

# HOMES FOR LIFE HOUSING PARTNERSHIP

## RENT POLICY

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### 1.0 INTRODUCTION

1.1 This document outlines **Homes for Life Housing Partnership's** rent policy. It has been devised in accordance with Performance Standards, specifically section AS1.6 and also takes account of:

- Affordability to the Partnership's current and future tenants
- Comparability with the rent levels charged by other social landlords operating in the East Lothian and surrounding area, and
- Viability in ensuring that rental income is sufficient to cover the costs of a high quality service and allow for future expenditure
- A full Rent Restructure exercise carried out during late 2009 and early 2010 to increase the range of rents, and to better reflect the relative amenity offered by different property types and sizes
- Tenant feedback from:
  - The Governance Review consultation in January 2008
  - Tenant Satisfaction Survey - July 2013
  - Tenant Consultation on restructuring in December 2009
  - Annual Tenant Consultation on proposed rent increases
  - Tenant Panel discussions

1.2 Homes for Life Housing Partnership aims to charge similar rents for similar properties within each tenure, throughout its stock, as far as possible, whilst having appropriate regard to the legal and regulatory frameworks under which it operates. This will be achieved through a framework for determining rents which ensure that rental income covers the costs of management, maintenance, the provision of a quality service to tenants and any other operating costs that may be determined by the Board. As these costs will vary between tenures so may rents for what may otherwise be similar properties.

### 1.3 Affordability

As Homes for Life Housing Partnership will be providing homes for people with a range of different needs and means, affordability is a key issue. The SFHA's definition of affordability is that no household where either the tenant and/or his/her partner is working more than 16 hours per week should qualify for Housing Benefit apart from in exceptional circumstances. This measure allows the Partnership to carry out a meaningful assessment of affordability as it is able to access this information.

#### 1.4 **Comparability**

“ Good Practice recommends that comparisons be made with rents of other social landlords as a feature of rent policy. It should be noted however that comparisons between social landlords can be flawed, due to varying rent review times and other factors such as the amenity value of the property. Comparison has been restricted to equivalent properties for other RSL general needs stock within East Lothian.

**See Appendix B for the most recent comparisons**

- 1.5 In assessing comparability however, it should be noted that Homes for Life Housing Partnership tenants have not historically been levied separate service charges as a supplement to their rent, whereas both Castle Rock and East Lothian Housing Association have. The company notes current differentials, and will continue to monitor comparability by reference to published Scottish Housing Best value Network information, the Scottish Housing Regulator and with other Registered Social Landlords active in the area.

## 2.0 **RENT REVIEW**

- 2.1 Homes for Life Housing Partnership support the SFHA definition of affordability, and will review affordability to tenants as part of each rent review.
- 2.2 Rents will be reviewed annually and will be increased by the minimum required to ensure that costs are covered, taking into account the Company's expenditure over the previous year, planned expenditure over this and future years, as well as anticipated changes in costs over the coming year.
- 2.3 Rent reviews had previously been based on RPI and limited to RPI +1%, unless in exceptional circumstances. Since our original Rent Policy was set the Government has moved away from the use of RPI (Retail Prices Index) or RPIX (RPI minus mortgages) as an indicator of inflation and now uses CPI (Consumer Prices Index). Experience has shown that all of these indicators fluctuate widely, and that inflation over the previous year does not provide an accurate estimate of inflation over the coming year or real cost increases to the Company. We will therefore use a more comprehensive approach, taking account of a number of different indicators to set annual increases - by looking at public indicators of recent inflation, and publicly available financial forecasts for the coming year, as well as our own experience, financial projections and business planning.

- 2.4 Tenants will be given one month's written notice of the proposed rent increase, with any changes coming into effect from 1<sup>st</sup> April.
- 2.5 In line with the tenant participation requirements of the Housing (Scotland) Act 2001, all rent reviews will be subject to tenant consultation. All feedback will be considered before the Board decide on any Increase.

### **3.0 COSTS TO BE COVERED BY RENTAL INCOME**

- 3.1 The Company's costs are determined by the budget along with the costs of the provision and maintenance of its properties. These include voids and bad debts, allocations, day-to-day management and repairs, maintenance (reactive, cyclical and planned), loan charges, insurances and all other relevant costs.

### **4.0 RENT SETTING STRUCTURE**

- 4.1 The rent setting structure reflects the size and amenity of individual properties and tenure. A points system is used to allow maximum flexibility when considering the required rental income against ensuring affordability. Each property is awarded points based on various attributes including its number of bed spaces, property type, and amenities.
- 4.2 The rent setting structure was comprehensively reviewed, in consultation with tenants, during late 2009 and early 2010. The points to be allocated to individual properties were revised from April 2011, so that rent charges for individual properties would better reflect the amenities they offered. This structure is explained in the Rent Assessment Sheet included at Appendix A.

### **5.0 CALCULATION OF RENTS**

#### **New Build/Refurbished Properties**

- 5.1 Rent levels for individual properties will be calculated as follows:  
Points will be added for Property size (base number of points based on number of bed spaces) and Property type. Points are then added or deducted to this figure, as applicable for the property's various attributes. Each of these points has a current monetary value of 0.8534p pence per week. This monetary value per point may change at each rent review.
- 5.2 As worked examples:

5.2.1 **Example 1** - 1 bedroom flat with shared entrance, no shower but with ex curtilege parking personal space

	<b>Points</b>	
A. Property Size	89	2 person 2 apt
B. Property Type	0	Flat
C. Additions	+1	Ex-curtilege personal parking
D. Deductions	-2	No shower
Total	88	
88 X 0.8534 = weekly rent	<b>£75.10</b>	

5.2.2 **Example 2** – 2 bedroom 4 person house with driveway, extra WC and no shower

	<b>Points</b>	
A. Property Size	100	4 person 3 apt
B. Property Type	+4	Semi house
C. Additions	+4	Driveway and extra w.c.
D. Deductions	-2	No shower
Total	106	
106 X 0.8534= weekly rent	<b>£90.46</b>	

**Ex East Lothian Council properties and Rent Convergence**

- 5.3 As well as developing new build or refurbished properties the company has acquired vacant houses from East Lothian Council.
- 5.4 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 mid point between the Council rent for an equivalent property and the rent calculated for that property under the then points system and rent calculation mechanism.
- 5.5 Rents for these Ex 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.
- 5.6 After full consultation, the Company implemented an initial one off 10% increase for modernised Ex East Lothian Council properties, as part of the rent setting restructure outlined at 4.2 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.

5.7 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.

## **6.0 IMPLEMENTATION**

6.1 The rent policy (and points system) will apply to all new properties coming into management and all projects at development stage.

## **7.0 SERVICE CHARGES**

7.1 Historically, the Partnership 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.

7.2 It may be that the Company 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.

## **8.0 CONCLUSION**

8.1 The Board will review this rent policy annually, to take account of rent reviews. Notwithstanding such interim review the appropriateness of the policy will be reviewed in full not less than once every 5 years.

# Rent Assessment Sheet

# Appendix A

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

<b>C. Additions (as applicable)</b>		points
Flats with front & rear doors	+1	
Dining Kitchen, Separate Dining Area / Room	+1	
Additional w.c.	+2	
En suite shower room (or small additional bathroom)	large	+4
	large	+6
In curtilage driveway	+2	
Ex-curtilage personal parking space	+1	
Garage	+4	
Sunroom	+2	
Additional features or exceptional development costs	Up to +10	
<b>Total</b>	<b>+</b>	

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

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 0.69pence at 2009, by 0.7038p at 2010, by 0.7270p at 2011, by 0.7611p at 2012, by 0.7823p at 2013, by 0.8019 per point 2014. By **0.8354 per point at April 2015** to give the total weekly rent. The Monthly rent = Weekly rent x 52 ÷ 12 per point. The Monthly rent = Weekly rent x 52 ÷ 12

## Local Landlord Rent Comparison 2013/2014

Rental Sector Comparisons 2013-2014						
Local authority 2013/2014		2 Apt - Average weekly rent	3 Apt - Average weekly rent	4 Apt - Average weekly rent	5+ Apt - Average weekly rent	Total - Average weekly rent
	Local Council Scottish Avg	£57.85	£62.63	£68.65	£74.72	£63.03
	East Lothian Council	£48.09	£50.35	£52.54	£53.65	£50.53
<b>Housing Associations 2013/2014</b>	<b>Housing Association Scottish Avg</b>	<b>£65.84</b>	<b>£72.12</b>	<b>£79.78</b>	<b>£90.63</b>	<b>£72.64</b>
	<b>Homes for Life Housing Partnership</b>	<b>£68.84</b>	<b>£77.56</b>	<b>£83.30</b>	<b>£0.00</b>	<b>£75.20</b>
	East Lothian Housing Association Ltd	£68.01	£79.26	£88.81	£100.89	£79.51
	Castle Rock	£75.68	£78.19	£88.44	£93.08	£78.93
	Dunedin Canmore	£76.99	£86.07	£93.69	£99.24	£82.04
<b>Private Rented Sector Q4 2014</b>	Edinburgh Private Rent <u>Weekly</u> Avg source Citylets Q4	£142.15	£192.23	£267.92	£387.92	£207.69
	Scotland Private Rent <u>Weekly</u> Avg source Citylets Q4					£168.92

By having taken early action and holding our increases to the lowest we possibly could for our tenants, after years of being the most expensive local landlord - our average rents are now equivalent to or in most cases lower than other local registered social landlords.