

# **RENT, SERVICE & OCCUPANCY CHARGES POLICY**

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## RENT POLICY

### 1. INTRODUCTION

- 1.1 This policy outlines the criteria that WSHA will use in setting rents, service charges and occupancy charges for its housing stock with the following exceptions:
- Rents for supported housing properties including hostels will be set according to the criteria as set out in section 11 of this policy
  - There are some exceptions to our rent structure mainly relating to our properties where existing tenants have 'fair rents'. These rents will be increased every three years and the final rent level will be set by Rent Service Scotland.
  - We also have some homes which we have taken over in the past which are subject to separate rent agreements and rents for these homes will be set in accordance with those agreements
  - Rents for new build properties or refurbishment schemes funded under the Scottish Government Affordable Housing Supply Programme will be set in accordance with section 6.4 of this policy.
- 1.2 In setting rents, we aim to ensure that we set and maintain rental income at a level that guarantees the Association's future long term financial viability whilst taking account of affordability to current and future tenants, and comparability of rents charged by other social landlords for similar properties.
- 1.3 In setting rents and other charges, WSHA will ensure every tenant and customer is treated fairly and with respect and receives fair access to housing and housing services (see also the Associations Equality, Diversity and Inclusion Policy).

### 2. POLICY BACKGROUND

- 2.1 The Scottish Social Housing Charter most relevant to this policy is:

#### **1: Equalities**

Social landlords perform all aspects of their housing services so that:

- Every tenant and other customer have their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.

#### **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 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 any individual items of expenditure above thresholds agreed between landlords and tenants.

2.2 The Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management include the following which is most relevant to how the Association sets its rents:

**Standard 3:** The RSL manages its resources to ensure its financial wellbeing while maintaining rents at a level that tenants can afford to pay.

### 3. POLICY AIMS

This Policy will achieve the following aims.

3.1 **Viability:** following a full and realistic assessment of the relevant costs, rents will be set to meet those costs to ensure the long term financial viability of the Association consistent with the Association's commitment to providing a high quality management and maintenance service.

3.2 **Affordability:** WSHA is committed to trying to achieve rent levels which are affordable to all tenants no matter their income but will also need to ensure its financial viability

We will assess affordability by:

- Utilising the SFHA's rent setting tool which incorporates affordability and includes the principle that tenants should not spend more than 30% of their disposable income on rent and service charges.

3.3 **Comparability:** We will aim to set our rents to be broadly consistent with comparable rents charged by other registered social landlords (RSL) and in similar circumstances. We will also promote the Scottish Housing Regulator's website to allow tenants to make comparisons against individual RSL's.

### 4. POLICY OBJECTIVES

The rent structure will achieve the following objectives.

4.1 **Coherence and Consistency:** the rent structure will be perceived to be fair and will reflect the type, quality and amenity of the dwelling, the services provided and will be comparable across the stock.

4.2 **Transparency:** the calculation of rents will be easy for staff and tenants to understand.

4.3 **Practicality:** the rent structure will be straightforward to operate

4.4 **Durability:** the rent structure will be able to be updated to reflect external changes (i.e. dwelling attributes and attribute values will be capable of being updated).

### 5. FINANCIAL VIABILITY

The costs to be covered by rental income will be linked to the Business Plan, annual and five year budget plans and will take account of any contractual commitments including lenders covenants'.

5.1 The projected expenditure to be financed from rental income include the following categories:

- Management costs
- Reactive and cyclical maintenance costs
- Provision for future major repairs

- Voids and bad debts (amounts set aside for lost rent)
- Loan repayments
- Contribution to reserves (amounts set aside for future investment in stock).

5.2 Expenditure will be continually monitored against rental income due and received.

## 6. RENT STRUCTURE

6.1 WSHA will use a points system based on property characteristics or factors to calculate individual rents specifically for mainstream properties. Details of the points allocated for individual characteristics are set out in Appendix 1.

6.2 The rent structure will include the following factors:

- Property type (e.g. house or flat, main door or communal entrance)
- Property size (i.e. no. of bed spaces)
- Additional rooms (e.g. Utility room, Shower room, WC room)
- Additional property characteristics (e.g. communal Wi-Fi system present)
- Energy efficiency (based on the Energy Performance Certificate (EPC)/ Standard Assessment Procedure (SAP) rating for a property).

6.3 The rent for each property is calculated by multiplying the number of “property points” by the “rent per point”. A value will be attached to a single rent point. This value will be reviewed annually.

6.4 **New build properties or refurbishment schemes funded under the Scottish Government Affordable Housing Supply Programme.** For all new build properties or refurbishment schemes funded under the Scottish Government Affordable Housing Supply Programme, rent levels applied will be the Scottish Government Social Benchmark rents as at the financial year in which the properties are due to be handed over. WSHA’s Rent Policy Rent will then be applied in the following financial year.

6.5 We may also set a maximum by which a rent can increase in any one year. This can be important for tenants with a current rent that is significantly below the base rent.

## 7. SERVICE CHARGES

The service charges applied by the Association are additional to the basic rent charge. They are property specific and are calculated on the basis that the Association covers the full cost of providing the services and that these costs are fair and reasonable. The charges are reviewed to ensure that the service charge income is sufficient to cover the future cost of the services. The section on Service Charges (pp 8-9) sets out our approach to setting Service Charges in more detail. WSHA will also ensure that any such service charges will, where relevant, be eligible for Housing Benefit/Universal Credit (Housing Costs).

## 8. THE ROLE OF THE BOARD

8.1 The Board will have responsibility for the annual rent, service charge and occupancy charge review for all WSHA stock.

8.2 The Board of Management will also have responsibility for approving this Policy.

## 9 RENT REVIEW

9.1 The Association will give a minimum of 28 days’ notice of a change in any rent increase, service charges and occupancy charges payable.

9.2 New rents will normally apply from 1 April each year, however, all new tenancies created after the date the annual rent review is approved by the Board will have rents charged at the new amount.

## **10 SHARED OWNERSHIP**

10.1 Shared Ownership Occupancy Charges (rents) will be calculated based on the [Scottish Government's Shared Ownership Guide](#). The method of calculation is as follows:

- The occupancy charges are calculated in accordance with setting rents for mainstream properties less allowances for management and maintenance
- Management and insurance charges will also be applied
- The charge will be adjusted to reflect the tranche owned by the sharing owner.

## **11. SUPPORTED HOUSING**

11.1 Rents for supported housing properties and projects will be set on a project by project basis using the points system in Appendix 1 as a starting point. We will carry out a detailed financial assessment of the specific project and set a rent which covers our costs of management, maintenance and private finance if it is not met by the points system. Our costs will be reviewed on annual basis and rents reviewed accordingly.

## **12. LEASED ACCOMMODATION**

12.1 The rent for leased properties will initially be calculated by reference to the points system in Appendix 1 (i.e. as if the property was to be let as a standard tenancy). We will carry out a detailed financial assessment of the specific project and set a rent which covers our costs of management, maintenance and private finance if it is not met by the points system. As a guide WSHA will use the Local Housing Allowance Rates as an alternative starting point for setting an appropriate rent in such instances. Commercial leases will have rents set at an appropriate level, determined by market factors, which maximises income for the Association but ensures that it is competitive.

## **13. CONSULTATION**

13.1 The Housing (Scotland) Act 2001 as amended places a responsibility on social landlords to consult with residents on the Rent Policy and annual rent review. On an annual basis the Board will approve the rent review consultation process. This process will aim to:

- Offer different options for tenants in rent reviews linked to genuine choices in service delivery and/or investment (options will only be presented where they are fully fundable within WSHA's Business Plan and are broadly consistent with WSHA's Strategic Objectives).
- We will consult with TAG on the choices to be offered prior to each tenant consultation on the annual review.
- Offer equal opportunity for comment from all tenants.

13.2 This Policy has been the subject of extensive consultation with the Tenant Action Group (TAG), tenants and staff and was agreed by the Board of Management.

## **14. IMPLEMENTATION OF POLICY**

14.1 The Director of Housing & Community Services will be responsible for ensuring this policy is implemented and that all staff are aware of this policy and briefed on its implementation.

**15. POLICY REVIEW**

- 15.1 This policy and associated documentation will be reviewed every three years or earlier if statute and good practice dictates.

**16. INFORMATION**

- 16.1 A copy of this policy will be made available on request and, where required, in large print, other formats and in other languages.

**17. DATA PROTECTION**

- 17.1 WSHA recognises the importance of data protection legislation, including the General Data Protection Regulation (GDPR), in protecting the rights of individuals in relation to personal information that we may handle, use and disclose about them, whether on computer or in paper format. We will ensure that our practices in the handling, use and disclosure of personal information as part of the processes and procedures outlined in this policy comply fully with data protection legislation. More information is available from our Data Protection Officer.

## **SERVICE CHARGES**

### **1. INTRODUCTION**

- 1.1 This section sets out to provide an accurate and transparent outline of how the Association sets, reviews and accounts for all items deemed to be of a service charge nature. It aims to ensure all service charges to tenants are correctly identified and funded through service charge income.
- 1.2 In addition to the basic rent for a property, the Association may require in some instances to charge a service charge. Service charges are charged along with the basic rent payable in accordance with the conditions set out in the tenancy agreement, occupancy agreement or lease agreement.

### **2. DEFINITION OF A SERVICE CHARGE**

- 2.1 The SFHA Guidance Manual on Service Charges notes that there is no legal definition of what constitutes a service charge. A service charge is generally made however in addition to the standard rent charge. It is intended to cover the costs of providing and maintaining services and benefits associated with the property which are beyond the normal charge for enjoying the benefit of occupation of a residents home.

### **3. FIXED SERVICE CHARGE**

- 3.1 All of the Association's service charges vary according to the relevant costs incurred or to be incurred in the period for which the service charge is payable. In other words, the Association can collect, in the service charge, expenditure which has already been incurred and budgeted for, and anticipated expenditure for the year ahead.
- 3.2 The Association recognises that costs can vary through the year and will endeavour to ensure that the service charge income is sufficient to cover the future cost of the services while minimising the potential to over or under charge our residents.
- 3.3 Where appropriate, the service charge will include an element within the charge to cover our costs in administration of the service and/or charge.

### **4. ELIGIBILITY FOR HOUSING BENEFIT/UNIVERSAL CREDIT**

- 4.1 Benefit Regulations list a number of services and defines whether they are eligible to be included in the assessment of a claimants Housing Benefit/Universal Credit. Broadly speaking, if the charge is related to the property it could be eligible, if it is related to the person it is not.
- 4.2 Eligibility for Housing Benefit/Universal Credit will only be considered where the service concerned is provided as a condition of occupying the property in question.

### **5. CALCULATING THE CHARGES**

- 5.1 All costs will be apportioned equally amongst all residents – tenants, owner occupiers and sharing owners - benefiting from the service. In the case of a lift within a close or block, a charge will be made to each resident whose access to their home is via the communal entrance. In shared houses, charges for maintenance and replacement of furniture or floor covering within each tenant's own room, will be considered as a whole house cost.
- 5.2 Where a service charge covers a number of different services a Statement of Service Charge Costs will be provided to each resident on request.



5.4 Tenants will be given 4 weeks' notice of any change in their service charge.

**6. PROCUREMENT**

6.1 WSHA's Procurement Policy and Financial Regulations will be applied to ensure service contracts achieve best value for tenants by considering both quality and cost.

**7. THE INTRODUCTION OF A NEW SERVICE CHARGE**

7.1 The Association will consult with tenants who will benefit from the service when proposing to introduce a new service charge. Consultation will include information about the likely costs as well as the scope of the service.

## SHARED OWNERSHIP

### 1. INTRODUCTION

- 1.1 This section details the way in which WSHA will set our Shared Ownership rent and charges.

### 2. DEFINITIONS

- 2.1 This policy document refers to the following term and it is helpful to understand what is meant by it:

- **Exclusive Occupancy Agreement** - the Exclusive Occupancy Agreement between the sharing owner and the Association sets out the obligation of each party. It includes the obligations of the sharing owner to pay the rent as well as to maintain and repair the property.

### 3. SETTING OCCUPANCY CHARGES

- 3.1 WSHA will aim to ensure that all charges related to shared ownership are clear, fair and transparent.

- 3.2 **Setting the Occupancy Charge** - WSHA will set a charge on the portion of the property to be rented by the sharing owner. This is called the Specified Occupancy Charge (Rent) and comprises:

- a) A **Basic Rent** calculated in accordance with the Association's approved rental policy less management and maintenance allowances,
- b) A **Service Charge** to cover services not included in the rent,
- b) A **Management Charge** to cover WSHA's administration costs in managing shared ownership properties, and
- c) A **Building Insurance Charge** (the Sharing Owner is only responsible for Contents Insurance).

Calculation of the Specified Occupancy Charge (Rent) takes into account the fact that the sharing owner is responsible for meeting the cost of all repairs and maintenance to the property. All other property charges such as common repairs and maintenance will be billed as a separate factoring account for each sharing owner.

- 3.3 **Review of Charges** - The Association's Exclusive Occupancy Agreement provides that Occupancy Charges will be reviewed on an annual basis in compliance with the Association's Rent Policy. We will consult on an annual basis with sharing owners on the increase applied to the Basic Rent and any change to the Management Charge we apply as part of the Occupancy Charge. However, the Exclusive Occupancy Agreement gives the sharing owner a right to appeal our review of charges. We will refer such cases to an Independent Valuation Service (as per the [Scottish Government's Guidance Note HSGN 2012/02](#)).

**APPENDIX 1: WSHA HOUSING RENT POINTS TABLE - 1 Rent Point = £1.00**

<b>Rent Factor</b>	<b>Rent Factor Description</b>	<b>No. of Rent Points</b>	<b>Total Points Value 20/21</b>
<b>Base Rent</b>	Standard Base Rent	4020	£4,020.00
<b>Property Type</b>	Tenement - Communal Entrance	0	£0.00
	Main Door Flat	90	£90.00
	Four in a block	100	£100.00
	Mid Terrace	115	£115.00
	End Terrace	125	£125.00
	Semi Detached	145	£145.00
	Townhouse	150	£150.00
	Detached	155	£155.00
	Bungalow	155	£155.00
<b>Bedspaces</b>	1 Bedspace	-100	-£100.00
	2 Bedspaces	0	£0.00
	3 Bedspaces	250	£250.00
	4 Bedspaces	350	£350.00
	5 Bedspaces	450	£450.00
	6 Bedspaces	550	£550.00
	7 Bedspaces	650	£650.00
	8 Bedspaces	750	£750.00
	9 Bedspaces	850	£850.00
	10 Bedspaces	950	£950.00
<b>Additional Rooms</b>	Each room with toilet and wash hand basin only such as an en-suite (not the main bathroom)	125	£125.00
	Each Utility Room	250	£250.00
	Each Room with Shower	300	£300.00
<b>EESHS (EPC Band)</b>	Energy Performance of Property - High	250	£250.00
	Energy Performance of Property - Medium	-50	-£50.00
	Energy Performance of Property - Low	-200	-£200.00
<b>Communal Wi-fi</b>	Communal Wi-fi	96	£96.00

**EXPLANATION OF TERMS:**

- **Base Rent**- basic rent charge for all properties (equivalent to a 2 apartment, 2-person, communal entrance tenement flat)
- **Bed space** – a property with one double bedroom would be categorised as having 2 bed spaces (i.e. it has a bedroom with space for a double bed or two single beds – space for two persons). A property with two double bedrooms and one single bedroom will have 5 bed spaces.
- **Utility Room** – a separate room linked to the kitchen with space for appliances etc.
- **Shower Room** – a separate room with a shower (in addition to the bathroom).

- **Energy performance** – based on the EPC/SAP rating which is a way of measuring the energy related running costs of a property and compliance with energy related building regulations. High = A/B rated properties including Passivhaus; Medium = C/D rated properties; Low = E/F/G rated properties
- **Communal Wi-Fi Service** – Wi-Fi system infrastructure in a block which tenants can access and is funded through rents.