



Rent and Service Charge Policy

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Scottish Charity No.: SC042342 Registered Office: 55 Newtown Street, Duns, TD11 3AU

Rent & Service Charge Policy 2020/21

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. BHA's Rent Setting & Service Charges Policy applies to all of BHA's tenancies. This policy has been set by The Trustees of BHA and will be operated by officers of BHA.
- 1.3. Rental income is the largest part of BHA's income / cash flow. BHA therefore aims to set rent levels and service charges that are affordable to customers and sharing owners, broadly comparable with other landlords. BHA must ensure that sufficient income is generated for the ongoing provision of good quality accommodation and associated services for people in housing need.

2. AIMS & OBJECTIVES

- 2.1. 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 BHA is a financially viable and sustainable organisation.
- 2.2. The main objectives of this policy include:
 - 2.2.1 Establishing a framework for setting rent and service charges that is affordable, equitable, transparent and consistent, and which allows sufficient consultation with customers / sharing owners when charges are reviewed annually;
 - 2.2.2 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;
 - 2.2.3 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.

2.2.4 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.

3. LEGISLATIVE AND STATUTORY DUTY

3.1 Legislation and best practice

BHA will comply with the law and the principles contained within legislation, guidance and good practice including:

3.1.1 The Housing (Scotland) Act 2001 (Sections 25 & 54);

3.1.2 Scottish Federation of Housing Associations: *Guide to Rent Setting and Affordability*

3.1.3 Scottish Federation of Housing Associations and Housemark Scotland: Rent Affordability Tool

3.1.4 Scottish Housing Regulators: *Thematic Report on Rent Consultation*

3.1.5 Scottish Government set Local Housing Allowance rates: *Broad Rental Market Area (BRMA)*,

3.2 Equalities

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

3.3 Confidentiality

BHA recognises that confidentiality is important to tenants and will treat their tenancy information in the strictest confidence under the General Data Protection Regulation (GDPR) and in line with BHA's Confidentiality Statement.

3.4 Business Plan and Risk Management

BHA's Business Plan depends significantly upon generating revenue from the properties that it rents. BHA sets rent levels and service charges that are affordable, equitable, transparent and consistent, while ensuring that at all times that the organisation is financially viable and sustainable.

3.5 The Trustees

The Trustees, 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 Setting & Service Charges Policy.

The Trustees will ensure that the Rent Setting & Service Charges Policy is meeting its intended objectives and that appropriate monitoring and reporting of activities takes place.

In implementing its Rent Setting & Service Charges Policy certain functions are the responsibility of The Trustees or nominated committee, although staff has delegated authority to undertake many tasks.

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.

4. AFFORDABILITY

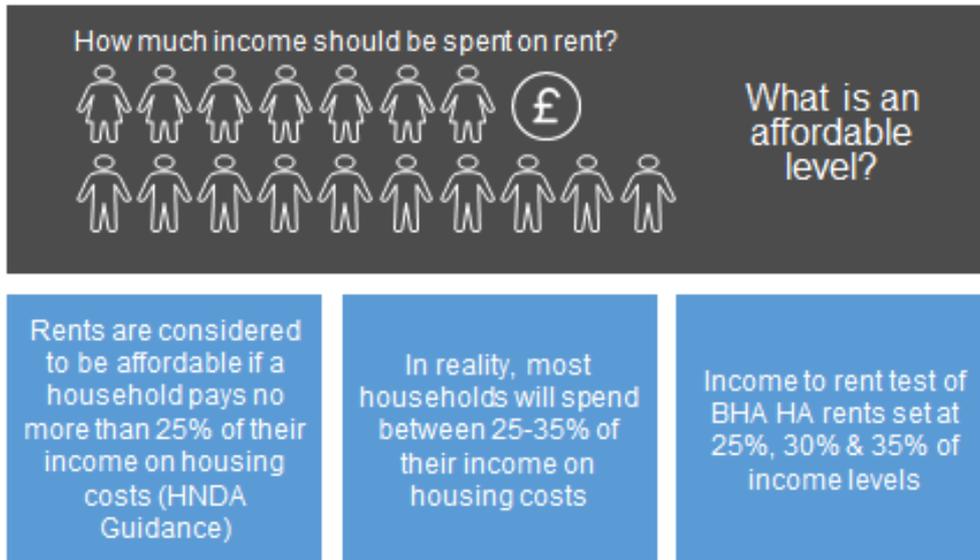
4.1 BHA will aim to set rents at levels which are:

Affordable to customers whether they are employed on low income or receive financial support by other means.

BHA are able to meet 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 in the area.

4.2 BHA will define affordability as per the following criteria:

What is an affordable rent?



- 4.3 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
- 4.4 BHA will proactively encourage the maximisation of tenant income through benefit take up activity. To this end BHA's Financial Inclusion Team will develop and target information and advice to promote benefit maximisation for tenants.

5. FINANCIAL VIABILITY

- 5.1. It is crucial that BHA sets rents that take account of the costs of running the business, as set out in its business plan. 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, allocation, estate management, information and advice and Community Initiatives
 - Responsive repairs and cyclical maintenance;
 - Planned programmed renewals and new build – the cost of improving or replacing components / Scottish Housing Quality Standards and Energy Efficiency Standard for Social Housing;

- Loan repayments and interest charges;
- Employee and administration costs;
- Office overheads; and associated costs with running the organisation.

5.3 BHA will compare the management and maintenance costs with other RSLs of a similar size and type to help provide information to our tenants on efficiency and cost effectiveness.

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

6. COMPARABILITY WITH OTHER RSLs

6.1. In determining the rent levels for the properties that it owns, BHA will consider those set by other social landlords in the area and out with the area, but of a similar size, type and age. This means that BHA will:

- Collect details on the rents set by all other registered social landlords operating within our area and out with the area, but of a similar size, type and age;
- Aim to set rents that compare favourably with those charged by other social landlords for similar property; and
- Seek to justify any rent levels that are not broadly comparable with those charged by other social landlords for similar property.

6.2 As at BHA rent re-structure review it was identified that comparatively the rents were disproportionately higher across smaller property sizes:

How do BHA rents compare? Peer Group RSLs

Reviewing the Rental Assumptions: 2018/19 ARC Data

Property Size	BHA	RSL's Average Rents	Difference	%
Bedsit	£64.07	£60.35	£3.72	6%
1 bedroom	£75.11	£71.41	£3.70	5%
2 bedroom	£78.34	£81.63	-£3.29	-4%
3 bedroom	£84.70	£89.53	-£4.83	-6%
4 bedroom	£92.18	£97.69	-£5.51	-6%
Average	£79.11	£81.16	-£2.05	-3%

RSL's that were used in comparison were: Eildon Housing Association, Scottish Borders Housing Association & Waverley Housing

On average BHA rents are 3% less to its peer RSLs. On the other hand, there are some affordability issues for its bedsit and 1 bed properties.

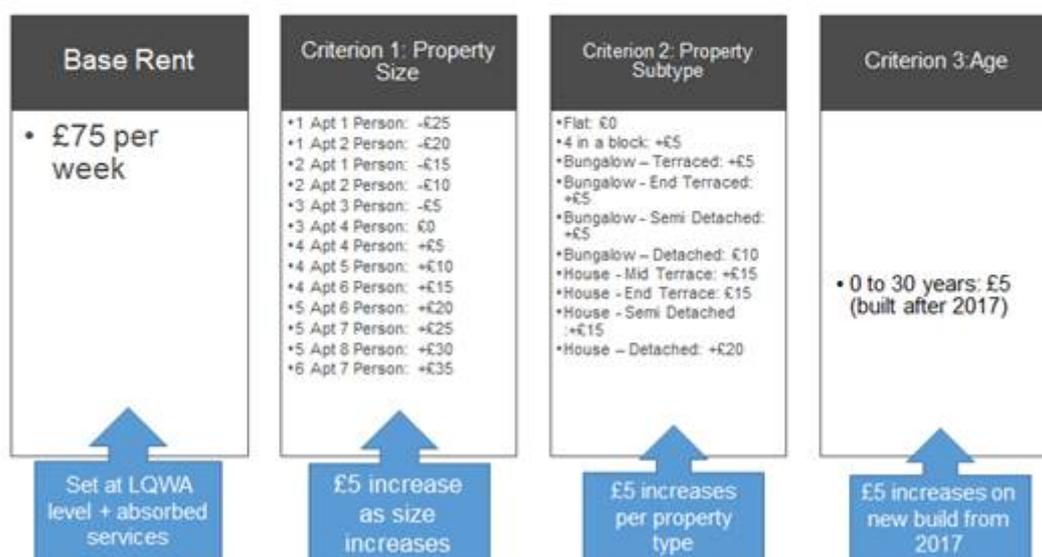
7. RENT SETTING MECHANISM & RENT RE-STRUCTURE (3 YEARS)

- 7.1. 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.
- 7.2 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).



Rent restructure: model 3

Model 3 assumptions: Property size, Type, and Age



- 7.3 BHA does not intend to impose rent levels that differentiate according to geographical location. Similarly, BHA will not impose cost-reflective rent increases/decreases for works required to meet the Energy Efficiency Standard for Social Housing (ESSH).
- 7.4 BHA Board of Trustees agreed in January 2020 to commence a restructuring of the rents and service charges over a three year period from April 2020-23. The objective is to ensure our customers rents are fair reflective of the size, property type and age of the property. The decision to harmonise rents over a three year period was taken to ensure no customer experienced immediate hardship and rents remained affordable throughout the transitional period
- 7.5 In April 2015 the Board agreed that all new build developments completed from that date would incur a standard rent + 9% charge. However, following the incremental rise of Local Housing Allowance and the increase in

construction costs per unit this was further amended for future developments using the following rent calculation methodology for any new build properties completed in 2016/17 onwards:

- **Base rent for general needs property (any size) = standard rent + 10%.**
- **Non-standard properties increase = standard rent + up to 20% (remains as previously agreed)**

- 7.6 In conjunction with the rent re-structure and to simplify and consolidate this approach into the necessary revisions, all newly developed properties (after 2017) will attract 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.
- 7.7 The mechanism for reviewing rent charges annually will take account of changes in the cost of living reflected in the prevailing Retail Price Index (RPI). BHA will review the published RPI figure for September in each year and will use this year on year RPI as the reference point for determining rent increases in the financial year ahead. However, where RPI is negative, RPI will be deemed to be 0%.
- 7.8 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. From April 2020 BHA will amalgamate 14 service charges into the main rents. This will not impact on any existing services delivered without prior consultation with customers. The three remaining Service Charges for BHA that will sit outside the rental debit are:
- Independent Living Charge
 - Heat with rent charge (non housing benefit eligible heating costs provided by common heating systems)
 - Wheelchair appliance costs (cooker/hob replacements)
- 8.2 BHA may provide Renewable Energy Systems within properties to reduce overall costs for tenants and assist with Fuel Poverty. These

costs are now built into the rents for customers and from April 2020 will no longer attract a separated service charge.

- 8.3 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 requires to 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 In November/December 2019, BHA conducted an online questionnaire in the form of customer consultation on the proposed rent increase % and on the rent re-structure process. 242 customers responded (12.5%) of our customer base to this survey. The responses allowed BHA alongside partners, Arneil Johnston to develop an appropriate rent harmonisation model that would ensure affordable, equitable, transparent and consistent rent and service charges going forward.
- 10.3 BHA will commission periodic customer satisfaction surveys and seek to measure general customer perceptions in this regard. When reviewing rents, consideration will be given to BHA's investment programme, service delivery arrangements and any new duties or initiatives.
- 10.4 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 in accordance with the timescales set out below:

TASK	TIMESCALE
Details of Retail Price Index figure (based upon September RPI figure for rent increase)	October
Initial discussion on proposed rent increases at Board	November
Rent increase consultation to tenants	December
Rent increase review feedback from tenants to Audit and Finance Committee	January
Rent increase approved by The Trustees	February
Rent increase letters go out (at least 28 days before 1 April)	February
New rent increase applies Annually from first Monday in April to 31 st March of following year	April

12. MAKING PAYMENTS

- 12.1. BHA will aim to combine cost-effectiveness and convenience to tenants in its payment methods and subject to review will always seek to make paying rent to BHA as convenient as is possible.
- 12.2. BHA operates a weekly rent debit, meaning that it collects its rent every week. Customers must therefore, where possible, pay their rent every Monday, the day the debit is charged to the rent account.
- 12.3. There are currently several ways that customers can pay their rent to BHA including: Direct Debit; Standing Order; phone; via 'Allpay' on-line.
- 12.4. In line with BHA's Arrears Policy, BHA will assist customers in applying for Housing Benefit/Universal Credit or other such benefits that provide assistance with rental payments.
- 12.5. BHA will seek to maintain a close working relationship with local authorities and the Benefits Agency/Department of Work and Pensions to minimise any difficulties in connection with benefit claims, to maximise the general take-up of benefits and to expedite the direct payment of Housing Benefit/Universal Credit to BHA.
- 12.6. If tenants require advice and assistance on their financial situation BHA will provide Financial Inclusion services to assist. This will include in-

depth one-to-one work with individuals reviewing their financial information.

13. MONITORING & REVIEW

- 13.1. BHA will publicise its Rent Setting & Service Charges through its newsletters, tenants' handbook, website and any other relevant social media channels.
- 13.2. 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.
- 13.3. 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.