

Rent & Service Charge Policy

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| Author | Housing & Care Director |
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| Approved by | Board |
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| Audience – Training and Awareness Method | Will be rolled out to Housing Teams via email and will be discussed at the next Housing Team away day. |
| Effective Date | April 2017 |
| Internal References | None |
| External References | Scottish Housing Regulator Guidance |
| Comments | |

Rent and Service Charge Policy

1. Policy Statement

- 1.1 This policy is applicable to the majority of Blackwood's tenancies. It applies differently, as explained below, to Regulated Tenancies, properties leased to other providers unless specifically stated in the lease. It does not apply to registered care homes. There are various tenancy types within the housing stock and this policy sets out a structure of rent setting for these different types.
- 1.2 As a Registered Social Landlord, Blackwood aims to operate a rent and service charge policy which results in charges which are equitable and consistent across its housing stock, meet affordability levels and are broadly comparable with similar provision by other specialist housing providers. An essential requirement of the policy is that it ensures that rental income is 1% above operating costs to ensure compliance with our lending covenants and this is reviewed annually through the Business Planning process.

2. Principles

- 2.1 Blackwood's rent and service charge policy is under-pinned by the following principles:
 - 2.1.1 In setting rents for our properties, the expected rental income should cover in full the cost of loan repayments and interest charges, voids, management and maintenance costs, major repairs, and other contractual obligations
 - 2.1.2 That loan covenants are met which currently require income to be 1% above expenditure
 - 2.1.3 The rent structure should be justifiable, based on clearly defined criteria and capable of being established objectively
 - 2.1.4 The charges should be consistent, reflecting the amenities available
 - 2.1.5 That we support tenants to live independently in a way that suits their needs
 - 2.1.6 The rents should be broadly comparable with similar provision by other specialist housing providers

- 2.1.7 Service charges should cover the costs of providing defined services which are additional to housing provision but are necessary to maintain the tenancy
- 2.1.8 Rents for the new Blackwood Homes should fully reflect the enhanced facilities provided by the unique design, higher specification and additional independent living services that are provided as standard.

3. Rent Setting Structure

- 3.1 The main objective of the rent structure detailed below is to determine the rental charge in an equitable way for each type of property, irrespective of tenancy type, first let or re-let. It is a method of apportioning the total amount of required income amongst the different property characteristics of the housing stock.
- 3.2 The base rent costs are calculated to reflect the types of attributes that are provided by Blackwood. This also includes the cost of repairs to the inside of flats and to common areas, repairs to common aerials, fire alarms, and entry-phones. These costs are "pooled" amongst all Blackwood tenants enabling costs to be evened out without high costs to be paid by any particular groups of tenants.
- 3.3 Some costs are specific to certain developments and groups of tenants who benefit from them (e.g. cost of maintaining, servicing and replacing lifts and automatic doors providing access to common parts) and these are pooled as are other rent costs but only amongst all those who benefit and are charged as rent points as set out below.
- 3.4 The rent level for each property is set according to a points system reviewed in 2012 which allocates points in accordance with eight criteria:
- Base rent
 - Property type
 - Property configuration
 - Communal Facility (e.g. lift or automatic doors)
 - Multiple occupancy (house in multiple occupation)
 - Kitchen Appliances
 - Digital Services
 - Home Automation
- 3.5 The number of points which each criterion attracts is detailed in the Points Matrix as set out in **Appendix One**.
- 3.6 Using the rental points matrix, points are given for each criterion and a points total is calculated for each property. The rent for each property is calculated by multiplying the number of points by the rent per point. The monetary value of each point is a calculation from the total income required to meet costs.
- 3.7 For houses in multiple occupation (HMO), each tenancy is treated as a normal unit and then discount points are applied to reflect the shared facilities (bedroom only discount). Some points are then added to reflect the additional cost in managing and registering the HMO.

- 3.8 In order to ensure consistency of approach, any variation to the points matrix must be authorised by the Housing & Care Director.
- 3.9 Rents are reviewed on an annual basis and any changes will be implemented on 1 April following Board approval and in line with the requirements set out by the Housing (Scotland) 2001 and any guidance provided by the Scottish Housing Regulator governing the annual consultation exercise.

4. Service Charge Setting

- 4.1 Service charges are payable by most tenants along with their rent and cover the cost of providing additional services over and above the provision of the house. There are two types of service charges
- **Individual** (e.g. to cover the cost of maintaining and replacing specialist equipment)
 - **Communal** (e.g. the cost of alarm systems, heating, lighting and cleaning the common areas and maintaining the common gardens).
- 4.2 In calculating the amount to be charged for each communal service, Blackwood takes the costs at development level and divides these by the number of tenants who receive or benefit from the service. In some cases this division will be based on the level of service or benefit accrued (e.g. common gardens may be used only lightly by those in individual houses with their own gardens and so they will pay less).
- 4.3 A service charge equalisation account will operate at development level for common service charges so that any under or overspend is refunded or charged the following year
- 4.4 In the case of individual service charges these will be based on national contracts for maintenance, servicing and replacement. So Blackwood will divide the **national** cost of providing that service by the number of pieces of equipment covered. Tenants are charged according to the number of pieces of equipment that they have use of.

5. Rent and Service Charge Reviews

- 5.1 The different tenancy types amongst Blackwood's tenants require different review processes and these are detailed below:
- 5.1.1 Scottish Secure Tenancies
- 5.1.1.1 Scottish Secure Tenants (and Short Scottish Secure Tenancies and Occupancy Agreements out-with a registered care home) are subject to an annual rent review. The review will take into account the budget required to deliver the housing service the following year as set out in the Housing Strategy.

5.1.1.2 The budget setting process each year will take into account a number of inflationary based costs increases including RPI, salaries, and the building cost indices. The budget will be set using our financial planning model and expert input provided by our Financial Advisors (currently IS4) to ensure that our budget covers the cost of service delivery and also meets our lending covenants.

5.1.2 Regulated Tenancies

Regulated Tenants have their basic rents set on a three-yearly basis by the Rent Registration Service (RRS) run by the Scottish Government. The process of re-registering the rent every three years involves Blackwood making an application to the RRS to apply for rents to be set. We will propose the rent increase in line with the rent increase assumptions we have set out in our financial plan. The RRS then set the rent for a 3 year period based on our submission.

5.1.2.1 Tenants can appeal the decision of the RRS if they feel the rent is set too high for the 3 year period through the Private Rented Housing Panel PHRP - formerly the Rent Assessment Committee.

5.1.3 Shared Ownership Housing

5.1.3.1 Shared ownership rents are calculated on the same principles as above for rented properties, that is, points are awarded according to specific property criteria and an inflation based increase applied each year (as set out in paragraph 5.2). Where the sharing owners are responsible for carrying out all maintenance works to their property, an annual sum for maintenance – based on the average cost of maintaining all Blackwood properties - is deducted from the rental costs before the percentage equity calculation is applied. A management fee is then added in accordance with the Scottish Housing Regulator's Guidance based on the average direct management costs (staffing).

5.1.4 Service Charges

5.1.4.1 Service charges will be reviewed on an annual basis and any changes will be implemented on 1 April each year for all tenancy types (this includes service charges to regulated tenancies except where the rent officer has registered the charges as non-variable).

5.1.4.2 In exceptional circumstances, service charges may be reviewed at other times during the year in accordance with requirements of the tenancy agreement.

5.1.4.3 The majority of tenants pay for more than one service in their service charge and Blackwood will at the same time as providing notice of the rent increase, provide tenants with a breakdown of charges for each service received (and where appropriate how these costs are divided between tenants) along with notification of any change to the charges compared to the previous year.

6. Tenant Consultation

- 6.1 In any additional rent and/or service charge review – out with the annual review, tenants will be consulted on the proposed changes in line with legislative requirements and Blackwood's Customer Engagement Plan.
- 6.2 Tenants on a development will be permitted to carry out gardening and cleaning services (in part or whole) themselves with a comparable reduction in the service charge subject to an assessment of proposals by Blackwood. Blackwood must be satisfied that the proposed quality and value of the work is consistent with our standards and does not breach our procurement policy prior to approval. Proposals must be submitted in writing

7. Benchmarking

- 7.1 Blackwood will participate in a benchmarking group to ensure its rents are broadly comparable with other landlords in its peer group using the data required by the Scottish Housing Regulator.

8. Review

- 8.1 This policy is due for review in March 2020 unless legislative or Blackwood changes prompt an earlier date.

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Appendix 1
Rent Points Matrix

| Type | Item | Points |
|--------------------|---------------------|---------------|
| Base Rent | Base Rent | 155 |
| Facilities | Balcony / Veranda | 5 |
| Facilities | Communal Auto Door | 2 |
| Facilities | Communal Lift | 5 |
| Facilities | Dining Room | 5 |
| Facilities | HMO | 5 |
| Facilities | Second Toilet | 5 |
| Property Type | Bungalow | 15 |
| Property Type | Detached House | 15 |
| Property Type | Flat (common entry) | 0 |
| Property Type | Flat (own door) | 5 |
| Property Type | Flat off corridor | 0 |
| Property Type | Semi-detached House | 10 |
| Property Type | Terraced House | 5 |
| Room Configuration | 1 Double 1 Single | 15 |
| Room Configuration | 1 Double 2 Singles | 30 |
| Room Configuration | 1 Double 3 Singles | 50 |
| Room Configuration | 1 Double 4 Single | 70 |
| Room Configuration | 2 Double | 20 |
| Room Configuration | 2 Double 1 Single | 35 |
| Room Configuration | 2 Double 2 Single | 55 |
| Room Configuration | 2 Double 3 Single | 75 |
| Room Configuration | 2 Single Bedrooms | 10 |
| Room Configuration | 3 Double | 40 |
| Room Configuration | 3 Double 1 Single | 60 |

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|------------------------|-------------------|-----|
| Room Configuration | 3 Double 2 Single | 80 |
| Room Configuration | 4 Double | 65 |
| Room Configuration | 4 Double 1 Single | 85 |
| Room Configuration | 4 Single | 40 |
| Room Configuration | Bedroom Only | -60 |
| Room Configuration | Double Bedroom | 0 |
| Room Configuration | Double Bedsit | -10 |
| Room Configuration | Single Bedroom | -10 |
| Room Configuration | Single Bedsit | -15 |
| Property Appliance | Oven | 0.5 |
| Property Appliance | Hob | 0.5 |
| Property Appliance | Fridge | 1 |
| Property Appliance | Freezer | 1 |
| Property Appliance | Washing Machine | 2 |
| Property Appliance | Dishwasher | 2 |
| Digital Infrastructure | Broadband | 2.5 |
| Digital Hardware | Home Hub | 2 |
| Home Automation | Various Units | 10 |