

A Guide to Understanding Rents

WHAT DOES MY LANDLORD SPEND MY RENT ON?

Your landlord has to carry out a wide range of duties, including keeping your home in a good state of repair, building new homes and providing a complete housing service to current tenants and those on the housing waiting list.

The money to pay for all this comes mainly from the rent paid by tenants although some government grant is paid to the association for developing new homes. Your landlord is a 'not for profit' organisation which means that any surplus income collected goes back into sustaining the organisation, services and properties.

Examples of the costs, which your landlord has to cover, include;

- Loan payments on the properties it has built or acquired. (This includes capital repayments and interest charges.)
- Major improvements and upgrades to homes such as the periodic replacement of kitchen and heating systems.
- Day to day repairs to homes and the servicing of equipment.
- Staff salaries, wages and training costs
- Office and administrative costs
- Support for tenant participation
- Bad debts, which have been written-off, such as rent due from past tenants who cannot be traced.

(If you are a sharing owner not all the above costs may be applicable to the rent you pay.)

WHY DOES MY RENT INCREASE EVERY YEAR?

Each year your landlord has to prepare a budget estimating costs for the next financial year and these costs, unfortunately, rarely come down!

Some expenses such as wages will be influenced by the annual rate of inflation.

Others will have been estimated using long-term financial projections; for example, the annual amount required for major repairs and replacements in tenants' homes may have been assessed using a process which calculates the maintenance needs of each property over the next thirty years.

New expenses also have to be budgeted for and, if services have to be adjusted or increased as a result of new legislation or regulations, then this may have an impact on the cost of resources needed to fulfil the additional or new obligations.

Finally, some expenses could arguably be said to be performance-related. The amount that an association sets-aside, for potential financial loss due to bad debts or the rental income which will be lost because properties lie empty for a long time, is partly dependent on how the association performs in collecting rent arrears or letting properties. Tenants who are interested in taking part in consultation opportunities about annual rent reviews should keep aware of how well their landlord meets recognised performance targets.

It is important to note though, that external factors can influence performance, so discussing the background information to figures with your landlord is important.

At all times your landlord should be conscious of keeping rents;

- **Viable** – sufficient to cover the costs of running the association effectively, maintaining satisfactory services and keeping the properties in good condition.
- **Affordable to tenants** – sometimes this requirement conflicts with the need to remain viable but nevertheless, associations should keep aware of a need to constantly monitor what tenants, as a whole, find affordable. Tenants should use the consultation process to point out *their* concerns about the need to keep rent levels affordable but additionally both landlords and tenants should keep MPs and MSPs aware of rents increasing at a faster rate than income.
- **Comparable** – your landlord should periodically check whether its rents are broadly similar to those of other landlords. Comparisons are made between the various registered social landlords, local councils and, less usually, the private sector. It is sometimes difficult to make an accurate comparison however, because similar types, sizes and locations of properties have to be compared for an accurate analysis.

Note – If you want to get more information about registered social landlord rent levels in Scotland or check out average tenant incomes and affordability check out the website www.scoreonline.org.uk. This is the website for the Joint Centre for Scottish Housing Research which regularly collects, records and reports on information provided by registered social landlords.

HOW DOES MY LANDLORD DETERMINE WHAT IS A SUITABLE RENT FOR EACH PROPERTY?

Your landlord will have a **rent policy**, which determines the basis on which rents are set for individual properties. Most associations use a system which takes into account all the various attributes of the property such as, whether it is a house or flat, what size it is, its location, its age and whether it has additional features like a garden or garage. Each attribute will be given a rating and a total value calculated by adding these ratings together.

Once the association has established the value of a property in this way it can easily make proportionate adjustments to the rent annually.

The value of a property (and consequently the rent it attracts) may be increased if improvements are made to it - an example of this would be where single-glazed windows are replaced by new ones with double-glazing. However, if you pay for an improvement to your property this should not be reflected by any increase in your future rent.

Likewise, if your landlord agrees to adapt your home or have equipment installed because you have a health problem or disability, then the changes should not cause an increase to your rent. However, if specialist equipment is installed which needs to be serviced regularly, then there may be an amount for this added to your service charge.

New properties sometimes have higher rent levels than older ones because less government grant has been made available for their development and therefore the association has to make larger loan repayments to pay for them.

Landlords review their rent policies from time to time and you should be consulted about any proposed change to the way the rent for your property is determined.

WHAT IS THE DIFFERENCE BETWEEN THE RENT AND THE SERVICE CHARGE?

All tenants will have a basic rent to pay but only some may have additional service charges added to this to make up their total rent.

Service charges are added for services or equipment, which are provided to a particular property or group of properties but not available to the landlord's stock in general. If, for instance you live in an estate where there are communal garden areas maintained by your landlord or in a block of flats where the landlord employs someone to clean the stairs then those costs may be defined in your total rent as service charges.

If your landlord employs contractors to provide services then you may want to be consulted about how the contracts for these services are awarded. Your landlord should be seeking to get a good quality service at a cost that is reasonable.

You may find that, in the annual rent review, the service charges are altered at a different rate to the basic rent, reflecting the fact that the service items are individually calculated and monitored.

If you receive a service from your landlord to support you to live independently (such as warden support in sheltered housing) the cost of this service is no longer included in rent or service charge. Since April 2003 you will have an agreement with your local council for this service, not your landlord. If you have concerns about the amount of the support charge or the quality of the support service you receive you can get advice by contacting your local council's *Supporting People Team*.

DO I HAVE RIGHTS TO BE INFORMED OR CONSULTED ABOUT THE RENT I PAY?

Yes, you have rights to be informed and consulted about the rent (including service charges) you pay. These rights were introduced in the Housing (Scotland) Act 2001

If you ask, your landlord must give you information about how the rent and service charge is decided. Usually this information will be explained in full or referred to in the Tenants Handbook.

Also, if any increase is proposed to your rent then your landlord must consult you about this and take account of your views before making a decision. 'Taking account of your views' however does not mean that your landlord **has** to change its decision about the rent increase even if many tenants object to the proposals.

Although your landlord may make separate arrangements for consultation about rent increases with tenant groups this should not replace the consultation process with individual tenants.

Consultation can take several forms but, to be effective and to allow time for proper feedback from tenants, the consultation process should start several months before the rents are due to be increased. This is important because, after the consultation process is finished and the landlord's budget is finalised, there must be adequate time left to give you four weeks written notice confirming the new rent you will have to pay.

So how might your landlord consult you? – Well, many associations will put the information about the proposed rent changes in a newsletter or send letters to all tenants and invite responses. Some may arrange open meetings to give tenants the opportunity to ask questions and give verbal responses to the proposals. It is not sufficient for your landlord simply to tell you that the rent needs to increase by a certain amount because this is the amount by which costs will increase and invite you to agree or disagree.

There should be reasonable information provided about -

- The costs which are increasing, why they are increasing and, if relevant, what steps your landlord is proposing to take to ensure that rising costs will be controlled.
- What works will be included in the 'major repairs and improvements' programme for the year and what this will cost.
- Details of any additional services or resources that will be charged to the rent
- Comparative information on rents, costs and performance with other similar social landlords
- Evidence that your landlord has considered issues of affordability.

This information should be presented in plain language with illustrations where this would aid understanding. In addition, it should be made available in a way, which ensures that all tenants, including those with disabilities or language problems, have an equal opportunity to access and understand the details and feedback their responses.

It is important that you do respond to the proposals or raise questions if you feel further or clearer information is required. If you ignore the consultation opportunities because you think that someone else will make the necessary response or you think your opinions will be ignored, then the result is that very few people comment on the proposals and your landlord may assume that most tenants are content with the increase!

After the consultation phase has reached an end your landlord should inform you of the results of the process and demonstrate how it has taken account of tenants' views.

WHAT SHOULD I DO IF I'M WORRIED THAT I WILL NOT BE ABLE TO AFFORD THE NEW RENT?

If the new rent has been confirmed and you are concerned that you will have difficulty paying the increased amount, you should contact your landlord immediately for advice.

If you already receive some housing benefit to help with your payments, the amount will probably be increased to take account of the change. If you don't receive housing benefit then you should make enquiries to check if you would now be eligible. Your landlord will have contact details or may be able to send you an application form for Benefit.

WHAT SHOULD I DO IF I THINK THAT I HAVE NOT BEEN PROPERLY INFORMED OR CONSULTED ABOUT MY RENT?

In the first instance you should speak to your landlord about your concerns. If you are dissatisfied with the response you receive then you can complain through your landlord's complaints procedure.

If you are still unhappy after going through this process, and you feel that you have suffered an injustice, you may be able to complain to the Scottish Public Services Ombudsman at : 23 Walker Street, Edinburgh EH3 7DX.

How well your landlord manages its properties is checked by the government organisation called the Scottish Housing Regulator