

# Rent Setting and Service Charges Policy

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# Contents

1. INTRODUCTION	1
2. AIMS	2
Affordability	
Viability	
Fairness	
Comparability	
Fair and Accountable Service Charges	
Shared Ownership Properties	
3. ANNUAL REVIEW REVIEW OF RENT AND SERVICE CHARGE LEVELS	5
4. CONSULTATION ON BUDGET AND RENT AND SERVICE CHARGE SETTING	5
5. PROSPECT EQUALITY IMPACT ASSESSMENT RECORD	8



## 1. INTRODUCTION

Our vision is “Providing homes and building communities together”. The rent levels determined and applied by Prospect are of central importance in achieving this vision as well as ensuring our long term viability and the affordability of rents. This policy details the principles and framework on which our rent and service charge setting is based and how we will consult with our tenants on these charges.

### **The Scottish Social Housing Charter**

The relevant standards and outcomes for the Rent Setting and Service Charges Policy are:

#### **Outcome 14: Rent 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 service provided, the cost of 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 individual items of expenditure above thresholds agreed between landlords and tenants.

This policy should be read in conjunction with:

- Rent and service charge setting procedure

## 2. POLICY AIMS

Our rent setting policy will apply to all our rented properties, including those leased to organisations that provide support to the occupants, shared ownership properties and to Mortgage to Rent properties. It aims to meet all legislative and regulatory requirements by ensuring that the following aims are achieved:

- **Affordability** - rents set are affordable to households on low incomes;
- **Viability** - sufficient income is generated to meet all of our financial requirements including the costs of managing and maintaining our homes and any associated borrowings;
- **Fairness** - there is a fair system of setting and apportioning rents for different types of property;
- **Comparability** - rents are broadly consistent with comparable rents charged by similar social landlords in similar circumstances; and
- **Fair and accountable service charges** - service charge costs are priced to tenants and recovered in a fair and accountable manner.

### Affordability

We work to set rents which are affordable to our customers, whether they are in receipt of welfare benefits or in low paid employment. We will take guidance on affordability from SFHA and use tools available such as Housemark's rent affordability tool to assist with rent setting. We aim to set rents that are affordable, accordingly our Business Plan for 2020-23 includes a strategic objective:

**Affordable rents** – achieve rent increases of no more than inflation (CPI) plus 0.5% (with a cap of 4%), whilst maintaining existing services and investment in our houses and neighbourhoods.

### Viability

Our annual rental income needs to be sufficient to cover all relevant costs. The main types of costs we have to cover will include:

#### Housing management costs

This is the cost of providing Housing Management services such as allocations, tenancy management, rent collection, tenant participation etc. They also cover general office and administration costs.

#### Void and bad debts

This is the amount of rental income that is lost when properties are empty, or when rent arrears have to be written off because they cannot be recovered.

#### Reactive Maintenance costs

These include the costs of:

- day-to-day repairs such as electrical, joinery and plumbing repairs, including an 'out of hours' call-out service;

- the staff time and office costs required to organise and supervise these works.

### Cyclical and Planned Maintenance, Major Repairs

These include the costs of:

- cyclical maintenance such as external painting, cleaning gutters etc. that is carried out on a planned basis;
- annual gas safety checks and boiler servicing, other statutory safety checks;
- setting aside the funds required for the long term replacement and/or improvement on a planned basis of building components such as kitchens, bathrooms, external doors, windows, roofs etc. over the life of the building;
- maintaining our properties at the Scottish Housing Quality Standard;
- bringing our properties up to the relevant Energy Efficiency Standards for Social Housing;
- carrying out unexpected major repairs;
- the staff time and office costs required to organise and supervise these works.

### Insurances

This is the annual cost of the various types of insurance cover such as property and office insurance, public liability, employer's liability, etc.

### Loan repayments

This is the cost of the interest charges and annual repayments to banks or building societies for any loan we have taken out to provide funds for the building or rehabilitation of properties.

### **Fairness**

Our approach to setting rents is to be fair and transparent. We will use a points system to determine the amount of rent to be charged each year for each property. Each property will be allocated a total number of points depending on its type, size, amenities and other specified factors (Appendix 1). The rent is then calculated by applying a monetary multiplier to the points total. The value of this monetary multiplier is set each year by our Management Committee as part of the annual rent review process.

The appropriate points will be allocated to any new build and new acquisition properties, to determine their initial rent.

The Management Committee have the discretion to increase or decrease the points for a particular property (and therefore the rent charged) by up to 10% to take account of particular factors affecting the popularity or unpopularity of a property or area. However it is expected that any variation to a property's points will be a very exceptional occurrence.

We recognise that for any new housing developments we will need to take into account the financial viability of the project. Accordingly we may allocate additional rent points. This principle will also apply to properties acquired through the Scottish Government's Mortgage to Rent Scheme. Additional points may also be allocated where properties benefit from energy efficiency measures that will reduce the running costs of the property to the benefit of the resident.

In recognition of the different revenue funding system for some supported/care accommodation projects, we may set rent/occupancy charges for such projects out with our points-based rent setting structure. This will also apply to shared accommodation arrangements. In determining the appropriate level of rent we will consider the costs of factors such as the following in addition to mainstream costs:

- management, including any enhanced management, services provided by us or any agency contracted to provide such services;
- maintaining or replacing any special equipment or features provided within the accommodation;
- any specific costs associated with registration of the property or compliance with the requirements of other external regulatory bodies;
- providing, maintaining and renewing communal areas and facilities and staff accommodation;
- anticipated void levels where responsibility for rent loss through voids rests with us;
- providing, maintaining and renewing any furniture, appliances and fittings for which we are responsible; and
- the availability of revenue funding for the project and / or the resident.

## Comparability

We will compare our rents with those set by other local landlords. We recognise that other landlords may have different rent structures for their properties, different methods of funding and different strategic objectives, and where appropriate we will seek to gather information through benchmarking exercises to explain the reasons for any significant differences in rent levels for similar properties.

We will publicise our rent comparison with other landlords as part of our Annual Report on the Charter for our tenants. The results of any comparisons will be reported to the Management Committee as part of our annual rent review exercise.

## Fair and accountable Service Charges

We will make a service charge to recover the actual costs of services that are not covered by the basic rent. Where appropriate, an administrative charge of 10% will be added to service charges.

We will normally only charge for services which are eligible for housing benefit or universal credit housing costs, such as:

- communal landscape maintenance
- cleaning of communal areas
- communal electricity costs
- furniture replacement, in furnished tenancies
- provision of digital TV aerials.

The Management Committee will approve any changes to service charges as part of the overall budget.

## Shared Ownership Properties

Rents for shared ownership properties incorporate the following:

- (a) a Basic Rent calculated in accordance with this rent policy, multiplied by the Association's share;
- (b) a Management Charge, and
- (c) a Service Charge in respect of the maintenance and other services provided by the Association.

The management charge was calculated by taking the average management costs per unit over the 6 year period from 2017/18 to 2022/23. This took account of the 2017/18 actual management costs and the management costs included in the Five Year Financial Projections approved by the Committee for submission to Scottish Housing Regulator in June 2018.

As sharing owners do not receive the same extent of services as tenants, we then reduce the average management unit cost by 25% for sharing owners.

All Shared ownership rents rise in line with the annual rent increase.

### 3. ANNUAL REVIEW OF RENT AND SERVICE CHARGE LEVELS

All rent levels and other charges will be reviewed annually, with any increases implemented from the start of April each year. The decision as to the level of any increase in rents or other charges is made by our Management Committee at their January meeting.

The meeting will also consider the results of the consultation exercise that will have been carried out with tenants and registered tenants groups on any proposed revisions to rent, in accordance with the requirements of the Housing (Scotland) Act 2001. This consultation takes part every three years as part of our Tenant Satisfaction Survey.

When calculating rent increases in our annual budget setting process, we will use the Consumer Price Index (CPI) inflation figure for August as a guide.

All rent revisions will take effect from 1<sup>st</sup> April each year. Tenants will be given four weeks' notice in writing of any proposed revision to their rent.

### 4. CONSULTATION ON BUDGET AND RENT AND SERVICE CHARGE SETTING

The Housing (Scotland) Act 2001 and Social Housing Charter places a responsibility on social landlords to consult with tenants on their rent setting proposals. In recognition of this, we implement consultation measures in relation to the budget and rent setting process, including details of how the rents and service charges have been calculated and how these compare with other similar associations. The consultation measures are agreed with tenants through the Tenant Participation Strategy and may, for example, include the following:

- Discussions with resident representative groups on budget and rent setting issues (including the Rent and Service Charge Setting Policy);
- Questionnaire based consultation on the budget and rent setting proposals;
- Provision of clear and easy to understand information to all residents on the budget and rent setting process with an invitation to comment on these and attend organised resident meetings.

- Use digital means (i.e. via website, social media, texts etc.) to engage our tenants to take part in the consultation process.

To gain the widest feedback possible, we incorporate this consultation into the three yearly full Tenant Satisfaction Survey. This means that 50% of tenants feedback on this topic in a face to face interview whilst the remainder have an opportunity to comment via a questionnaire. This allows for a more robust representation of tenants' views.

The proposal for the consultation is determined by the Business Plan objective and is set by the Business Plan Working Group. A report on the outcome of the consultation on the rent and budget review is submitted to the Management Committee, prior to any rent increase being applied.

We aim to ensure services provided represent value for money and shall incorporate obtaining views on service performance as part of the annual consultation process. These views are used to supplement other feedback received throughout the year. Those receiving a particular service will be consulted where there are any proposals to vary the scope or specification of that service.



## APPENDIX 1

### RENT POLICY - RENT POINTS APPLICABLE

<b>Property Type</b>	<b>Points</b>
Flat in a stair	150
Main door flat	160
House – mid terrace	190
House – end terrace	190
House – semi-detached	190
House – detached	200
 <b>Property size</b>	
1 bedroom, 2 person	0
2 bedroom, 3 person	10
2 bedroom, 4 person	15
3 bedroom, 4 person	25
3 bedroom, 5 person	30
3 bedroom, 6 person	35
4 bedroom, 5 person	40
4 bedroom, 6 person	50
5 bedroom, 6 person	70
5 bedroom, 7 person	80
5 bedroom, 8 person	90
6 bedroom, 6 person	95
 <b>Other facilities</b>	
Shower over bath*	5
En suite bathroom	10
Digital TV Aerials (only applies to upgraded individual aerials)	1

\*This only applies where Prospect have installed the shower, or have inherited it in a void property. Where the shower was installed as part of a medical adaptation, no additional charge will be made whilst the tenant who requested the adaptation remains in the property. However the charge will apply to any future tenants in that property.

## 5. PROSPECT EQUALITY IMPACT ASSESSMENT RECORD

<b>Title of policy/ practice/ strategy</b>	<b>Rent Setting and Service Charges</b>
<b>Department</b>	Housing Management
<b>Who is involved in the EQIA?</b>	Catherine Louch
<b>Date completed</b>	5 September 2024

### Stage 1: Screening Record

#### *What is the main purpose of the policy?*

This policy guides us on how we set out rents and service charges annually and the aspects taken into account when carrying out this process.  
The Scottish Social Housing Charter Outcome 14: Rent and service charges has a direct influence on this policy.

#### *Who will the policy benefit and how?*

All our tenants are affected by this policy as all our tenants are affected by our approach to rent and service charge setting. All our tenants also have the opportunity to be involved in the consultation which is part of the rent & service charge setting process.

#### *For each equality group, does or could the policy have a negative impact?*

Protected characteristic	Negative	Positive/no impact	Don't know
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pregnancy & maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or belief (including no belief)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual orientation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

#### *Are there any potential barriers to implementing the policy?*

This policy is only achieved through joint working and the effective management of a range of aspects of the association.

	Yes	No
<i>Is a full EQIA required?</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## Stage 2: Assessing the impacts

**Considering Prospect's Equalities Data and Community Profile summaries, how might the policy impact on people who share protected characteristics?** Include both positive and negative impacts.

Protected Characteristic	Description of Impact
Age	We wish to set rents which are affordable to those on low incomes, including those on fixed incomes such as pensioners. Our Business Plan takes this into account when setting Affordable Rent targets. Our consultation options include a range of accessible ways to share views. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits designed for older or young people.
Disability	We wish to set rents which are affordable to those on low incomes, including those on fixed incomes such as those unable to work fulltime due to a disability. Our Business Plan takes this into account when setting Affordable Rent targets. Our consultation options include a range of accessible ways to share views. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits designed for people with a disability.
Gender reassignment	We wish to set rents which are affordable to those on low incomes, including those on fixed incomes such as those unable to work fulltime due to gender reassignment. Our Business Plan takes this into account when setting Affordable Rent targets. Our consultation options include a range of accessible ways to share views. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits designed for people who are unable to work due to medical treatments
Marriage & civil partnership	No impact identified other than attempts to minimise impact of low income and insecure working patterns of couples and families as above
Pregnancy & maternity	We wish to set rents which are affordable to those on low incomes, including those on fixed incomes such as those unable to work fulltime due to pregnancy or childcare issues. Our Business Plan takes this into account when setting Affordable Rent targets. Our consultation options include a range of accessible ways to share views. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits designed for people who are unable to work due to pregnancy and maternity leave.
Race	No impact identified other than attempts to minimise impact of low income and insecure working patterns of couples and families as above. Options of different language was offered for rent increase consultation. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits.
Religion or belief (including no belief)	No impact identified other than attempts to minimise impact of low income and insecure working patterns of couples and families as above. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits.
Sex	No impact identified other than attempts to minimise impact of low income and insecure working patterns of couples and families as above. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits.
Sexual orientation	No impact identified other than attempts to minimise impact of low income and insecure working patterns of couples and families as above. We offer a Welfare Rights service to ensure we can support tenants to maximise their incomes and access any grants or benefits.

### ***How does the policy promote equality of opportunity?***

The Community Profile (Stage 2) shows that Prospect tenants are more likely to be in receipt of Universal Credit than the wider Edinburgh population. Thus, affordability of rents is particularly important and relevant. By setting rents in an open and transparent manner, tenants can establish whether their rent is value for money.

By ensuring our Business Plan Objectives include a focus on Affordability, those on low or insecure incomes can continue to afford good quality homes.

### ***How does the policy promote good relations?***

The rent consultation offers an opportunity for a range of ways to share views and influence the decision making process. This can bring people together to discuss issues of importance. By listening and taking action accordingly, Prospect strengthens its relationship with its tenants.

### **Stage 3: Decision making and monitoring**

#### ***Identifying and establishing any required mitigating action***

If, following the impact analysis, you think you have identified any unlawful discrimination – direct or indirect - you must consider and set out what action will be undertaken to mitigate the negative impact.

Does the assessment show a potential for differential impact on any group(s)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is there potential for unlawful direct or indirect discrimination?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### ***What arrangements could be implemented to reduce or mitigate any potential adverse or negative impacts identified?***

None identified.

#### ***Describing how Equality Impact analysis has shaped the policy making process***

- ◆ No changes made as a result of this analysis.

#### ***Monitoring and Review***

This policy and EQIA will be reviewed every 3 years.  
The consultation process for rent & service charge setting is reviewed annually.  
Both are undertaken by the Housing Manager.

## Stage 4 - Authorisation of EQIA

Please confirm that:

- ◆ This Equality Impact Assessment has informed the development of this policy:

Yes  No

- ◆ Opportunities to promote equality in respect of age, disability, sex, pregnancy and maternity, gender reassignment, sexual orientation, race and religion or belief have been considered, i.e.:

- Eliminating unlawful discrimination, harassment, victimisation
- Removing or minimising any barriers and/or disadvantages
- Taking steps which assist with promoting equality and meeting people's different needs
- Encouraging participation (e.g., in public life)
- Fostering good relations, tackling prejudice and promoting understanding

Yes  No

### Declaration

I am satisfied with the equality impact assessment that has been undertaken for **Rent and Service charge setting policy**.

**Name: Catherine Louch**

**Position: Housing Manager**

**Authorisation date: 5 September 2024**