

Rent Setting and Service Charges Policy
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1. INTRODUCTION

1.1 Statement of Objectives

The Rent Setting and 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 CVHA is a financially viable and sustainable organisation.

Our objectives include:

- establishing a framework for setting rents and service charges that is equitable, transparent and consistent, and which allows sufficient consultation with tenants / sharing owners when charges are reviewed annually;
- ensuring that the rents and service charges set each year provide sufficient resources for CVHA 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; and
- 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.

1.2 Compliance with Regulatory Standards

In terms of the Scottish Social Housing Charter, the Scottish Housing Regulator requires that we can demonstrate that our customers are getting good value from rents and service charges. The following key outcomes are relevant to rent setting and service charges:

- Value for money – tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.
- Rents and service charges – a balance is struck between the level of service provided, the cost of the services, and how far current and prospective tenants and other customers can afford them.

1.3 Expected Outcomes

Key outcomes of operating an effective Rent Setting and Service Charges Policy include:

- demonstrating value for money; and
- striking a balance between level of service provided and customer affordability.

1.4 Informing and Involving Stakeholders

We will promote our Rent Setting and Service Charges Policy in line with our Customer Engagement Strategy.

1.5 Corporate Fit

1.5.1 Legislation and best practice

We will comply with all relevant legislation and associated regulations, including:
The Housing (Scotland) Act 1987, 2001 and 2010;
Welfare Reform Act 2012; and
The Scottish Social Housing Charter.

The Charter requires that we can demonstrate that our customers are getting good value from rents and service charges.

Our Rent Setting and Service Charges Policy is consistent with our:

Corporate Strategy;

Business Plan;

Tenancy Sustainment Policy;

Arrears Policy;

Income Maximisation Policy;

Customer Engagement Strategy;

Risk Management Strategy;

Financial Regulations; and

Standing Orders and Delegated Authority Policy.

1.5.2 Equalities

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

1.5.3 Confidentiality

CVHA recognises that confidentiality is important to tenants and will treat their tenancy information in the strictest confidence under the Data Protection Act 2018 and in line with CVHA's Openness and Confidentiality Statement.

1.5.4 Business Plan and risk management

Our Business Plan reflects that rent setting is a key landlord responsibility. We seek to mitigate against business risk through managing our rent setting processes in an efficient, effective and economic manner.

1.5.5 The Board

The Customer Services Director has responsibility for overseeing the implementation of the Rent Setting and Service Charges Policy. The Housing Manager is responsible for key aspects of setting rents and service charges, including the annual notification and implementation of revised charges. Specific tasks within the rent setting and service charges process are delegated to appropriate staff.

We clearly define budgetary responsibilities and delegation of authority for rent setting and rent collection within our Financial Regulations and Standing Orders and Delegated Authority Policy.

The Board has the ultimate responsibility for setting rents and service charges and for policy review. As a result the Board requires to approve all rent increases. The Board will receive regular updates on the implementation of the Rent Setting and Service Charges Policy so that they can have reasonable assurance that it is operating effectively in practice. The Audit and Risk Committee may also seek assurance in this regard.

The Board is committed to effective customer engagement and acknowledges the legal requirement placed upon all social landlords to consult with tenants when reviewing charges and updating policy.

2. KEY PRINCIPLES – RENT SETTING AND SERVICE CHARGES POLICY

2.1 Setting charges – affordability

2.1.1 Establishing and maintaining rents that are affordable to households on fixed or modest income are key policy objectives.

2.1.2 When reviewing the affordability of our rent levels, we will consider information on income levels as well as rents being charged by other social landlords within our local housing market. CVHA will also survey tenants on their perceptions of affordability and value for money.

2.1.3 In line with our Income Maximisation Policy, we will promote the maximisation of tenant income and CVHA income.

2.2 Setting charges – financial viability

2.2.1 Our rents need to take account of the costs of running the business, as set out in its business plan. The majority of our income is derived from rents and it is therefore vital that the level of rents charged allows CVHA to remain financially viable and sustainable.

2.2.2 This means that CVHA will:

- calculate the projected expenditure to be financed from rental income in the following areas:
- housing management;
- responsive repairs and cyclical maintenance;
- planned programmed renewals and new build;
- loan repayments;
- employee and administration costs;
- office costs and overheads; and
- any other costs associated with running the organisation.
- compare the management and maintenance costs with other social landlord to benchmark efficiency and cost-effectiveness;
- ensure that expenditure is continually monitored against rental income due and received, via the various reporting arrangements in place; and
- through effective arrears and void management processes, minimise the amount of rental income lost.

2.3 Setting charges – rent setting mechanism and rent differentials

- 2.3.1 CVHA will apply a differential rent level weighting for each property according to size and type. These weightings are set out in Annex A. A two apartment flat in a close will be used to set CVHA's base rent. Thereafter the rental value of all other properties will be adjusted to reflect differences in amenity, based upon apartment size and property type. CVHA intends that rent charges should apply uniformly to established, acquired and new build properties.
- 2.3.2 There may be exceptions to CVHA applying standardised rents, such as where CVHA is part of a development consortium arrangement with other social landlords, or as part of a constitutional partnership. In these exceptional circumstances different rent levels may apply initially so that such initiatives are financially viable, although steps will be taken to bring such rents back into line with other CVHA properties on a phased basis over a reasonable period of time (typically a maximum of three years from date of completion).
- 2.3.3 CVHA does not impose rent levels that differentiate according to geographic location or between those who are existing tenants or those who become new tenants. Similarly CVHA does not impose cost-reflective rent increases for works required to meet the Scottish Housing Quality Standard or Energy Efficiency Standard for Housing (i.e. cost-reflective rent increases to reflect that improvements have been carried out to a property).
- 2.3.4 The mechanism used for reviewing rent charges will take account of changes in the cost of living and overall sustainability of CVHA's business plan. CVHA will review published cost of living data and will use this as the starting reference point for planning budgets, consulting tenants and determining rent increases. However in the unlikely event that the cost of living is a negative figure, the cost of living will be deemed to be zero for rent setting purposes.

2.4 Setting charges – service charges

- 2.4.1 For certain properties, such as flatted blocks, CVHA may provide additional services such as close cleaning, stair lighting, lift maintenance, etc). In certain circumstances, we may also provide white goods. CVHA's Scottish Secure Tenancy agreement sets out any additional services provided to tenants and associated services charges.
- 2.4.2 The costs incurred by CVHA in providing such additional services require to be recovered through services charges to those tenants who benefit directly from the specific services provided. CVHA will charge the costs incurred, plus a modest 10% fee to cover administration costs associated with time spent managing contractors / suppliers.
- 2.4.3 CVHA will review service charges every year in parallel with our review of rent charges. We will calculate charges by looking at historic costs incurred in the previous financial year and budget costs for the forthcoming financial year, taking into account any uplifts in cost, changes in specification, additional properties, etc. We may review service specifications, benchmark our charges and tender services from time to time to ensure continuing best value.

- 2.4.4 CVHA intends that the costs of providing additional services will be pooled and service charges will apply uniformly across all affected properties for the likes of close cleaning, stair lighting and lift maintenance. However where white goods are provided, service charges will be applied only to those properties directly affected.

2.5 Setting charges – shared ownership

- 2.5.1 Rents for shared ownership properties, sometimes known as ‘occupancy payments’, are set on the portion of the property that is rented by the sharing owner (i.e. 25%, 50% or 75%). The rent charge reflects CVHA’s typical rent for a similar property type and size, plus a management charge as appropriate to cover the likes of insurance and other services.

2.6 Setting charges – consulting tenants

- 2.6.1 When reviewing our rents, we will consult tenants/sharing owners and consider their views. We will also consult with registered tenant organisation representatives and our Customer Panel when setting charges and reviewing policy, in line with our Customer Engagement Strategy.
- 2.6.2 Our rent review process seeks to balance the scale of investment required to deliver business plan priorities with the quality of service delivery necessary to meet the needs and expectations of customers. Our aim is to set charges that seek to provide best value and are affordable to the majority of our tenants. In line with the Customer Engagement Strategy and Scottish Social Housing Charter, CVHA will seek customer feedback to measure general tenant perceptions in this regard. When reviewing rents, consideration will be given to CVHA’s investment programme, service delivery arrangements and any new duties or initiatives.
- 2.6.3 Under Section 54 of the Housing (Scotland) Act 2001, when social landlords consult with tenants and registered tenant organisations they are required to have regard to representations made within a reasonable timescale. Section 8.4 of CVHA’s Scottish Secure Tenancy Agreement confirms that we will consult tenants about proposals for changes in rent and service charges.
- 2.6.4 Under Section 25 of the Housing (Scotland) Act 2001, all social landlords requires to give tenants four weeks’ notice of any rent review.

2.7 Setting charges – comparability with other registered social landlords

- 2.7.1 When setting our rents, we will consider as context the comparability of our rents with those rents charged by other local social landlords and others of a similar size and type. However our rent levels will be set from a CVHA perspective, reflecting on the scale of investment required to deliver business plan priorities with the quality of service delivery necessary to meet the needs and expectations of our customers.

2.8 Making payments

2.8.1 CVHA aims 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.

2.8.2 CVHA currently operates a 4-weekly rent debit, meaning that rent is collected every four weeks – tenants must pay their rent every four weeks by the date due on the schedule of dates provided by CVHA. However if a tenant wishes to make payments weekly or calendar monthly, this can be agreed with the tenant's Housing Officer where CVHA considers this to be reasonable. With the introduction of welfare reform and direct payment of Universal Credit, CVHA may review its rent debit cycle and introduce calendar monthly payments at a future date.

2.8.3 There are currently several ways that tenants can pay their rent to CVHA, including:

- by Direct Debit;
- by Standing Order;
- by 'Allpay';
- by phone;
- by website;
- via 'Paypoint';
- at the Post Office;
- at CVHA's office using a debit card and mobile payment terminal (note that for security reasons significant cash payments cannot be accepted at the office);
- by cheque; and
- other methods of payment.

2.8.4 In line with CVHA's Tenancy Sustainment Policy, Income Maximisation Policy and Arrears Policy, we will provide general advice and assistance to tenants in terms of managing their rent account and applying for welfare benefits. We will also signpost tenants who have complex financial circumstances to specialist advice agencies. CVHA will seek to maintain a close working relationship with local authorities, the Department for Work and Pensions and other agencies to minimise any difficulties associated with benefit claims, to maximise the general take-up of benefits and to expedite the direct payment of rental income to CVHA.

Weightings for Rent Differentials

Property type and property size – rent weightings

from 1 April 2016

Property size → ↓ Property type	1 apartment	2 apartment	3 apartment	4 apartment	5 apartment	6 apartment
Flat – close	91.00	106.00	117.00	125.00	133.75	143.00
Flat – main door	98.50	114.75	125.75	133.75	143.00	152.75
House – mid terrace	103.00	120.00	128.50	138.25	148.00	157.50
House – end terrace/semi detached	104.00	121.25	129.75	139.50	149.25	158.75
House – detached	104.50	122.00	130.50	140.25	150.00	159.50

Notes:

The 'base rent' is set for a 2 apartment flat accessed through a close, with a rental value that equates to 106.00 points.

Points are then added to weight the rent to be charged to reflect amenity value in terms of property type and property size.

All like for like properties are therefore charged the same rent, irrespective of location.