

Rent Policy 2009 - 2010**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 1.50%. 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.

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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 2009,

| | |
|------------------------------|-----|
| Secure tenancies (Fair Rent) | 14 |
| Secure tenancies | 415 |
| Shared-ownership agreements | 64 |

and under development with completion by:

| | 31 st March 2010 | Future years |
|-----------------------------|-----------------------------------|-----------------|
| Secure tenancies | 22 | 202 |
| Shared-ownership agreements | 0 | 0 |

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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 | 29 | 80 | 81 | 39 | 66 | 2 | 321 |
| Flat | 3 | 41 | 75 | 46 | 7 | | | | 172 |
| Total | 7 | 61 | 104 | 126 | 88 | 39 | 66 | 2 | 493 |

LOCATION & ITS AMENITIES

| Location & Amenities | Houses |
|--|--------|
| Area 1 (Lerwick, Scalloway, Gulberwick & Tingwall) | 346 |
| Area 2 (Excluding above, Sandwick to Brae; Weisdale to Bressay) | 39 |
| Area 3 (Rest of mainland Shetland) | 78 |
| Remote (Islands except Burra & 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

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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 1.50%

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.

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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 2009/10), 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

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the Association will propose a new Fair Rent of up to 130% of the Fair 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 2009 - 2010**Rent Policy - Factors****Core Factor****1. Possible Occupancy**

| | | | | |
|--------------|--------|----------|--------|-----|
| | 1 apt | 1-person | Points | 130 |
| | 2+ apt | 1-person | | 139 |
| | | 2-person | | 153 |
| | | 3-person | | 162 |
| | | 4-person | | 171 |
| | | 5-person | | 180 |
| | | 6-person | | 184 |
| | | 7-person | | 193 |
| 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 91 - 120 | 1.00% |
| SAP rating 61 - 90 | 0.00% |
| SAP rating less than 60 | -1.50% |

6. Garden

5.00%

7. Additional Facilities

| | |
|------------------------|--------|
| Additional Shower/Bath | 0.00% |
| Conservatory | 10.00% |

8. Facilities carrying Fixed points

| | | |
|--------|--------|----|
| Garage | Points | 25 |
| Shed | | 12 |

9. Rental Increase on existing properties (2009/10)

(subject to rounding)

| | |
|----------------------------|-------|
| Maximum | 6.84% |
| Target (Inflation + 1.50%) | 5.70% |
| Minimum | 0.00% |

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Viability Statement

Budget 2009/10

| | £ | £ | £ |
|---|----------------|-----------------|--------------------------|
| Expenditure | | | |
| Administration Costs: | £343,692 | | |
| of which, share apportioned to Housing | | | 290,627 |
| Direct Costs | | | |
| Service Costs | 48,798 | | |
| Management | 301,084 | | |
| Day to Day Repairs | 163,735 | | |
| Planned Maintenance | <u>330,581</u> | 844,197 | |
| Loan Interest | | <u>£298,889</u> | 1,143,086 |
| Surplus/-Deficit to Reserves | | | <u>225,217</u> |
| Total | | | <u><u>£1,669,484</u></u> |

Funded by:

| | | | |
|---------------------------------|----------------|--|--------------------------|
| Secure (Fair Rent) Tenancy | 48804 | | |
| Secure Rent Tenancy | 1462795 | | |
| Shared Ownership Specified Rent | 131566 | | |
| Service Charges | <u>£50,099</u> | | 1,693,264 |
| Less Void and Bad Debt | | | <u>23,780</u> |
| | | | <u><u>£1,669,484</u></u> |

Calculation of Rental Points

| | |
|-----------------------------|----------------------|
| Secure Rent | £1,462,795 |
| / Rental Points during year | 94,070 |
| Average Rent per Point | <u><u>£15.55</u></u> |

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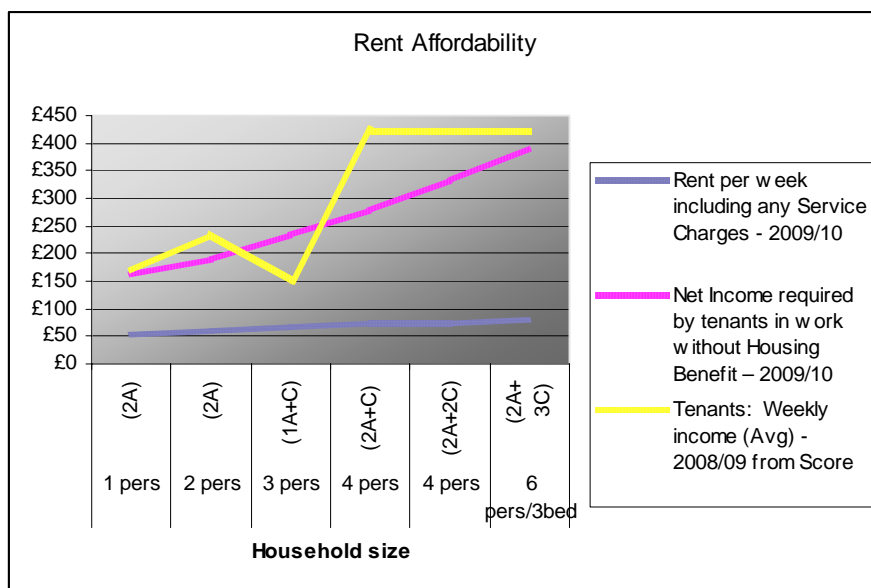
Annual Rent Comparisons – 2009/10

| House Size | 1Person | 2Person | 3Person | 4Person | 5Person | 6Person | 7Person |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 1Bedroom | 1Bedroom | 2Bedroom | 2Bedroom | 3Bedroom | 3Bedroom | 4Bedroom |
| Hjaltland Housing Association Ltd - 1st let this year, std. house type | | | | | | | |
| Area 1 | £3,134 | £3,450 | £3,653 | £3,856 | £4,059 | £4,149 | £4,352 |
| Area 2 | £2,918 | £3,212 | £3,401 | £3,590 | £3,779 | £3,863 | £4,052 |
| Area 3 | £2,702 | £2,974 | £3,149 | £3,324 | £3,499 | £3,577 | £3,752 |
| Remote | £2,486 | £2,736 | £2,897 | £3,058 | £3,219 | £3,291 | £3,452 |
| Orkney Housing Association Ltd, - Average by Apt. | | | | | | | |
| Stromness | £2,422 | £2,608 | £3,038 | £3,171 | £3,246 | £3,246 | £3,453 |
| Rural | £2,327 | £2,514 | £2,943 | £3,076 | £3,151 | £3,151 | £3,359 |
| Island | £2,238 | £2,424 | £2,853 | £2,986 | £3,061 | £3,061 | £3,269 |
| Kirkwall | £2,607 | £2,793 | £3,222 | £3,356 | £3,430 | £3,430 | £3,638 |
| Langstane Housing Association Ltd, Aberdeen | | | | | | | |
| City | £2,961 | £3,197 | £3,493 | £3,612 | £3,937 | £4,263 | £4,441 |
| Rural | £2,368 | £2,558 | £2,795 | £2,889 | £3,150 | £3,411 | £3,553 |
| Shetland Islands Council | | | | | | | |
| Main Town - Base | £1,568 | £2,085 | £2,619 | | £3,136 | | £3,654 |
| - Central Heating | £1,725 | £2,305 | £2,869 | | £3,450 | | £4,014 |
| - D/glazed | £1,646 | £2,195 | £2,744 | | £3,293 | | £3,841 |
| - Both | £1,803 | £2,415 | £2,995 | | £3,606 | | £4,202 |
| Rural - Base | £1,490 | £1,981 | £2,488 | | £2,979 | | £3,470 |
| - Central Heating | £1,639 | £2,190 | £2,726 | | £3,277 | | £3,813 |
| - D/glazed | £1,564 | £2,085 | £2,607 | | £3,128 | | £3,649 |
| - Both | £1,713 | £2,294 | £2,845 | | £3,426 | | £3,992 |

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Comparison of Incomes 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 - 2009/10 | £54.35 | £62.74 | £69.64 | £75.98 | £75.98 | £80.42 |
| Net Income required by tenants in work without Housing Benefit – 2009/10 | £164 | £190 | £236 | £280 | £333 | £392 |
| Average Weekly income - 2008/09 from Score | £172 | £236 | £150 | £423 | £423 | £423 |



| SCORE ¹ : 2008 – 2009 (Draft) | | | |
|---|-----------|--------|----------|
| | Hjaltland | Region | Scotland |
| Housing Benefit Eligibility Rate for All Working Households: | | | |
| Fails | 54.2% | 37.9% | 26.8% |
| Passes | 45.8% | 62.1% | 73.2% |
| <i>Total households</i> | 24 | 66 | 4,562 |
| Housing Benefit Eligibility (Fulltime Working Households) Qualifying for HB: | | | |
| Fails | 42.1% | 29.3% | 21.4% |
| Passes | 57.9% | 70.7% | 78.6% |
| <i>Total households</i> | 19 | 58 | 4,054 |

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.