



RENT POLICY

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The Scottish Housing Regulator Performance Standard Part AS 1.6

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1. INTRODUCTION

Under the provisions contained within the Housing (Scotland) Act 2001, Scottish Secure tenants should be consulted about any proposed rent increases. Following consultation with tenants, and analysing comparability and affordability information, the Management Committee will consider and agree the rent review in January each year, to determine the increase required to cover financial costs for the forthcoming financial year.

In practice, however, the level of Government subsidy and the balance in loans required to fund our development projects has a strong influence on the rents the Association sets. When changes to the funding of the Housing Association were introduced it was the Governments intention that “Associations will continue to be able to provide for their existing client groups, and that grants will be set at levels which will enable Associations to set rents at levels which are affordable”.

In December 2006, only 50% of Cordale’s tenants were in receipt of full housing benefit, with 14% in receipt of part benefit. The Association will for the foreseeable future concentrate on providing housing for general needs.

The following details Cordale’s Rent Policy. It clarifies how the Association sets rents for all its properties. It explains how we aim to set rents which are affordable, comparable to other housing providers and ensure that we remain a viable organisation.

The Rent Policy is reviewed each year to take account of new information relating to income levels of our current tenants and the rents set by other landlords.

2. EQUAL OPPORTUNITIES

In line with the Association’s commitment to equal opportunities, this policy can be made available free of charge in a variety of formats, including large print, translated into another language or on audio tape.

3. POLICY OBJECTIVES

3.1 Cordale Housing Association is committed to the provision of good quality accommodation at rent levels affordable to people in low-income employment.

- 3.2 The Association will set rents to cover our management and maintenance costs, voids and bad debts, loan repayments, and major repairs.
- 3.3 The Association will as far as possible, set rents at levels which avoid the deepening of the poverty trap for those with low incomes but who are just above the borderline of eligibility for Housing Benefit.
- 3.4 The Association will endeavour to obtain on an annual basis, data on local households incomes to enable proper testing of the affordability of our rents.
- 3.5 The Association will always aim to provide a more cost-effective service.
- 3.6 The rent mechanism will set an appropriate rent for every Association house, which takes account of the size and quality of the property concerned. The system should allow tenants to see exactly how their rent has been calculated.
- 3.7 In setting rent levels, the Association will consider average rent levels set by other similar landlords (in terms of size/client group/locality).

4. RENT SETTING – THE PROCESS

4.1 Introduction

The mechanism by which Cordale will achieve these Rent Policy objectives is detailed below. Although it is specific to Cordale it follows guidance issued by the Scottish Federation of Housing Associations (“Rent Policies and Affordability”).

The rent setting mechanism used at Cordale to determine appropriate rents for each property type applies only to Cordale’s improved or new build developments. Rents for unimproved properties are determined outwith the agreed rent setting structure. They are still relevant however, in determining the overall income required to meet Policy Objective (3.2).

The following seeks to explain the general process by which Cordale’s rents are set for improved and new build properties and then reviewed on an annual basis.

4.2 How Rents Are Set

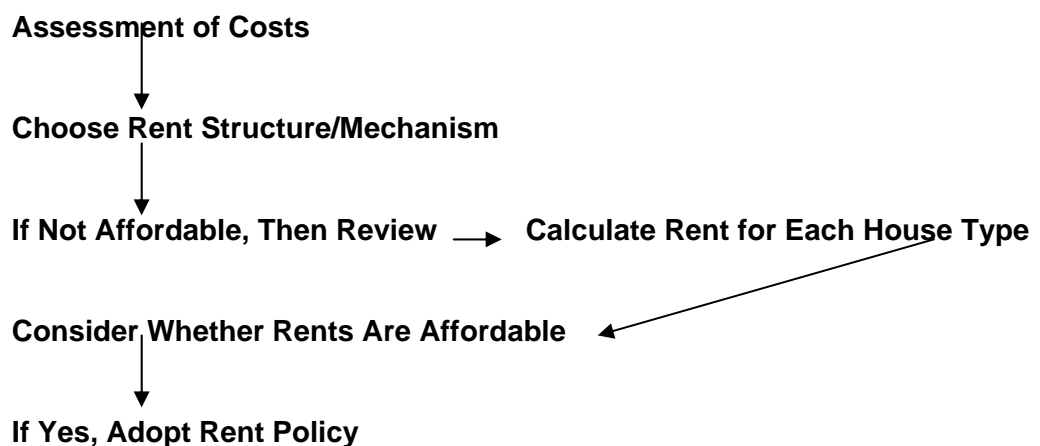
The initial rents for properties are decided at preliminary development stages to assess the funding requirements for each scheme. They are set according to the Rent Setting Mechanism in place at that time. In the event that rental charges for completed properties increase beyond those rents set at the development stages (in accordance with guidance), rents at completion will continue to be charged at the projected levels initially assumed until the next review date, at which point such rents shall be brought into line with the then existing rental policy.

Once individual rents are set they are reviewed by the Management Committee to see if they meet our Rent Policy objectives:

- 4.3 That they meet our current and future costs in providing an agreed level of service.
- 4.4 That the rents are affordable to those low in incomes.

The linkages between these competing objectives are outlined below.

Devising a Rent Policy: -



4.5 How Rents Are Reviewed

Rents are reviewed annually by the following process:

- Step 1** Every year Cordale will assess our anticipated costs for the forthcoming financial year (i.e. the total rental income required).
- Step 2** Apply percentage increase to Base Rent figure (to meet increased costs).
- Step 3** Calculate what this increase would mean for each house type.
- Step 4** Assess all property types against agreed affordability.
- Step 5** If rents are not affordable:
 - I. Review rent setting structure by amending certain amenity factors.
 - II. Re-assess costs – are savings possible without reducing standards.

4.6 Rent Setting and Expenditure

“We set rents that take account of affordability, the costs of managing and maintaining our houses, comparability with other social landlords in the area, and that enable us to service existing loans and fulfil contractual obligations.

“We have a fair system for apportioning rents between individual properties”. – *The Scottish Housing Regulator, Performance Standard AS1.6 – Rents*

In determining initial rents set for properties and the annual review of rent charges Cordale will assess our total anticipated expenditure.

The Association therefore will carry out a budget exercise, which will quantify the following revenue costs: -

Management and Maintenance Costs

The Scottish Housing Regulator set notional allowance levels for Housing Associations, which can be used as guidelines for anticipated expenditure across new build and rehab properties. Cordale also consider expenditure based on our own past expenditure on all properties including our unimproved stock.

Loan Charges

All loan charges on the private finance which help to fund our development activity.

Planned Maintenance Provision

All improved and new build properties will have funds set aside for future expenditure on predicted maintenance (from close painting to window replacement).

Void and Bad Debts

The Association will consider anticipated lost income based on targets issued by The Scottish Housing Regulator.

Reserves

Cordale is non-profit distributing organisation and therefore any surplus after other costs are met will be set aside as reserves.

5. RENT SETTING ACCORDING TO HOUSE TYPE

5.1 Introduction

It is important that the Association has a rent setting mechanism, which allows every tenant to see and understand how their rent has been calculated.

The rent setting mechanism system should be seen to be fair with an appropriate rent for each property type.

5.2 Rent Setting Mechanism

Cordale Housing Association uses a system where a Base Rental Figure is set for a standard improved property (2 person, 2 apartment tenement flats). This figure is then adjusted by adding (or subtracting) amenity factors (e.g. additional bedrooms, main door house). These are percentage figures of the Base Rent.

Rent Setting Calculation

Base Rent	(2 Person, 2 Apt Flat)	2394.14
Adjustment Factor	% of Base	
a. Double Bedroom	13.00	311.24
b. Double Bedroom (2 nd)	11.00	263.36
c. Single Room	9.00	215.47
d. Single Room (2 nd /3 rd)	8.00	191.53
e. Main Door Flat	8.75	209.49
f. Main Door House	14.00	335.18
g. Detached House	14.00	448.90
h. One Person Flat	-5.00	-119.71
i. Landlord Supply	4.00	95.77

Once this is set in place then to review our rent figures we need only apply a percentage increase to the Base Rent figure.

Example of Rent Calculation: 4 Apt, 4 Person, Terraced House

Base Rent + Single Bedroom (c) + 2nd Bedroom (d) + Main Door House (f)

£2394.14 + £215.47 + £191.53 + £335.18 = £3136.32 Annual Rent (/12)=
Monthly Rent = £261.35

6. CORDALE HOUSING ASSOCIATION RENT – COMPARABILITY

On an annual basis the Association will undertake an analysis of rents charged by other landlords either within the West Dunbartonshire area or landlords similar in size and client group.

Direct comparison is often difficult as property type and rent-setting mechanisms can show significant variation.

7. AFFORDABILITY

7.1 Introduction

Cordale Housing Association is committed to the provision of good quality accommodation at rent levels affordable on low income.

The Scottish Federation of Housing Associations define an affordable rent as “for a rent to be affordable, households with one person (head of household or partner) working 16 hours or more should only exceptionally be dependant on Housing Benefit in order to pay it”.

Cordale Housing Association will aim to set rents which are affordable to the significant majority of our tenants not solely reliant on Housing Benefit

7.2 Assessing Affordable Rents

The Association will continue to seek up to date and accurate information on income levels within our area to properly assess the affordability of all our rents.

On an annual basis the Association will undertake an analysis of tenant’s income via an Income Survey, carried out by an independent company. The survey takes account of the following: -

- Main household types living in main property types
- Working households earned income
- Used the SFHA look up tables to access if the household passed or failed the rent measure test (Housing Benefit Dependency Measure)
- Monitored household types that fail the test, note how much they have failed it by, affordability gap – either in income terms or in rent terms – or both
- Highlighted the proportion of working tenants failing the tests

Cordale will also encourage the maximisation of tenant income through benefits take up.

8. UNIMPROVED RENTS

- 8.1 Cordale Housing Association has a rent setting mechanism, which allows calculation of rents for new build and improved properties. As rental income from unimproved properties is not used for Housing Association Grant calculation purposes, rents for these properties are considered separately.

In determining rental charges for improved and new build properties we require to know, however, what contribution rental income from unimproved properties will make to anticipated expenditure.

Rent for unimproved properties will be reviewed by the Management Committee on an annual basis and will be tested against affordability criteria.

Unimproved property, which becomes void and is not available for re-letting will have a 0.00 rent charge applied and will not be part of any lost rent calculation.

9. SHARED OWNERSHIP

- 9.1 Rents set for shared ownership properties (i.e. the Specified Rent) are set according to the following criteria:

Cordale Housing Association rent for specific property

Less

Management and Maintenance Allowances

10. SERVICE CHARGES

- 10.1 The Association may apply an additional service charge on top of the basic rent.

This will be detailed clearly in the tenancy agreement.

The Association will endeavour to ensure that the service charge applied will be affordable to tenants and contribute appropriate income towards the cost of the service.

11. RENT COLLECTION

- 11.1 Rents for all properties are charged monthly in arrears (e.g. rent in July is due by the 28th of that month).

Tenants may make as many payments as they wish within each month.

12. RENT REVIEW

- 12.1 Rents are reviewed annually in accordance. The Association will give at least 4 weeks notice of any change in rent payable.

13. RENT POLICY REVIEW

- 13.1 The Association's Rent Policy is reviewed annually to assess its fairness and effectiveness in meeting our objectives.