



# Group Policy: Rent and Service Charge Policy

Policy Owner	Executive Director, Group Services
Policy Manager	Head of Finance and IT
Approval Body	Board
Approval Date	21 <sup>st</sup> September 2022

## Contents

1. Scope .....	3
2. Introduction.....	3
3. Definitions.....	5
4. Policy Statement and Responsibilities.....	5
5. Equality Impact Assessment .....	8
6. Review.....	8
Appendix 1 – Rent Setting Mechanism .....	9

This policy is available, on request, in different languages and in other formats such as large print, audio format and braille as required.

## 1. Scope

- 1.1 This policy applies to both existing customers and prospective customers of the RCH Group of companies. As at November 2022, The RCH Group consists of River Clyde Homes (RCH) and its subsidiary, Home Fix Scotland Ltd (HFS).
- 1.2 Rents should be set to cover the cost of providing and managing RCH's properties, e.g.
- Housing management costs
  - Maintenance costs
  - Void and Bad Debt
  - Major repairs and planned maintenance
  - Loan charges
  - Insurance and overheads
  - Staff costs and pension provisions
- 1.3 RCH needs to recover the costs of the provision of any additional services, e.g.
- Caretakers / Retirement Co-Ordinator
  - Tenement Service provision
  - Wardens / Wellbeing at Home
  - Common facilities
  - Common Ground Maintenance
  - Furniture

## 2. Introduction

- 2.1 RCH is committed to ensuring that Rents and Charges are affordable, equitable, transparent, and consistent whilst ensuring that RCH is a financially viable and sustainable organisation.
- 2.2 This policy ensures that we:

Establish a framework for setting rent and service charges which are affordable, equitable, transparent, and consistent and which allows sufficient consultation with customers.

Set rent and charges annually which provide sufficient resources for RCH to provide a quality service as well as cover the costs required to achieve the objectives set in the Business Plan.

Set rent and service charge levels which are affordable to customers and these charges are comparable with other social landlords.

Give customers the opportunity to contribute to the annual review of rent and charges via a consultation process.

Comply with Housing Legislation and Scottish Housing Regulator Guidance.

2.3 RCH recognises that confidentiality is important to tenants and other customers and will treat their tenancy information in the strictest confidence under the Data Protection Act 1998 and in line with RCH's Customer Privacy Notice

2.4 To ensure best practice, the SFHA Rent Setting Guidance and Affordability Tool 2017 has been considered in development of this policy.

2.5 This policy supports the strategic requirements of the organisation's Business and Development Plans and the organisation's strategies.

2.6 This policy should be read in conjunction with the following documents:

RCH Group Business Plan  
Value for Money Strategy  
Risk Management Policy  
Equalities and Diversity Policy  
Data Protection Policy  
Rent Arrears Recovery Policy

2.7 RCH will meet all legal and regulatory obligations in relation to this policy subject:

Housing (Scotland) Act 2001 - An Act of the Scottish Parliament to make provision about housing, including provision about homelessness and the allocation of housing accommodation by social landlords, the tenants of social landlords, the regulation of social landlords, Scottish Homes, the strategic housing functions of the Scottish Ministers and local authorities and grants for improvement and repairs, and for connected purposes.

The Social Housing Charter - Sets the outcomes that the Scottish Government expects social landlords to achieve for its customers:

Outcome 13 – Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

Outcome 14 – 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 services, and how far current and prospective tenants and other customers can afford them.

Outcome 15 – Tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlord and tenants.

The Scottish Housing Regulator's Regulatory Framework - Standard 3 requires that 'The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.'

### 3. Definitions

- 3.1 Board – includes the RCH Group Board, Subsidiary Board(s) and Sub Committees.
- 3.2 Consumer Price Index (CPI) - The official measure of inflation of consumer prices of the United Kingdom. The CPI is a measure of consumer price inflation produced to international standards and in line with European regulations. The CPI is the inflation measure used in the government's target for inflation.
- 3.3 Registered Tenants Organisation (RTO) – Local tenants' group that are formally recognised by RCH.
- 3.4 Living Wage - The term living wage refers to a theoretical income level that allows individuals or families to afford adequate shelter, food, and other necessities

### 4. Policy Statement and Responsibilities

#### 4.1 Affordability

RCH aims to set rents and charges at levels which are affordable to customers whether they are employed on low incomes or receiving state benefits. RCH will use the Scottish Federation of Housing Association's (SFHA) Guide to Rent Setting and Affordability Tool, to review affordability during future annual rent setting processes.

RCH's affordability target is to ensure that the rent we charge does not equate to more than 30% of the Living Wage. RCH will proactively encourage the maximisation of tenant's incomes, including the investment in a Financial Wellbeing Team in house to help improve the financial, social, and economic inclusion of our tenants.

#### 4.2 Viability

Rental income is required to sufficiently cover the RCH's running costs as set out in the business plan, in particular costs in relation to housing management and maintenance costs, voids and bad debts, major repairs and planned maintenance, insurance and other overheads, staff costs and pension provisions and loan repayments. As a result, any review of rent levels will ensure that all costs are adequately resources both in the short and long term.

#### 4.3 Comparability

In establishing a rent structure, RCH will benchmark its rents against the rent levels set by other social landlords who let similar accommodation with equal tenancy terms in the local area and beyond.

#### 4.4 **Service Charges**

Where RCH provides enhanced services that can be attributed to an individual customer (e.g., warden service), the cost of these services will be recovered through an additional service charge to those customers who benefit from these services. In line with Scottish Housing Regulator guidance, any service charge will only be levied at the actual cost of the service being provided so that it cannot be a source of additional income to RCH.

Part of the service charge setting process includes a comparison of the previous year's charges against actual costs. Any under or over recovery of service charges in the previous year will be considered and adjusted for in setting the service charge for the following year.

#### 4.5 **Rent setting mechanism**

RCH rents are set by the Board on an annual basis. The rent setting mechanism for our social housing rents was introduced in April 2014 (**Appendix 1**). The rent setting structure is the mechanism used to determine the amount of rent charged for each type of property. The rent-setting mechanism aims to ensure that a fair and consistent rent structure is in place.

RCH reserve the right to add a temporary rent reduction to a property. This may be used in instances for properties that are hard to let, or areas with low demand. Any such temporary amendments are subject to formal approval by the Social Landlord and Operations Committee.

#### 4.6 **Rent and Service Charge Review and Consultation**

All rent and service charges will be reviewed annually and will consider the income required to maintain RCH's financial viability whilst recognising the desire to keep charges at affordable levels. RCH will consider changes in the cost of living reflected in the prevailing Consumer Price Index (CPI).

The Board will agree annually the level of rent and service charges for the following year after full customer consultation on any proposals.

RCH has a statutory and legal responsibility under Section 25 of the Housing Act (2001) to consult its tenants on proposed rent levels. The Association is required to provide 28-day notice of any rent change.

Customer consultation can include, but is not restricted to, text messaging, email, on-line surveys, questionnaires, face-to-face workshops, telephone calls, consultation with RTOs. Rent and service charge consultation will be advertised in the local press, Up-Close magazine, and various social media platforms.

Following Board approval, RCH will give tenants four weeks' notice of any rent review. Any changes stipulated in the notice will take effect from the first Monday in April.

**4.7 Variation**

New Build developments – actual rents charged may vary from the policy due to the original rent set at the point of Social Housing Grant approval. These rents will then be brought into line with the agreed rent setting mechanism as soon as practicable.

**4.8 Charge Frequency**

Rent and Service Charges are charged in advance on a weekly basis, however RCH reserve the right to change this charge frequency at a future date.

**4.9 Payment Methods**

RCH aim to combine cost-effectiveness and convenience to customers in its payment methods. Customers can pay their rent in a frequency which suits their circumstances, but payments must be made in advance. RCH may extend, restrict, or otherwise change rent charge frequencies and payment methods in the future.

RCH offer several methods that customers can pay their rent and charges including: -

online using the Allpay website.

by telephone 24/7.

by Direct Debit or standing order from your bank or building society account.  
at any Post Office or Paypoint outlet.

by post to River Clyde Homes and paying by cheque.

**4.10 Arrears Management**

In line with RCHs Rent Arrears Recovery policy, RCH will assist tenants to avoid arrears and other tenancy related debts. RCH provides a Financial Wellbeing Team to help maximise incomes and improve the financial, social, and economic inclusion of our tenants.

**4.11 Risks**

Risk	Mitigation
Reputational and regulatory risk if RCH fails to implement the Rent and Charges Policy appropriately	Ensuring that RCH adhere to legislative and regulatory requirements and have open consultation processes for customers
Financial Risk in not generating enough revenue to cover all activities in the Business Plan	Setting rent levels and service charges that are affordable, equitable, transparent, and consistent, whilst ensuring that RCH is financially viable and sustainable.

Ensuring our homes are an attractive offer to new customers which is affordable in terms of demand/competition.	Setting rent levels and service charges which are competitive in the local market.
---	--

#### 4.12 **ROLES AND RESPONSIBILITIES**

The Executive Director, Group Services has ultimate responsibility for the operation and effective implementation of this Policy and for ensuring it is reviewed in line with the schedule in section 5.

The Head of Finance and IT will monitor the operation of the Rent and Service Charge Policy across RCH Group.

### **5. Equality Impact Assessment**

- 5.1 The RCH Group will apply this policy fairly and consistently. In implementing this policy, we will not directly or indirectly discriminate against any person or group of people because of their race, religion or belief, gender, disability, age, sexual orientation, or any other grounds. Our commitment to equality and fairness will apply irrespective of factors such as age, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, religion or belief, sex, sexual orientation, or other personal attributes.

### **6. Review**

- 6.1 The Head of Finance and IT has responsibility for monitoring the effectiveness of this policy and its relevant procedures and documentation. It will be reviewed on a three-yearly basis or earlier if required to respond to new legislation, regulations, or best practice requirements.
- 6.2 The Rent and Service Charges Policy will be published on RCH's website.
- 6.3 RCH will commission periodic customer satisfaction surveys to measure customer's perception on whether rents are considered value for money.



## Appendix 1 – Rent Setting Mechanism

Criteria	Points
<b>Criteria 1: House Priority Base Points</b>	
Bedsit	1
High Rise Flat	2
Maisonette	3
Tenement	4
Own Door Flat	5
Cottage	6
Own Door (New Build)	7
Cottage (New Build)	8
Tenement/Flat (New Build)	6
<b>Criteria 2: House Accommodation Base Points</b>	
High Rise Flat	20
Maisonette	21
Tenement	22
Own door flat	24
Cottage	26
Own Door (New Build)	28
Cottage (New Build)	30
Tenement/Flat (New Build)	26
<b>Criteria 3: House Size Base Points</b>	
1 Apartment (Bedsit)	15
2 Apartment	20
3 Apartment	22
4 Apartment	24
5 Apartment	26
6 Apartment	28
7 Apartment	30
The points are converted into a yearly rent by the application of a multiplier, which is set on an annual basis by The Board.	