

<b>Date Issued</b>	23 November 2007
<b>Last Revised</b>	February 2024
<b>Service Area</b>	Corporate
<b>Title</b>	<b>Rent &amp; Service Charge Policy</b>
<b>Objective</b>	To describe our arrangements for setting rents and service charges for our properties
<b>Responsible</b>	Director of Housing
<b>Next Review Date</b>	August 2028

## **1.0 Introduction**

1.1 This policy outlines our approach to setting rents and service charges for all property owned by East Lothian Housing Association.

1.2 Our Rent & Service Charge policy has the following main aims:

- To make sure that our rental income is enough to cover the costs of management and maintenance, providing a quality service to our tenants, future repairs and loan repayments
- To comply with the law and the requirements of the Scottish Social Housing Charter which states “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”
- To ensure that costs are recovered in a fair and accountable manner
- 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.

## **2.0 General Principles**

- 2.1 This policy applies to all residential property for rent and Shared Ownership.
- 2.2 We aim to charge similar rents for similar properties, as far as possible regardless of location; to set rents that will comply with the Scottish Government's requirements for Housing Association Grant and to ensure that our rents are affordable.
- 2.3 The amount of general service charge to be charged to each property will be the cost of providing the appropriate services to each scheme, averaged out over the number of properties in that scheme. An administrative charge of 10% of the costs will be added to the service charge for Shared Ownership properties.
- 2.4 In addition to the general service charge, some individual properties will attract a service charge for items such as white goods that are specific to the property. These charges will be calculated to cover the cost of the service and will be charged only to the property to which they apply.

## **3.0 Costs to be Covered**

- 3.1 This policy provides a framework for setting rents for individual properties which, when added together, will generate enough income to cover all relevant costs. The costs to be covered by rental income include:

### **Housing Management Costs**

The cost of providing a high standard Housing Management Service, as detailed in our annual budget, including items such as staff, rent collection, allocations, financial inclusion and advice services.

### **Voids and Bad Debts**

The amount of rent and service charge income lost when properties are empty or when arrears cannot be recovered.

### **Maintenance Costs**

The cost of day to day (reactive) repairs requested by tenants; keeping the properties safe and secure and the cost of regular (cyclical) maintenance such as external paint work, including the cost of administration.

### **Major Repairs and Renewals**

The cost of improving or replacing components, such as heating systems, windows or doors at the end of their useful life, and major repairs needed during the life of a property.

### **Loan Charges**

The cost of repaying the loans that have been taken out to pay for buying, building, maintaining or improving our properties and the areas around them.

### **Insurance**

The costs of property (buildings) and office insurance, public and employers' liability insurances.

### **Additional Services**

Service charges cover the cost of providing services which are not covered by the rent charge, such as community alarms, stair or window cleaning, stair or courtyard lighting, factoring charges or white goods..

## **4.0 Affordability**

- 4.1 We provide a range of homes for people in housing need. This means that our customers include single people, families with children, older people and people who need support to maintain a tenancy.
- 4.2 We endorse the SFHA's approach to Rent Setting and Affordability outlined in Guidance issued in June 2017 and use the Affordability Tool to monitor the affordability of our rents for our new tenants and, where possible, act to address any affordability issues.

## **5.0 Rent Setting Structure**

- 5.1. The rent setting structure is the mechanism used to determine the amount of rent to be charged for each new build type of property.
- 5.2 We use a points system to allow maximum flexibility when considering the rental income we need against the important aim of ensuring affordable rents are achieved. The points system also ensures that new build rents are comparable with rents for existing own build properties.

- 5.3 Points are allocated to each new build property dependant on its size and level of amenity.
- 5.4 The points to be allocated to individual properties are listed in **Appendix 1**.
- 5.5 A maximum of 5 points can be added to new build properties with additional development costs.
- 5.6 Additional points for energy efficiency measures arising from new technologies will be added only where there is an anticipated reduction in the running costs of the property to the benefit of the tenant.
- 5.7 Application of the rent structure results in a points value for each new build property.
- 5.8 In appraising new developments, the More Homes Division of the Scottish Government uses a Housing Association Grant Benchmark. If the project is within the grant benchmark the application assessment is streamlined. The Scottish Government can exercise some flexibility on the level of technical scrutiny a project submission receives. The benchmark grant is calculated use a basic three-person equivalent grant with additions for features such as silver standard, zero carbon heating, fire suppression and others. The figure is then adjusted based on the number of bedspaces in the specific project to establish the actual grant benchmark.
- 5.9 The grant requirement for a project in the Association's appraisal is based on how much private finance can be covered by the rental income for a project. Rent figures are provided to the Scottish Government as part of the Tender Application. The Scottish Government assesses the rents by comparing to a three-person equivalent. If the adjusted rent is 5% more than the three-person equivalent rent a justification must be made. If the rents are 10% over the three-person equivalent the guidance states approval will only be given in exceptional circumstances – justification may include reference to market conditions or geographic area. When this is the case, the Scottish Government also checks with East Lothian Council that they are happy with the rent.
- 5.10 Currently when ELHA's rents are over the 3p equivalent rent the following justification is provided:

*ELHA sets its rents in accordance with the Association's approved Rent & Service Charges Policy. This Policy ensures that the Association generates sufficient income to cover the costs of services to tenants, future repairs, and loan repayments, whilst ensuring that the rents charged*

*are affordable to the people being housed. We aim to charge similar rents for similar properties as far as possible, regardless of location, and to set appropriate rent levels that meet the SFHA definition of affordability. ELHA uses the SFHA Affordability Tool prior to the start of every new tenancy to ensure that the rent is affordable. In the event the rent is assessed as unaffordable, appropriate money advice support is provided to the prospective tenant to resolve this. We also carry out an annual test of comparability with other Associations working in our areas of operation and are satisfied that our rents are broadly comparable with others. We therefore believe that the rents as set out in this submission, whilst in excess of the standardised average three-person equivalent rent, meet the definition of affordability in terms of the Client Group(s) being housed.”*

## **6.0 Calculation of the “Price per Point”**

- 6.1 Starting from a base point in 1995 when the points system was introduced, the costs outlined in section 3 above were calculated in the form of an expenditure budget and provided a figure for the annual income required.
- 6.2 The points values of every property were added together to produce an overall points total for the Association's stock.
- 6.3 A "price per point" figure was then obtained by dividing the income required by the overall points total.
- 6.4 This “price per point” is increased each year by the same amount as our rents thereby creating a link between new build rent setting and rents for existing properties.
- 6.5 The rent to be charged for new build properties is arrived at by multiplying the points value of the property by the “Price Per Point” to arrive at a weekly rent figure.

## **7.0 Service Charges**

- 7.1 Service charges are based on the actual cost of providing services. The services for which a charge will be made include:
  - **Landscape Maintenance** (in areas where a buy out cannot be negotiated)
  - **Electricity** - Stair lighting, external lighting (not provided by the local authority)

- **Cleaning** - Stairs, windows, external cleaning, bin and bin store cleaning
  - **Component Replacement** - such as, alarms and white goods
  - **Community Alarm** - Line rental, warden charges, maintenance contract
  - **Maintenance** - External paint work and replacement of floor coverings (for shared ownership properties only)
  - **Factoring Costs** - Where a factor has been appointed in a mixed tenure development and ELHA are not the majority owner
- 7.2 Service charges for new schemes will be based on estimated costs and will be reviewed to reflect actual costs at the earliest appropriate review date.
- 7.3 Service charges will be detailed clearly in the Scottish Secure Tenancy Agreement and will be paid monthly along with the rent.

## 8.0 Non Residential Properties

- 8.1 The rents for non-residential properties such as garages and workshops will be calculated according to the floor area, level of amenity and comparability with rents charged by other providers.

## 9.0 Leased Properties

- 9.1 The rent for leased properties will usually be set using the points system detailed at (5) above.
- 9.2 Some leased property may be subject to lower grant levels or additional costs. If required, rent will be set at the minimum level required to cover:
- (i) Repayment of any loan outstanding on the property
  - (ii) A good standard of management
  - (iii) A good standard of reactive maintenance to fulfil our obligations in terms of the lease agreement
  - (iv) A sinking fund for future major repairs

## **10.0 Shared Ownership Properties**

- 10.1 At development stage, the Occupancy Charge for Shared Ownership properties is set using the points system. The management and maintenance allowances set by the Scottish Government are deducted from the annual occupancy charge to provide the base charge.
- 10.2 The base charge is then multiplied by the Association's share of the property. The annual cost of building insurance, a management fee and any service charges are added and the resultant cost is the Occupancy Charge that Sharing Owners have to pay.

## **11.0 Rent and Occupancy Charge Reviews**

- 11.1 We will consult tenants before increasing rents in time for their views to be considered by the Management Committee when it meets to consider the annual budget and proposed rent increase.
- 11.2 We will review rents and occupancy charges annually and apply increases on the first of April each year. We will give tenants and Sharing Owners four weeks written notice of the increase.
- 11.3 We may apply an additional increase during the year to any property that has been significantly improved out-with our normal maintenance programmes.
- 11.4 We will increase rents and occupancy charges by the minimum amount required to ensure that the costs detailed at (3) above are covered, taking into account expenditure over the previous year and anticipated changes in costs over the coming year.
- 11.5 Our rent increase will normally be linked to the Retail Price Index (RPI), a measure of inflation based upon the annual percentage movement in the retail prices index published by the Department of Employment for the 12 month period ending on 30 October each year or such other period as our Management Committee may determine.
- 11.6 In the event of negative RPI, our rents will increase by a minimum of 1% to reflect the fact that many of our costs, for example salaries or maintenance costs, will still increase.

**12.0 Service Charge Reviews**

- 12.1 The cost of providing services will be reviewed each year at the same time as the rent review and will reflect costs incurred in the year ending 30 September plus any anticipated changes in costs for the coming year.
- 12.2 Any over or under recovery of costs in previous years will be built into the review.

**13.0 Policy Review**

The Director of Housing will ensure that this policy is reviewed at least every five years. Any recommended changes will be submitted to the Management Committee for approval.



Appendix 1 – Points System for Calculating Rents

<b>Property Type</b>	
<b>House:</b> Detached	61
Semi detached/end terrace	59
Mid terrace	58
<b>Flat</b>	56
<b>Property Size</b>	
One double bedroom	+5
Additional double bedroom	+6
One single bedroom	+3
Additional single bedroom	+4
Separate dining room	+3
Large kitchen/diner	+2
<b>Bathroom/Toilet Facilities</b>	
Additional bathroom	+3
Additional W.C	+2
En Suite	+4
Separate Shower	+2
<b>Additional Features</b>	
Built in/Extra Computer/TV/satellite access	+ 1-3 (per item)
Energy Efficiency Measures	+0-6
<b>External Features</b>	
Front Garden	+1-2 (dependant on size)
Back Garden	+1-3 (dependant on size)
Driveway/Allocated Space	+1
Garage	+4
Car Port	+2
Private Communal Garden Ground	+1
Communal Landscape Maintenance	+1-4 (dependent upon requirements)
Private Balcony	+2
Porch	+2
<b>Heating</b>	
Gas	+3
Electric	+1

<b>Deductions</b>	
No External Drying Facilities	-1
No overbath shower	-1
No controlled entry	-1