KEY
Housing Strategic Plan 2020-25
Appendix 3
Housing Revenue Plan, Affordability & Value for Money

Housing Revenue Plan

Rent levels are reviewed annually as part of an overall budgeting cycle in line with the aims Key's Rent Policy, which is to balance viability, affordability and comparability.

A base rent figure for a single bedroom property is calculated from the overall expenditure required to manage and maintain Key's properties. From this baseline a 5% premium is added to the rent for each additional bedroom. Larger shared properties (typically shared by non-related adults) have individually tailored rent levels to reflect the additional input and costs associated with this provision, particularly if such properties as registered as Houses in Multiple Occupation. Rent levels for the small number of properties which have been purchased reflect the level of private finance repayment which is required.

Service charges are also applied to meet the costs of additional provision where this is made and examples of such include the provision of furnishings and garden maintenance. Key adopts the principle of full cost recovery for these charges.

We also lease over 80 properties from a range of landlords, and our management costs are recovered through the application of an additional charge

In tenancies where Key (or Community Lifestyles) provides support, charges are levied for the provision of intensive housing management services and additional property related costs associated with the provision of support. A relief fund is in place for tenants to meet these costs due to non-entitlement to housing benefits.

This housing revenue plan is also supported by two complementary policies

Firstly, an arrears policy and procedures set out the process of alerting tenants to outstanding payments at an early stage, to prevent major arrears arising. As a general commentary the levels of arrears in Key are comparatively very low.

Secondly our allocations and voids procedures have been developed in recognition that vacancies in supported accommodation are subject to nominations from social work departments. Accordingly, timescales for re-letting can be protracted and, on this basis, local authorities are informed of the requirement to minimise void periods and are asked to meet void rent costs where the property has been or is likely to be empty after 8 weeks. If this is not possible consideration is given to our support services meeting these excess rent losses.

Affordability and Value for Money

The consideration of rent affordability in Key is a complex area as the majority of our housing is allocated as specialist housing with support and, by its very nature, incurs significant additional costs in relation to management and maintenance.

On this basis, in recent years, we have consciously sought to identify the particular additional costs associated with our specialist provision and now meet these costs through separate intensive housing management charges which are on levied on our supported housing. It has been agreed with the Scottish Housing Regulator that we do not include these elements in returns when considering the comparative data for core rent levels

As a related theme, a significant proportion of our rental income is currently met from housing benefit (over 90% of tenants are in receipt of full/partial benefit), which is a direct consequence of our core tenant group.

This approach has led to a clear identification of core rent levels which are charged when properties are let to tenants who do not require support and Key has just over one hundred properties allocated on an unsupported basis with fewer than five such lets per year. The identification of these core rent levels allows a more transparent comparison of our rent levels with other Registered Social Landlords.

Our analysis concluded that Key's core rents are set at a moderately higher than those of comparable landlords and the main drivers for this are the relatively small scale of our operation and the associated extremely wide geographic spread of our stock in very small pockets throughout the country. Our unsupported accommodation is concentrated in a small number of local authority areas.

During the period of the previous Strategic Plan we conducted out a detailed analysis of rent affordability which was based on

- A comparison of our core rent levels (as charged to unsupported tenants) against the proposed Local Housing Allowance (LHA) levels which (at that time) were intended as the cap on future benefits assistance for unsupported tenancies.

- An analysis of rent levels on a geographic basis against relevant other landlords, using SHR data. This was undertaken in those areas with a meaningful number of unsupported tenancies in our stock and was also been used to compare rents with other 'specialist' landlords who provide supported housing

- Using the updated SFHA affordability tool, which seeks to assess the affordability of rent levels based on geographic area, size of property and nature of occupation/tenancy. This tool shows the percentage of a typical disposal income taken up by housing costs and highlights that if this exceeds 30% this is a significant affordability concern.

In summary, this review evidenced that our supported housing rents were not excessive (and indeed were lower) when compared against the small number of other landlords with high proportions of supported housing.

The review also concluded that our core rent levels, our fundamental indicator of affordability as applicable to unsupported tenants, were broadly affordable in terms of the proposed LHA cap but only marginally.

It was also clear, however, that these rents compared unfavourably with unsupported housing provided by 'mainstream' landlords and this was particularly heightened in some geographic areas.

It was also concluded that affordability is more of an issue in smaller sized properties, with rents for Key's one-bedroom properties being relatively higher than others. Conversely Key's rents for larger properties appear to be comparatively lower.

In the longer term further work on affordability and the wider issue of value for money will continue and it is proposed that this will include the following actions:

1. As an overall approach, Key will actively manage any future rent increases with a clear target to ensure that increases are lower than those introduced by other landlords. Over a period of years, if successfully implemented, this approach will assist with comparative affordability. This target has been achieved each year from 2017 and further analysis of the position will be carried out during the period of this Strategic Plan, in order to gauge progress and recalibrate where our core rents for unsupported housing compare with others.

2. To consider value for money issues by involving tenants in reviewing how landlords give value for money in these core service delivery areas. The My Home Group is well placed to become involved in this area and a specific objective for the period of this Strategic Plan will be to jointly develop and refine a process to gauge the value for money of our housing services.