

Rent Policy**2011 - 2012****Introduction**

This policy and procedures document sets out the principles which Hjaltland adopts in relation to rent setting for all tenure types, and the ways in which these principles are put into practice.

The Association has the aim of setting rents which are affordable within the following definition of Affordability:

Households with one person (head of household or partner) working 16 hours or more should only exceptionally be dependant on housing benefit in order to pay it

The Association has an objective of raising sufficient rental income to meet the following:

Annual Costs;
management of the housing stock (including voids and bad debt)
maintenance of the housing stock (including day to day repairs and planned maintenance)
loan charges and repayments, and

Long term Costs;
provision for future major repairs, renewal and improvement
provision for contingencies.

Target Increase

To ensure the above objective is achieved the Association will set an annual Overall Target Increase on existing rents of Inflation plus 2.00%. The Inflation index is based upon the Retail Price Index for October prior to the date of review. A minimum unit increase of 0.00% is set; this is to ensure that all tenants make some contribution to rent increases. Increases above target may occur where a property has had an improvement in facilities as a consequence of an upgrade.

The Association has an objective of ensuring that similar accommodation by size and type, taking account of locality, have similar rents, and are broadly comparable with relevant rents of other social housing providers.

The Association has an objective of setting rents that are straight forward to assess and update; and are adaptable across tenures. Rents should be known for new projects at an early stage in the development process.

The Association will first estimate rents for the forthcoming year and then consult with tenants of each tenure type on proposed changes to the rent. After consultation the amended rents will be submitted for approval by the Management Committee.

Rent Policy 2011 - 2012

The Association will review the policy regularly and tenant associations will be consulted. Copies of the policy will be made available to tenants, interested parties such as Shetland Islands Council and Communities Scotland, and the general public.

Client Groups

The Association seeks to house the following client groups, which include in management:

- Young single people aged 16 - 21 with appropriate support
- Single people aged 16 - 65 years
- Adult couples living together
- Lone parents with one or more children
- Adult couples with one or more children
- Adult households of 2 or more adults, requiring separate bedrooms
- Elderly people aged 65+ whether single, couple or mixed households
- Households in need of special care, (e.g. people with learning difficulties) who are not mutually exclusive with the client groups above.
- Households in need of special care, living in shared accommodation (e.g. people with learning difficulties; people recovering from drug/alcohol abuse).

Rent Setting Methodology

The Association's rent setting process takes into account the following:

SIZE OF HOUSING STOCK

which includes in management at 31st March 2011,

Secure tenancies (Fair Rent)	13
Secure tenancies	493
Shared-ownership agreements	58

and under development with completion by:

	31 st March 2012	Future years
Secure tenancies	36	12
Shared-ownership agreements	0	0

Rent Policy 2011 - 2012

HOUSE TYPE AND SIZE

No. of occupants	1P	1P	2P	3P	4P	5P	6P	>6p	Total
Apts/Type	1 Apt.	2 Apt.							
House	4	20	31	90	99	61	56	2	363
Flat	3	41	104	46	7				201
Total	7	61	135	136	106	61	56	2	564

LOCATION & ITS AMENITIES

Location & Amenities	Houses
Area 1 (Lerwick, Scalloway, Gulberwick & Tingwall)	399
Area 2 (Excluding above, Sandwick to Brae; Weisdale to Bressay)	49
Area 3 (Rest of mainland Shetland)	86
Remote (Islands except Burra, Trondra & Bressay)	30

PROPERTY AMENITIES

Heating systems
 Energy Efficiency
 Garden (sole use)
 Additional Facilities
 Facilities carrying fixed points

The Rent setting structure is based upon the following elements:

The application of an agreed base rent per rental point the total rental points allocated to each house.

A formula which allocates rental points to each house taking account of:-

Factors

1. Core Factor which reflects the Number of occupants in a house, and
2. Variable Adjustment Factors which amend the number of points according to the location, and amenities of the house.

Minimum and Maximum Rent Increases for Stock in Management

A maximum level of rent increase is set globally and applied to all individual houses in management. This is done to ensure that no tenant

Rent Policy 2011 - 2012

suffers excessively high rent increases, and to ensure that rents for similar houses in an estate remain broadly comparable.

A minimum level of increase on the current year's rent is also set. This is to ensure that all tenants make some contribution to rent increases.

Maximum and minimum levels are considered by the Committee of Management in November when reviewing the Association's Budget for the forthcoming year.

In setting these levels of increase the Committee of Management takes account of:

Its objective of raising sufficient rental income to meet the following:

Annual costs;

Long term costs;

The minimum target increase of inflation plus 2.00%

The continuing affordability of the rents as evidenced by regular SCORE returns, SFHA guidance, and other supplementary information.

When finalising its review of rents in February the Committee of Management takes account of tenant responses to consultation on proposed rents.

Application Of The Rent Setting Formula To Tenure Types And Re-Lets

The tenure types directly affected by the rent setting formula are Scottish Secure Tenancies (referred to as Secure Tenancies) and Shared-Ownership. In addition, Scottish Secure ("Fair Rent") Tenancies [referred to as Secure (Fair Rent) Tenancies] are indirectly affected. The Association will use the formula as a key element in setting rents for supported accommodation group homes.

- Secure Tenancies for houses in management will have rents set according to the formula outlined. The applicable rent will be set on 1 April each year. For properties completed during the year, the applicable rent will be the rent assessed according to the formula. For property under development and due to be completed in a future year, the applicable rent will be the current rent assessed according to the formula and projected forward to the relevant future year using a notional inflation factor. Currently this figure is assumed to be 3%.
- Shared-Ownership properties will have Basic Rents set according to the rent setting formula and its application to Secure Tenancies. The Basic rent is then modified to take account of the different responsibilities which apply to Sharing-Owners and set out in the Occupancy Agreements.

Rent Policy**2011 - 2012**

The applicable basic Secure rent is set for the property. This is then discounted according to Communities Scotland guidance by the amount of Management & Maintenance Allowance (either actual or estimated) ruling for the year. This Secure rent is then modified by the appropriate rent tranche to produce the Basic Rent. A Management Charge (£318 per annum in 2011/12), inclusive of the annual property insurance premium (either actual or estimated), together with any service charges is added to the Basic Rent to produce the total annual Specified Rent charged.

- Supported Accommodation may take a variety of forms regarding the terms under which residents occupy a property. These include:

Tenants with Secure tenancies

Tenants with Short Scottish Secure tenancies

Tenants with Occupancy Agreements

Properties leased to third party organisations, who in turn provide Secure; Short Scottish Secure and Occupancy Agreement Arrangements

Where the Association is in direct landlord/tenant relationship the rent setting methodology is the same as for an Secure Tenancy described above. Where the Association has entered into a Lease arrangement with a third party the Applicable Secure Rent will operate as the starting figure for the rent setting. The rent will then be modified, according to the terms of the lease, and how the apportionment of management; maintenance; insurance and void responsibilities is agreed.

- Secure "Fair Rent" Tenancies rents are set by the Rent Registration Officer. Fair Rents are reviewed every three years, or when major changes have been effected to the property. The Association may apply for an increase in rent in the three months prior to the third anniversary of the registration. The Rent Registration Officer reviews the registered rent, and decides whether to agree with Association's proposed rent, or set a different annual rent.

In proposing an increased rent the Association has to consider any Fair Rents set for comparable properties during the preceding 12 months. These recent registrations will be used by the Rent Registration Officer.

The Association will decide upon its proposed Fair Rent by setting an Secure Rent for the property and comparing this rent with recent, relevant Fair Rent registrations. The comparison will be made by projecting forward the Secure Rent and taking a three year average.

Where the comparable Fair rent is within +/- 5% of the average Secure rent, the Secure rent will be proposed as the new Fair Rent. If the comparable Fair Rent is less than 5% of the average Secure rent then the Association will propose a new Fair Rent of up to 130% of the Fair

Rent Policy 2011 - 2012

Rent then ruling. Where the comparable Fair Rent is more than 5% of the average Secure rent, the comparable Fair Rent will be proposed.

Service Charge Setting

The Association acknowledges the importance of incorporating all accommodation charges within affordability formula. To that end, the terms of setting service charges are included in this document.

The Annual Service Charge is determined according to the following formula:-

(Estimated cost or contracted price +/- under/over recovery + Association Administration Charge) / No. of Properties provided with the Service.

Where specific service charges are prohibitive in the opinion of the Management Committee, the Management Committee will cap or otherwise review that service.

Contract pricing is determined in accordance with the Association's regulations on purchasing and tendering. The Association's administration charge is set to cover the overheads incurred in managing the provision of services.

When finalising its review of rents in January/February the Committee of Management takes account of tenant responses to consultation on proposed rents.

Review Process

The Association will review its rent setting policy and practice annually.

During the year the Management Committee will:

- receive reports on rents set noting problems and/or anomalies encountered.
- incorporate practice and rents into the projected annual Association budget, taking account of positive or negative effects.
- adjust policy and practice to ensure the rents set continue to meet the agreed objectives.

At least once annually, prior to any proposed significant changes to the policy, tenants and formal tenant groups will be invited to comment.

Rent Policy

2011 - 2012

Rent Policy - Factors

Core Factor

1. Possible Occupancy

		Points	
	1 apt 1-person	130	
	2+ apt 1-person	139	
		2-person	153
		3-person	162
		4-person	171
		5-person	180
		6-person	184
		7-person	193
	8-person (5-bed)	207	
Cluster Flat	5 apt 4-person	446	

Adjustment Factors

2. Type of Accommodation

House	0%
Flat	-4%

3. Location

Area 1	30.00%
Area 2	20.00%
Area 3	10.00%
Remote	0.00%

4. Heating System

District	10.00%
Heat Pumps	8.00%
Combined /Oil-fired	7.00%
Electric wet	6.00%
Storage	5.00%
Solid	1.00%

5. Energy Efficiency

SAP rating 81 - 100	0.00%
SAP rating 55 - 80	0.00%
SAP rating less than 55	0.00%

6. Garden

5.00%

7. Additional Facilities

Additional Shower/Bath	0.00%
Conservatory	5.00%

8. Facilities carrying Fixed points

	Points	
Garage	25	
Shed	12	

9. Rental Increase on existing properties (2011/12)

(subject to rounding)

Maximum	7.15%
Target (Inflation + 2.00%)	7.15%
Minimum	0.00%

Rent Policy 2011 - 2012

Viability Statement

Budget 2011/12

	£	£	£
Expenditure			
Administration Costs:	£413,349		
of which, share apportioned to Housing			347,544
Direct Costs			
Service Costs	52,717		
Management	389,435		
Day to Day Repairs	219,317		
Planned Maintenance	642,354	1,303,823	
Loan Interest		£400,162	1,703,985
Surplus/-Deficit to Reserves			71,309
Total			<u>£2,122,838</u>

Funded by:

Secure (Fair Rent) Tenancy		47,266	
Secure Rent Tenancy		1,914,580	
Shared Ownership Specified Rent		126,345	
Service Charges		£57,223	2,145,414
Less Void and Bad Debt			22,576
			<u>£2,122,838</u>

Calculation of Rental Points

Secure Rent		£1,914,580
/ Rental Points during year		115,685
Average Rent per Point		<u>£16.55</u>

Rent Policy

2011 - 2012

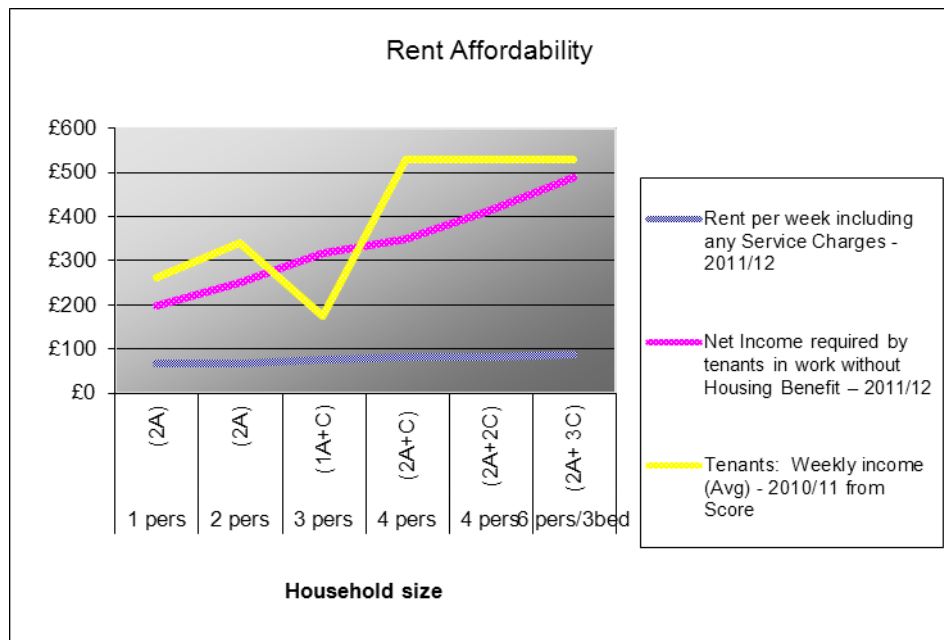
Annual Rent Comparisons – 2011/12

House Size	1Person 1Bedroom	2Person 1Bedroom	3Person 2Bedroom	4Person 2Bedroom	5Person 3Bedroom	6Person 3Bedroom	7Person 4Bedroom
Hjaltland Housing Association Ltd - 1st let this year, std. house type							
Area 1	£3,083	£3,393	£3,834	£4,047	£4,260	£4,355	£4,568
Area 2	£2,853	£3,140	£3,566	£3,764	£3,962	£4,050	£4,248
Area 3	£2,623	£2,887	£3,298	£3,481	£3,664	£3,746	£3,929
Remote	£2,392	£2,633	£3,030	£3,198	£3,366	£3,441	£3,609
Orkney Housing Association Ltd							
Kirkwall	£2,770	£2,968	£3,424	£3,566	£3,645	£3,645	£3,866
Stromness	£2,574	£2,772	£3,228	£3,370	£3,449	£3,449	£3,670
Rural	£2,473	£2,671	£3,127	£3,269	£3,348	£3,348	£3,569
Island	£2,378	£2,576	£3,032	£3,174	£3,253	£3,253	£3,474
Shetland Islands Council							
Main Town - Base	£1,698	£2,259	£2,836		£3,397		£3,957
- Central Heating	£1,868	£2,497	£3,108		£3,736		£4,348
- D/glazed	£1,783	£2,377	£2,972		£3,567		£4,161
- Both	£1,953	£2,616	£3,244		£3,906		£4,552
Rural - Base	£1,614	£2,146	£2,695		£3,227		£3,759
- Central Heating	£1,775	£2,372	£2,953		£3,550		£4,130
- D/glazed	£1,694	£2,259	£2,824		£3,388		£3,953
- Both	£1,855	£2,485	£3,082		£3,711		£4,324

Rent Policy 2011 - 2012

Comparison of Income and Rent Affordability

Lerwick - New Build	House Size					
	1 Bedroom		2 Bedrooms		3 Bedrooms	
Household Size	1 pers	2 pers (2A)	3 pers (1A+C)	4 pers (2A+C) (2A+2C)		6 pers (2A+ 3C)
Rent per week including any Service Charges - 2011/12	£66.70	£69.99	£76.10	£80.26	£80.26	£87.23
Net Income required by tenants in work without Housing Benefit – 2011/12	£199	£249	£317	£349	£413	£489
Tenants: Weekly income (Avg) - 2010/11 from Score	£264	£342	£175	£531	£531	£531



SCORE ¹ : 2010 – 2011			
	Hjaltland	Region	Scotland
Housing Benefit Eligibility Rate for All Households:			
None	72.7%	51.9%	33.2%
Partial	4.5%	10.4%	19.3%
Full	22.7%	37.7%	47.4%
Total households	22	77	11,311
Housing Benefit Eligibility (Fulltime Working Households) Qualifying for HB:			
Fail	0%	10%	16.1%
Pass	100%	90%	83.9%
Total households	12	30	3295

¹ Scottish Continuous Recording System. This system records anonymised information of all Scottish housing association lets and provides information to government, researchers and housing associations.