



## Rent and Service Charge Policy

Approver	Board
Pre Board Committee Scrutiny	N/A
Date Approved	7 February 2023
Classification	Policy
Title	Rent and Service Charge Policy
Revision Date	January 2023
Revised by	Director of Housing and Support
Next Revision Date	February 2026
Related Documents	
Location of Electronic Copy	<a href="F:\LIVE POLICIES\Housing\Board approved">F:\LIVE POLICIES\Housing\Board approved</a>

## 1.0 Policy Statement

1.1 This policy outlines how Viewpoint Housing Association (VHA) sets its rent and service charges for its properties, taking into account statutory and regulatory requirements.

## 1.2 Strategic Objectives

This policy supports the delivery of the following strategic ~~aims~~objectives and outcomes:

Strategic <del>Aim</del> <u>Objective</u>	Outcomes
<del>Our Finances will support the changing needs of the business</del>	<del>Our Finances are robust Our customers' needs are at the heart of our financial decisions</del>
<del>Our customers are at the heart of everything we do To deliver an excellent customer experience</del>	<del>Our customers feel listened to Our customers can influence us in a variety of ways Our customers are empowered and supported to live as independently as they choose; Our customers receive a consistent service that delivers high customer satisfaction; Our services meet or exceed agreed quality standards;</del>
<del>We provide great places where people choose to live To provide good quality homes</del>	<del>Our homes are affordable within each sector of the marketplace Homes that are safe and secure; Homes that are accessible and connected; Homes that are functional, warm, comfortable and desirable; Homes that meet evolving customer needs and aspirations; Homes that add strategic, financial and social value to our business; Homes that deliver improved customer satisfaction; Homes that meet all relevant and required standards.</del>
<del>To maintain good governance and financial management</del>	<del>To ensure there is high quality governance and decision making to guide our business activities Our business is financially sustainable Our business is governed well</del>

	<u>Our business meets regulatory standards</u>
<u>To be efficient and effective whilst considering value for money</u>	<u>Our rents are affordable</u> <u>We review our internal processes to ensure that we are maximising our income</u> <u>We continue to review our overall costs and consider how to reduce these to ensure our operating business is financially sustainable</u>

## 2.0 Aims and Objectives

### 2.1 Aims

Rental income is a significant part of VHA's income. VHA aims to set rent levels and service charges that are affordable to tenants and sharing owners, financially viable for VHA and broadly comparable with other landlords providing similar services. VHA must ensure that costs are covered and that sufficient income is generated for the ongoing provision of good quality accommodation and related services for people in housing need.

### 2.2 Objectives

2.3 The objectives of the rent and service charge policy are to:

- establish a framework to set rents and service charges which is fair and transparent and which allows sufficient consultation with tenants and sharing owners when charges are reviewed annually;
- ensure that the rent and service charges set each year provide sufficient resource for VHA to provide a quality housing management and maintenance service, as well as cover the costs associated with voids and bad debts, loan repayments, planned programmed renewals and new build;
- set rent and service charges that are affordable to households on low/moderate incomes, taking account of available data on household incomes and which are broadly consistent with comparable rents and service charges levied by other social landlords in the relevant housing market area providing similar types and standards of property, and services.
- Meet all legal and regulatory requirements

## 3.0 Legislation/Regulatory Requirements

- 3.1 Under the terms of the Housing (Scotland) Act 2001 the Association is responsible for setting rent levels and service charges for properties within its ownership and for consulting with tenants in relation to this.
- 3.2 **Social Housing Charter**
- 3.3 The Scottish Government, through the Scottish Housing Regulator, sets the outcomes it expects social landlords to achieve for its residents.
- 3.4 In terms of how rent and service charges are applied, the relevant Social Housing Charter standards include:

**Outcome 1: Equalities**

*Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services*

**Outcome 13: Value for Money**

*Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay*

**Outcomes 14 and 15**

*A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.*

*Tenants get clear information on how rent and other money is spend, including details of any individual items of expenditure above thresholds agreed between landlords and tenants*

These outcomes reflect a landlord's legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford; and the importance that many tenants place on being able to find out how their money is spent.

3.3 **Regulatory Requirements**

**Standard 3** – The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

3.4 **Good Practice**

The SFHA Rent Setting Guidance and Affordability Tool 2017 has been taken into account in development of this policy.

#### **4.0 Scope**

4.1 This policy related to rents and service charges set for Scottish Secure Tenancies under the Housing (Scotland) Act 2001 (excluding Loanstock) and sharing owners. Rents and service charges should be sufficient to cover the costs of managing and maintaining all types of property owned by Viewpoint and related and additional services provided. In addition to this, provisions are made for future major repairs and renovations and private loans on developments.

4.2 Costs to be covered by rental income can include:

- Housing management costs
- Voids and bad debts
- Maintenance costs
- Major repairs and renewals
- Loan Charges
- Insurance and Overheads
- Staffing costs and pension provisions

4.3 Costs to be covered by service charges relate to additional services provided.

#### **5.0 Affordability and Comparability**

5.1 VHA aims to set rent levels which are affordable to tenants on low/moderate incomes and will seek to ensure that rents are within housing benefit and Universal Credit eligibility limits, subject to recognition that some service costs are non-housing benefit eligible.

5.2 VHA uses affordability tools and measures available to it, such as the SFHA affordability tool, to check if rents are affordable to tenants and prospective tenants

5.3 VHA will ensure that rent and service charges and annual increases on average, do not unreasonably exceed levels set by other housing associations working in the same area where the type and specification of the property, location and service are comparable.

5.4 VHA will proactively encourage the maximisation of tenant income through benefit take up activity.

#### **6.0 Financial Viability**

6.1 It is crucial that VHA sets rents and service charges that take account of the costs of running the business.

6.2 VHA will:

- Annually calculate the projected expenditure to be financed from rent and service charges in the following areas:
  - o Housing management
  - o Responsive repairs and maintenance
  - o Planned programmed renewals – the cost of improving or replacing components and SHQS work
  - o Loan repayments and service charges
  - o Employee and administration costs
  - o Office costs and overheads
  - o Any other cost associated with running the organisation
- Compare the management and maintenance costs with other RSLs of a similar size and type to help provide tenants with information on efficiency and cost effectiveness
- Ensure that expenditure is monitored against rent and service charge income due and received, via the Trustees/Committee reporting arrangements in place;
- Through good arrears and void management, minimise the amount of rental income lost.

## 7.0 Rent Setting Mechanism

7.1 The rent setting mechanism is the mechanism used to determine the amount of rent charged for each property. This is done in a consistent way across VHA's properties.

7.2 VHA charges a base rent rate for all housing owned or partly owned by the organisation, which applies to all properties with 3 additional component elements:

Criterion 1: Property Size

Criterion 2: Accommodation Type

Criterion 3: Property Type.

7.3 Base Rents for SST Tenants (with Fair Rents) are set by an independent Rent Officer. VHA will apply for Fair Rents timeously. The rent will be implemented from the date the fair rent becomes effective.

7.4 Rents for tenants with a Shared Ownership Agreement will be set after taking account of any guidance issued by the Scottish Government or

the Scottish Housing Regulator and will be subject to the detailed provisions contained within individual agreements. VHA will use the rent charges which would apply for the accommodation if it were occupied by a tenant under a SST Agreement as the starting point for the calculation of rent. Rent charged will be a portion of the amount calculated in accordance with individual agreements and the share of the equity held. The funding of major repairs will be in accordance with the appropriate guidance notes and contractual agreements between VHA and the sharing owners.

## 7.5 Component elements

The base rent is augmented by three additional criterion:

Criterion 1: Property Size – number of rooms

Criterion 2: Type – General Needs, Alarmed, Sheltered, Enhanced

Criterion 3: Property Type – flat, house.

Appendix 1 provides further detail on the differentials between the base rent and component elements.

## 8.0 Service charges

8.1 A service charge will only apply to a service that is not covered by the rent charge for the property. The costs of these additional services requires to be recovered through service charges to those residents who benefit from the specific service or services provided.

8.2 VHA will only seek to cover the forecast costs incurred for providing and administering the services. Where additional services are provided, these, as well as the services charges, will be clearly set out in VHA's Scottish Secure Tenancy Agreement. Service Charge payments will be collected together with rent payments. In the event of insufficient total payment being made, VHA's Rent Income Policy will apply.

8.3 VHA has 6 service charge components:

1. Housing Support – service charges vary according to property type and/or size and cover 40% of cost of additional support
2. Laundry Facilities – flat rate charge applied
3. Landscaping – complex specific divided by number of properties at each complex
4. Common Area Expenses – flat rate charge applied
5. Catering – complex specific
6. Central heating – service charges vary according to property type and/or size, across whole stock who do not have their own gas bill

7. Central heating and hot water - service charges vary according to property type and/or size, across whole stock who do not have their own gas bill.

~~From 1 April 2023, there will be no Service Charge for Housing Support and this will be moved into Criterion 2 of the corresponding accommodation type.~~

#### 8.4 Sharing Owners

In respect of sharing owners, VHA will only seek to charge the actual costs incurred for providing and administering the services. Where additional services are provided, these will be clearly set out in VHAs Occupancy Agreement. Service charge payments will be collected together with rent payments. In the event of insufficient total payment being made, VHA's Rental Income Policy will apply.

#### 9.0 Rent and Service Charge Review

- 9.1 Rents (base rent and 3 additional criteria) and service charges will be reviewed annually in order to ensure that costs can continue to be met. Rents and service charges will be set annually through VHAs budget setting process. This process will have due regard to other relevant factors including prevailing inflation using recognised UK Government indicators (RPI, CPI, CPIH), average income, welfare benefit levels and allowances for any other income which may be receivable, such as grants from local authorities.

- 9.2 The implementation date for rent and service charge reviews will be 1 April each year except where there are conditions in the Tenancy or other Agreement which require a different review date.

- 9.3 The level of any rent and service charge increases will be in accordance with the Annual Budget Strategy agreed by the Board and following full consultation with tenants on any proposed increase by the Board.

- 9.4 Additionally, service charges may be reviewed during the course of a financial year to reflect variations in the services provided by VHA, but only with the agreement of tenants concerned.

#### 9.5 Consultation

- 9.6 Section 25 of the Housing (Scotland) Act 2001 requires VHA to give tenants 4 weeks' notice of any change in rent and service charge. Before giving notice of a change in rent or service charge, VHA will consult tenants and consider their views, providing a full report on the outcome of the consultation process to the Board, prior to a decision being made.



9.7 The rent review process will seek to achieve a balance between the quality and cost of service delivery, aiming to set charges that are perceived to represent value for money and affordability to the majority of tenants. When reviewing rents, consideration will be given to VHA's investment programme, service delivery arrangements and new duties or initiatives.

9.8 Following the annual rent review process, tenants will be notified of the outcome of the process, any revisions to their rent and the reasons why.

#### **10.0 Compliance and Support**

10.1 It is the responsibility of all staff to familiarise themselves with the content of this policy and to ensure that they comply with the policy and associated procedures.

10.2 If advice or support is required, staff should approach their line manager.

#### **11.0 Monitoring and Review**

11.1 Rent levels and service charges will be reviewed annually in consultation with tenants. Through a variety of means, VHA seeks to measure and assess tenants' perception of affordability and value for money of rents and service charges. VHA will also have regard for feedback from applicants from surveys on their reasons for refusal of offers of tenancies and the reasons for leaving cited by former tenants in exit surveys.

11.2 The Rent Policy will be reviewed every 3 years, or as required by the Board.

### Base Rent and Differentials

During 2017, with the support of Arneil Johnson, VHA undertook a significant review of its rent and service charge structure, in full consultation with tenants.

The aim of the review was to resolve anomalies, improve transparency and reduce complexity. The outcome of the process produced the following rent and service charge model (2017 base)

#### RENT

Base Rent	£303 per month
Property Size £30 differentials	Room £0 1 Bedroom +£60 2 Bedroom +£90 3 Bedroom +£120
Accommodation Type Based on levels of service received	General Needs £0 Alarmed +£39 Sheltered +£69 Enhanced +£90
Property Type £5 differentials	Flat £0 Housing +£5

In 2018/19, the rent was increased by 2.8%

In 2019/20, the rent was increased by 2.3%

In 2020/21, the rent was increased by 2%

In 2021/22, the rent was increased by 2%

In 2022/23, the rent ~~was~~ ~~will be~~ increased by 2.9%

In 2023/24, the rent will be increased by x%

#### SERVICE CHARGE (2017 base)

Housing Support	Alarmed +£6.81 Sheltered +£21.40 Enhanced +£24.32
Laundry Facilities	+£4.11
Landscaping	Per complex
Common Area Expenses	+£6.41
Catering	As is
Central Heating	Room +£25 1 Bedroom +£31

Where tenant not paying for their own bill	2 bedroom +£42 3 bedroom +£52
--	----------------------------------

In 2018/19, service charges were increased by 2.8%

In 2019/20, service charges were not increased.

#### SERVICE CHARGES (FROM APRIL 2020)

Housing Support	Alarmed +£7.14 Sheltered +£22.44 Enhanced +£25.50
Laundry Facilities	+£4.30
Landscaping	Per complex
Common Area Expenses	+£8.03
Catering	Per complex
Central Heating Where tenant not paying for their own bill	Room +£18.70 1 Bedroom +£23.98 2 bedroom +£29.62 3 bedroom +£38.05
Central Heating and Hot Water Where tenant not paying for their own bill	Room +£23.70 1 Bedroom +£28.98 2 bedroom +£34.62 3 bedroom +£43.05

In 2021/22 all service charges were increased by 2%, other than landscaping where no increase was applied.

In 2022/23 all service charges ~~were~~ increased by 2%, other than catering service charges which ~~were~~ decreased.

In 2023/24 service charges will be increased as follows:

<u>Housing Support</u>	<u>x%</u>
<u>Laundry Facilities</u>	<u>x%</u>
<u>Landscaping</u>	<u>x%</u>
<u>Common Area Expenses</u>	<u>x%</u>
<u>Catering (Glensk)</u>	<u>x%</u>
<u>Central Heating Where tenant not paying for their own bill</u>	<u>x%</u>
<u>Central Heating and Hot Water Where tenant not paying for their own bill</u>	<u>x%</u>