



POLICY FOR TENANTS' RIGHT TO COMPENSATION FOR IMPROVEMENT SCHEME

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For details contact the Association on 0141 578 0200 or e-mail: admin@hillheadhousing.org

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admin@hillheadhousing.org

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HILLHEAD HOUSING ASSOCIATION 2000

POLICY FOR TENANTS' RIGHT TO COMPENSATION FOR IMPROVEMENT SCHEME

1. INTRODUCTION

The Housing (Scotland) Act 2001 introduced the tenant's Right to Compensation for Improvements from 30 September 2002. The legal reference is the Scottish Secure Tenants (Compensation for Improvements) Regulations 2002 (Scottish Statutory Instrument 2002/312). This gives tenants the right to receive compensation for certain works (or qualifying improvements) carried out by them during the course of the tenancy. Details of qualifying improvements are provided at Appendix 1. These improvements must have received written permission from the Association and should have been carried out on or after 30 September 2002.

2. MAIN COMPONENTS OF THE SCHEME

The tenant must have written consent from the Property Services Team prior to making the improvement. The Property Services Agent and Property Services Co-ordinator has discretion to grant retrospective consent on an ex-gratia basis.

The improvement must have been started after Hillhead Housing Association became Landlord. As a tenant that forms part of a stock transfer, documentary evidence will require to be submitted by the tenant detailing the previous landlord's permission to carry out the alteration.

The improvement must be a qualifying one in terms of the list at Appendix 1.

Compensation can only be paid at the end of the tenancy, when the house is vacated by all qualifying tenants. Details of the scheme will be included in the tenant's handbook.

3. QUALIFYING TENANTS

In order to qualify for compensation for improvements, the person must be either:

- The tenant who carried out the qualifying improvement work
- A tenant of a joint tenancy which existed at the time the work was carried out
- A tenant who succeeded to the tenancy on the death of the tenant who carried out the work and the tenancy did not cease to be a Scottish Secure tenancy on the succession

In the event of a mutual exchange, if the outgoing tenant has undertaken an improvement which would qualify for compensation and both tenants sign a new missive, then compensation can be made for the former tenant's improvement. The tenant coming into the improved house can be charged the higher rent in line with the Association's rental policy.

In the case of assignation of tenancy, the house must be vacated by the tenant claiming compensation before it will be considered.

It is assumed that in the case of a joint tenancy, the right to compensation will be resolved between those who jointly qualify for compensation, at the time they join or leave the joint tenancy. If one joint tenant cannot be traced when compensation falls to be paid, the full amount of compensation due should be paid to the remaining joint tenant(s). It is for the absent tenant to recover his or her share from those to whom it was paid.

4. QUALIFYING CONDITIONS

In order to qualify for compensation for improvements, the tenant must comply with the following conditions:

- The tenant must have the written consent of the Association prior to the work being carried out, using the Association's Alterations and Improvements policy and proforma as proof of permission
- The tenancy must have ended
- The maximum compensation payable will be £4,000 for each improvement

5. EXCEPTIONS

Tenants will not qualify for compensation under the scheme if:

- They exercise their Right to Buy
- The tenancy is terminated because the Association has obtained a Court Order to repossess the house on any of the grounds specified in Part 1 of Schedule 2 of the Housing Scotland Act 2001
- The calculated amount of compensation is less than £100
- Where the qualifying tenant has been granted a new tenancy, whether alone or jointly of the same property, e.g. from a single to a joint tenancy; joint to single, or as a result of a name change at marriage/divorce etc. In these circumstances, compensation would only be paid at the end of the tenancy when the house is vacated
- The qualifying tenant or successor has already received compensation for their improvement
- The qualifying tenant abandons his/her tenancy
- The tenancy has been transferred to another registered social landlord, for example via a (voluntary) Transfer of Engagements

Granting retrospective consent, for an improvement completed prior to the Association acquiring the stock, does NOT make the improvement a qualifying one.

The Association will explain the policy to tenants when they terminate their tenancy.

6. DISPUTES

If the tenant is not satisfied with the compensation calculation or any of the decisions made by the Property Services Agent and or Co-ordinator this will be treated as a formal complaint and the Complaints Policy will be followed.

7. FUNDING

Any costs arising from this policy will be met from the Association's Reactive Maintenance budget. It should be noted that the Association will have costs offset in part by savings on work which it may have undertaken, but which has been done by the tenant, and also in part by potential rent increases for improved properties.

8. MONITORING

The Association intends to monitor the implementation of the scheme. This is outlined in the Association's procedures.

9. REVIEW PERIOD

The Property Services Agent will be responsible for ensuring that this policy is reviewed every 3 years or sooner to ensure that the Association complies with up-to-date legislation and guidance from The Scottish Government.

HILLHEAD HOUSING ASSOCIATION 2000

TENANTS' RIGHT TO COMPENSATION FOR IMPROVEMENTS

PROCEDURES

1. RESPONSIBILITY

The Association recognises that overall responsibility for the effective implementation lies with the Director; however, the day to day operation is the responsibility of the Property Services Team.

2. MAKING A CLAIM

The Association's Housing/Property Services staff will advise the tenant of their right to compensation at the end of the tenancy. See Appendix 2. Details of the scheme will be included in the Tenant's Handbook.

To qualify for compensation, a tenant must submit a claim in writing during the stipulated period, from 28 days before until 21 days after the tenancy ends. A copy of the claim is attached at Appendix 3. The claim must contain sufficient information for the Association's Property Services staff to calculate the amount of compensation entitlement; however, it is good management practice to obtain this information at the time consent is given for the improvement.

To qualify, the Association will require the following information:

- the name of the tenant(s) and the address of the property
- a description of EACH of the improvements for which a claim is being made
- the start and completion date of each improvement and the total cost of each improvement (excluding the tenant's own labour costs and appliances such as cookers and fridges)
- invoices or receipts regarding the improvements carried out
- details of any costs not borne by the tenant, i.e. any grant received from the Association, any public body, or any other source
- the tenant must also produce a letter from the Association granting permission for the improvement to be carried out

VAT will be excluded from any calculation for compensation.

Tenants will be asked to provide receipts to support a claim for compensation; however, the Association should have obtained this information at the time of consenting to the improvement. In the absence of any receipts, the tenant should be asked to provide an estimate of the original cost (excluding the tenants' own labour).

The Property Services Agent and/or Co-ordinator must assess the reasonableness of any cost or estimated cost claimed by the tenant. The amount of compensation can be reduced if it is considered that the original cost is excessive in comparison to what the Association could have expected to pay to have the work done, or if the improvement is of a higher quality than the Association would usually expect to install.

This assessment must also take into account that the tenant would not have the benefit of any contract costs or economies of scale available to the Association. Compensation may also be reduced or increased depending on the condition of the improvement when the tenancy ends.

If no receipts or invoices are available, the Property Services Agent and/or Co-ordinator are required to make a reasonable decision as to whether or not the work was undertaken by a qualified contractor.

3. CALCULATING COMPENSATION

Compensation will be calculated in accordance with the formula laid down in paragraph 5 of the Scottish Secure Tenants (Compensation for Improvements) Regulations 2002.

This calculation takes the original cost of the improvement and discounts its value in line with the projected notional life of the improvement. This means that the value of the improvement falls as time passes and therefore the level of compensation payable decreases.

The calculation will exclude:

- any costs attributed to the tenant's own labour
- any grants received by the tenant toward the cost of the improvement
- the cost of any professional fees paid
- the cost of obtaining Planning Consent or consent under the Building Regulations
- VAT paid

The basis for calculating compensation will be the tenant's original cost, discounted over the notional life of the improvement that has lapsed since the improvement was completed. The Property Services Agent and or Co-ordinator can also deduct a notional amount for excessive wear and tear or could increase compensation if the condition of the improvement is noticeably better than could be expected.

Any grants received by the tenant will be deducted from the cost of the improvement before the calculation of compensation.

Depreciation for the elapsed time since installation of the improvement will be calculated on the straight line method. Part years will be counted as full years. The formula to be used is expressed:

$$\text{Where } C \times \frac{(1 - Y)}{N}$$

C = the eligible cost of the improvement (excluding grants etc.)

N = the notional life of the improvement (as per Appendix 1)

Y = the number of years (inc. part years) that have elapsed since the Improvement was completed.

In the event that the tenant owes the Association money, for example, for unpaid rent or rechargeable repairs, then such sums will be deducted from the compensation due.

The lower financial limit of compensation for any one improvement has been set at £100. This is applied to the amount payable, after the calculation, i.e. if the result of this process is less than £100, compensation is not payable.

The upper financial limit of compensation for any one improvement has been set at £4,000. If the amount payable after the calculation is more than £4,000, the Association is not required to pay amounts in excess of this figure. The Property Services Agent must discuss the payment of such sums with the Management Committee.

In making an offer of compensation, the Property Services Agent and or Co-ordinator are required to state how the figure was calculated. This must include details of any deductions (or supplements) made and how the offer may have been affected by the upper or lower limits. Having calculated the compensation payable, the Property Services Agent and or Co-ordinator is entitled to apply this to any amounts owing to the Association by the tenant, e.g. for rent arrears or rechargeable repairs. Any remaining balance after all deductions are made will then be paid to the tenant.

4. PAYMENT

Payment should be made to the qualifying person(s). In the case of there being more than one qualifying person but one of them cannot be traced, a claim may be made, and compensation paid, to the other qualifying person(s). The "absent" qualifying person(s) shall have the right to recover from those who have been paid, his/her share of any compensation paid and he/she will have no further claim against the Association. Payment will normally be made within 28 days of full information being available.

5. RENT

If the improvement for which reimbursement has been made is a substantial one, the Housing Manager and Property Services Agent should establish whether the rent for the house should be reviewed, for the subsequent tenant. It should be noted that only those improvements which increase the rental points of the property as a result of an increase in the Gross Annual Value will increase the rent for the incoming tenants.

6. DISPUTES

The Policy will be followed in the event of any disputes and complaints.

7. MONITORING & REPORTING

The Association intends to monitor the implementation of the scheme. This will be by way of an annual report covering:

- a) the level of claims received
- b) the types of improvements undertaken
- c) the amount of compensation paid

- d) the number and outcome of any appeals made against compensation decisions

Arrangements will be made to record the above information.

APPENDIX 1

List of Improvements	Notional Life in Years
1. Bathroom replacements/installations:	
- fixed bath or shower facilities	12
- wash-hand basin	12
- toilet facilities	12
- storage cupboards in bathroom	10
2. Kitchen unit replacements/installations:	
- storage cupboards in kitchen	10
- kitchen sink (including base unit)	10
- work surfaces for food preparation	10
3. Central Heating replacements/installations:	
- provision of thermostatic radiator valves	7
- space or water heating	12
4. Window replacement:	
- double and secondary glazing provision	20
- draught proofing	8
5. External door replacement	20
draught proofing of external doors	8
6. Rewiring and the provision of power, lighting & other electrical improvements	15
7. Energy efficiency	
- loft insulation	20
- cavity wall insulation	20
- sound insulation	20
- insulation of pipework, hot and cold water tank or cylinder	10
8. Electrical	
- Smoke detectors including wiring and fixtures	20
- Installation of mechanical ventilation in bathrooms and kitchens	7
9. Security measures, excluding burglar alarm systems	10

APPENDIX 2
(To be issued with Termination of tenancy documents)

If you have obtained permission from the Association to install any of the undernoted improvements in your home since becoming an Association tenant, you may be entitled to compensation. You must submit your claim in writing to the Association within the period starting 28 days before and ending 21 days after your tenancy end date. A claim form will then be forwarded to you to make formal application for compensation.

LIST OF IMPROVEMENTS

Refer to Appendix 1

APPENDIX 3

**COMPENSATION CLAIM FOR TENANTS' IMPROVEMENT SCHEME
(VOLUNTARY SCHEME)**

1. Name of Tenant(s)

.....
.....

2. Address of property being vacated

.....
.....

3. Improvement(s) for which you are claiming:

<u>Improvement</u>	<u>Date Work Commenced</u>	<u>Date Work Completed</u>	<u>Cost (£)</u>
(i)
(ii).....
(iii).....

4. Provide details of any grant(s) from the Home Energy Efficiency Scheme or any other party that you have received for the improvement work(s)

5. Have you previously applied for, or received, compensation for this improvement from your landlord? If so, when and what amount was received?

6. On what date does your tenancy end?

7. Which address would you like payment to be sent?
(If different from address at Item 2.)

Claims should be forwarded to: Hillhead Housing Association 2000, 2 Meiklehill Road, Hillhead, Kirkintilloch, G66 2LA

NOTES TO ASSIST YOU IN COMPLETING THE FORM

1. When providing details and receipts for the cost of work you can include materials and employed labour, **but not** the cost of your own labour or appliances installed. Relevant invoices should be attached to this claim form as applicable; otherwise you must provide an estimated breakdown of costs. Estimates supplied will be scrutinised by the Property Services Agent and or Co-ordinator to determine whether the estimates represented value for money.
2. You are not eligible for this compensation if you are exercising your Right to Buy.
3. You are not eligible for this compensation if your improvement was started before the Association owned the property.
4. You must make your claim within 21 days of your tenancy ending.