



**Drumchapel
Housing**

Co-operative Limited

Rent policy

Approved by Board
Latest review date

September 2017
September 2020

1. Introduction

- 1.1 The Co-operative's prime aim is to maintain and improve the quality of housing service, housing stock and its environment at a cost within the means of people in housing need.
- 1.2 All the Co-operative tenancies are Scottish Secure Tenancies whereby the responsibility for rent setting lies with the Co-operative and as a result are not covered by the fair rent system.
- 1.3 In accordance with our aims the Co-operative sets its rents on the basis of its own costs, comparable rents of other Social Rented Landlords, and the income level of our client group.
- 1.4 Rents are the main source of our revenue income. In setting our rents we must take account of the need to cover the costs of loan charges, and of management and maintenance, including the requirement to make prudent provision for future repairs, and a small surplus towards a risk cover reserve. Any review of rent levels must ensure that the Co-operative's revenue expenditure is adequately resourced both in the short and long term.
- 1.5 The rent setting process must be an integral part of the Co-operatives internal management planning, including budgeting and longer term planning.
- 1.6 It is vital that the rent policy meets not only the existing aims of the Co-operative but is flexible enough to meet the future needs and any subsequent changes to the stock profile. The policy has been framed to ensure the rent charge reflects the varied internal amenities and house types prevalent in our housing stock

2. Policy Objectives

- 2.1 To provide a method of calculating rent and to ensure that the method of calculation is transparent and easily understood.
- 2.2 To ensure that the rent charged reflects the amenities of the property
- 2.3 To ensure that the rents are at a level which is sufficient to provide quality services that offer value for money.
- 2.4 To ensure that the Co-operative's total rental income covers its total expenditure, including related management costs, maintenance services, loan charges and prudent provision for the future repair of its properties
- 2.5 It is the objective of Drumchapel Housing Co-operative, as far as practically possible and subject to the resources available to it, to ensure that rents are affordable to those tenants in low paid employment not in receipt of housing benefit or universal credit.
- 2.6 The policy aims to keep rents as low as we can, and comparable with other local housing providers while ensuring the viability of the Co-operative.

3. Client group

- 3.1 The Co-operative aims to continue to house a wide range of client groups including families, couples, single persons and the elderly as well as special needs groups such as the less able bodied and those with support needs.
- 3.2 At 31 March 2017 67% of our tenants were on full or partial housing benefit and 56% of our income was derived from Housing Benefit.
- 3.3 Allocation of our properties is based primarily on housing need regardless of financial circumstances.

4. Equality and diversity

The Co-operative's Equality and Diversity policy, which was approved by the Committee in April 2017 following community consultation, outlines our commitment to promote a zero tolerance to unfair treatment or discrimination to any person or group of persons, particularly on the basis of any of the protected characteristics¹. This includes ensuring that everyone has equal access to information and services and, to this end, the Co-operative will make available a copy of this document in a range of alternative formats including large print, translated into another language or by data transferred to voice.

We are also aware of the potential for policies to inadvertently discriminate against an individual or group of individuals. To help tackle this and ensure that it does not occur, best practice suggests that organisations carry out Equality Impact Assessments to help identify any part of a policy that may be discriminatory so that this can be addressed (please see section 6 of the Equality and Diversity policy for more information).

In line with section 6.2 of the Equality and Diversity policy, the Co-operative will apply a screening process based on that recommended by the Equality and Human Rights Commission to ascertain whether each policy requires an Impact Assessment to be carried out. The screening process was applied to this policy and it was decided that an impact assessment was not required.

5. Affordability

5.1 The Co-operative has adopted the SFHA's definition of affordability. *'For rents (including service charges) to be affordable, a household with one person working 35 hours or more, and receiving in full all 'in work benefits' to which they are entitled, should only exceptionally be dependent on Housing Benefit in order to pay it'*

5.3 The Co-operative will identify any affordability gaps and ensure that tenants in financial difficulties are given advice on accessing money advice services, including our own welfare benefit advice service. This will help tenants to maximise their income and benefit uptake to support affordability.

¹ The Equality Act 2010 identifies the "protected characteristics" as age, disability, marriage and civil partnership, race, religion or belief, gender, gender reassignment and sexual orientation.

6. Comparability

- 6.1 Annual comparability exercises are carried out with other housing providers in the area and benchmarking is undertaken annually with the Quality Efficiency Forum. The Co-operative needs to keep its rents broadly comparable to other local providers to attract and retain tenants and keep void levels at a minimum.
- 6.2 Where significant differentials in comparability are observed over a period of time, the Co-operative will establish if there is reasonable justification for these or will take steps to address them. This will be achieved by adding or subtracting to the individual points values applied to each property and will take effect from the start of the next financial year to ensure any such changes have been taken into account in the budget planning process for the next financial year.

7. Viability-operating costs and strategic planning

- 7.1 While affordability and comparability are important elements in the rent policy, the overriding principle must be that income covers projected expenditure in relation to management, day to day and cyclical maintenance, voids and bad debts, major repairs and renewals, loan charges and overheads. As a consequence any review of rent levels will ensure that the Co-operatives revenue expenditure is adequately resourced both in the short and long term.
- 7.2 The Co-operative will review its budgets annually and review our 30 year projections every three years, in the absence of material change to ensure that the Co-operative can cover all its expenditure needs.
- 7.3 The operating costs to be recovered will be established on an annual basis through the preparation of the Co-operative's annual budget. These costs are classified either as property revenue costs, to be met by basic rents or service costs, to be met by service charges. Costs for long term maintenance are established since life cycle costing.

8. Risk management

- 8.1 Income from rents is the main source of the Co-operatives rental income. Rent Arrears control measures are in place to maximise the Co-operative's rental income. The effectiveness of the rent management policy in implementation is reported on and monitored by the Management Board monthly.
- 8.2 A range of payment methods are in place to give tenants a variety of convenient payment methods.
- 8.3 Rents are set at a level that ensures short and long term viability of the Co-operative. If this were not the case the Co-operative would be unable to meet its short and long term running costs and be unable to meet its loan repayment requirements with its lenders.
- 8.4 Rents should be affordable to the majority of our tenants, and be comparable to the rents of other local Registered Social Landlords in the area of Drumchapel. Vastly increased rents, in comparison to other local providers would lead to increased rent arrears and a fall in the demand for and desirability of our stock and consequently increased void levels and a greater turnover of the stock. Undertaking regular income surveys and benchmarking our rents with other local providers will control this risk.

9. Regulatory and legislative framework

- 9.1 The Housing (Scotland) Act places a duty on the Co-operative to consult the tenants and have regard to the views expressed by those consulted. This is embodied in the Co-operative's Scottish Secure Tenancy Agreement.
- 9.2 The Scottish Social Housing Charter Outcome 13, 14, and 15 'Getting good value from Rents and service charges' states that tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay and that social landlords set rents and service charges in consultation with their tenants and other customers.

10. Rent payment

Rent is due to be paid in advance on the 1 of the month. Tenants can opt to pay weekly, or fortnightly or four weekly to suit their particular needs but the overriding principle being that the full month's rent must always be in advance.

To make it as easy as possible for tenants to pay their rent, we offer a wide range of secure payment methods, allowing tenants to choose the method or methods which best suits their needs:

- Housing benefit direct payment
- Universal credit
- Direct debit
- Standing order
- Online payment
<https://scottishhousingconnections.org/drumchapel-housing-co-operative/>

- Debit/credit card
- Post office
- All pay – at various locations displaying the pay point symbol
- At the Co-operative's office
- Cheque payments
- Internet payments
- Allpay

11. Rent setting mechanism

- 11.1 The Co-operative's rents are set by the Management Board. Annual variations in rents also require to be formally approved by the Management Board.
- 11.2 The rent structure is based on a system similar, in principle to that of a points based system but by the use of percentages.
- 11.3 The "basic charge" relates to management and maintenance allowances and added surcharges related to property size to reflect the potentially higher management and maintenance costs for larger properties.
- 11.4 The "basic charge" is based on an improved two apartment, two person flat. The value system places a monetary value on property size, and attributes of a property and this is added to the "basic charge". This formula distributes the differentials between smaller and larger properties more evenly and makes provision for the varied amenity levels within different stock types. Percentages will be awarded against each attribute and the total number of percentages for all attributes will be used to calculate the annual rent for a property.

11.5 The attributes used in the calculation are:

- an additional 5% for a single bedroom
- an additional 10% for a double bedroom
- an additional 10% for each general purpose room (dining room, utility room etc.)
- an additional 12.5% for a semi detached property
- an additional 10% for a terrace property
- an additional 7.5% for a cottage flat
- an additional 20% for the amenity of a new build property
- an additional 5% for each additional WC
- an additional 10% for each additional bath/shower
- an additional 2.5% kitchen with dining/breakfasting area
- an additional 1% private parking
- an additional 2.5% for a car port
- an additional 2.5% for a main door garden flat
- an additional 20% for a detached property

11.6 The “basic charge” ensures management and maintenance costs are covered for all properties and provides some form of justification to tenants.

11.7 To calculate the annual rent for each property it is necessary to calculate the “value” points relevant to the property and add these to the “basic” charge.

12. Exemptions from the rent structure

12.1 **Service charges** - The costs of services will be calculated and a fixed charge added to individual rents to cover costs. Only those tenants, owners and sharing owners receiving services will be charged. Typical services provided include common close cleaning and back court cleaning. These elements are separately identified and charged and accounted for by way of a service equalisation account.

13. Tenant consultation

13.1 The Co-operative will consult its tenants regarding rents on an annual basis. Prior to setting rents annually, the Co-operative will carry out a tenant consultation on the proposed increase. This will ensure tenants have an opportunity to input into the annual variation process and are clear about the reasons for the proposed increase.

After setting rents, the Co-operative will as a feature of the rent increase notification process explain to tenants why the decision affecting rents was made. Tenants will be notified of the new rents by the end of February each year for introduction on the 1 April.

- 13.2 This consultation may take the form of letters, tenants panel meetings, tenant questionnaires and newsletters.
- 13.3 We will give feedback to tenants following this consultation by way of newsletters, focus groups or letter. While responsibility for setting rents and rent increases lies with the Management Board the Co-operative will aim to take the views of its tenants into account wherever possible.
- 13.4 The Co-operative will also carry out tenant consultation on whether the policy and accompanying rent structure is clear and easy to understand during its three yearly policy review process.

14. Rent reviews

- 14.1 Rents and service charges are reviewed annually to ensure that costs will continue to be met with the new rents being communicated to its tenants by the end of February each year giving tenants the required four weeks' notice prior to introduction on 1 April.
- 14.2 The Co-operative's long term projections are based on the Co-operative keeping rent increases to inflation rate either CPI or RPI published by the Office for National Statistics in October. Assuming normal circumstances prevail in relation to the Co-operative's costs the Co-operative will aim to apply an increase of no more than inflation. If the budget process indicates a different increase would be required to cover costs however, having due regard to other factors, including average earnings, and welfare benefit levels the rental increases will be reviewed specifically in line with such financial information.
- 14.3 When rents are reviewed tenants will be consulted on any proposed amendments prior to Board taking a final decision on rent levels
- 14.4 Details of the rent increases shall be submitted for approval to the Management Board by February each year.

15. Policy reporting and policy review

- 15.1 The Co-operative will report on its rents on an annual basis as part of its rent setting and budget process to the Management Board.

This report will include tenant consultation measures taken together with tenants' views expressed. In assessing any rent increase however the Co-operative will need to take account of affordability, and comparability with the overarching priority being viability.

This policy will be considered by the Management Board September 2017 and will upon approval, be implemented by the Co-operative's officers until amended by the Management Board.

- 15.2 The Management Board shall review this policy no less than every three years and the success of the policy will be measured against the following outputs and outcomes: -

OUTPUT	OUTCOME
Tenant satisfaction surveys	High Levels of tenant satisfaction with rent levels representing value for money
Annual rent comparison of all RSLs in Drumchapel	Comparative Table of rents charged by local housing providers
Annual rent review	Rental income derived from policy covers revenue costs
Questionnaires, focus groups, newsletters	Tenants views of rent increase sought and feedback given