



# Rent & Service Charge Setting Policy

## October 2019

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## 1. Introduction

Queens Cross Housing Association is a social landlord operating in the North West of Glasgow and our vision is to provide “Excellent Housing in vibrant communities”.

As rental income is our biggest source of income this Rent Setting Policy is critical to our ability to deliver all of our strategic aims.

An effective rent charging structure underpins our ability to meet our statutory and regulatory obligations, to demonstrate our financial viability and to ensure our stock is properly managed and maintained to the standards expected by our residents and lenders. It also allows us to plan for the future.

Our approach to Rent Setting strikes a balance between the needs of the Association as a business and ensuring affordability for our customers. We strive to deliver excellent services and understand that many of our tenants face financial hardship on a daily basis. Our rent setting policy supports our ambition to challenge poverty whilst ensuring we deliver value for money for our tenants.

## 2. Aims and Objectives

### 2.1 The aims of our rent setting policy are:

- i) Financial viability – we aim to set rents at levels that support effective and efficient delivery of high quality homes and excellent services. The Association prepares 30 year financial forecasts to ensure we are financially robust and able to deliver our present and future commitments in terms of both services and asset management. A number of assumptions underpin these financial forecasts and these assumptions and their implications are reviewed annually by the Board of Management. This annual review is then used to inform the rent model for the following year and to establish any rent increase applicable.
- ii) Affordability – affordability is underpinned by a 'rights' approach to housing and is based on the idea that everyone should have access to a warm home that they can afford as the starting point of good health and wellbeing. We aim to set rents that are affordable and use the 2018 Scottish Federation of Housing Association & Housemark benchmarking tool to inform our rent levels.
- iii) Fairness – we want our rent model to be as consistent and transparent as possible so that it allows tenants and prospective tenants to make informed choices about affordability. This will also allow rents to be compared with rents charged by other landlords
- iv) Comparability – we anticipate that our rent levels will be similar to those for similar properties in the wider area available from Registered Social Landlords offering similar standards and services. Comparability can be assessed using the Scottish Housing Regulator’s tenant portal. [www.scottishhousingregulator.gov.uk/for-tenants](http://www.scottishhousingregulator.gov.uk/for-tenants)

## 3. Scope

- 3.1 This policy applies to all occupancy agreements and tenancies allocated by the Association including Scottish Secure Tenancy Agreements (SSTs), Scottish Short Secure Tenancy Agreements (SSSTs), Shared Ownership properties and long standing secure tenancies with Fair rents. A section is included on leases and the setting of mid-market rents.

**3.2** The policy establishes the rent level at the point of letting and our approach to annual rent increases.

## **4. Definitions**

**4.1. Affordability** - there is no universal definition of rent affordability, as how affordable a rent is depends on the household type and composition, household income, including housing benefits, location and size of the property and other factors.

In 2019 the Scottish Federation of Housing Associations & Housemark developed a toolkit with a range of options for measuring affordability. The Association has adopted the moderate income levels model for assessing affordability for a range of household types.

This recognises that we are not able to set rents that will be affordable to every single tenant, regardless of how low their income therefore moderate incomes should be considered when setting rents. The moderate incomes in the toolkit are just above the level of income that would make households typically eligible for Housing Benefit.

Traditionally, a low affordability ratio of 25% of net income spent on rent has been used to measure the affordability of social rents. This was the affordability ratio used in the 'old' SFHA affordability measure up until 2002. The suggested ratio put forward by the JRF Fairer Rent work is 28%, on the basis that this is the proportion that the average social tenant spends on rent.

This is a 'normative' approach to rent affordability, which takes the average or 'typical' amount spent as reasonable.

The Association has measured affordability based on a 30% maximum which is comfortably achieved for all household types apart from single people where it varies from 23% up to 30% depending on housetype.

**4.2 Rent pooling** – the Association's approach to rent setting is based on pooling or sharing most of the costs of running landlord services between all tenants. For example the costs of stair lighting, garden maintenance, lift maintenance and close cleaning for all our homes are built into the rent charge and shared across all tenancies.

**4.3 Service charge** – service charges are extra charges made to tenants in addition to the basic rent. These charges are for work that housing associations do on behalf of tenants that may be included in the rent or may be added only to those properties who benefit from them. Generally Queens Cross takes a pooling approach to rent setting so most services are covered in the rent, however a service charge may be added in relation to:

- i) a furniture package
- ii) energy for personal use
- iii) supported housing

## **5. Legal and regulatory framework**

**5.1** The Scottish Social Housing Charter (updated 2017) aims to improve the quality and value of the services that social landlords provide, and supports the Scottish Government's long-term aim of creating a safer and stronger Scotland. It does so by:

- stating clearly what tenants and other customers can expect from social landlords, and helping them to hold landlords to account

- focusing the efforts of social landlords on achieving outcomes that matter to their customers
- providing the basis for the Scottish Housing Regulator to assess and report on how well landlords are performing.

Two Charter outcomes are particularly relevant to this policy:

### **13: Value for money**

Social landlords manage all aspects of their businesses so that:

- *tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.*

### **14 & 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 service users can afford them*
- *tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.*

#### **5.2 Other relevant legal / regulatory guidance:**

- i) The Housing (Scotland) Act 2001 – requirement to consult with tenants and take their views into account when making decisions about proposed rent increases.
- ii) Data Protection Act 1998
- iii) Freedom Of Information Scotland Act 2002

## **6. Approach to Rent Setting from 1<sup>st</sup> April 2017 (SSTs, SSSTs, Shared Ownership)**

**6.1** In 2016 a review of the Association's rent levels highlighted that as a result of legislative changes, various stock transfers and our evolving approach to development and acquisitions, the Association charge some 267 different rent levels. There was no consistency in the approach with similar properties in the same street attracting different rent levels.

In consultation with tenants it was agreed that a new model would be introduced that would deliver greater transparency and consistency.

**6.2** The new model, approved by the Board in December 2016 is produced at appendix 1.

**6.3** New rents for properties owned by the Association at 1<sup>st</sup> April 2017 are set in accordance with the 2016 model (subject to annual review see section 11 below).

**6.4** A Rent restructuring exercise was carried out for 3 years from 2017 to align existing rents to the model.

## **7. New Build properties**

- 7.1** The Association is committed to developing new homes to meet the demand for homes and to reduce homelessness. Each new build development is financially modelled to ensure that the rent charged covers the cost of financing the scheme and managing and maintaining the homes. Rents are set to ensure the properties contribute to the Association's assets and make a return, generally over a 30 year period.
- 7.2** The Scottish Government and Glasgow City Council support the building of new homes with grant funding which is contingent on target rent levels being achieved.
- 7.3** In order to deliver new homes the Association will set rents for new build homes that reflect our existing rent model. We will be mindful of Government set target rent levels and will use any flexibilities available to us. In the event that we cannot deliver homes within our rent model, new build properties will sit outside of the model.

## **8. Approach to setting Mid Market Rents**

- 8.1** The Association owns and manages mid-market rents through its subsidiary factoring company. The rents for these properties were established at the point of acquisition and reflect a rent higher than social rents but are anticipated to be no more than 80% of a market rent.

## **9. Fair Rents**

- 9.1** The Association has a number of (c40) longstanding Secure tenancies that were let with Fair rents. A Fair rent level is set by the Rent Officer Service and is set for the following 3 years. Ongoing Fair rents will continue to be submitted to the Rent Officer Service. The Rent set by the Rent Officer will be applied. In the event that the Rent Officer's decision results in a particularly high rent, the Association will have regard to the model rent for a similar property (plus and allowance for inflation) and may set a lower rate than the Rent Officer allows.

## **10. Leases**

- 10.1** The Association may agree to lease a property for a period of time to Glasgow City Council or another partner for use as a supported housing project or temporary accommodation for people with support needs. The value of the lease will be negotiated and set to reflect size of the property, costs the Association will bear and length of the lease.

Regardless of the start date of the lease, the lease will include for any annual increase to be applicable from 1<sup>st</sup> April annually.

## **11. Rent Reviews**

- 11.1** All QCHA tenancy agreements (except Fair rent tenancies) and leases provide for an annual review and the potential for an increase to be applied from 1<sup>st</sup> April. Each year the Association reviews the level of income required to deliver services and the commitments set down in the Business Plan. The Board considers the Association's financial plans and the impact of inflation in order to agree any proposed level of change.
- 11.2** In deciding the annual change / increase for rents and any service charges the Board takes into account the rate of inflation (RPI) in September each year (published in

October).

- 11.3 The Board will agree any proposed change level which will be used to carry out the required consultation with tenants.
- 11.4 The Board will receive feedback from the tenant consultation exercise and will give this due consideration at a Board meeting before reaching a final decision for the rent change or increase to be applied.
- 11.5 Tenants and leaseholders will be notified in writing of the change to be applied to their rent / lease. The level of notice will reflect the terms of the tenancy agreement or lease.

## **12. Service charge Reviews**

- 12.1 Service charges will be reviewed annually and any change will be applied from 1<sup>st</sup> April (subject to notice being served).
  - Furniture packages will generally be applied at a fixed rate to allow full recovery over a fixed period so will not be subject to inflationary increases
  - Energy charges will be reviewed against actual spend and will be increased or decreased to reflect the required income apportioned between properties
  - Charges for supported accommodation will change in line with the rent

## **13. Responsibilities**

### **13.1. Executive Directors**

The Director of Neighbourhood Services will be responsible for the application of this policy.

### **13.2 Line Managers**

The Depute Director of Housing & Support will ensure the tenant consultation process is completed on a timely basis to inform the Board decision making.

Neighbourhood Managers will ensure the annual increase process is effectively and efficiently implemented and that tenants received their notifications on a timely basis.

The Factoring Officer will ensure mid-market rent increases are applied.

## **14. Consultation with Tenants**

- 14.1 Extensive consultation was carried out with active tenants (Community Involvement Groups and the Residents Task Force) and with tenants invited to focus groups to discuss and agree the 2017 rent model and approach to restructuring rents.
- 14.2 This policy was reviewed by the Residents Task Force on 21<sup>st</sup> November 2019. Their comments were considered by the Board prior to approval of this document.
- 14.2 Rent consultation exercises are carried out annually with tenants in relation to any proposed increase in rents and service charges.

## **15. Responses to breach of policy**

- 15.1. Tenants will have the right to request a review of their rent level under the Association's complaints policy if they believe that the rent set does not reflect this

policy.

**16. Review date.**

**16.1** This policy will be reviewed in 2022 and every three years thereafter unless changes in legislation, regulatory guidance or good practice require an earlier review. Tenants will be invited to review the policy at each review point.



# Appendix 1

## Rent Model for properties complete at 1<sup>st</sup> April 2017

Monthly Rent - Start 2017								Weekly Rent - Start 2017							
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
Multi Story	£264.34	£292.67	£320.99	£349.31				Multi Story	£61.00	£67.54	£74.07	£80.61			
Pre 1965 Tenement	£270.24	£298.57	£326.89	£355.21	£383.53			Pre 1965 Tenement	£62.36	£68.90	£75.44	£81.97	£88.51		
Deck access	£270.24	£298.57	£326.89	£355.21				Deck access	£62.36	£68.90	£75.44	£81.97			
4 in a block		£304.47	£332.79	£361.11				4 in a block		£70.26	£76.80	£83.33			
Maisonette				£372.91	£401.24	£429.56		Maisonette				£86.06	£92.59	£99.13	
Post 1965 Tenement		£328.07	£356.39	£384.71	£413.04			Post 1965 Tenement		£75.71	£82.24	£88.78	£95.32		
Main Door	£299.75	£328.07	£356.39	£384.71	£413.04	£441.36	£469.68	Main Door	£69.17	£75.71	£82.24	£88.78	£95.32	£101.85	£108.39
Terraced House		£363.47	£391.80	£420.12	£448.44	£476.76	£505.09	Terraced House		£83.88	£90.41	£96.95	£103.49	£110.02	£116.56
Sheltered		£339.87	£368.19					Sheltered		£78.43	£84.97				
<b>Rent Increase 2018</b>	<b>3.60%</b>														
Monthly Rent - Start 2018								Weekly Rent - Start 2018							
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
Multi Story	£273.86	£303.21	£332.55	£361.89				Multi Story	£63.20	£69.97	£76.74	£83.51			
Pre 1965 Tenement	£279.97	£309.32	£338.66	£368.00	£397.34			Pre 1965 Tenement	£64.60	£71.38	£78.16	£84.92	£91.70		
Deck access	£279.97	£309.32	£338.66	£368.00				Deck access	£64.60	£71.38	£78.16	£84.92			
4 in a block		£315.43	£344.77	£374.11				4 in a block		£72.79	£79.56	£86.33			
Maisonette				£386.33	£415.68	£445.02		Maisonette				£89.16	£95.92	£102.70	
Post 1965 Tenement		£339.88	£369.22	£398.56	£427.91			Post 1965 Tenement		£78.44	£85.20	£91.98	£98.75		
Main Door	£310.54	£339.88	£369.22	£398.56	£427.91	£457.25	£486.59	Main Door	£71.66	£78.44	£85.20	£91.98	£98.75	£105.52	£112.29
Terraced House		£376.55	£405.90	£435.24	£464.58	£493.92	£523.27	Terraced House		£86.90	£93.66	£100.44	£107.22	£113.98	£120.76
Sheltered		£352.11	£381.44					Sheltered		£81.25	£88.03				
<b>Rent Increase 2019</b>	<b>3.30%</b>														
Monthly Rent - Start 2019 apartment size								Weekly Rent - Start 2019 apartment size							
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
Multi Story	£282.89	£313.21	£343.52	£373.83				Multi Story	£65.28	£72.28	£79.27	£86.27			
Pre 1965 Tenement	£289.21	£319.53	£349.83	£380.14	£410.45			Pre 1965 Tenement	£66.74	£73.74	£80.73	£87.72	£94.72		
Deck access	£289.21	£319.53	£349.83	£380.14				Deck access	£66.74	£73.74	£80.73	£87.72			
4 in a block		£325.84	£356.15	£386.46				4 in a block		£75.19	£82.19	£89.18			
Maisonette				£399.08	£429.40	£459.71		Maisonette				£92.10	£99.09	£106.09	
Post 1965 Tenement		£351.10	£381.40	£411.71	£442.03			Post 1965 Tenement		£81.02	£88.01	£95.01	£102.01		
Main Door	£320.79	£351.10	£381.40	£411.71	£442.03	£472.34	£502.65	Main Door	£74.02	£81.02	£88.01	£95.01	£102.01	£109.00	£116.00
Terraced House		£388.98	£419.30	£449.61	£479.92	£510.22	£540.54	Terraced House		£89.77	£96.76	£103.75	£110.75	£117.74	£124.74
Sheltered		£363.72	£394.03					Sheltered		£83.93	£90.93				

# Appendix 1

Properties outside the standard model

- Leny Street newbuild (blocks 6,8,10,12,14,16,18)
- 830 Garscube Road

Prop Type	2 Apt	3 Apt
Post 1965 Tenement	£355.57	£413.34