

***Paragon Housing Association Limited***

<b>POLICY:</b>	<b>RENT POLICY</b>
<b>POLICY AREA:</b>	<b>FINANCE</b>
<b>DATE APPROVED:</b>	<b>Original 18/03/98 Annex 18 11/04/01 &amp; 16/04/02</b>
<b>DATE NEXT REVIEW:</b>	<b>MARCH 2010</b>

The Association's rent policy is designed to ensure sufficient income to meet the full range of expenditure while ensuring that the rents charged are affordable to tenants in low paid employment.

Rent comparability studies will be carried out on a regular basis and used as base information for monitoring the Association's rent levels and assessing their affordability. The Association will participate in the Scottish Continuous Recording system run by the Scottish Federation of Housing Association.

Initially the rents charged will be those set by Scottish Homes but early steps will be taken to establish the Association's own points based rent system which reflects the size, type, amenity etc, of the houses.

The Business Plan developed for the Association is based upon a commitment by the Association to contain any rent increase during the first four years of the plan to no more that 1% above inflation. The proposed points based system for setting rent will not effect, in any way, the rent guarantee given to transferring tenants by the Association.

A range of options will be available to tenants for the payment of rent. Access to offices, staff and records will be improved to provide up-to-date information and a counter service.

Rents will be payable monthly in advance, where appropriate, budgeting advice and other arrangements will be provided to tailor payments to individual tenants circumstances. Rent collection will aim to achieve an even better performance.

Rent collection and accounting is looked at as an integral part of the whole housing management process. The arrears control procedures will be sensitive to tenants ability to pay and early action to prevent serious debt will be an essential element on the function. At least one member of staff within Paragon Housing Association will be an officer capable of offering comprehensive benefit advice and the Association's Housing Officers will continue to be trained to deliver this advice where appropriate.

A close working relationship with the unitary authority's Housing Benefits section and Benefits Agency will be established. Information to encourage this liaison will be exchanged and staff contact identified. The aim will be to minimise any tensions and difficulties over claims and payments and maximise any tensions and difficulties over claims and payments and maximise the general 'take up' of benefits and allowances. A service level agreement between the Association and the local authority will be considered.

In determining its Rent Policy, the Association will adopt a forward looking rent policy against which individual rents may be set. Accounts must be taken to secure the financial well being of the Association, whilst allowing provision of a high standard of housing services, which remains affordable to its client group.

### RENT SETTING POLICY

Initially, Paragon Housing Association will adopt Scottish Homes' formula for rent setting but the Management Committee will be reviewing the Policy to adopt a points rent-setting system.

- 1) The first stage on the rent setting policy is to determine the required Rental Income of the Association for the forthcoming year. The small or required rental income should cover all current operational costs of the Association, which include Housing Management, Housing Maintenance, Major Repairs Sinking Fund for Housing Renewals and Replacement, Loan Charges and reserves.
- 2) The second stage in the rent setting policy is to divide the required Rental Income between the different property sizes and types within the Association. The rent structure takes the form of a points system.
- 3) There is the general principle that the same level of rent will be charged for each property of the same type, size and amenity. The points system has property type as the basis, and points are added or subtracted according to the size of the property.

### RENT REVIEW

The rent payable by an assured tenant is subject to an annual review, The review will take into account the actual expenditure of Paragon Housing Association in the previous 12 months and any known or reasonably anticipated changed in expenditure over the next 12 months. The assured tenant will receive at least 28 days notice of any rent increase.

The new Rent Setting and Review Policy aims to be easy to understand, efficient to administer, reasonable to both the tenants and the Association and consistent across the whole Housing Stock.

### PAYMENT OF RENT

Rents will be payable monthly in advance on the 29th of each month.

## **PARAGON HOUSING ASSOCIATION LIMITED**

### **Annex to Policy 18 Rent Policy**

#### **Rent Convergence Policy**

##### **Background**

This annex to the Association's existing Rent Policy is required as a result of the Scottish Executive's Central Heating Grant Policy to be introduced in April 2001 and guidance from Scottish Homes of 24<sup>th</sup> January 2001.

As the Association will be eligible for grant for some of its properties, Scottish Homes requires that a rent convergence policy is submitted for their approval.

##### **Aims**

The guidance from Scottish Homes states that the rent convergence policy will achieve " a convergence of rents (for the properties where heating is being installed with grant aid) to a level of rent charged for similar properties which already have central heating. The additional income will require to be used to meet the costs of maintenance and replacement of the new systems within the 30 year period.

##### **Convergence Policy**

Rent comparisons show that average rents charged for the Associations existing properties with central heating are below those of the stock being acquired from Scottish Homes where there is currently no central heating installed.

The Association currently operates an element of rent pooling for the installation of central heating.

Financial projections relating to the stock transfer show that by applying a 4% increase for the first time installation of central heating does not cover the full costs for initial installation, maintenance and future replacement , however when taken account of in the global business plan these costs are fully met as there is an element of rent pooling.

It is therefore proposed that a one off charge of 4% is applied to all rents where central heating is installed.

The Association fully recognises that the rent structure inherited from Scottish Homes requires to be reviewed to take account of anomalies and issues of affordability and a review has been identified as a requirement in the Association's Internal Management Plan.

Adopted : 11<sup>th</sup> April 2001

## **PARAGON HOUSING ASSOCIATION LIMITED**

### **Annex to Policy 18 Rent Policy – Stirling LSVT**

#### **Rent Convergence Policy**

##### **Background**

This further annex to the Association's existing Rent Policy is required as a result of the Scottish Executive's Central Heating Grant Policy introduced in April 2001, guidance from Scottish Homes of 24<sup>th</sup> January 2001 and in relation to the Large Scale Voluntary Transfer of Scottish Homes stock in the Stirling area in March 2002.

The Association previously submitted rent convergence policy to Scottish Homes as a result of the transfer of properties in Falkirk & Denny area in March 2001. This policy forms the original Annex to Policy 18 rents. This original Rent Convergence Policy was approved by Scottish Homes.

However while the Association will be eligible for grant for some of Stirling LSVT properties, Communities Scotland have stated that they will not accept the original policy on this occasion and a further Rent Convergence Policy is required.

This policy should be read in conjunction with the Supporting Information submitted to Communities Scotland with this policy.

( Given the change in status of Scottish Homes this paper will henceforth refer to Communities Scotland. Where Scottish Homes is used this will refer to the residuary management body which has no responsibility for the administration of the grant.

##### **Aims**

The guidance from Communities Scotland states that the rent convergence policy will achieve " a convergence of rents (for the properties where heating is being installed with grant aid) to a level of rent charged for similar properties which already have central heating. The additional income will require to be used to meet the costs of maintenance and replacement of the new systems within the 30 year period." They also state that "The purpose of making grant available under the Central Heating Initiative is to obviate the need for specific, one-off rent increases"

##### **Convergence Policy**

The Association currently operates an element of rent pooling for the installation of central heating.

Financial projections relating to the stock transfer show that by the application a of 4% increase for the first time installation of central heating does not cover the full costs for initial installation, maintenance and future replacement, however when taken account of in the global business plan these costs are fully met as there is an element of rent pooling.

The Association's standard central heating installation and associated works is to a much higher specification than the standard grant package and this is reflected in the installation costs.

The Association will therefore offer tenants a choice of central heating packages.

### **Opt Out Package**

Where the tenant chooses the opt out package which can be met through grant funding then no one off rent increase will be applied.

When the property is relet after a void period then there will be a one off rent increase of 3%

### **PHA Standard Package**

Where the tenant opts for the PHA Standard Package and there is an increase in the cost to the Association there will be one off rent increase of 4%.

Both options will be open to tenants and clearly explained.

### **Further Rent Issues**

The Association fully recognises that the rent structure inherited from Scottish Homes requires to be reviewed to take account of anomalies and issues of affordability and a review has been identified as a requirement in the Association's Internal Management Plan.

16.04.02