



RENT POLICY 2011

1.0 POLICY STATEMENT

The aim of the Association's rent policy is to achieve rent levels affordable to the Association's existing and prospective tenants whilst ensuring that the Association's costs are covered.

The Association also intends to ensure that similar rents are charged for similar property.

2.0 CLIENT GROUP

The Association strives to provide housing for a wide range of needs. The Association's main client groups are:

- the elderly;
- the physically disabled;
- young single persons;
- families;
- other special needs (to be addressed in conjunction with specialist agencies).

The Association particularly aims to provide new housing opportunities for those in low paid employment or in socially disadvantaged situations and this will be taken into account in any review of the Association's rent policy, structure or rent levels.

3.0 AFFORDABILITY

3.1 Measuring Affordability

The Association endorses the Scottish Federation of Housing Association's definition of affordability, (*1.) and uses the measurement as recommended in the Guidance Booklet entitled "Rent Setting Guidance" published by the SFHA in March 2010 in order to relate the Association's rent levels to the affordability criteria relevant to its own tenants.

The Associations position has remained consistent over the years and is determined to ensure that rents are set at appropriate levels and do not discourage tenants from undertaking employment opportunities due to the implications associated with housing benefit. This position is also consistent with the Associations objectives in terms of developing sustainable communities and encouraging social inclusion.

- (*1.) For a rent (including service charges) to be affordable, a household with one person working 35 hours or more, and receiving in full all "in work benefits" to which they are entitled, should only exceptionally be dependent on housing benefit in order to pay it

3.2 Affordability Pass/Failure Rates

Part of the guidance on developing affordable rents highlights the need to monitor failure rates and set acceptable levels of “failure” and the Association will ensure that it sets appropriate performance targets and that these are reviewed annually and reported to Committee.

4.0 VIABILITY

Rental income requires to be sufficient to cover the Association's revenue costs in relation to including management, maintenance, loan repayments and future cyclical and major repairs obligations.

As a result any review of rent levels will ensure that the Association's revenue expenditure is adequately resourced both in the short and long term.

5.0 COMPARABILITY

In establishing its rent structure the Association will take into account rent levels set by other housing agencies providing similar accommodation in Clackmannanshire, Fife and Stirling.

6.0 RENT SETTING MECHANISM

The Association's rents are set by the Committee of Management as all properties are post 1989 “assured” tenancies and as a result are not covered by the fair rent system. Annual variations in rents also require to be formally approved by the Management Committee.

Rents set by the Association reflect varying sizes and types of accommodation provided and are established by way of a base rent and points/formula system that ensures that rents are further differentiated according to the range of amenities provided. **(The Rent Setting Mechanism currently in operation is attached Appendix 1).**

The base rent has been established by considering a basic unit element and the revenue costs to be covered by the rent i.e. management, maintenance, voids/bad debts and major repairs.

In order to determine the total rent applicable various amenity supplements are added to the base rent according to the number of bedrooms, dining facilities, provision and type of central heating and whether the property is a flat, amenity flat, house or wheelchair house.

This mechanism is reviewed annually in order to consider the appropriateness of its various components in relation to the actual rents, which it produces.

7.0 SERVICE CHARGES

In addition to the rents set by the Association service elements are separately identified and charged and accounted for by way of a service equalisation account. Typical services provided include landscape maintenance and door entry/stair lighting and include elements where a sinking fund is required in order to provide replacement items such as washer dryers, cookers and furniture. *(See separate policy document)*

8.0 QUALITY OF SERVICE

The Association aims to ensure high standards of service to its tenants and although recognising the direct relationship between costs and standards of service maintains that standards should not be compromised in order to satisfy affordability parameters.

The Association is committed to levels of service and performance contained in Raising Standards in Housing and Performance Standards documents published by the SFHA and The Scottish Housing Regulator.

9.0 RENT REVIEW

Rents are reviewed annually by the Association with new rents being communicated to its tenants by the end of February each year for introduction on 1st April.

9.1 New Build Developments

The Association's general policy for new build properties is to keep rent increases to September's inflation rate (RPI) plus 1% assuming normal circumstances prevail in relation to the Association's costs.

Where the Association considers that implementation of such a policy an increase would be insufficient to cover the Association's costs then rental increases will be reviewed specifically in line with such financial information whilst recognising the desire to keep rents at levels affordable to those in low paid employment.

9.2 Stock Transfer Properties (LSVT)

In the case of properties acquired from Scottish Homes rent increases will be applied in accordance with the stock transfer business plan unless otherwise agreed. It is however important to note that any annual increase excludes any rent increases applied to cover the cost of improvements.

Recommendation from the Audit & Corporate Governance Committee meeting held on 13th January 2011

Section 9.0

The A&CG Committee recommend that the policy should state that all rents (new build developments and stock transfer properties) will be subject to annual review taking into account the most recent rate of inflation (RPI) available (but not specifying a month or % above inflation). This eliminates the differentiation between the rents which has caused some concern over the years with the timing also being appropriate due to the "set aside" of the LSVT agreement. This approach also does not tie the Association to a date of inflation which is some 4 months out of date when setting the budget for the following year.

The actual wording of this "new" section will require to be agreed.

There was some concern about this approach in relation to development submissions and this will require to be considered further in that context.

10.0 INFLATION

Rental increases will be linked to the September's Retail Price Index (RPI) published by the Office for National Statistics (ONS). If exceptional variations in the rate arise the Audit & Corporate Governance Committee will consider the impact of these and propose changes to the policy to the next Management Committee meeting.

Should RPI be a negative figure the Association will consider, as a minimum, freezing rents for the following year.

11.0 VARIATIONS TO THE RENT POLICY

In the following situations there may be a requirement for variations to the rent policy to be applied:

11.1 Shared Ownership

Shared ownership occupancy payments will be calculated in line with the Scottish Governments guidance to reflect the sharing owners' responsibility for repairs and the percentage of the property that they own.

11.2 HAG Approval Stage

Actual rents charged may vary from the policy due to the original rent set at HAG approval stage but will be brought into line as soon as practicable.

11.3 High Cost Developments

Properties in high cost developments may have additional points allocated to compensate for any shortfall in Scottish Government funding.

11.4 Supported Accommodation

Supported accommodation projects, where the nature and type of accommodation is not covered specifically by this rent setting mechanism.

11.5 Mortgage to Rent Properties

Additional points may be allocated to cover any shortfall in the Scottish Governments funding.

11.6 Mid Market Rent

Mid Market Rent properties will be covered by a separate policy and rent setting mechanism if introduced by the Association.

12.0 POLICY REVIEW

This rent policy is be reviewed annually by the Association in line with the requirements and timetable established by the Scottish Government in relation to the development funding planning process.

George Tainsh
(Director)

Fiona Nicholl
(Depute Director)

November 2010

Policy Review and Consultation Process

Reviewed by the Management Team on 18 January 2011
Reviewed by the Audit & Corporate Governance Committee on 13 January 2011
Reviewed by the Involved Residents Group on 20 January 2011

LAST APPROVED BY THE MANAGEMENT COMMITTEE ON: 27 January 2011

APPENDIX 1

RENT SETTING MECHANISM	POINTS	£
Base 2010/11	100	2,160
Kitchen	6	130
Single Room	8	173
Double Room	14	302
Living/Kitchen	2	43
Kitchen/Dining	3	65
Living/Dining	3	65
Dining Room	19	410
2 nd Lounge	19	410
Shower Room	3	65
2 nd Bathroom	5	108
2 nd Toilet	2	43
Laundry Room	5	108
		%
Sustainable Technologies		2%
Sunspaces		2.5%
Cottage Flat		2.5%
House		7%
Wheelchair Adapted House		9%
Wheelchair Adapted Flat		8%
Elderly/All Disabled		4%
Amenity Standard/Ambulant Disabled		3%
Central Heating Electric		9%
Central Heating Gas		12%