



Rent Setting Policy

Board Approval: July 2023

Next Review: July 2024

1.0 Introduction & Background

The rent policy of Homes for Life (HfL) has three main aims:

- to generate sufficient rental income to cover the costs of managing and maintaining HfL's properties, carry out future planned improvements and maintenance, and provide a quality service to tenants, thereby ensuring HfL's long-term viability;
- to comply with current guidance that the rents resulting from the policy are affordable to those in low paid employment but not reliant on Housing Benefit/Universal Credit, and are comparable with the rents charged by other local social landlords;
- to enable the forward projection of rents for a full range of house types, to be used when submitting bids for housing grant for new developments.

The rent policy applies to all HfL's properties for rent.

HfL aims to charge similar rents for similar properties, as far as possible, within the statutory and financial controls applied by the Scottish Government and Scottish Housing Regulator.

2.0 Approach and Method

The Board of HfL in its formal approval of the policy acknowledges that it accepts full responsibility for its implementation and ensures that there is in place a rent-setting policy which enables HfL's continuing financial viability and complies with current guidance and good practice.

All relevant employees have a responsibility to ensure that this policy is applied as instructed. The policy will be implemented using the following objectives:

Day to day responsibility for the operation lies with the CEO and appropriate Managers of HfL.

3.0 Housing (Scotland) Act 2010 – The Scottish Social Housing Charter

Scottish Social Housing Charter (the Charter) was introduced in April 2012 and set outcomes and standards social landlords should achieve. The purpose of the Charter is to help improve the quality and value of the services social landlords provide and supports Scottish Government's aim to creating a 'Safer and Stronger' Scotland. HfL will take full cognisance of the Charter in our policy development.

In relation to Charter Standard 13: Value for Money: 'Social Landlords manage their business so that:

- tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay'.
- HfL aim to ensure tenants receive value for money through our rent setting process and by efficiently managing our costs and services.

In relation to Charter Outcomes 14 & 15: Rents and Service Charge: '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 details of any individual items of expenditure above the thresholds agreed between landlord and

tenants' We will provide clear information to tenants on how rent and service charges are calculated and consult tenants annually on the rent review process.

In relation to Charter Outcome 2 – Communication

'Social Landlords manage their businesses so that:

- tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides'.
- HfL aim to ensure that tenants and customers find it simple to contact us by providing clear information in plain English. We aim to make it easy for all customers to access information and to understand our decisions and actions. Additionally, HfL will ensure our customers are readily able to provide feedback on our services or make complaints when required.

In relation to Charter outcome 3 - Participation

'Social landlords manage their businesses so that:

- Tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with'. Tenant participation is at the heart of our activities, and HfL will actively encourage tenants to become involved, particularly during the rent review process to give an account of their views. Our Tenant Participation Strategy provides the framework to ensure we comply with our statutory duties, tenant's needs and good practice.

HfL will provide tenants with details of our performance, as reported to the Scottish Housing Regulator in our annual return on the Charter. HfL will make available our Landlord Report (as published annually by the Regulator) together with our annual performance report, to demonstrate how our performance compares with the Scottish average for social landlords and other similar RSL's.

4.0 Costs to be covered by rental income

The rent policy aims to provide a framework for setting rents for individual properties which, when combined, will provide an annual income sufficient to cover all relevant costs.

The costs to be covered by rental income include:

- **Housing Management:** The costs associated with providing a high standard of service to all tenants regarding all aspects of their tenancy, including all supporting management and administrative services.
- **Voids and Bad Debts:** The amount of rental income lost when properties are empty or when rent arrears cannot be recovered.
- **Maintenance:** The costs of day-to-day (reactive) repairs, and of cyclical maintenance such as regular external paintwork, including supporting administrative services.
- **Landscaping:** The costs of maintaining open landscaped areas including the cost of grass-cutting, pruning and tidying up shrub beds.
- **Planned Maintenance and Improvements:** The costs of improving or replacing property components such as windows, heating systems, bathroom or kitchen units at the end of their useful life, and any major repairs required during the life of a property. The

costs include the amounts required to bring HfL's properties up to any standards, such as those for energy efficiency, set by the Scottish Government.

- Loan Charges: The cost of any private loans taken out to fund HfL's activities, in particular the building of new homes and the planned improvements to existing properties.
- Insurances: The costs of property and office insurance, public liability and employer's liability insurance etc.

5.0 Affordability and Comparability

HfL is aware of the 'poverty trap' that exists in the benefit and taxation system and does not wish to be in a position where only those in receipt of full Housing Benefit/Universal Credit can afford to rent our properties.

HfL therefore endorses the current SFHA 'Housing Benefit dependency' model which states:

- "For a rent (including service charges) to be affordable, households with one person working 35 hours or more should only exceptionally be dependent on Housing Benefit/Universal Credit in order to pay it".
- HfL will aim to set rents that are affordable as defined above, but are aware that certain tenants will not meet these criteria. HfL will regularly review current rent levels against the criteria and take the results into account when reviewing rent levels and this policy. HfL will utilise the current SFHA/HouseMark rent affordability calculation tool.
- Should a nationally acceptable new definition for 'affordability' be agreed HfL will reassess our rent structure and review this policy in light of the new guidance.

HfL will seek to ensure that, as far as possible, our rents are broadly comparable with the rents of other local social landlords providing similar accommodation.

HfL will assist tenants in accessing benefits, debt and money advice alongside income maximisation services provided through partnership arrangements with the Citizen's Advice Bureau and East Lothian Council's Financial Inclusion Service any other organisation that maybe able to assist and support our tenants.

HfL acknowledge that changes imposed by the Welfare Reform Act 2012 bring a number of challenges in relation to rent collection. We aim to assist tenants through these changes by positive communication and engagement, ensuring tenants are aware how the changes may affect them and their requirement to meet rent payments. A wide range of convenient payment methods are available to meet tenant's needs.

HfL's Rent Arrears Policy supports rent recovery using proactive and reactive measures for successful rent recovery.

Changes relating to under-occupancy, the benefit cap and non-dependant contribution rules may require tenants to pay an increased rental contribution or to apply for discretionary housing payments. HfL will support tenants in these cases to ensure they are aware of the changes, how it will affect them and what assistance is available to help meet the rent due.

HfL monitor and report the level of tenants in receipt of the Housing Element of Universal Credit (UC) and housing benefit (HB),

HfL recognises that other social landlords may have different rent structures for their range of properties, methods of funding and strategic objectives which will influence the levels of rent

they set, and through 'benchmarking' exercises will seek to gather information on the underlying reasons for any significant differences in rent levels for similar properties.

6.0 Setting and Reviewing Rents

The rent setting structure is the mechanism used to ensure that HfL's policy objectives are met. It determines the amount of rent to be charged for each type of property.

HfL has adopted a points system in order to allow maximum flexibility when considering the required rental income (see Appendix 1). The appropriate points will be allocated to each new acquisition and new build property.

The annual rent for individual properties will be calculated as follows:

- a) As part of the annual budget-setting exercise, the costs outlined in section 3 will be calculated in the form of an expenditure budget, which will provide a total figure for the annual income required.
- b) A range of percentage increases will be applied to the current rent point (price per point) value, to give a range of projected income totals for consideration by the Board and consultation with tenants.
- c) Following consideration of the results of the tenant consultation exercise the Board will approve a percentage rent increase which will produce a new rent point value.
- d) The new rent for each property will then be calculated by multiplying the total points value of each property by the new rent point value (subject to any final adjustments, for example if the rent increase is being phased in – see para. 5.7 below).

An increase in the points value of a property may be applied during the year to take account of works for which additional points are awarded, for example the provision of new gas central heating.

Rents for all properties will be reviewed annually with any increases agreed being applied on the first of April each year. All tenants will be given the opportunity to comment on options for any proposed annual rent increase. The results of the consultation will be reported to the Board and will be taken into account when the rent levels for the following year are set.

Rents for individual properties may also be reviewed during a year as a result of changes to the applicable rent points.

At least 4 weeks' notice in writing will be given of any proposed change to property rents.

Following any comprehensive review of the current rent structure, resulting increases in rents may be phased in over a number of years, possibly with a cap on the increase in any one year, to avoid excessive rises over short periods.

7.0 Trickle Transfer properties and Rent Convergence

HfL has acquired 27 empty properties from East Lothian Council.

Initially when setting rents for these properties, account was taken of the material differences in age, condition and amenity from the company's new or refurbished stock and of the rents set by East Lothian Council for adjacent properties. Accordingly, rents for these were set at the

midpoint between the Council rent for an equivalent property and the rent calculated for that property under the then points system and rent calculation mechanism.

Rents for these former East Lothian Council properties were on average almost 50% lower than our equivalent new build properties. During 2010 the Company committed to spending approximately £500,000 on major improvements and enhancements to the Trickle transfer properties. Once this upgrading work was complete it would not have been justifiable for the rents for these properties to remain so low while benefiting from generous space standards, desirable locations and more efficient heating systems - particularly in comparison to our similar new build properties. However, it would have required on average a weekly increase of £22.82 to bring these rents in to line, which was not considered viable.

After full consultation, HfL implemented an initial one off 10% increase for modernised former East Lothian Council properties, as part of the rent setting restructure outlined above, as well as the same 2% increase for 2010/2011 implemented for all other properties. Future increases will be held to not more than 2% above the agreed increase across our new-build stock. This will bring rent gradually into line over a period of up to 15 years.

In November 2011, the Board also agreed that for any future relets of modernised Ex East Lothian Council properties, rents should be increased prior to relet to the full rent for equivalent own build properties as calculated under this policy.

8.0 Service Charges

Historically, HfL has provided tenants with a range of services, such as landscape maintenance, general upkeep of common areas and the provision and maintenance of controlled entry systems, and these costs have been divided equally amongst all tenants. There have therefore been no separately identified service charges.

It may be that the HfL will review the charging structure for these types of service at some point in the future; however, this is not considered necessary at the moment. Any proposed changes would be subject to consultation with tenants and require to be approved by the Board.

9.0 Low Cost Home Owners – Factoring charges

HfL will review the level of factoring charges annually to reflect the costs for the services provided

10.0 Rent Collection

HfL provide a range of efficient and responsive rent collection methods which offer tenants accessible and convenient ways to pay their rent. We will review rent payment methods regularly to take account of changes in technology and ensure compatibility with tenants needs.

Our rent collection process is accountable and efficient rent payment processing enhances rent and arrears recovery. Processes will be subject to regular review to ensure they effectively meet tenants' needs and maximise rent collection.

HfL's Arrears Policy and procedures use a preventative and reactive approach to respond quickly if/when arrears arise. We aim to recover rent fairly and effectively, minimising nonpayment of rent through a sensitive and supportive arrears strategy to prevent and reduce arrears.

11.0 Complaints

Any tenant who feels that a rent and/or service charge increase for their property has been improperly calculated or applied may request a reassessment of the rent/service charge level prior to the increase being applied.

In addition any tenant may submit a complaint using HfL's complaints procedure if it is felt that HfL has failed to correctly apply this rent and service setting policy.

12.0 Monitoring of the Policy

The Housing Manager is responsible for monitoring through performance reporting and review process. Any matter which demonstrates a serious failure of internal controls should also be reported immediately to the Chief Executive Officer (CEO) who will report such matters to the Board.

13.0 Review of Policy

The Board will review this rent policy annually, to take account of rent reviews. The CEO will ensure that the Board reviews this policy at least every three years.

APPENDIX 1

A. Property Calculation Sheet

A. Property Size – Points (only one per property)		
Number of bed spaces		Base points
1 Person		86
2 person		89
3 person		97
4 person (2 bed)		100
4 person (3 bed)		101
5 person		102
6 person		104

B. Property type Additions (only one per property)		points
House	Detached	+6
	Semi-detached	+4
	End terraced	+4
	Mid-terraced	+3
Flat	Individual entrance	+2
	Common stair shared secure entry	0
	Front and back door	+1

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	Common stair shared secure entry	0
	Front and back door	+1

C. Additions (as applicable)		points
Flats with front & rear doors	+1	
Dining Kitchen, Separate Dining Area / Room	+1	
Additional w.c.	+2	

D. Deductions (as applicable)		points
No Double glazing	-2	
No separate kitchen	Up to -3	
Partial double glazing	-1	

En suite shower room (or small additional bathroom)	+4 +6	
Parking bay within garden	+2	
Designated parking bay	+1	
Garage	+4	
Sunroom	+2	
Conservatory	+4	
Utility Room	+2	
Study Room	+2	
Integral white goods	+3	
New developments or major refurbishment: where the average energy efficiency rating over all properties in the project is 80 or above 30	+3	
Additional features or exceptional development costs	Up to +10	
Total	+	

No central heating*	-3	
Partial central heating only	-1	
No on site parking	-2	
No shower	-2	
No storage facilities	-2	
Flat with no access to communal amenity area	-2	
Total	-	

To assess your weekly rent you will need to add points from :

- A. Property Size and B. Property Type then add or deduct points from C or from D and multiply the final total points by column (increase by annual rent increased) ie by **0.9767 per point at April 2023** to give the total weekly rent. The Monthly rent = Weekly rent x 52 ≈ 12 per point.
The Monthly rent = Weekly rent x 52 ≈ 12

B. Rent calculation historic to current

Amended May 2023 to be used for calculations going forward				
Year	% increase		Increase to rate	increase by annual rent increase
2009	3	0.03	1.03	0.6900
2010	2	0.02	1.02	0.7038
2011	3.3	0.033	1.033	0.7270
2012	4.7	0.047	1.047	0.7612
2013	2.5	0.025	1.025	0.7802
2014	2.5	0.025	1.025	0.7997
2015	2	0.02	1.02	0.8157
2016	1	0.01	1.01	0.8239
2017	2	0.02	1.02	0.8404
2018	3	0.03	1.03	0.8656
2019	3	0.03	1.03	0.8915
2020	2.25	0.0225	1.0225	0.9116
2021	1	0.01	1.01	0.9207
2022	2	0.02	1.02	0.9391
2023	4	0.04	1.04	0.9767