



<b>Title</b>	<b>RENT &amp; SERVICE CHARGE POLICY</b>
<b>Purpose</b>	<p>The aim of the Association’s rent and service charge policy is to achieve rent levels affordable to our existing and prospective tenants whilst ensuring the financial viability of the Association in the short, medium and long-term and also to set out how service charges will be calculated.</p> <p>The policy also sets out the different rent setting approaches applicable across the range of tenancy types operated by the Association.</p>
<b>Scope</b>	<p>This policy applies across all tenancy types operated by the Association.</p> <p>The Director of Resources has responsibility for reviewing this policy and for providing financial information to the Board for the annual review of rent levels and any proposed rent and retirement housing service charge increase.</p> <p>The Director of Operations is responsible for all aspects of the tenant consultation and response to tenants in relation to the rent and retirement housing service charge increase proposals and three yearly fair rent reviews</p>
<b>Definitions</b>	<p>For purposes of this policy, unless otherwise stated, the following definitions shall apply:</p> <p>Minimum Wage: The National Minimum Wage (NMW) in the UK is dependent on your age and whether you’re an apprentice. It’s set annually by the Government, based on recommendations by an independent body known as the Low Pay Commission.</p> <p>Fair Rent: for non-GHA stock transfer properties, where the tenancy started before January 1989 the rent is set by the Fair Rent Officer and are not covered by the annual rent increase amount, (although for Fair Rents in retirement housing the service charge will be updated annually). Instead these tenants have their rent re-assessed every 3 years.</p> <p>Shared Ownership: the Association has a small number of shared ownership properties. These are properties which are aimed at helping people to access home ownership. The owner can buy a 25 per cent, 50 per cent or 75 per cent share in the property, with the Association retaining ownership of the remaining portion. Shared owners pay an occupancy payment to the Association for the part they don’t own. Owners have the option to purchase further shares until eventually if they wish owning the whole home outright.</p>

	<p>Mid Market Rent: Mid market rent (or MMR) is an initiative from the Scottish Government to provide quality, affordable homes for low to moderate income households. MMR tenants are typically those who would have to wait a long time for social housing, but cannot afford to pay market rent or buy a property.</p>
<p><b>Policy Statement</b></p>	<p><b>1. Legal &amp; Regulatory Requirements</b></p> <p>The Association is responsible for setting rent levels for properties within its ownership and consulting with the tenants involved, in line with the Housing (Scotland) Act 2001.</p> <p>The Act also requires that the Association provide at least 28 day notice of any rent increase.</p> <p>The Social Housing Charter sets the outcomes that the Scottish Government expects social landlords to achieve for its customers.</p> <p>In terms of how rent are applied the relevant Social Housing Charter indicators include:</p> <ul style="list-style-type: none"> <li>• Outcome 13 –Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.</li> <li>• Outcome 14 – 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, and how far current and prospective tenants and other customers can afford them.</li> <li>• Outcome 15 – Tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlord and tenants.</li> </ul> <p>The Scottish Housing Regulator’s Regulatory Framework Standard 3 requires that:</p> <ul style="list-style-type: none"> <li>• ‘The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.’</li> </ul> <p>Both the Social Housing Charter and Regulatory Framework make it clear that rent setting decisions should involve a balance between considering financial viability of the Association and ensuring rents are genuinely affordable for tenants and prospective tenants and provide value for money.</p> <p><b>2. Affordability</b></p> <p><b>2.1 Measuring affordability</b></p> <p>The Association’s assessment of affordability will consider:</p> <ul style="list-style-type: none"> <li>• a comparison with other landlords’ rents;</li> <li>• rent as a proportion of income levels for households earning moderate incomes and minimum wage; and</li> </ul>

- an assessment against minimum income standards for households earning moderate incomes and minimum wage.

The Association will use the Scottish Federation of Housing Associations (SFHA) rent affordability tool to assess affordability of our rents to our tenants. The rent affordability tool provides a range of different incomes to test against, the two income measures which the Association will use for assessment are:

- minimum wage
- moderate income

**Minimum wage** has been selected because it is the legal minimum a full time working household can earn. In practice people earning minimum wage would generally be eligible for working tax credits so this is likely to be a pessimistic view of affordability.

**Moderate income** is calculated at the 30th percentile for each local authority area. Whilst we recognise that our tenants may not earn this much the advice from HouseMark who provide the data around the affordability tool is that these moderate income levels broadly equate to minimum wage plus any tax credits or housing benefit tenants earning low incomes may be eligible for.

The **Minimum Income Standard** has been developed by a project funded by the Joseph Rowntree Foundation which supports research around poverty. It is a calculation of the minimum income required, after rent and childcare, that a household needs to afford a basic but adequate standard of living. The minimum income includes an allowance for holidays and travel.

## 2.2 Affordability pass / failure rates

Part of the guidance on developing affordable rents highlights the need to monitor failure rates and these are reviewed annually and reported to the Board. In reporting to the Board a RAG rating (red, amber, green) scale will be used:

- Rents less than 25% of income – an affordable rent (Green)
- Rents between 25-30% of income – less affordable (Amber)
- Rents at 30%+ of income – unaffordable and a 'fail' (Red)

## 3. Viability

Rental income is required to be sufficient to cover the Association's costs and in particular costs in relation to management, maintenance, service costs, loan repayments and future cyclical and major repairs obligations. As a result, any review of rent levels will seek to ensure that all of the Association's costs are adequately resourced both in the short and long-term.

## 4. Comparability

In establishing its rent structure the Association will benchmark against the rent levels set by other social housing providers who let similar accommodation in North West Glasgow.

## 5. Rent-setting mechanism

The Association's rents are set by the Board on an annual basis.

The rent setting mechanism for our social housing rents (covering general needs and retirement housing rents) was introduced in April 2016, and was developed with the purpose of ensuring that tenants paid broadly the same for the same property type, bedroom number and energy efficiency of the home.

The rent-setting mechanism used aims to ensure that a fair and consistent rent structure is in place. The rent-setting mechanism is attached at **Appendix 1**.

## **6. Rent review**

Rents are reviewed annually with new rents being communicated to tenants by the end of February each year for introduction from the 1 April 2018.

This review will consider the rental income required to maintain the Association's financial viability whilst recognising the desire to keep rents at affordable levels to those in low paid employment.

The Association is committed through its Value For Money Strategy to implementing CPI only rent increases for each of the three rent years April 2022, April 2023 and April 2024, supported by a viable business plan position which assumes CPI only rent increases for the remainder of our 30 year financial plans.

Although there is no legal or contractual requirement to link rent increases to CPI rates, the CPI measure is of particular relevance when reviewing the rents as are any emerging trends in these rates, interest rates and their potential effect and relevance on key expenditure issues such as maintenance costs, loan repayments and staff costs.

Should CPI be a negative figure the Association will consider, as a minimum, freezing rents for the following year. Only in very exceptional circumstances will the Association reduce its rents e.g. if a legal or regulatory requirement.

The Association's current approach is to use August CPI as the reference point for annual rent increases, but this is not binding.

## **7. Variations to the rent policy**

In the following situations there may be a requirement for variations to the rent policy to be applied:

- **Fair rent properties** – for non-GHA stock transfer properties where the tenancy start date is pre January 1989 have their rent set by the Fair Rent Officer, and are not covered by the annual rent increase amount. Instead these tenants have their rent re-assessed every 3 years. The only variation on this is where the fair rent relates to a retirement housing property, the service charge will be adjusted annually.
- **Leased properties (type 1)** – rents in properties leased to external organisations (e.g. Mears) are set at a more commercial level with rent increases being applied at RPI+1% in line with the lease.

- **Leased properties (type 2)** – properties leased to Maryhill community based organisations, (e.g. Elpis) may have their underlying rent levels set in accordance with the main rent policy, as commercial rents would be unsustainable for the organisation. Any annual rent increase applied will be RPI+1%.
- **Leased properties (type 3)** – properties leased to Glasgow City Council as temporary furnished flats which are covered by the second stage stock transfer agreement, will have their underlying rents restricted to the levels set by the terms of the agreement. Any annual rent increase applied will be RPI+1%.
- **Lock-ups** – rent levels for lock-up garages will be reviewed periodically through benchmarking against rents charged by neighbouring associations. In other years, lock-up rent increases will normally be the same as that set for properties covered by the main rent policy, but this subject to review each year.
- **Shared Ownership** - shared ownership occupancy payments will be assessed using the rent matrix at Appendix 1 and then allocated pro rata based on the proportion of ownership retained by the Association.
- **Mid Market Rent** – rents for properties let at mid market rent (managed through Maryhill Communities) will be set at 100% LHA (Local Housing Allowance) at first let. Annually thereafter these rents will be set with reference to:
  - LHA, and
  - local market area private rents, and
  - median private rent levels for Glasgow
- **New Build Developments at Social Housing Grant (SHG) Approval Stage** - actual rents charged may vary from the policy due to the original rent set at Social Housing Grant (SHG) approval stage but will be brought into line as soon as practicable. Rents set at first let will be no more than 5% above the benchmark rent levels set out in Scottish Government guidance.

## **8. Service Charges**

Service charges are amounts charged in addition to the rent to cover any additional services set out in the tenancy agreement. As part of the new rent setting mechanism introduced in April 2016, the majority of service charges previously charged by the Association were incorporated into the rent e.g. communal landscaping, and these are reflected within the criteria in the rent matrix at Appendix 1.

The Association does however still set service charges for its retirement housing tenants. The service charges are set at a level to recover actual costs incurred plus a 15% administration charge.

	<p>Retirement housing service charges are set in February and applied from April each year based on the estimate costs for the year ahead. Part of the service charge setting process includes a comparison of the previous years charges against actual costs. Any under or over recovery of service charges in the previous year will be taken into account and adjusted for in setting the service charge for the following year. Where any charge is made for equipment or furniture replacement, then any unspent portion will be retained each year in a sinking fund to be used in future years.</p> <p>Fair rent tenancies in retirement housing will have their service charge calculated and applied annually as per above. In other fair rent tenancies, there may be a historic service charge specified as part of the overall rent. These historic service charges are included within the 3 yearly review to the Fair Rent Officer.</p> <p><b>9. Tenant Involvement</b></p> <p>The Association has a statutory and legal responsibility under Section 25 of the Housing Act (2001) to consult its tenants on proposed rent levels. The Association is also required to provide 28 day notice of any rent increase.</p> <p>The Association will seek to comply with the recommended approach set out in the Scottish Housing Regulator’s thematic inquiry on best practice in rent consultation, published in November 2016.</p> <p>The Association will seek to engage with tenants and tenants bodies such as TSIG and RTOs at an early stage in the rent review process ahead of formal consultation.</p>
<b>Approval</b>	Board, 24 <sup>th</sup> May 2021
<b>Policy Owner</b>	Director of Resources
<b>Review</b>	This policy will be reviewed and approved by the Board every three years or more frequently in circumstances where the organisation considers its exposure to risk is expected to increase.

## Appendix 1

### Rent Setting Mechanism – Social Rented Properties

Link to live version: <F:\Policies, Strategies and Equality Impact Assessments\Policies & Strategies\Current\Finance & Resources\Rent matrix - 2021.pdf>

	2021/22 Value
	£ per month
Base Rent – social rented units	279.81

Criteria 1: Property Size	
Bedsit	0
1 Bedroom	29.14
2 Bedroom	46.64
3 Bedroom	69.95
4 Bedroom	93.27
5 Bedroom	128.25
6 Bedroom	186.54

Criteria 2: Property Type	
High Rise	-23.32
Mini Multi	-17.49
Pre 1983 Tenement / Flat	-5.82
Deck Access	5.82
Post 1983 Tenement / Flat	11.67
Main Door Flat / Maisonette	17.49
4 in a block	23.32
House	29.14

Criteria 3: Energy	
Electric	-11.67
Air Source Heating (no internet)	0.00

<b>Criteria 3: Energy</b>	
Smart heating (air source heat plus internet)	<b>5.15</b>
Gas	<b>0</b>
Gas: Built Post 2002	<b>23.32</b>
Gas: Newbuild Post 2017	
2 bedspaces	<b>23.32</b>
3 bedspaces	<b>28.47</b>
4 bedspaces	<b>33.62</b>
5 bedspaces	<b>43.92</b>
6 bedspaces	<b>54.22</b>
7 bedspaces	<b>64.52</b>

<b>Criteria 4: Concierge</b>	
N/A	<b>0</b>
Concierge	<b>69.95</b>

<b>Criteria 5: Common/Close Cleaning</b>	
Close/Communal Cleaning	<b>23.32</b>
N/A	<b>0</b>

<b>Criteria 6: Ground Maintenance</b>	
Landscape Maintenance	<b>5.82</b>
N/A	<b>0</b>

<b>Criteria 7: Internet</b>	
Internet (where not included in heating)	<b>5.15</b>
N/A	<b>0</b>