

KINGDOM HOUSING ASSOCIATION LIMITED

RENT, SERVICES AND OCCUPANCY CHARGES POLICY

1. Introduction

- 1.1 We provide affordable housing for those in need in East Central Scotland. This document sets out how we set our rents, services and occupancy charges and how we try to ensure that these are affordable to our customers.
- 1.2 As part of our overall business strategy, we have adopted a Sustainability Policy. The principles of that policy will be applied to the implementation of this policy.

2. Objectives

- 2.1 The objectives of this policy are intended to ensure:
 - The mechanism for setting rents and occupancy charges generates sufficient income to meet our financial requirements.
 - The rent structure is capable of setting affordable rents for the different type and size of properties in our stock.
 - The mechanism for setting rents and occupancy charges is transparent and is understood by staff, board members and customers.
 - The policy complies with Scottish Government guidance by ensuring that, where possible, rents set by the policy are affordable to those on low incomes and who do not receive housing benefit.

3. Rents and Occupancy Charges

- 3.1 We set charges that take account of affordability, the costs of managing and maintaining our houses, comparability with other social landlords in the area and that enable us to service existing loans and fulfil contractual obligations.
- 3.2 We have a fair system for apportioning rents between individual properties.

4. Service Charges

- 4.1 Service charges are calculated and charged, where applicable, separately from rents and occupancy charges and are calculated on the basis that we aim to be fair and reasonable and we cover the full cost of providing the services to our customers.
- 4.2 The monthly service charges are recognised in the affordability assessment and a brief description as to how the different service charges are calculated is shown in Appendix 4.

5. Rent Setting Categories

- 5.1 Kingdom has a number of tenure types and the rent setting mechanism is different for each type. The tenure and the appropriate rent setting method are detailed overleaf.

5.2 Pre 1989 Tenancies

The number of these properties is diminishing but the rents for these properties are set by the Rent Officer once every 3 years.

5.3 Scottish Secure Tenancies

The rents for these properties are set on the basis of the points system detailed in Appendices 1 and 2. All properties that had Communities Scotland approval prior to 1st April 2003 have their rents set in line with the points system in Appendix 1 and all properties that received approval after 1st April 2003 have their rents set on the basis of the system set out in Appendix 2.

In addition, in an effort to harmonise our rents, all properties that become vacant after April 2009 will have their rents set in accordance with Appendix 2 of our policy. If this results in the new rent being lower than the current rent, we will add discretionary points to ensure there is not a rent reduction.

5.4 Shared Ownership Properties

The method of calculating shared ownership charges is quite complicated and for this reason, we have provided a worked example of the calculation in Appendix 3 of the policy.

5.5 Leased Properties

We will charge commercial rent for all our leased properties and these rents will be set by an independent valuer every 3 years.

5.6 Other Tenures

The charges for James Bank telecottages, 20 and 21 Kishorn Court, Glenrothes, and our lead tenancies are not calculated on the points system but are set on the following basis:

- (i) We take account of the charges being levied by other providers for similar type of accommodation in Fife.
- (ii) A percentage increase is agreed annually by the Committee of Management.
- (iii) Service charges are calculated separately.

5.7 Future Tenures

If we develop new tenures not covered by this policy then the Senior Management team will develop and agree a financially sound method of setting the rents or occupancy charges for the new venture.

6. Points Based System

6.1 The main objective of the points system is to determine a rent for each property. This is done by assessing each property in line with the attributes set out in Appendices 1 and 2 to arrive at a total number of points for the property. This total is then multiplied

by the current value for each point to arrive at a monthly rent for the property.

6.2 Each year through the financial planning process our committee approves a rent increase after consultation with all our customers. The approved percentage is then applied to the value per point and the rents for all our properties are recalculated with the new rate applied.

7. Affordability

7.1 One of our key objectives is to provide good quality, affordable housing to those on low incomes; therefore we take affordability very seriously. Financial viability of the organisation is crucial for our survival and must be at the core of any debate on affordability.

7.2 We will consider the following key factors in our affordability assessments:

- We will take cognisance of the rents charged by the other Housing Associations in Fife.
- We will take account of house purchase costs in Fife.
- Rents should not normally require households with one full-time worker to depend on housing benefit, even with wages at the level of the statutory minimum rate.

7.3 In relation to affordability we will carry out the following:

- We will compare our rents with the other Housing Associations on an annual basis to ensure that they are in line with the levels set by the sector.
- Every three years we will appoint an independent consultant to assess our rents against the affordability criteria set out at 7.2 above.

7.4 The results of the affordability assessment will be presented to Committee before the rent review is finalised.

8. Annual Review of Charges

8.1 Rents and occupancy charges are due on the first day of every month and there are no rent-free periods.

8.2 We will consult with customers and take account of their views before completing the annual review.

8.3 We will review our rents and charges once a year and all customers will receive one month's written notice of any change to their monthly charge.

8.4 The revised charges will apply from 1st April each year.

9. Policy Review

9.1 This policy will be reviewed on a 5 yearly basis from the date of implementation which will be the date the policy is approved by the Committee of Management, or earlier if deemed appropriate.

9.2 The points system will be reviewed on an annual basis prior to rent setting and we will consult our customers on any proposed changes.

APPENDIX 1**Points Used In Rent Setting, Community Scotland Approved (pre 1st April 2003)**

PROPERTY	POINTS
Flat	2
Cottage	6
House	6

GARDEN	POINTS
Communal	1
Private	2

SITUATION	POINTS
Flat	20
Detached	23
Semi-Detached	22
Mid-Terraced	21
End-Terraced	21

PARKING	POINTS
Communal	0
Private	2

CENTRAL HEATING	POINTS
Gas	10
Electric	6
Coal	4

CONDITION	POINTS
Rehab	10
New Build	12

EXCESS AREA POINTS	
Under Area	-2
Over Area	2
None	0

TV RECEPTION	
Customer's Own	0
Common	0
Enhanced Reception Capabilities	1
Common Satellite Reception Capabilities	1

SIZE	POINTS
1 Apartment 1 Person	16
2 Apartment 1 Person	22
2 Apartment 2 Person	24
3 Apartment 2 Person	26
3 Apartment 3 Person	28
3 Apartment 4 Person	30
4 Apartment 4 Person	32
4 Apartment 5 Person	34
4 Apartment 6 Person	36
5 Apartment 4 Person	34
5 Apartment 5 Person	36
5 Apartment 6 Person	38
6 Apartment 4 Person	36
6 Apartment 5 Person	38
6 Apartment 9 Person	46
7 Apartment 7 Person	45

APPENDIX 1

Points Used In Rent Setting, Community Scotland Approved (pre 1st April 2003)

Worked Example

Westbank, Auchtermuchty

Secure Tenancy Based on Appendix 1

<u>Element</u>	<u>Attribute</u>	<u>Points</u>
Condition	New Build	12
Excess Area	None	0
Garden Type	Private Gardening	2
Heating Type	Gas Central Heating	10
Parking	Private Parking	2
Property Type	House	6
Situation	Detached	23
Size	4 Apt 4 Person	32
TV Reception	Individual Loft	0
<u>Total Points</u>		<u>87</u>
Value per point	3.1306	
Rent	87 x 3.1306	<u>£272.36</u>

APPENDIX 2**Points System Calculator, Community Scotland Approved (from 1st April 2003)**

PROPERTY CLASS	Applic Points
Flat (common access)	0
Flat (private access)	4
Maisonette	5
Single Storey Cottage	6
House	6
Town House*	5 or 6
Category Total	
(*Relate to Maisonette or House)	

SITUATION	Applic Points
Flat (common access)	20
Flat (private access)	21
Maisonette/Mid Terrace	22
End Terrace	23
Semi	24
Detached	25
Category Total	

GARDEN/COMMON AMENITIES	Applic Points
None	0
Private Garden	2
Basic Communal	1
Enhanced Communal	2
Category Total	

SIZE	Applic Points
Base points	18
Bedsit	-2
Each single bedroom	4
Each double bedroom	6
Category Total	

CENTRAL HEATING/ HOT WATER	Applic Points
Solid Fuel	4
Electric	6
Gas	10
Category Total	0

PARKING	Applic Points
On street	0
Communal <100%	0
Communal >100%	2
Private	3
Private with car port	4
Private with garage	6
Category Total	

CONDITION	Applic Points
Base points	12
New Build	0
Rehab	-2
Conversion +/- points to be awarded based on comparison with NB standards	
Category Total	

PROPERTY ENHANCEMENTS	Applic Points
Add W/C	1
Add bath/shower room	2
En suite	2
Utility room	2
Separate dining room	4
Sep study/office (small)	4
Sep study/office (large)	6
Sun store/conservatory	4
Category Total	

APPENDIX 2**Points System Calculator, Community Scotland Approved (from 1st April 2003)**

TV RECEPTION	Applic Points
Customer's own	0
Ind/Loft	0
Common	0
Enhanced Reception/Capabilities	1
Common Satellite Reception Capabilities	1
Category Total	

LOCATION	Applic Points
Pressured market area discretionary points to be arranged if applicable	0
Category Total	
OTHER	Applic Points
Discretionary points (+/-) to be agreed by Director	
Category Total	

ENERGY EFFICIENCY	Applic Points
<Target SAP rating	-2
Target SAP rating	0
Enhanced Efficiency	
(discretionary points to be agreed with Director)	
Category Total	

SECURITY	Applic Points
Standard Project including Secure by Design	0
Enhanced Security – burglar alarm	1
Common door entry system	0
Private door entry system	1
Category Total	

APPENDIX 2

Points System Calculator, Community Scotland Approved (from 1st April 2003)

Worked Example

Bowling Green Wynd, Blairhall

Secure Tenancy Based on Appendix 2

<u>Element</u>	<u>Attribute</u>	<u>Points</u>
Condition	New Build	12
Energy Efficiency	Target SAP Rating	0
Garden Type	Private Gardening	2
Heating Type	Gas Central Heating	10
Parking	Communal > 100%	2
Property Enhancement	Additional WC	1
Property Type	House	6
Security	STD inc Secure/Design	0
Situation	New End Terr Value	23
Size	3 Apt 3 Person	28
TV Reception	Individual Loft	0
<u>Total Points</u>		<u>84</u>
Value Per Point	3.1306	
Rent	3.1306 x 84	<u>£262.97</u>

APPENDIX 3 – Shared Ownership Occupancy Charges Calculator

Address: Example

Net Basic Occupancy Charge

Information

73 points @ £3.1306 times 12 months	£2,742.41
Less Maintenance	£475.86
Less Management Fee	£330.14

Net Basic Rent £1,936.41

25% Tranche

Net Basic Occupancy Charge x 75%	£1,452.30
Add Back Management Fee	£303.26
Building Insurance	£85.41
10% Administration Charge on Buildings Insurance	£8.54

Annual Charge £1,849.52

Monthly Charge £154.13

50% Tranche

Net Basic Rent x 50%	£968.20
Add Back Management Fee	£303.26
Buildings Insurance	£85.41
10% Administration Charge on Buildings Insurance	£8.54

Annual Charge £1,365.41

Monthly Charge £113.78

75% Tranche

Net Basic Rent x 25%	£484.10
Add Back Management Fee	£303.26
Buildings Insurance	£85.41
10% Administration Charge on Buildings Insurance	£8.54

Annual Charge £881.31

Monthly Charge £73.44

APPENDIX 4 – Service Charges

The main groups of estate management services we provide are as follows:-

1. Communal Gardening Services.
2. Communal Cleaning Services.
3. Communal Lighting.
4. White Goods, Carpeting and Furniture.
5. Administration on behalf of external factors.
6. 'Factoring' Service for Owner Occupiers .

Communal Gardening

The charges for the gardening contract are calculated by examining the contract cost of each development based on the measurements. The unit cost is then calculated by dividing that cost by the number of properties which have access to the service. We then add a 25% supplement to this amount to help meet the costs of employing the Service Supervisors.

Communal Cleaning

The charges for this service are applied by calculating the unit cost for cleaning over all the properties receiving the service. There are a few exceptions in developments where the stairwells, bin stores and communal areas have proven to need additional cleaning and they have a £1.00 per month additional charge to cover the extra works carried out. These properties are reviewed annually to ensure the circumstances have remained the same. We also add 25% of the cleaning cost for each development to help meet the costs of employing the Services Supervisors.

Communal Lighting

The communal lighting charge is applied to flats with a common entrance and for developments where the site lighting is not adopted by the Council. The communal charge is based on the previous year's expenditure for lighting plus an allowance for inflation. There are two bands of charges applied, one for flats to cover their share of the stair lighting and site lighting and another for the houses for their share of the site lighting.

White Goods

We are now only providing and maintaining white goods for a limited number of properties. We work out a monthly charge for each white good item provided on the basis of the previous year's expenditure, plus an allowance for inflation.

Furnishings

In the few instances where furnishings, carpets or soft furnishings have been provided, the monthly charge is calculated by dividing the total cost of the goods provided by 60 months.

Administration on Behalf of External Factors

The only developments where this is currently applicable are St David's Harbour, Dalgety Bay and Duloch Park, Dunfermline. We are billed in arrears on a quarterly basis therefore we set the future monthly charge based on actual charges for the previous year with the proviso that if anything exceptional arises through the first 6 months, we can amend the rest of the year so that there is not a big balance outstanding. This would also be the case for a reduction in charge.

'Factoring' Service for Kingdom Owner Occupiers

We maintain the developments, provide block building insurance where appropriate, correspond, invoice and collect payments. The charges for Owner Occupiers are calculated on the same basis as all other customers.

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Policy drawn up with reference to:

Reference made to the following sources and other guidance:

Prepared by: Stephen Cairns

Current Policy dated March 2008

Draft 1 Circulated to Keith Stewart, Alan McGuckin, Marlene O'Donnell and Bill Banks for review

Draft 2 to be circulated

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Policy Approved Yes

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