



GROUP RENT AND SERVICE CHARGE SETTING POLICY

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POLICY STATEMENT: RENT AND SERVICE CHARGE SETTING

1 INTRODUCTION

- 1.1 One of the key aims of the Caledonia HA Group (“Group”) is the provision of high quality affordable housing to people in need that meets all relevant Scottish Housing Quality Standards. The rent levels determined and applied by the Registered Social Landlords (“Landlords”) within the Group are of central importance in achieving this aim as well as ensuring the long term viability of the individual organisations and the affordability of their rents.
- 1.2 This policy details the principles and framework on which the rent and service charge setting for each Landlord will be based and how residents will be consulted on these charges.

2 CONTEXT

Legislation

- 2.1 Under the terms of the Housing (Scotland) Act 2001 Landlords are responsible for setting rent levels for properties within their ownership and for consulting with the residents involved.

Social Housing Charter

- 2.2 The Scottish Government, through the Social Housing Charter, sets the outcomes it expects Landlords to achieve for their residents. In terms of how rent and service charges are applied the Social Housing Charter states that:

Outcome 14 and 15: Rents and service charges

Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- 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
- tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.

Standards of Governance and Financial Management

- 2.3 Within the Scottish Housing Regulator’s Regulatory Framework, it has outlined its Regulatory Standards of Governance and Financial Management with which all landlords must comply.

The key standards that relate to this policy are set out below:

- Standard 1 – The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.
 - i. This policy sets out the provision of rent and service charge setting within the Caledonia Group ensuring that a high quality and value for money service can be provided to all tenants.

- Standard 2 – The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.
 - i. We will take account of tenant’s views by consulting on proposed increases/changes to rent and service charge levels.
 - ii. We will make all information easily accessible online via our website and media platforms. This policy deals with how we will be open and accountable when undertaking our annual rent and service charge review and setting.
- Standard 3 – The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay
 - i. This policy outlines the importance of rental income in relation to the viability of the Caledonia Group and how the rent and service charge review is carried out in conjunction with the budget setting process.
 - ii. We compare proposed rent and service charge reviews with other landlords operating within our locality.
- Standard 4 - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose.
 - i The policy outlines the information and advice reported to the governing body in terms of its application.
 - ii The risks associated with the application of the policy are detailed, including how these are assessed, mitigated and reported so that the governing body may make an informed decision.

SFHA Guidance

- 2.4 Specific guidance has also been developed by the Scottish Federation of Housing Associations (SFHA) on the issues of developing affordable rents and service charging. Account has been taken of this guidance in the development of this policy.

Resident Consultation

- 2.5 The Housing (Scotland) Act 2001 contains a number of important provisions relating to the rights of individual and groups of residents to be consulted on key policy areas. This policy contains details of the steps to be taken to ensure that our obligations under the terms of this legislation are met.

Business Planning

- 2.6 This policy supports the strategic requirements of the Group’s Business and Strategic Development Plans; Standing Orders; and the Group’s strategies, policies and procedures including the Tenant Participation Strategy, Equalities Policy and Risk Management Policy.

Procedural Guidance

- 2.7 This policy is supported by a Rent Setting and Service Charge Procedure that details processes for setting, reviewing and implementing rent and service charges and the resident consultation processes. Each Landlord will ensure that all staff and governing

body members receive appropriate training and support to meet the requirements of this policy and the related procedures.

3. AREAS OF RESPONSIBILITY

3.1 Key areas of responsibility in relation to the implementation of the Rent and Service Charge Setting Policy are detailed below:

- *The Group Board* – in its formal approval of the policy, accepts full responsibility for the policy and for ensuring its implementation
- *Landlord Governing Bodies* – are responsible for the implementation of the policy within their local context and area of operation
- *Senior Staff and Directors* – are responsible for the day to day operation and monitoring of the policy, including providing Governing Bodies with regulatory, legislative and financial advice and support
- *All staff* – have a responsibility to ensure that the policy is applied as instructed.

4 POLICY AIMS

4.1 The Policy aims to meet all legislative and regulatory requirements by ensuring that the following aims are achieved:

- **Affordability** - rents set are affordable to households on low incomes;
- **Viability** - sufficient income is generated to meet all financial requirements including the costs of managing and maintaining the homes and any associated borrowings;
- **Fairness** - there is a fair system of setting and apportioning rents for different types of property;
- **Comparability** - rents are broadly consistent with comparable rents charged by similar social landlords in similar circumstances; and
- **Fair and accountable service charges** - service charge costs are priced to residents and recovered in a fair and accountable manner

Affordability

4.2 Landlords will seek to ensure that their rent and service charge levels are affordable to their client groups, whether they are in receipt of welfare benefits or in low paid employment.

4.3 The changes proposed by the Welfare Reform measures and the removal of Housing Benefit for many working age benefit claimants have challenged historic approaches as appropriate gauges of affordability. The SFHA has developed a Guide to Rent Setting to provide Landlords with a new approach which encourages constructive consideration by staff, governing bodies and tenants about the affordability expectations of residents.

4.4 To assist in these considerations, the Guide provides an “Affordability Tool” which allows Landlords to test different rent scenarios across a range of Local Authority areas, different property sizes and various household types.

4.5 The tool assumes that residents on a “moderate income” should not usually pay more than 25% of their income on rent. Where the assessment indicates that a “moderate income” would be paying 25-30% of their income on rent, this is considered to be on the margins of affordability. A “moderate income” is one that is just above the eligibility threshold for receipt of Housing Benefit.

- 4.6 When setting rents and the annual rent increase, the Landlord will pay due accord to the SFHA Guide to Rent Setting and Affordability Tool, which will be used to test the affordability of their rents and any proposed rent increase. This assessment will be provided to Governing Bodies prior to their approval of the rent increase.
- 4.7 In addition to this assessment of affordability, Landlords will continue to ensure that their rents and annual rent increase, on average, should not exceed levels set by other Landlords operating in the same area. Landlords will also have regard for feedback from applicants from surveys on their reasons for the refusal of offers of tenancies, for comments made by new tenants and the reasons for leaving cited by former tenants in exit surveys.

Viability

- 4.8 Landlords' rental income is of vital importance to the viability of their organisation and the Group. Given this, the annual review of rent and service charges will be carried out in conjunction with the Landlords' budget setting process. This will ensure that a detailed assessment of all relevant costs is made and that charges will be set at levels necessary to meet these as well as achieving an acceptable level of operating surplus. Costs to be considered within the rent and budget setting exercise will, for example, include consideration of the following:

- management of housing stock
- maintenance of housing stock (reactive and cyclical)
- costs of providing services (including an administration charge)
- voids and bad debts allowance
- loan charges and repayments
- provision for future major repairs, component renewal, planned maintenance
- provision for any contingencies

The viability of the Landlord in the long term will be of key importance in the consideration of these costs and all associated issues.

- 4.9 An important issue for all Registered Social Landlords over recent years has been the changes to the way in which development programmes have been funded by the Scottish Government and the long term financial considerations surrounding these. In summary, the changes have involved increased assumptions in relation to rental income and the introduction of standard rents to assess value for money within development grant calculations.
- 4.10 These changes have added to the financial challenges involved in continuing to provide new affordable homes. The Group, however, is committed to continuing with the active provision of new homes, throughout its areas of operation. The Group is also mindful though of the importance of balancing this with the need to ensure that existing properties are affordable for residents. In working to ensure this, the overall financial viability of new build schemes will be considered in detail and will include analysis of all relevant strategic, financial and operational issues before a decision is taken on whether or not to proceed.

Fairness – The Rent Setting System

- 4.11 The Group's approach to rent charges involves a fair system for setting and apportioning rents. The following statements outline this approach and the mechanism to be used to determine the amount of rent to be charged for each property at the completion of each development.

Properties Funded Through the Affordable Housing Supply Programme

- 4.12 Where new developments have been built under the Affordable Housing Supply Programme (AHSP), the rents for the new properties will be set in line with the Scottish Government's standard benchmark rents. This principle will also apply to properties acquired through the Scottish Government's Mortgage to Rent Scheme.

Points Framework for Existing Properties

- 4.13 A points based framework is provided to allow a process and some flexibility to Landlords to re-calculate and set new rents for existing properties outside of the ASHP programme. Typically this would be utilised following a programme of property remodelling or refurbishment which resulted in significant changes to that property's attributes or components. This will enable Landlords to demonstrate that any new rent had been set in a fair and transparent manner.
- 4.14 A points total is calculated for each property and the rent then calculated by applying a monetary multiplier to the points total. The value of this monetary multiplier will be set each year by the Management Board as part of the annual rent review process. Full details on the points system against which rents are calculated is provided in Appendix One to the Policy document.

Non-AHSP Funded Properties

- 4.15 It is accepted by the Group that a points-based method of rent calculation may not be appropriate for properties which are acquired or developed under a funding framework which does not involve AHSP. This could apply to initiatives such as stock transfers and local authority sponsored redevelopments. In these circumstances, the rental structure of the disposing or sponsoring agency or landlord may require to be accepted as the basis for rent setting.
- 4.16 Basing rents on the rental structure of a disposing or sponsoring agency is acceptable to the Group provided that there are no concerns regarding the affordability and viability of the rents generated under such a structure.

Fair Rents

- 4.17 Landlords within the Group have a reducing number of residents who have the preserved rights for rents to be set by an Independent Rent Officer on a three yearly basis. Landlords will apply the Fair Rent as set and approved by the Rent Registration Officer.

Supported/Care Accommodation

- 4.18 In recognition of the different revenue funding system for some supported/care accommodation projects, Landlords may set rent/occupancy charges for such projects outwith the points-based rent setting structure. This will also apply to shared accommodation arrangements. In determining the appropriate level of rent Landlords will consider the costs of factors such as the following in addition to mainstream costs:
- management, including any enhanced management, services provided by the Landlord or any agency contracted by it to provide such services;
 - maintaining or replacing any special equipment or features provided within the accommodation;
 - any specific costs associated with registration of the property or compliance with the requirements of other external regulatory bodies;
 - providing, maintaining and renewing communal areas and facilities and staff accommodation;

- anticipated void levels where responsibility for rent loss through voids rests with the Landlord;
- providing, maintaining and renewing any furniture, appliances and fittings for which the Landlord is responsible; and
- the availability of revenue funding for the project and / or the resident.

Commercial Rents

- 4.19 Rents and service charges for commercial premises will be subject to the conditions of the lease arrangements and will normally be set dependant on market forces.

Shared Ownership

- 4.20 The rent and service charges for shared ownership properties will be set in accordance with the principles of this policy. Deductions will be applied for repair responsibilities in line with nationally set allowance guidelines.

Comparability

- 4.21 The method of rent setting as outlined in the Policy will ensure that Landlords' rent levels are consistent across their housing stock, taking account of property features and attributes. Landlords will also take account of rental levels of other relevant social landlords operating within their area as part of an annual comparability exercise. A comparability study of rent charges of local and peer social housing providers will be provided for the relevant governing bodies as part of the rent review process.

Service Charges

- 4.22 The service charges applied by the Landlords within the Group are additional to the basic rent charge. They are property specific and are calculated on the basis that the Landlord covers the full cost of providing the services and that these costs are fair and reasonable. Landlords will review their service charges on an annual basis to ensure that the income generated is sufficient to cover the future cost of the services.
- 4.23 Any service charges for which an individual tenant or sharing owner is liable will be detailed in that tenant's tenancy/occupancy agreement. All residents who have to pay a service charge will be provided with an annual statement that provides details of service charge income and expenditure for the relevant year.
- 4.24 In line with Scottish Government guidance, an administration charge is made where service charges are applied to contribute towards the Landlord's costs in this area of work. A copy of the Group's detailed Service Charge Policy is attached to this Policy document at Appendix Two.

5 ANNUAL REVIEW OF RENT AND SERVICE CHARGE LEVELS

- 5.1 Landlords within the Group will review their rents and other charges annually, with any increases being implemented from the start of April each year. The decision as to the level of any increase in rents or other charges must be made by the relevant governing body of the Landlord. Although it is important to note however that a Landlord that is a subsidiary of the Group will be required to have their rent and service charge increase approved by the Board of the parent body.
- 5.2 In considering the level of any increase to be applied, the governing body will take full cognisance of any commitments as to future rent increases given to tenants as part of any stock transfer or other contractual agreement as part of the consultation process.

- 5.3 Prior to agreeing any increase in rent levels the Landlord's governing body will have regard to any representations received from tenants as a result of a consultation exercise on proposed rent increases conducted under the terms of section 25(a) of the Housing (Scotland) Act 2001.
- 5.4 When calculating rent increases in its annual budget setting process, the Landlord will use as a guide the Consumer Price Index (CPI_ inflation figure for September. Landlords within the Group will aim where possible to limit any budgeted increase to no more than CPI plus 1%. However this will be subject to the outcome of the Landlord's detailed budget considerations within their annual review process.
- 5.5 All residents will receive at least one month's written notice of any increase in their rent and other service charges. Residents of new houses or re-let houses with a tenancy start date falling within the one month notice period will be charged the new rent and service charge from the date of entry and will not be included in the rent and service review until the following rent and service review period. New residents of re-let properties will receive the same rent and service charge as the maximum prevailing charge for the scheme or development, subject to normal increase arrangements.
- 5.6 Any resident who feels that a rent and/or service charge increase for their property has been improperly calculated or applied may request a reassessment of the rent/service charge level prior to the increase being applied. If they remain dissatisfied they may submit a complaint using their Landlord's complaints procedure.

6 CONSULTATION ON BUDGET AND RENT AND SERVICE CHARGE SETTING

- 6.1 The Housing (Scotland) Act 2001 and Social Housing Charter places a responsibility on social landlords to consult with tenants on their Rent Policy and their rent setting proposals. In recognition of this, Landlords within the Group will implement detailed consultation measures when setting their budgets and when considering an increase in their rent charges. This will include providing details to tenants of how the rent and service charge increase has been calculated, what the income generated will be used for and how the increase and the outturn charges compare with other similar Landlords.
- 6.2 The consultation measures undertaken by Landlords will be agreed with their tenants and will be incorporated within relevant tenant participation strategies but as a minimum should include the following:
- Discussions with any established resident representative groups on budget and rent setting issues (including the Rent and Service Charge Setting Policy);
 - Questionnaire based consultation on the budget and rent setting proposals;
 - Provision of clear and easy to understand information to all residents on the budget and rent setting process with an invitation to comment on these and attend organised resident meetings.

A report on the outcome of the consultation on the rent and budget review will be submitted annually to the relevant governing body, prior to any rent increase being applied.

- 6.3 Landlords within the Group will ensure that services provided represent value for money and shall incorporate obtaining views on service performance as part of the annual consultation process. These views will be used to supplement other feedback received throughout the year. Those receiving a particular service will be consulted where there are any proposals to vary the scope or specification of that service.

7 RENT PAYMENTS

- 7.1 Rent payments will be due in accordance with the contractual terms set for tenants in each Landlord's tenancy agreement. Landlords however will adopt a flexible approach in terms of the preferred payment arrangements of individual residents and will also maximise available payment options.

8 EQUAL OPPORTUNITIES

- 8.1 This policy has no direct equal opportunities implications. Landlords within the Group will, however, as a matter of good practice, monitor the affordability of their rents with information available on income levels between different groups, such as gender groups, ethnicity and disability groups. This will support the aim that rents set by the Landlords within the Group are affordable and will ensure that income levels do not represent any barrier to access the Landlord's housing stock. The Landlord will also comply with all relevant equal opportunities requirements in the development, implementation and review of this policy.

9 SUSTAINABILITY IMPLICATIONS

- 9.1 This Policy has no direct sustainability implications. The Landlords within the Group will however, as a matter of good practice, monitor the sustainability implications of new build developments and property investment on rent levels over the long term.

10 RISK MANAGEMENT

- 10.1 The Landlord's governing bodies will consider the risk management factors involved in their rent and service charge setting processes including:

- Financial risk through potential failure to ensure that enough income is generated to cover operating costs;
- Non-compliance with the Scottish Government's Social Housing Charter outcomes;
- Non-compliance with the Scottish Housing Regulator's Regulatory Framework and the Regulatory Standards of Governance and Financial Management;
- Setting charges which are viewed as being unfair and/or not affordable; and
- Emerging risks from changes to be made to the welfare benefits system.

- 10.2 Given the importance of these risks it is recognised that the effective management of these is vital. This will be achieved by Landlords by combining the annual review of their rents with a comprehensive budget and business plan review process. This overall process will involve active consideration of all relevant issues relating to the achievement of affordability, viability, fairness and comparability in line with this policy.

11 COMPLAINTS PROCEDURE

- 11.1 In addition to the appeal process detailed at Section 5.5 above, any resident may submit a complaint, using the Landlord's complaints procedure if it is felt that the Landlord has failed to correctly apply this Rent and Service Charge Policy.

12 POLICY REVIEW

- 12.1 The Policy will be reviewed on an annual basis in conjunction or as required following a substantive legislative or regulatory change.

APPENDIX ONE - RENT POINTING STRUCTURE

CHA GROUP – RENT POINTING TABLE

Dwelling Features

Living Room	40
Separate Dining Room	20
Kitchen	40
Combined Living/Kitchen	60
Combined Living/Bedroom	60
Combined Living/Kitchen/Bedroom	80

BEDROOMS FORMULA 20 POINTS PLUS 20 PER BEDSPACE

Bathroom	40
Bathroom & Over Bath Shower	45
Shower Room	50
Additional W.C.	20
Wheelchair Space Standards	20

Common Facilities

Common Room	6
Dining Room	3
Kitchenette	2
Full Kitchen	6
Scheme Office	2
Staff Rest Room	3
First Guest Room	2
Second Guest Room	2
Third Guest Room	1
Laundry	3
Hairdressing Room	1
Assisted Bathroom	3
Fire Alarm System	2
Warden Call System	2
Common Bath/Shower	2
Second Common Room	2
Staff Sleep Over Room	3

Building Forms

Flat	4
Terraced	11
Semi Detached	13
Detached	15

External Features

Individual Car Parking Space	2
Car Port	4

£ PER POINT

£	
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SERVICE CHARGE POLICY STATEMENT

1 INTRODUCTION

- 1.1 Caledonia HA Group (CHA) recognises the need to maximise rental income by levying a service charge for those items not covered by the rental charge. This policy will be implemented to ensure a high quality and value for money service is provided. The policy is also supplementary to the overall provisions of the Caledonia HA Group's Rent and Service Charge Setting Policy and should be considered alongside this.

2 CONTEXT

- 2.1 The Scottish Government, through the Social Housing Charter, sets the outcomes it expects Housing Caledonia HA Groups to achieve for its residents. In terms of how rent and service charges are applied the Social Housing Charter states that:

Outcome 14 and 15: Rents and service charges

Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- 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
- tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.

- 2.2 The Scottish Housing Regulator's Regulatory Framework has outlined its Regulatory Standards of Governance and Financial Management to which all landlords must comply. In terms of service charges are applied and set the relevant standards are:

- Standard 1 – The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users
- Standard 2 – The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.
- Standard 3 – The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay
- Standard 4 - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

- 2.3 This policy has been drafted to take account of these requirements and also specific guidance developed by the Scottish Federation of Housing Caledonia HA Groups (SFHA) on service charge issues.

3 AIMS

- 3.1 The Caledonia HA Group's Service Charge Policy aims to achieve fair and accountable service charges and meet all legislative and regulatory requirements by ensuring that the following are achieved:

- all service charges represent value for money and are based on high standards and current good practice;
- new residents are informed of any service charge before they sign a tenancy or occupancy agreement;
- existing residents will receive clear information regarding their annual service charge and be offered opportunity to be involved in reviewing services; and
- health and safety requirements are met and implemented quickly on all open spaces to ensure sites are safe for residents and their relatives to use.

4 APPLYING SERVICE CHARGES

4.1 We will only apply a service charge where it is necessary to do so, i.e. where the costs of the items concerned would not be covered by the rent.

4.2 Examples of where a service charge may be required include the following:

- the nature of the building, e.g. a building with staff employed and a variety of amenities which need to be maintained;
- where a development has communal grassed areas and equipment which require to be cut or internal common areas which need to be maintained;
- where the depreciation and/or maintenance costs of communal equipment such as door entry systems are not included in the rent;
- where electricity/heating consumption is not billed directly to residents;
- where furnishings are provided by the Caledonia HA Group as part of the tenancy.

5 NEW DEVELOPMENTS

5.1 In planning our new developments we will aim to minimise the creation of unnecessary shared external areas for which service charges will require to be levied. Where shared external and internal communal areas are to be provided, we will aim to maintain such areas to high environmental and amenity standards.

6 SERVICE CHARGE CONTRACTS

6.1 We will seek new tenders for contracts for communal maintenance such as open space maintenance in accordance with the Caledonia HA Group's Procurement Policy.

7 CALCULATING SERVICE CHARGES

7.1 Service charges will be based on the actual cost of providing the service plus a charge to cover our administrative costs in providing the service. The total cost of providing services at individual housing developments in the main will be split evenly between the number of residents living there. Adjustments may be made, however, to reflect specific development design and layout issues.

7.2 We will provide annually to each resident a breakdown of their charges to show the rent they will pay for their home and, where applicable, any service charges also to be paid. We will aim to provide all existing residents with a schedule of their service charges each February advising of their new service charge with effect from April each year.

7.3 For all new tenants we will provide a full schedule of their service charges at the beginning of their tenancy. Where possible in initial offer letters we send out we will clearly show the details of any service charges applicable in addition to the appropriate rent. This information will also be stated in tenancy and occupancy agreements.

7.4 Residents will be consulted prior to the introduction of any new service charges. The consultation process will include information about the likely costs as well as the scope of the services.

8 RECOVERY OF SERVICE CHARGES

8.1 Residents are required to pay service charges as a condition of their tenancy and occupancy agreements. Non-payment will result in the relevant Arrears Policy being applied.

9 COMPLAINTS PROCEDURE

- 9.1 In addition to the appeal process detailed in the Rent and Service Charge Setting Policy, any resident may submit a complaint, using the Caledonia HA Group's complaints procedure if it is felt that the Caledonia HA Group has failed to correctly apply the Service Charge Policy.

10 POLICY REVIEW

- 10.1 The Service Charge Policy will be reviewed on an annual basis or as required following a substantive legislative or regulatory change.