

**Report
to the Housing Management Sub Committee
at meeting held on 12th October 2011**

1.0 Subject - Outcome of consultation exercise on the review of the Rent Policy

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September 2011**

2.0 Summary

The purpose of this report is to present an analysis of the responses received following the consultation exercise on the review of the Rent Policy. The consultation was carried out during September 2011 via a letter and questionnaire to members of the Tenant Panel and Registered Tenant Organisations. This report contains recommendations.

3.0 Link to Business Plan

Consultation supports the following objectives in the Co-operatives Business Plan:

1. To provide, manage and maintain top quality affordable housing across a range of tenures
2. As a fully mutual Co-operative, to maximise the involvement of members and promote co-operative benefits and principles

4.0 The Results of the Consultation

The Housing Scotland Act 2001 requires consultation to be carried out on key policy documents when being reviewed and in particular to highlight any significant changes being proposed to those policies.

A covering letter and questionnaire was also issued to all members of the Tenant Panel (59) and all members (20) of the Co-operatives Registered Tenant Organisations of which there are 4. The questionnaire is attached at appendix 1 for information.

Responses were received as follows:

- 10 from members of the Tenant Panel (representing a 17% response rate)
- 6 from members of the Registered Tenant Organisations (representing a 30% response rate)

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Overall from the 79 questionnaires issued, 16 responses were therefore received (representing a 20% response rate)

The results of the consultation

All 16 respondents ticked yes to the 6 questions asked. This shows clear support for the key changes proposed.

Three respondents made the following additional comments:

- Re: viability this should be broken down into more tangible components and not just headings
- Sounds very fair in the current financial climate
- As always the policy is clear, concise and fair to all members

In relation to the first comment, the paragraph and wording on viability was considered again and the most recent rent setting guidance from the SFHA (Jan 2010) double checked. The aim of this section is to give key examples of the types of costs that an organisation must cover when setting its rents (rather than detailed lists) thus demonstrating the 'viability' element of the policy. The examples are taken directly from those suggested in the SFHA guidance. As the majority of respondents felt that the wording in this section conveyed what we mean by viability and that the examples of costs given were useful, it is proposed to leave the wording of this section as it currently stands.

In light of the responses all the key changes proposed have been retained in the draft policy.

The draft Rent Policy is attached at Appendix 2. There is also a list of the changes made to the policy at Appendix 3.

5.0 Impact on Financial Viability - Low

None of the proposed changes to the Rent Policy will have a negative impact on the financial viability of the Co-operative. The proposed introduction of cost related points for new properties should help to support the longer term financial viability of new build by ensuring that rents charged recover the money the Co-operative has invested.

6.0 Risk Assessment

By carrying out consultation on key policy documents the Co-operative adheres to its statutory duties and its legal obligations. It also fulfils the strategic and operational aims of its Business Plan to involve members in policy formulation. There are therefore no operational or strategic risks associated with this report.

7.0 Sustainability

See Risk Assessment above.

8.0 Staffing Issues

Following approval of the policy document staff training will be required.

9.0 Equal Opportunities

A statement on the above has been appropriately included in the Rent Policy.

10.0 Recommendations

It is recommended that the members of the Housing Management Sub Committee agree the following:

- To approve the contents of this report
- That the reviewed Rent Policy (attached as Appendix 2) is formally approved
- That the results of the consultation exercise are made available to all members via the Co-operative's Your Voice Newsletter and the Co-operative's Web Site

Appendix 1

**Rent Policy Review 2011
Tenant Panel Questionnaire on Key Changes**

Please read the key changes listed below and tick **yes or no** to the following questions

	Yes	No
Page 2 – The aims of the Rent Policy Do you think the aims of the Rent Policy listed are appropriate and reasonable?		
Page 3 – Section on Affordability Do you think this explains what information will be used to help the Co-operative to assess if rents are affordable?		
Page 3 – Section on Affordability Do you think the new paragraph on access to money advice conveys the Co-operatives commitment to ensuring appropriate additional support for members?		
Page 4 – Section on Viability Do you think the wording in this section conveys what we mean by viability and are the examples of costs given useful?		
Page 4 – Section on Cost Related Points for new properties Do you think it is reasonable that the rent charged for a new property recovers the money the Co-operative has invested in it within 30 years?		
Page 5 and 6 – Exemptions from the Rent Structure Do you think this explains clearly the position with Lock ups and offices?		

**If you answered no to any of the questions above please explain further below
(please use reverse side if you require more space)**

Any other comments? (please use reverse side if you require more space)

1. Policy Aims

Tenants First Housing Co-operative (herein after referred to as the Co-operative) state the following to be the key aims of their Rent policy:

- **To keep rents as low as we can, and comparable and competitive with other housing providers while ensuring the viability and development of the Co-operative**
- **To charge similar rents for similar properties as far as possible**
- To ensure that we have a Rent Structure that is easy to understand, easy to apply, transparent, flexible and fair.
- To promote member consultation and involvement in rent setting

2. Objectives

The Rent policy links with the following objectives contained in the Co-operatives Business Plan:

1. To provide, manage and maintain top quality affordable housing across a range of tenures
4. To manage and develop the business innovatively whilst maintaining financial viability

3. Rent Setting

The Co-operative's Client Group

The Co-operative aims to continue to house a wide range of client groups including families, couples, single persons and the elderly as well as special needs groups such as the less able bodied and those with support needs. Allocation of its social housing is based primarily on housing need regardless of financial circumstances.

Scottish Secure Tenancy

The Scottish Secure Tenancy states clearly that rents will be reviewed once in every 12 month period.

Key principles

The Co-operative will use the following key principles in setting rents for new build properties and in carrying out annual rent variations on existing properties in its ownership:

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Affordability

The Co-operative will aim to ensure that rents set and annually varied are affordable to its members. It will use the recommended Scottish Federation of Housing Associations Affordability measure i.e. "For a rent to be affordable, households with one person (head of household or partner) working **35** hours or more should only exceptionally be dependant on Housing Benefit in order to pay it.

The Co-operative will carry out an annual assessment of the affordability of its rents against the above criteria. The following sources of information will be used as a minimum:

- **Income levels (including one person in household on minimum wage and as relevant Child Tax Credit and Child Benefit) will be worked out based on potential minimum occupancy of properties per house size**
- **The income levels, along with rents and service charges per property size, will be measured against the potential to qualify for housing benefit**

The Co-operative will identify any affordability gaps on an annual basis and ensure that these are explained and where appropriate a strategy devised to address these.

The Co-operative will ensure that members in financial difficulties are given advice on accessing money advice services including the SMART Financial Inclusion Project. This will help members to maximise their income and benefit uptake to support affordability.

Comparability

The Co-operative will compare its rents annually to that of other Registered Social Landlords who operate in the same geographical areas e.g Aberdeen City Council, Aberdeenshire Council, Angus Council, Glasgow City Council, Langstane, Grampian and Castlehill Housing Associations and Aberdeenshire Housing Partnership. The aim of this will be to ensure that its rental charges remain favourably comparable to other rents in the social housing sector of the property market.

Where marked differentials in comparability are observed, the Co-operative will establish if there is reasonable justification for these or will take steps to address them.

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Viability

The Co-operative recognises that rents set must sustain the business that it operates and the service it delivers to ensure its long term financial viability. The costs to be covered by rental income include:

- Housing Management costs
- Voids and bad debts
- Maintenance costs
- Major repairs and renewals
- Loan charges
- Overheads

Tenant Consultation

Prior to setting rents annually the Co-operative will carry out full member consultation on the proposed increase. This will ensure that members have an input into the annual variation process and are clear about the reasons for the proposed increase. The Co-operative will also carry out member consultation on the Rent Policy and accompanying rent structure during its three yearly review process.

Rent Structure

Appendix 1 to this policy is the Co-operatives Rent Structure.

The rent structure is a points system based on property attributes including the location of the dwelling and local facilities. The 8 step process shows how this is applied in order to identify rents annually or as required for new build or acquired properties.

In terms of annual varying of rent the Co-operative ideally aims to apply an increase of no more than inflation plus 2% with an annual minimum increase of 1%. However, it is recognised that in tackling differentials between rents, larger increases may be necessary for some properties.

Cost Related Points for new properties

When setting rents for new properties, the Rent Structure at appendix 1 will be used. To assist in ensuring the financial sustainability of new properties the Co-operative will carry out an assessment of the proposed rents compared to the amount of finance it has invested in the property. It is expected that rents charged should ensure that private finance is repaid in a period not exceeding 30 years.

If the rents do not achieve this, then Cost Related Points will be added to the rent until this criteria is met. The rent/s will then be assessed to ensure that they still meet acceptable affordability levels. If they do not then a re-assessment of the appropriateness of proceeding with

the development, the type of properties proposed or the acquisition will be required.

Exemptions from the Rent Structure

Supported Housing

Setting of rents for supported housing (i.e. other than sheltered housing) will require to be out with the rent structure. These rents will generally also be outside the affordability and comparability criteria. The key criteria used will be:

- Providing accommodation and services tailored to an individual's needs and achieving best value in delivering this in consultation with the prospective member and their representatives.
- Achieving financial viability for the Co-operative in the provision of this accommodation.

Service Charges

The Co-operative recognises that where it provides services additional to those normally provided to members, it has a statutory obligation to re-coup these charges directly from the members receiving them and as such these charges will not form part of the conventional rent structure.

The Co-operative will set service charges that cover actual costs with no element of surplus. Where a surplus or a deficit occurs because actual costs over a financial year are less or more than those projected, this will be reflected in the service charges made during the following financial year.

In procuring services that are to be re-charged to members in the form of service charges the Co-operative will ensure value for money and take into account the affordability of them to members. The Service Charge policy addresses these issues in detail.

Lock Ups

Lock ups or garages that are not located within the curtilage of a Co-operative property will not be included in the rent structure. These will generally be let separately and rents charged in accordance with the area in which they are located and the condition they are in.

Offices

Any property owned by the Co-operative and let as an office will be exempt from the rent structure. Rents charged will generally be in accordance with reasonable market rates for the size of office space offered. The Co-operative may decide to take into account the status

and financial position of the organisation it is leasing to when setting the rent.

Rent Differentials

The Co-operative recognises that it has identical stock in the same geographical area that incurs different rental charges to its members. This situation arose during the tenants choice individual stock transfer process. Properties transferred to the ownership of the Co-operative over a four year period and the rents charged at transfer were that of Scottish Homes. Those properties transferring at the initial stages enjoyed lower rent increases via the Co-operative than those tenants transferring at the later stages who had been subject to Scottish Homes rent increases.

This is being addressed as follows:

The points system will identify the annual target rent which should be charged for each property type and size dependant on its attributes and location. The Co-operative recognises that most properties will fall below or above this amount. Rather than impose an unreasonable increase or decrease in one financial year, the Co-operative will take the following approach:

Rents to be increased

This will be phased in gradually by an increase no greater than £15.00 per month each year in addition to the annual rent increase requirement.

Where a property becomes void the rent charge will immediately be increased to the identified target rent.

Rents to be decreased

Where the decrease to be applied is £35.00 or less per month, the rent on the property will be frozen. No annual rent increases will be applied until the target annual rent meets the rent charge in place.

Where the decrease to be applied is greater than £35.00 per month no annual rent increase will be applied. In addition to this the rent on the property will receive a decrease in rent of £5.00 per month each year until it reaches £35.00 above the target rent. The rent will then be frozen as above and no annual rent increases will be applied until the target annual rent meets the rent charge in place.

When a property becomes void, it will be relet at the same rent as the previous member. The rent charge will be reduced gradually as described above until it meets the target rent.

Timescale for all properties meeting Annual Target Rents

The above approach will result in the vast majority of properties meeting their annual target rent by 2013.

4. Training

The Co-operative through its Business Plan is committed to training and developing staff and committee members to their full potential in order to deliver a high quality of service in all areas of its business to members and the public.

5. Equal Opportunities

The Co-operative will ensure that in implementing its Rent Policy it will not unfairly discriminate against any individual, household or group on the grounds of gender or gender identity, marital status, on race grounds or on the grounds of disability, age, sexual orientation, language or social origin, other personal attributes, including beliefs or opinions such as religious beliefs or political opinions.

6. Monitoring and Reporting

The Committee of Management is responsible for the approval of all rents.

The Chief Executive will be responsible for ensuring that all new build rents set and recommended for approval to the Committee of Management follow the Co-operative's Rent Policy and Rent Structure.

The Director of Finance will be responsible for ensuring that all annual variations of rent recommended for approval to the Committee of Management follow the Co-operatives Rent Policy and Rent Structure.

Annual assessment information on affordability, comparability and viability gathered and used in the rent setting process will be retained and available publicly to ensure transparency.

7. Review

This policy will be approved by the Committee of Management and is reviewed in consultation with staff, members and any other relevant agencies. It will be reviewed every three years unless amendment is prompted by a change in legislation, or monitoring and reporting reveals that a change in policy is required sooner.

8. Legal Framework

Housing (Scotland) Act 2001
Data Protection Act 1998
Equality Act 2010
Human Rights Act 1998

9. References

SHR Regulatory standard AS1.6
SFHA Rent Setting Guidance 2010

10. Related policies/documents

Scottish Secure Tenancy Agreement
Business Plan
Equality and Diversity Policy
Rent Arrears policy
Former Tenants Arrears policy
Procurement policy
Development policy
Service Charge policy
Void policy
Budget Setting
Financial Plans

Appendix One

**Tenants First Housing Co-operative
Rent Structure**

CHARACTERISTICS		NUMBER OF POINTS
HOUSE SIZE	EACH PUBLIC ROOM (incl boxroom)	10
	EACH BEDROOM	10
	EACH BEDSPACE	5
	EACH ADDITIONAL WC	5
	EACH GARAGE	15
HOUSE TYPE	FLAT	67
	FLAT SELF CONTAINED	80
	MID TERRACED	80
	MAISONETTE	80
	END OF TERRACED	85
	SEMI DETACHED	85
	DETACHED	95
HOUSINGLIST DEMAND	LOW DEMAND	0
	MEDIUM DEMAND	1
	HIGH DEMAND	2
FACILITIES	NEAR SCHOOLS	2
	MEDICAL FACIITIES IN COMMUNITY	2
	PUBLIC TRANSPORT IN COMMUNITY	2
COMMUTING	WITHIN CITY	25
	UNDER 20 MILES TO CITY	10
	20-35 MILES TO CITY	0
	OVER 35 MILES TO CITY	-10
GARDEN	NO GARDEN	0
	SHARED GARDEN	5
	PRIVATE GARDEN	7
ENERGY RATING	NHER RATING 6-6.9	1
	NHER RATING 7-7.9	3
	NHER RATING 8-8.9	5
	NHER RATING 9-10	7
SERVICE ADJUSTMENT	SHELTERED UNIT	-15
	AS REQUIRED TO ENSURE RENT	
COST RELATED FOR NEW PROPERTIES	REPAYS PRIVATE FINANCE IN 30 YEARS	

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Step 1

Relevant costs will be appropriately assessed to establish the budget necessary to maintain viability of the organisation.

Step 2

As per the above table, every property in the Co-operative's ownership (with the exception of those detailed in the exemptions section of the policy document) will attract a particular number of points, dependant on their attributes.

Step 3

The points for every property are added together to create a global number of points.

Step 4

This budget set is divided by the total points to give a value per point.

Step 5

This point value is in turn multiplied by the number of points for each property to give a target individual rent for each property.

If the property is new to the Co-operative either via new build or acquisition then the level of rent proposed will be assessed against the private finance invested. If this does not show that the level of rent charged can repay the finance within 30 years then Cost Related Points will be added until the level of rent meets this criterion.

Step 6

The affordability measure will be applied and the proposed rents assessed against this. Any affordability gaps or failures will be assessed and steps taken to remedy this if necessary.

Step 7

The broad comparability of the rents will be assessed against peer group landlords. Any comparability gaps or failures will be analysed and steps taken to remedy if necessary.

Step 8

Rents will be recommended for approval to the Committee of Management

Tenants First Housing Co-operative Appendix 3 RENT POLICY

List of Main Changes to Policy during 2011 review and where they can be found in the document

Description of Change	Page Number	Section Number	Heading of section
First bullet point removed and replaced. New bullet point added.	2	1	Policy Aims
The reference to hours in the affordability measure changed from 16 to 35	3	3	Main Issues, sub heading Key Principles and then affordability
The 'sources of information' have been updated to reflect the new method of measure affordability and that information that will be used to achieve this	3	3	Main Issues, sub heading Key Principles and then affordability
Paragraph on accessing money advice services added	3	3	Main Issues, sub heading Key Principles and then affordability
Simplified wording under viability and added examples of the types of costs to be covered by rental income	4	3	Main Issues, sub heading Key Principles and then viability
Added in a paragraph to cover Cost Related Points for new properties – this explains that points will be added to ensure that rents pay back private finance in a period not exceeding 30 years	4	3	Main Issues then sub heading Cost Related points for new properties (follows on from Rent Structure paragraph)
The paragraph on market rents have been removed as they are now part of the rent structure	5	3	Main Issues then sub heading Exemptions from Rent Structure
Two paragraphs added on lock ups and Offices	5	3	Main Issues then sub heading Exemptions from Rent Structure
Rent Structure table under house size section – next to	9	Appendix 1	Rent Structure

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each public room add (incl boxroom)			
Rent Structure table under commuting section – delete reference to Aberdeen and replace with city to reflect the fact that we have settlements within or closer to other cities	9	Appendix 1	Rent Structure
Rent Structure table – section added detailing Cost Related New points for new properties	9	Appendix 1	Rent Structure
8 Step process in calculating rents – under Step 5 added in information on Cost Related points for new properties	10	Appendix 1	8 step process for assessing rents