



Rent and Service Charges

Status: Approved

Policy Lead :	Director of Customer and Communities
Owned By :	Director of Customer and Communities
Date Approved:	May 2025
Approved By :	BHA Board
Review Date:	May 2028
Regulatory / Legislative Considerations/ References	<ul style="list-style-type: none">• Data Protection Act 2018• Housing (Scotland) Act 2010• Housing (Scotland) Act 2014• Housing (Scotland) Act 2001• Housing (Scotland) Act 1988• Scottish Secure Tenancy Agreement
Other Documents to be read in conjunction with this policy :	<ul style="list-style-type: none">• Scottish Social Housing Charter• SHR Regulatory Framework• UK General Data Protection Regulation• Scottish Federation of Housing Associations: <i>Guide to Rent Setting and Affordability</i>• Scottish Federation of Housing Associations and Housemark Scotland: <i>Rent Affordability Tool</i>• Scottish Housing Regulators: <i>Thematic Report on Rent Consultation</i>• Scottish Government set Local Housing Allowance rates: <i>Broad Rental Market Area (BRMA)</i>



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Berwickshire Housing Association is a Registered Society. Registration No.: SP2482RS
Scottish Charity No.: SC042342 Registered Office: 55 Newtown Street, Duns, TD11 3AU

Policy Title:	Rent and Service Charges
Purpose / Aim of policy:	<p>The purpose of this policy is to provide a strategic framework for setting charges that are affordable, equitable, transparent and consistent, and ensure that BHA is a financially viable and sustainable organisation at all times.</p> <p>The main objectives of this policy include:</p> <ul style="list-style-type: none"> • To provide a framework for setting rent and service charges that are affordable, equitable, transparent and consistent for annual consultation with customers in line with the requirements of the Scottish Housing Regulator. • Ensuring that the rent and service charges set each year provide sufficient resources for BHA to provide a quality management and maintenance service, as well as cover the costs associated with voids, bad debts, loan repayments, planned programmed renewals and new build development. • 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. • To provide a framework for calculating rents for a full range of new build property types (compliant with Scottish Government Benchmark figures) to be used when applying for Housing Association Grant.
Scope of Policy:	<ul style="list-style-type: none"> • Affordability • Comparability • Financial viability • Rent setting structure • New developments and other acquisitions • Service charges • Shared ownership • Consultation • Lock ups and garage sites • Complaints and appeals • Monitoring and review
Definitions:	<p>Stress testing: A business plan stress test involves simulating various adverse scenarios to assess the resilience of the business and identify potential vulnerabilities, allowing for proactive planning and contingency measures.</p> <p>Business plan: A document setting out the future objectives for the business and strategies for achieving them.</p> <p>Loan covenant: This is a condition or restriction in a loan agreement that a borrower must adhere to during the loan term, designed to protect the lender's interests and ensure the borrower's financial stability.</p>
Approval Source:	BHA Board

Equality Impact Assessment:	<p>The Rent and Service Charges Policy complies with BHA's Equality, Diversity and Inclusion Policy to ensure equality of treatment for all customers without discrimination or prejudice. Every customer will have their individual need recognised, be treated fairly and with respect and receive fair access to housing and housing services, regardless of sex, faith or religion, race, ethnic origin, sexual orientation, mental or physical health, disability or marital status.</p>
Sustainability assessment	<p>The sustainability of BHA as a business depends upon sound financial planning. The work of the Board of Trustees along with the Executive Team ensures the sound operation of BHA.</p> <p>The business planning process, which involves rigorous stress testing of the plan, ensures the continuous sustainability of BHA and its operations.</p>
Partnership assessment	<p>BHA works in partnership with Scottish Borders Council (SBC) to assist with the fulfilment of their homeless duty under the Housing (Scotland) Act. Being able to invest in new build homes to increase the supply of properties within the areas of operation, can only happen by having a robust Rent and Service Charge policy.</p>
Risk Implications:	<p>The Business Plan depends significantly upon generating revenue from the properties that BHA rents to customers. BHA sets rent levels and service charges that are affordable, equitable, transparent and consistent to ensure that the organisation is financially viable and sustainable at all times.</p> <p>A key risk to the business is unforeseen costly issues which arise on a large scale across the housing stock which may cause a breach of a loan covenant. This could cause a significant and destabilising impact on the finances of BHA, however to mitigate this risk, a robust Stock Condition Survey is in place and allows the Board to have confidence in the data and short to medium term investment plan, along with sound financial monitoring of the Business Plan.</p>

1. INTRODUCTION

- 1.1. This policy outlines the methodology that Berwickshire Housing Association (BHA) uses to set rents and service charges for all its property, taking account of statutory and regulatory requirements.
- 1.2. Our Rent and Service Charges Policy applies to all BHA tenancies. This policy has been approved by BHA's Board and will be operated by officers of BHA.
- 1.3. Rental income is the largest part of BHA's income/cashflow. We aim to set rent levels and service charges that are affordable to customers, broadly comparable with other landlords in the Scottish Borders and our peer group. BHA must ensure that sufficient income is generated for the ongoing provision of good quality accommodation and associated services for people in housing need.
- 1.4. This policy is also intended to ensure that both individual property rents and annual rent increases are set within a framework which is consistent, fair and equitable. The policy is intended to explain and clarify the rent setting and rent review processes for BHA's properties.

2. POLICY STATEMENT

- 2.1. BHA is committed to delivering high quality services that are cost efficient and transparent across all tenures, including rented accommodation and shared ownership. This policy sets out a framework for the introduction and review of service charges, ensuring fairness and value for money for customers whilst ensuring sufficient income is received to meet BHA's financial obligations in providing services.
- 2.2. BHA will ensure the services it provides comply with statutory requirements and relevant case law as well as guidance and best practice issued by the Scottish Housing Regulator (SHR). Both the Scottish Social Housing Charter (the Charter) and SHR Regulatory Framework make it clear that rent setting decisions should involve a balance between considering financial viability of the organisation as a landlord and ensuring rents are genuinely affordable for tenants and provide value for money.

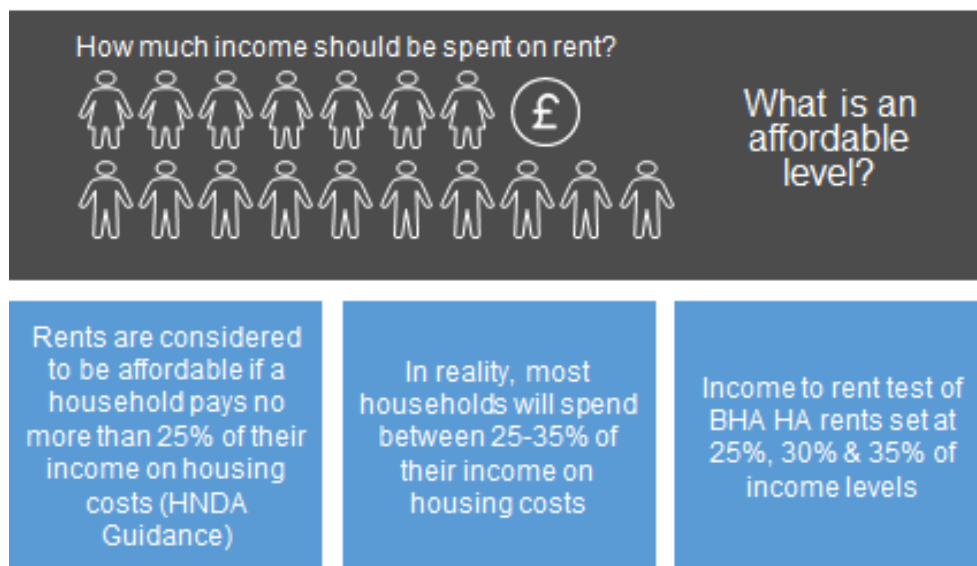
3. AFFORDABILITY

- 3.1. In assessing the affordability of rents, BHA uses a variety of tools including the Scottish Federation of Housing Associations (SFHA) and Housemark rent affordability calculator.
- 3.2. We aim to set rents at levels which:
 - Are affordable to customers whether they are employed on low income or receive financial support by other means.
 - Ensure we meet our management and maintenance costs, loan charges, voids, bad debts, provision for future major repairs and costs of other services provided; and comparable with the rents charged by other registered social landlords (RSLs) in the area.

- 3.3. BHA will define affordability as per the following criteria based on our 2019 rent review:



What is an affordable rent?



- 3.4. BHA will continue to monitor up-to-date and accurate comparative information on rent levels within its area of operation, to assess the affordability of rent levels being charged. This forms a key part of our preparation for rent increase consultations and is presented to BHA's Board as part of the approval process.
- 3.5. BHA will proactively encourage income maximisation through advice and support provided by our Tenancy Sustainability Team to target customers and provide practical support and expertise to ensure benefit take up where there is entitlement.

4. COMPARABILITY

- 4.1. BHA will compare rents to that of other RSLs who operate in the Scottish Borders and those in a comparable peer group. The aim of this is to ensure that rental charges remain comparable to other rents in the social housing sector.
- 4.2. Where marked differentials in comparability are observed, BHA will establish if there is reasonable justification for these or will take steps to address them.

5. FINANCIAL VIABILITY

- 5.1. BHA recognises that rents set must take account of the costs of running the business, BHA's financial viability and the long-term sustainability of the organisation.

The vast majority of BHA's income is derived from rents and it is therefore vital that the levels of these rents allow BHA to be financially viable.

5.2. This means that BHA will calculate annually the projected expenditure to be financed from rental income in the following areas:

- Housing services – the costs of providing a high standard housing management service, as costed in our budget, including items such as rent collection, allocations, estate management, information and advice
- Responsive repairs and cyclical maintenance
- Planned programmed renewals and new build – the cost of improving or replacing components/Scottish Housing Quality Standards (SHQS) and any works to improve the energy efficiency of our homes
- Loan repayments and interest charges
- Employee and administration costs
- Office overheads
- Associated costs for running the organisation

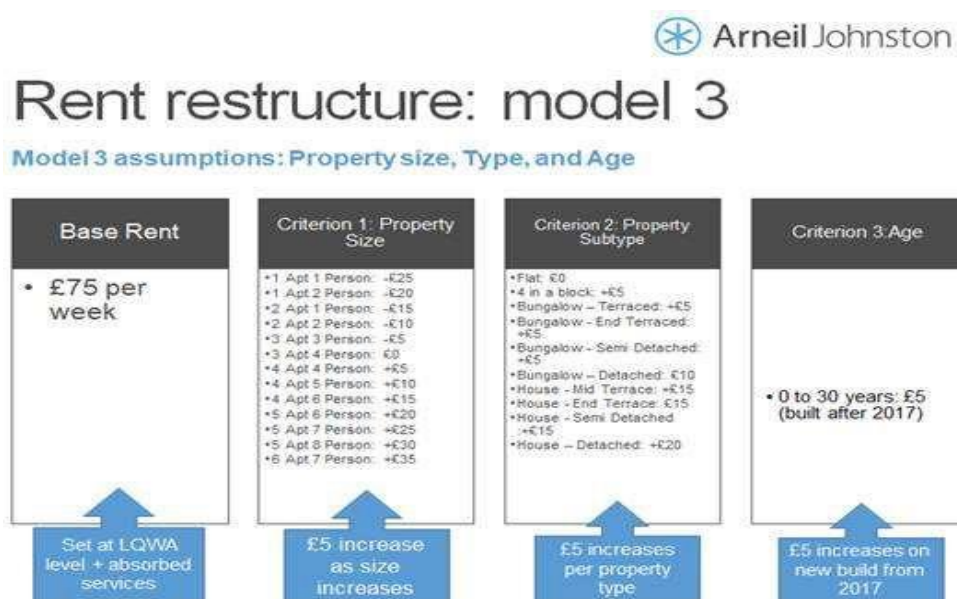
5.3. BHA will compare the management and maintenance costs with other RSLs within the Scottish Borders and our peer group to help provide information to our tenants on efficiency and cost effectiveness.

5.4. Through good arrears and void management, BHA will minimise the amount of rental income lost.

6. RENT SETTING STRUCTURE

6.1. The rent setting structure is the mechanism used to determine the amount of rent charged for each type of property and the consideration as to whether to increase rents annually subject to inflationary rises.

6.2. BHA will apply a base rent for all properties, applying additions or subtractions to the total value based on Property Size, Type and Age (as depicted below):



7. NEW DEVELOPMENTS AND OTHER ACQUISITIONS

- 7.1. From 2016/17, the methodology for calculation for new build is as follows due to the incremental rise in Local Housing Allowance (LHA) as previously agreed:
- **Base rent for general needs property (any size) = standard rent + 10%**
 - **Non-standard properties increase = standard rent + up to 20%**
- 7.2. All newly developed properties (after 2017) have an additional premium of £5 per property per week. This reflects the quality and demand of the new home and recognises the improvements and evolution in building regulations and planning standards at point of construction. This charge will remain on the home rental for a period of 30 years. Exceptions and variation will only occur when the proposed premium exceeds Scottish Government Benchmark rental guide figures by over 5%. In instances whereby the premium would exceed the 5%, a value of up to 4.99% would be applied from date of handover and initial sign up.
- 7.3. The mechanism for reviewing rent charges annually will take account of changes in the cost of living reflected in the prevailing Consumer Price Index (CPI). BHA will review the published CPI figure for September in each year and will use this year on year CPI as a reference point for determining rent increases in the financial year ahead. However, where CPI is negative, CPI will be deemed to be 0%.
- 7.4. The Trustees will agree annually the level of rental income for the following year after full tenant consultation on a proposed increase by Trustees.

8. SERVICE CHARGES

- 8.1. Service charges are applied for services such as independent living, amenity housing, landscape maintenance, close cleaning and communal services. This list is not exclusive.
- 8.2. The level of service charge is based on the recovery of the costs incurred in providing the services. The costs of the service provision in the preceding year will be used to set service charges and where contracts for services are in place, contractually set increases will be reviewed to form the basis for any proposed increases. These charges will not generate a surplus.
- 8.3. Service charges will be reviewed annually as part of the rent increase process. Service charges may attract a different rate of increase to core rent, this will always be based on the cost of provision of services in the previous year and contractually accepted annual increases.

- 8.4. Whilst service charges are rolled in to the rent charges, there are three service charges for BHA that sit outside the rental debit, these are:
- Independent Living charges
 - Amenity Housing charges
 - Heat with rent charge (non-housing benefit eligible heating costs provided by common heating systems)
- 8.5. For the introduction of any new service charges in common blocks or schemes, BHA will consult with customers with the aim of improving communities and communal living spaces. Any introduction of new charges would be following a consultation process with customers; review of any benefit eligibility for costs; impact, benefit and risk assessment of introduction of a new charge and recovery of costs; and a competitive pricing exercise for service provision.
- 8.6. Service charges will be detailed clearly in the Scottish Secure Tenancy Agreement and paid weekly along with the rent.

9. SHARED OWNERSHIP

- 9.1. Rents for shared ownership properties will be set on the portion of the property to be rented by the sharing owner (i.e. 25%, 50% or 75%) and will reflect BHA's typical rent for a similar property type and size and age criteria, less an amount to acknowledge that we do not maintain the property and do not provide housing services. A management fee will be charged as appropriate to cover the costs of insurance and other services.

10. CONSULTATION

- 10.1. Under Section 25 of the Housing (Scotland) Act 2001, BHA must give tenants four weeks' notice of any rent review. Before giving notice of the rent review, BHA will consult customers and consider their views.
- 10.2. 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 best value and affordability to the majority of customers.
- 10.3. Section 8.4 of BHA's Scottish Secure Tenancy Agreement confirms that BHA will consult customers about proposals for changes in rent and service charges. BHA will therefore write to every customer and ensure a comprehensive plan is in place to provide opportunity for every customer to take part in the consultation.
- 10.4. The preparation and approval process annually will generally be in accordance with the timescales set out below (pending any changes to the annual meeting schedule):
- Rent increase proposal to Board – November annually
 - Rent increase consultation to customers – December annually

- Feedback from customers to Risk and Assurance Committee – January annually
- Rent increase approval by Board for application from first Monday in April until 31 March of the following year – February annually
- Notification to customers of increase – February annually (at least 28 days before 1 April)

11. LOCK UPS AND GARAGE SITES

- 11.1. Lock up rents and increases will be based on projected management and maintenance costs. Lock up rents and garage site rents will be reviewed annually as part of the rent increase process.

12. COMPLAINTS AND APPEALS

- 12.1. BHA's Rent and Service Charge policy relates primarily to the setting of rents for Scottish Secure Tenants under the Housing (Scotland) Act 2001. There is no external appeal system for tenants against rents set by the landlord, although complaints will be handled through our complaints policy framework.
- 12.2. BHA's compensation policy does provide provision to return any charges to customers for service charges not delivered. Any service charges relating to staffing costs will only be subject to eligibility for compensation if BHA has not ensured cover in the absence of a site colleague. Staffing costs will be applied regardless due to compliance and health and safety duties required at site.

13. MONITORING AND REVIEW

- 13.1. BHA will typically review its methodology for setting rents and service charges annually. This may change if required by statutory, regulatory or best practice requirements.
- 13.2. Actual rent levels and service charges will be reviewed annually in consultation with customers. BHA will commission periodic customer satisfaction surveys and thereby seek to measure and assess general customer perceptions. As part of the survey process, feedback will be sought on the affordability and value for money of rents and service charges.
- 13.3. The Board will monitor the implementation of this policy to ensure that it is properly operated, that there is appropriate officer involvement in the processes used in setting rent levels and service charges, and that there is effective scrutiny of the Rent and Service Charge Policy.
- 13.4. The Board will ensure that the Rent and Service Charge Policy is meeting its intended objectives and that appropriate monitoring and reporting of activities takes place.
- 13.5. In implementing its Rent and Service Charge Policy certain functions are the responsibility of The Trustees or nominated committee, although staff has delegated authority to undertake many tasks.

- 13.6. BHA's Board has the ultimate responsibility for rent setting and policy review. As a result The Trustees require to formally approve all rent increases annually. The Trustees are committed to tenant participation and acknowledge the requirement placed upon all Registered Social Landlords to consult with customers when reviewing the rental and service charging costs.
- 13.7. This policy will be subject to review every three years or sooner to comply with regulatory or legislative changes.