



## **Rent Setting & Service Charges Policy**

Policy Ref: HMP05

|                            |                     |
|----------------------------|---------------------|
| <b>Prepared By</b>         | Operations Director |
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| <b>Date of Next Review</b> | January 2025        |
| <b>Reviewed By</b>         | PHA Board           |

## **1. INTRODUCTION**

### **1.1 Statement of Objectives**

The Rent Setting & 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 Partick Housing Association (PHA) 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 PHA 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, we need to 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 services provided, the cost of the services, and how far current and prospective tenants and other customers can afford them.
- Rents and service charges – tenants get clear information on how rent and their money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.

### **1.3 Expected Outcomes**

Key outcomes of operating an effective Rent Setting & 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 & Service Charges Policy through our newsletter, website and tenancy handbook. Where we plan to make significant changes to the policy, we will consult tenants and our Customer Advisory Panel 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:

- Rent (Scotland) Act 1984;
- The Housing (Scotland) Act 1987, 2001 & 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 & Service Charges Policy is consistent with our:

- Group Corporate Plan;
- Business Plan;
- Tenancy Sustainment Policy;
- Arrears Management Policy;
- Customer Engagement Strategy;
- Risk Management Policy;
- Group Financial Regulations; and
- Group Standing Orders.

### 1.5.2 Equalities

Our Rent Setting & Service Charges Policy complies with PHA's Equality Policy to ensure equality of treatment for all tenants without discrimination or prejudice.

### 1.5.3 Confidentiality

PHA recognises that confidentiality is important to tenants and will treat their tenancy information in the strictest confidence in terms of the General Data Protection Regulation (GDPR) and our Privacy Policy.

### 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 Operations Director has responsibility for overseeing the implementation of the Rent Setting & Service Charges Policy. The Housing Services Manager, in partnership with the Finance Manager, is responsible for key aspects of setting rents and service charges – this includes 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 Group Standing Orders.

The Board has the ultimate responsibility for setting rents and service charges and for policy review. As a result the Board must approve all rent increases. The Board will receive updates on the implementation of the Rent Setting & Service Charges Policy so that they can have reasonable assurance that it is operating effectively in practice.

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 & 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 general income levels as well as rents being charged by other social landlords within our local housing market area. Through our customer satisfaction surveys, PHA will also survey tenants on their perceptions of affordability and value for money.

2.1.3 In line with our Tenancy Sustainment Policy and Arrears Management Policy, we will promote the maximisation of tenant income and PHA 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 our Business Plan and financial forecasts. The majority of our income is derived from rents and it is therefore vital that the level of rents charged allows PHA to remain financially viable and sustainable.

2.2.2 This means that PHA will:

- a) calculate annually the projected expenditure to be financed from rental income in the following areas:
  - housing management;
  - responsive and void repairs;
  - 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.
- b) compare the management and maintenance costs with other social landlord to benchmark efficiency and best practice;
- c) ensure that expenditure is continually monitored against rental income due and received, via the various Board/Committee reporting arrangements in place; and
- d) 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 PHA will apply a differential rent level weighting for each property according to size, type and other property characteristics. These weightings are set out in **Annex A**. The 'target rental value' of all other properties will be adjusted to reflect differences in amenity, in terms of property type, property size (including number of bedspaces in relation to 1 and 2 apartment properties only) and other defined property characteristics. PHA intends that rent charges should apply uniformly to every established, acquired and new build properties. Transitional arrangements may be used by PHA to phase in 'rent harmonisation' and align rents over a period of time.

2.3.2 PHA 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 PHA does not impose cost-reflective rent increases for works required to meet the Scottish Housing Quality Standard (SHQS), Energy Efficiency Standard for Social Housing (EESH/ EESH2), or other programmed works.

2.3.3 The mechanism used for reviewing rent charges annually will take account of changes in the cost of living and overall sustainability of PHA's Business Plan. PHA will review published cost of living data for September in each year and will use the Consumer Prices Index (CPI) as the reference point for planning budgets, consulting tenants and determining rent increases in the financial year ahead. 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. If CPI figures are no longer produced, or the methodology is changed, PHA will consider the most appropriate alternative index for reviewing cost of living data.

## **2.4 Setting charges – service charges**

2.4.1 For certain properties, such as flatted blocks, PHA may provide additional services such as communal cleaning, stair lighting, lift maintenance, etc. In certain circumstances, we may also provide white goods. PHA's Scottish Secure Tenancy agreement sets out any additional services provided to tenants and associated services charges.

2.4.2 The costs incurred by PHA in providing such additional services need to be recovered through services charges to those tenants who benefit directly from the specific services provided. PHA will charge the costs incurred, plus a modest 10% fee to cover administration costs associated with time spent managing contractors/suppliers.

2.4.3 PHA will review service charges periodically 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 PHA 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 communal 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 We have a small number of sharing owners. 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 PHA's typical target 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 any PHA registered tenant organisations and our Customer Advisory Panel when setting charges and reviewing policy, in line with our Customer Engagement Strategy.

2.6.2 Our rent review process aims 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, PHA will seek customer feedback to measure general tenant perceptions in this regard. When reviewing rents, consideration will be given to PHA'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 PHA's Scottish Secure Tenancy Agreement confirms that we will consult tenants about proposals for changes in rent and service charges.

2.6.4 In line with Section 25 of the Housing (Scotland) Act 2001, PHA will give tenants four weeks' notice of any rent review and change in rent charges.

## **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 PHA 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 PHA 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 PHA currently operates a calendar monthly rent debit, meaning that rent is collected every calendar month – tenants must pay their rent every month by the date due on the schedule of dates provided by PHA. However if a tenant wishes to make payments weekly, fortnightly or four-weekly, this can be agreed with the tenant's Housing Officer where PHA considers this to be reasonable.

2.8.3 There are currently several ways that tenants can pay their rent to PHA, which subject to review, might include the following:

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

2.8.4 In line with PHA's Tenancy Sustainment Policy and Arrears Management Policy, we will provide general advice and assistance to tenants in terms of managing their rent account and maximising their income in terms of welfare benefit entitlements, etc. PHA is not authorised to give debt or other specialist advice, however we will signpost tenants who have complex financial circumstances to specialist advice agencies where appropriate. PHA will seek to maintain a close working relationship with the Council, the Department for Work & Pensions (DWP) 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 PHA.

## **2.9 Fair Rents**

2.9.1 We have a small number of tenants who have independently set 'fair rents'. Our Rent Setting & Service Charges Policy does **not** apply to:

- a PHA tenant who has been a tenant with the Housing Association since before 1989 and has applied to a rent officer for a 'fair rent' assessment.

2.9.2 Fair rents are set independently by rent officers and should be fair both to the tenant and the landlord. When setting a fair rent, the rent officer will look at:

- the age, character, locality and state of repair of the property;
- the quantity, quality and condition of any furniture provided;
- any service charges that are included;
- any disrepair;
- other factors, such as inadequate lighting and heating, poor natural light, nearby disruptive businesses, number of local amenities, heavy traffic, and the size of rooms; and
- usually at fair rents which have been recently registered for similar properties.

2.9.3 However when determining a fair rent, the rent officer has to ignore:

- scarcity - when determining a fair rent, the rent officer has to assume that the supply of rental properties in the area meets the demand and for this reason fair rents are generally lower than market rents;
- disrepair - if a tenant's home is in a poor condition because minor repairs have not been carried out as required by the tenancy agreement, the rent officer will not take the state of the property into account when calculating the fair rent; and
- improvements - if a tenant has carried out improvements to the property over and above the responsibilities outlined in their tenancy agreement, the rent officer will ignore these improvements when calculating the fair rent.

2.9.4 Once a fair rent has been registered, it cannot generally be reconsidered for a period of three years. If there is a service charge included within a fair rent, for example, for stair cleaning or for lighting communal areas, the service charge may be increased every year so it might look as if the fair rent is increasing every year.

2.9.5 Where a tenancy which has a fair rent comes to an end, PHA will set the rent for the property thereafter using our Rent Setting & Service Charges Policy.

### **3. MISCELLANEOUS**

#### **3.1 Alternative formats**

On request, the Association will provide translations of all our documents, policies and procedures in various languages and other formats such as computer disc, tape, large print, Braille, etc. These can be obtained by contacting the Association's offices. The Association is a member of the 'Happy to Translate' scheme.

#### **3.2 Next review**

3.2.1 We will generally review the Rent Setting & Service Charges Policy every three years or sooner if required by statutory, regulatory or best practice requirements. However we monitor this policy to evaluate the phased rolling out of 'rent harmonisation'.

3.2.2 We will review actual rent levels and service charges annually in consultation with tenants. In line with our Customer Engagement Strategy and the Scottish Social Housing Charter, we will continue to commission periodic customer satisfaction surveys and thereby seek to measure and assess general tenant perceptions of affordability and value for money of rents and service charges.



## PHA Target Rent Weightings Points

| Property Description | No of Bedspaces | No of Apartments | Property Type | Base Points | Additional points |      |                  |                   |                  |         |
|----------------------|-----------------|------------------|---------------|-------------|-------------------|------|------------------|-------------------|------------------|---------|
|                      |                 |                  |               |             | Main Door         | Lift | District Heating | Allocated Parking | Allocated Garage | Balcony |
| 1P1APF               | 1               | 1                | Flat          | 200         | 25                | 13   | 31               | 27                | 54               | 14      |
| 1P2APF               | 1               | 2                | Flat          | 250         | 25                | 13   | 31               | 27                | 54               | 14      |
| 2P2APF               | 2               | 2                | Flat          | 275         | 25                | 13   | 31               | 27                | 54               | 14      |
| 2P3APF               | 2               | 3                | Flat          | 300         | 25                | 13   | 31               | 27                | 54               | 14      |
| 3P3APF               | 3               | 3                | Flat          | 300         | 25                | 13   | 31               | 27                | 54               | 14      |
| 4P3APH               | 4               | 3                | House         | 350         | N/A               | 13   | 31               | 27                | 54               | 14      |
| 4P3APF               | 4               | 3                | Flat          | 300         | 25                | 13   | 31               | 27                | 54               | 14      |
| 4P4APH               | 4               | 4                | House         | 400         | N/A               | 13   | 31               | 27                | 54               | 14      |
| 4P4APF               | 4               | 4                | Flat          | 350         | 25                | 13   | 31               | 27                | 54               | 14      |
| 5P3APF               | 5               | 3                | Flat          | 300         | 25                | 13   | 31               | 27                | 54               | 14      |
| 5P4APH               | 5               | 4                | House         | 400         | N/A               | 13   | 31               | 27                | 54               | 14      |
| 5P4APF               | 5               | 4                | Flat          | 350         | 25                | 13   | 31               | 27                | 54               | 14      |
| 6P3APF               | 6               | 3                | Flat          | 300         | 25                | 13   | 31               | 27                | 54               | 14      |
| 6P4APF               | 6               | 4                | Flat          | 350         | 25                | 13   | 31               | 27                | 54               | 14      |
| 6P4APH               | 6               | 4                | House         | 400         | N/A               | 13   | 31               | 27                | 54               | 14      |
| 6P5APH               | 6               | 5                | House         | 450         | N/A               | 13   | 31               | 27                | 54               | 14      |
| 6P5APF               | 6               | 5                | Flat          | 400         | 25                | 13   | 31               | 27                | 54               | 14      |
| 7P5APF               | 7               | 5                | Flat          | 400         | 25                | 13   | 31               | 27                | 54               | 14      |
| 8P5APF               | 8               | 5                | Flat          | 400         | 25                | 13   | 31               | 27                | 54               | 14      |

**Notes:**

- Target rent weighting points are allocated to set the 'base rent' to be charged to reflect amenity value in terms of property type, property size (and number of bedspaces in relation to smaller properties).
- Additional target rent weighting points are added to the base rent to reflect amenity value in terms of main door access, lift, district heating, allocated parking, garage and balcony.
- All like for like properties are therefore charged the same rent, irrespective of location.

**Key:**

| <b>Property Description Code</b> | <b>Base Rent Property Description</b> |
|----------------------------------|---------------------------------------|
| 1P1APF                           | 1 person, 1 apartment, flat           |
| 1P2APF                           | 1 person, 2 apartment, flat           |
| 2P2APF                           | 2 person, 2 apartment, flat           |
| 2P3APF                           | 3 apartment, flat                     |
| 3P3APF                           | 3 apartment, flat                     |
| 4P3APH                           | 3 apartment, house                    |
| 4P3APF                           | 3 apartment, flat                     |
| 4P4APH                           | 4 apartment, house                    |
| 4P4APF                           | 4 apartment, flat                     |
| 5P3APF                           | 3 apartment, flat                     |
| 5P4APH                           | 4 apartment, house                    |
| 5P4APF                           | 4 apartment, flat                     |
| 6P3APF                           | 3 apartment, flat                     |
| 6P4APF                           | 4 apartment, flat                     |
| 6P4APH                           | 4 apartment, house                    |
| 6P5APH                           | 5 apartment, house                    |
| 6P5APF                           | 5 apartment, flat                     |
| 7P5APF                           | 5 apartment, flat                     |
| 8P5APF                           | 5 apartment, flat                     |