

Melville Housing Association



Policy: Rent & Service Charges

Subject:	Rent & Service Charges
Section:	Financial Services
Objective:	This policy explains how we determine the rents and service charges for individual properties, and our process for annually reviewing same. The policy also includes a section on the principles by which Melville Housing Association's subsidiary company, Ironmills Developments Ltd, will set rents for mid market rent properties.
Scottish Social Housing Charter	Outcome 14: Rent and Service Charges
Relevant Legislation	Housing (Scotland) Act 2014 Private Housing (Tenancies) (Scotland) Act (as revised in 2016) SFHA guidance (updated 2019)
Issue Date:	February, 2020
Review Date:	February 2023
Policy Ref No:	FIN 001

1.0 Aims of the policy

1.1 Melville's rent & service charges policy has the following aims:

- to keep rents affordable, fair, and comparable with other Registered Social Landlords.
- to ensure that our rental income is sufficient to cover the costs of providing a high quality, value for money service, reflects our business plan funding requirements, and ensures our long term financial viability.
- to ensure our service charges recover the total costs incurred in providing services, including any associated administration costs.

1.2 We shall consult with tenants in developing and reviewing this policy, and we shall also consult annually when we review rent levels and service charges.

2. Legal & Good Practice Standards

2.1 We shall comply with the *Scottish Social Housing Charter, outcome 14, Rent and Service charges*, which states that social landlords will 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.

2.2 We shall use the *Rent Setting Guidance (2017, and updated December 2019)* issued by the Scottish Federation of Housing Association's (SFHA) as guidance for our annual reviews.

3 Affordability

3.1 To measure affordability we shall adopt the SFHA's definition of affordability which is for a rent (including service charges) to be affordable, households with one person working 35 hours or more should only exceptionally be dependant on housing benefit in order to pay it. We shall monitor this using information gained at pre-allocation visits.

3.2 We shall provide welfare benefits and money advice services, available to all tenants, to help tenants maximise their income and benefit take-up.

3.3 We will consider all data available to us in considering affordability including prevailing inflation rates, what other RSLs are doing, a comparison with market rents, benefit increases, the national living wage and tenant feedback.

4 Comparability

4.1 We shall aim, wherever possible and appropriate, to have our rents comparable to the rents of other local social landlords providing similar accommodation.

4.2 We shall collect available data on rents to allow a benchmark comparison and the results will be reported to the Board annually.

5 Rent Structure

- 5.1 Our current rent structure was developed in January 2014 and took effect from 1 April 2014 and sets out a fair and transparent system for setting rents.
- 5.2 Rents are set on the following criteria:
- Size – determined by number of bedrooms
 - Type – flat or house
 - Demand (for non new build only) – based on historic waiting list information
 - Age – recent new build developments – as detailed in the new build harmonisation model
- 5.3 There are also a small number of exceptions which sit outside of the current rent structure. Typically these are specially adapted properties and full details are available from the Finance team.

6 Rent Reviews and Annual Rent Setting

- 6.1 Rents will be reviewed annually. Tenants will be consulted on the proposed rent charge for the following financial year in December in order to inform the final Board decision on rent levels, and our annual budget, in January. This consultation will include a full survey of all tenants using letter, text and social media and a meeting will be held in January with the tenant reps to discuss the outcome of the consultation. That meeting will be open to all tenants. Feedback on the consultation will also be published in the Spring edition of our *VOICE* newsletter.
- 6.2 The Chief Operating Officer will provide the Board with reports which include a range of rent review options, information on the impact of each option, sufficient data to allow the Board to consider affordability, and feedback from the tenant consultation.
- 6.3 Changes to rent and service charges will follow the requirements set out in the tenancy agreement with changes taking effect on 1 April each year. We are entitled to change the amount of rent or service charge we charge once per annum, as long as we provide 4 weeks written notice to the tenant. NB for mid market rent properties, the required notice period is 3 months.

7 Service Charges

- 7.1 As far as practicable we shall pool service charges in with rents however where we provide services considered additional to the rent of a property the full cost of providing these services will be recharged to tenants and any other customers (eg owner occupiers). Criteria for recharges are set out below.

Criteria for recharges

- 7.2 Service charges will only apply to new build properties – new build being defined by our rent harmonisation criteria.
- 7.3 Service charges will only apply to schemes of 10 units or more except in exceptional circumstances.
- 7.4 We will not service charge for stair cleaning; this cost will instead be met out of general rents.
- 7.5 We will base the following year's service charge on our half year forecast service charge costs and make adjustments year on year to reflect any difference arising between that forecast and actual cost.
- 7.6 Tenants will be given information on the services provided and their cost at tenancy sign-up, and these details will be included in the tenancy agreement.
- 7.7 To avoid complicated charging arrangements a tenant cannot avoid a service charge by undertaking the service themselves.

8 Garage Lockups and Plots

- 8.1 We shall annually review rents for lockups and garage plots but these will not be subject to a consultation process.
- 8.2 Adjustments to charges will usually be notified and effected on the same timescales as other rents and service charges.
- 8.3 We reserve the right to amend charges for garage lockups and plots on a different scale or basis to other rents.

9 Rent structure – mid market rent

Mid market rents are set at levels above subsidised rents but below market rents. Rents will be reviewed annually and the Board of Ironmills Developments Ltd will establish an annual rent increase, mindful of the three principles of affordability, comparability and maintaining the financial viability of the organisation. In accordance with the Private Housing (Tenancies) Scotland Bill in October 2015 (updated 2016), we are required to give tenants of mid market rent properties 3 months notice of any rent increase and therefore need to notify of any changes by 31 December each year.

- 9.1 Service charges will be set at a level to cover costs of providing the service, including related administration costs.

10 Equality and Diversity

- 10.1 We are committed to Equality and Diversity and will not discriminate in the operation of this policy on the basis of age, gender, race, colour, ethnic or national origin, gender reassignment, religion, marital status, family circumstances, political or sexual orientation, medical condition or disability. We aim to promote equal opportunities and comply with all current legal requirements relating to equal opportunities.

11 Review of Policy

- 11.1 The Chief Operating Officer will ensure this policy is reviewed every three years or earlier if there are any changes to legislation. The Senior Management Team has delegated authority to approve minor changes to this policy. Significant changes will be submitted to the Board for approval.