase 1992/1993	5%	-	-
Rent Increase 1993/1994	5%	5%	-
Rent Increase 1994/1995	3%	5%	-
Rent Increase 1995/1996	3.5%	5.5%	-
Rent Increase 1996/1997	4.2%	6.2%	4.2%
Rent Increase 1997/1998	3.9%	5.9%	3.9%
Rent Increase 1998/1999	4.6%	6.6%	4.3%
Rent Increase 1999/2000	3.6%	4.6%	3.6%
Rent Increase 2000/2001	3.0%	5.0% Greenmoss Place 4.0% East Dean/Bruce Street	2.8%
Rent Increase 2001/2002	3.9%	4.9%	3.8%
Rent Increase 2002/2003	3.0%	3.0%	1.7%
Rent Increase 2003/04	5.5%	5.5%	3.9%
Rent Increase 2004/05	4.7%	4.7%	4.5%
Rent Review 2006/07	4.7%	4.7%	3.2%
Rent Review 2007/08	4.45%	4.45%	
Rent Review 2008/09	5.3%		
Rent Review 2009/10	2.7%		1.9%
Rent Review 2010/11	3.9%		
Rent Review 2011/12	2%		
Rent Review 2012/13	3%		
Rent Review 2013/14	2.6%		
Rent Review 2014/15	2%		
Rent Review 2015/16	1.5%		
Rent Review 2016/17	1.5%		
Rent Review 2017/18	1%		
Rent Review 2018/2019	2.8%		

**1.0 INTRODUCTION**

- 1.1 LHA will set property service charges at a level which covers actual costs for each estate.
- 1.2 Our policy describes the methods for levying service charges, which is separate from our rent setting process.

**2.0 SERVICE CHARGES**

- 2.1 Service charges are separate from rent charges and cover services outwith the standard rent setting process.
- 2.2 LHA tenants enjoy quality services in each of our estates. Services vary between developments and house type, with elements calculated on a scheme and property type basis.
- 2.3 This policy provides details of the types of service provided and the charging mechanism. Procedures are in place to clarify specific services and charging methods on a scheme-by-scheme basis.

**3.0 SCOTTISH SECURE TENANCY AGREEMENT**

- 3.1 Section 2.6 of the Scottish Secure Tenancy Agreement clarifies property services charges for each tenant. Service charges are reviewed annually and notification provided to tenants in their annual rent review notice.
- 3.2 Any changes to actual services provided will be subject to tenant consultation.

**4.0 DESCRIPTION OF SERVICES**

- 4.1 We aim to ensure that services provided are cost effective and represent clear value for money, whilst maintaining high service standards. Where appropriate, contracts will be awarded in accordance with our Maintenance Policy and procedures (including our ground maintenance contract).
- 4.2 The undernoted are standard property services provided, together with a summary of the charging mechanism: -

**Estate Caretaker Services**

Estate Caretaker services are provided to all estates and charges applied for employee cost, transport and fuel costs (less 25% chargeable to Maintenance Service). Costs are recharged on an estate and property basis, split by all rented, shared ownership and owner occupied properties who receive the estate management service.

**Electricity Charges (Common Lighting/ TV Aerial)**

Charges are based on actual accounts received for electricity units for common lighting/tv aerials, satellite systems, etc., and will be recharged to tenants on a scheme/close basis.

## **Ground Maintenance Costs**

Costs for the provision of ground maintenance and landscaping services for each development are recharged on a scheme and/or property type basis on actual scheme charges.

## **Close Cleaning/Window/Lift Cleaning Service**

Some schemes have a close and/or window cleaning service provided with known costs recharged on the basis of actual service costs. Dalziel Street development also has a lift cleaning service, which is recharged to tenants based on actual cost.

## **Servicing of Equipment – Gas Central Heating Servicing**

The cost of servicing gas central heating equipment provided is recharged to tenants on the basis of competitive tenders received.

## **6.0 NEW DEVELOPMENTS**

6.1 In planning new developments, account will be taken of services and equipment provided within the development. New developments may have some services provided under the original contract, i.e. ground maintenance. An estimate of anticipated property service costs will be advised to tenants, with a review undertaken as part of the annual service charge review.

6.2 Within the Main Street Calder Road, Mossend, development the CHP heating costs are treated separately from service costs with an annual review undertaken based on previous years costs.

## **7.0 FORMER SECURE TENANTS**

7.1 Secure tenants with registered rents are subject of Rent Officer rent assessment; the service charge element will be in line with our service charge policy, with service charge calculated at the date of application for re-registration.

## **8.0 EXCLUSION TO SERVICE CHARGES**

8.1 Scottish Homes Stock Transfer properties are exempt from service charge based on stock transfer conditions. Relet of properties allows for service charge to be levied in line with the standard service charge procedures.

## **9.0 REVIEW OF PROPERTY SERVICE CHARGES**

9.1 Property service charges will be reviewed annually to reflect actual costs from the previous year, based on known and anticipated cost of services for each development.

9.2 Review meetings will be undertaken between Housing and Corporate Services Department, to assess actual expenditure costs for service charge levels, in addition to depreciation of elements where replacement of equipment may be required.

## **10.0 COMPLAINTS PROCEDURE**

10.1 Tenants wishing to complain about our Property Service Charge Policy or service level set have access to our Complaints Handling Procedure.