

Langstane Housing Association

Rent and Service Charge Setting Policy

Date approved by Senior Management Team	26 September 2019
Board of Management	18 November 2019
Approval date	16 December 2019 (following consultation)
Implementation date	16 December 2019
Review date	16 December 2022
Version	V3

Policy Version	Date of Approval	Changes made to Policy
Version 1	-	New policy
Version 2	31 August 2015	Removed 'Background' section Reference to EEESH standards added
Version 3	16 December 2019	Update

1. Introduction

Langstane Housing Association is a Co-operative and Community Benefit Society and a registered social landlord with charitable status.

The Langstane Group (the Group) consists of Langstane Housing Association Limited and its wholly owned subsidiaries.

This policy applies to Langstane Housing Association Limited only. Where a subsidiary leases a property, for example, for mid market rent, a separate policy applies.

The Rent Setting and Service Charge Policy sets out Langstane Housing Association's approach to setting rents and service charges. The policy details the aims, principles and framework on which rents are based and how tenants are consulted on these charges.

The Association is committed to 'Investing In Our Customers' and reviews rents and service charges annually to ensure there is sufficient income to meet the Association's financial liabilities whilst ensuring rents remain affordable to tenants and in doing so supports the strategic requirements of the organisation's Business Plan.

2. Policy statement / aim of the policy

The aim of this policy is to ensure rents and service charges are set at an affordable level and reasonably balanced with the financial viability of the organisation.

3. Objectives

- Rents and service charges are affordable to households on low or moderate incomes.
- Sufficient income is generated to meet all the Association's financial requirements and any associated borrowings.
- There is a fair system of setting and apportioning rents for different types of property ensuring tenants do not pay more than the Association has deemed appropriate.
- Rents are broadly consistent with comparable rents charged by other social landlords in the area providing similar types and standards of property and services.

4. Links to other policies

The Rent Setting and Service Charge Policy is linked to a number of strategic documents and policies including:

- Business Plan
- Rent Management Policy
- Former Tenant Debt Recovery Policy

- Tenancy Sustainment Strategy
- Tenant Participation Strategy

5. Policy

This policy relates to social housing rent setting under the terms of the Housing (Scotland) Act 2001. This policy also applies to properties which are leased to agencies for the provision of supported accommodation.

Commercial leases, in general, are set according to a market value determined by an external valuation however some flexibility can be applied in negotiating a commercial rent taking the length of time a property has been empty, demand and VAT requirements into consideration. Properties leased through a subsidiary have a separate rent setting policy.

Fair or regulated tenancies which have contractual rights under the Housing (Scotland) Act 1987 are excluded from this policy as rents are set separately by the rent registration service.

5.1 Annual rent and service charge review

Rents and service charges are reviewed on an annual basis and are determined in conjunction with the annual budget setting process to ensure the continuing viability of the Association and reflect:

- Housing management costs.
- Maintenance costs.
- Void loss and bad debt provision.
- Insurance and overheads.
- Staffing costs and pension provisions.
- Major repairs and renewals.
- Cost of achieving energy efficiencies standards.

Any increase in rent is based on the average Consumer Price Index (CPI) figure for the period September to August for the previous year in conjunction with the budgeting process and in line with Business Plan objectives. Building Cost Information Service (BCIS) data will also be considered in any proposal to increase rents.

Any proposed increase, including an analysis of affordability is submitted to the Board of Management for consideration before consultation with tenants begins. The Association will always consider a value for money approach for tenants in setting rents.

5.2 Service charges

A service charge, the cost of providing a service to a tenant, forms part of the tenancy agreement and is in addition to the basic rent. A service charge is property specific and calculated on the basis the Association covers the full

cost of providing the service and the cost is fair and reasonable. Service charges are reviewed annually to ensure the income generated is sufficient to cover the cost of that service and tenants will receive annually a breakdown of the service charges including any increase or decrease to these costs in their formal rent increase notification. All new tenant will receive a breakdown of the service charges prior to signing the tenancy agreement and this amount will be included in the contractual rent on the tenancy agreement.

Service charges include garden maintenance, communal cleaning and stair lighting. Where furniture is provided as part of the tenancy or external factoring charges are invoiced to the Association, a service charge is applied. Tenants will be consulted prior to the introduction of a new service charge and this will include the likely cost of the service being added.

An administration fee of 10% of the annual contract value is applied to services charges to cover the Association's costs, including managing the contracts. Some flexibility may be used in setting the percentage of the administration fee to be applied where affordability is a concern.

5.3 Consultation

Under the terms of the Housing (Scotland) Act 2001 Langstane Housing Association has a duty to consult with all tenants on their rent policy and rent setting proposals.

The Scottish Government, through the Social Housing Charter, sets the outcomes it expects landlords to achieve for their tenants.

Outcome 14 and 15 Rents and Service Charges:

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

- 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 receive 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.

A consultation exercise will be undertaken annually through the use of questionnaires and wherever possible using the method of communication preferred by the tenant with the purpose of obtaining tenants' views on any proposed rental increase.

This exercise is designed to inform tenants of the proposal for the increase of rent, the impact this has on the amount of rent and the level of service provided and general information relating to the Association's income and expenditure.

A report on the outcome of the consultation will be presented to the Board of Management prior to any decision on an increase in rent being made and taking the views of tenants into consideration.

5.4 Legal and good practice standards

The Association has taken into consideration the Housing (Scotland) Act 2001, the Social Housing Charter and the Scottish Federation of Housing Association's Rent Setting Guidance and Affordability Tool in developing this policy.

5.5 Affordability

The Association ensures rents and service charges are affordable to tenants on a living wage and any rent charged can be covered by welfare benefit entitlement, where appropriate, for those tenants who are eligible.

In order to demonstrate this, the Association models any increase in rent using the Scottish Federation of Housing Association's Rent Affordability Tool and aims for a ratio of net income spent on rent for single households on a living wage of 30% or under.

The Association also benchmarks rents on an annual basis with locally based housing associations using Charter performance data and the Scottish Housing Regulator's landlord comparison tool to ensure they are comparable.

The Association monitors feedback for refusals of offers of a tenancy and also the reasons for a termination of a tenancy on the grounds of affordability.

5.6 Setting rents

The Rent Setting and Service Charge Policy applies to both existing rents and the initial setting of rents for new build properties based on a simple, fair and transparent formula.

This formula takes into consideration location, property size, type and the energy efficiency of the property and is updated annually to reflect any uplift of rent.

Updated 25.09.19		Langstane Housing Association		Rental Matrix		2019_20	
		D:\rents.wk4		B+ Rating apply premium of 5%			
		ABERDEEN	ABERDEEN HINTERLAND	URBAN CENTRES		RURAL HINTERLAND	
		100%	90%	85%		80%	
Room	10%	329.08	296.17	279.72		263.27	
1p 1apt	8%	335.18	301.66	284.90		268.14	
1p 2apt flat	Base	361.99	325.79	307.69		289.59	
1p 2apt House	6%	383.71	345.33	326.15		306.96	
2p 2apt flat	8%	390.95	351.85	332.31		312.76	
2p 2apt house	12%	405.43	364.89	344.61		324.34	
2p 3apt flat	10%	398.19	358.37	338.46		318.55	
2p 3apt house	14%	412.67	371.40	350.77		330.13	
3p 3apt flat	14%	412.67	371.40	350.77		330.13	
3p 3apt house	18%	427.15	384.43	363.08		341.72	
3p 4apt flat	16%	419.91	377.92	356.92		335.93	
3p 4apt House	20%	434.38	390.95	369.22		347.50	
4p 3apt house	22%	441.63	397.47	375.38		353.30	
4p 3apt flat	18%	427.15	384.43	363.08		341.72	
4p 4apt flat	21%	438.01	394.21	372.31		350.41	
4p 5apt house	41%	510.41	459.37	433.85		408.32	
5p 4apt house	33%	481.45	433.30	409.23		385.16	
5p 4apt flat	25%	452.49	407.24	384.61		361.99	
5p 5apt house	44%	521.27	469.14	443.08		417.01	
6p 4apt house	44%	521.27	469.14	443.08		417.01	
6p 5apt house	47%	532.13	478.91	452.31		425.70	
7p 5apt house	50%	542.99	488.69	461.54		434.39	
10p 7apt house	64%	593.66	534.30	504.61		474.93	
10p 5apt flat	50%	542.99	488.69	461.54		434.39	

6. Monitoring and review

The Rent Setting and Service Charges Policy will be reviewed every three years or where necessary when a change in legislation or budgetary requirements dictates a review. Rent affordability will be reviewed annually where any increase in rent is proposed in conjunction with tenant consultation.

Right to complain

In the event you are not satisfied with the service you have received, please contact the Association for a copy of the Complaints Policy. This can also be viewed on Langstane Housing Association's website – www.langstane-ha.co.uk.

Equality and diversity

Langstane Housing Association is committed to promoting equality and diversity across all areas of work. Discrimination or harassment of any kind is not tolerated.

If you would like this document sent to you in large print, please contact Support Services on 01224 423000.