

## Rent Setting Policy

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## Scottish Social Housing Charter Relevant Standards and Outcomes

STANDARD	OUTCOME
<p><b>Section: Getting good value from rents and service charges</b></p> <p><b>13.</b> Value for money</p> <p>Social landlords manage all aspects of their businesses so that:</p> <ul style="list-style-type: none"> <li><i>tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.</i></li> </ul> <p><b>14</b> Rents and service charges <b>and</b> <b>15</b> Social landlords set rents and service charges in consultation with their tenants and other customers so that:-</p> <ul style="list-style-type: none"> <li><i>a balance is struck between the level of services provided, the cost of the services and how far current and prospective tenants and service users can afford them.</i></li> <li><i>tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.</i></li> </ul>	<p>This outcome covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; giving better value for money by increasing the quality of service with minimum extra cost to tenants, owners and other customers in setting rents and service charges; and in monitoring and reviewing how landlords give value for money.</p> <p>These <b>outcomes</b> reflect a landlord's legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford; and the importance that many tenants place on being able to find out how their money is spent. For local councils, this includes meeting the Scottish Government's guidance on housing revenue accounts. Each landlord must decide, in discussion with tenants and other customers, whether to publish information about expenditure above a particular level, and in what form and detail. What matters is that discussions take place and the decisions made reflect the views of tenants and other customers.</p>

## Scottish Housing Regulator – Relevant Standards of Governance and Financial Management and Guidance

STANDARD	GUIDANCE
<p><b>1</b> The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.</p>	<p><b>1.1</b> The governing body sets the RSL's strategic direction. It agrees and oversees the organisations' business plan to achieve its purpose and intended outcomes for its tenants and other service users.</p>
<p><b>3</b> The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.</p>	<p><b>3.3</b> The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.</p> <p><b>3.4</b> The governing body ensures financial forecasts are based on appropriate and reasonable assumptions and information, including information about what tenants can afford to pay and feedback from consultation with tenants on rent increases.</p>

# **RENT SETTING POLICY**

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# RENT SETTING POLICY

## 1. INTRODUCTION

- 1.1 The Association is responsible for setting rents and service charges for a range of properties let on a variety of Tenancy and Lease Agreements. It is also responsible for applying rents on properties managed by the Association on behalf of one other registered social landlord. This policy sets out the arrangements for rent and service charge setting that apply to the various categories of property. Definitions of terminology used throughout this policy can be found in **Appendix 1**.

## 2. POLICY OBJECTIVES

The principle aims of this policy are as follows:-

- 2.1 Cost covering: To ensure that rents charged will raise sufficient revenue to meet the Association's current costs and future costs as identified in [our thirty-year Financial Plan](#). The particular costs to be met from our rental stream include:-
- Staff costs and overheads in respect of the management of properties and their maintenance
  - Reactive (day-to-day) repairs
  - Cyclical maintenance – electrical testing, external painting, ground maintenance
  - Planned maintenance – kitchens, windows, doors, bathrooms, heating and other renewable components
  - Major repairs – any significant planned or unplanned repairs to maintain properties to our required standards
  - Loan charges and repayments
  - Insurances
  - Provisions for voids
  - Provisions for bad debts arising from non-payment of rent or other charges
  - Contingencies and risk management items which are detailed in our Business Plans.
- 2.2 Comparability: To set rents which are comparable across the range of the Association's property assets for similar properties in terms of size, quality and type.
- To set rents for the Association's social rented properties which are comparable with the average rents of other similar social housing providers and, in particular, with the average rents of other Registered Social Landlords within the Association's Peer Group.
- 2.3 Affordability: To set rents for the Association's social rented properties which,

as far as possible, meet the affordability measurement criteria set out within the Scottish Federation of Housing Associations (SFHA)' "Guide to Rent Setting and Affordability Tool (2020)". This tool (updated November 2022) uses different types of income for household types and proposed rents to calculate five key measures of affordability:

- Percentage of income
- Percentage of market rent
- Percentage of Local Housing Allowance rate
- Income after rent
- Income after rent above minimum standard

The tool also allows users to see how the rent and affordability measures compare to other social landlords in their area. A range of income types and household sizes can be used to test rents against. Household incomes are calculated using the evidence-based methods developed by the Joseph Rowntree Foundation.

Other costs such as council tax can also be included in the affordability calculations within the tool and the inclusion of average Universal Credit payments aims to help assess the impact of welfare reform on tenants and consider the impact of proposed rent increases in detail.

The Minimum Income Standards calculations embedded in the SFHA tool may not fully reflect the disproportionately high costs of living in remote, rural areas. Internal affordability assessments are therefore adjusted to take into account the increased cost of living when using the measure of 'income after rent above minimum standard'. Weightings applied are based on estimates from [Loughborough University Centre for Research in Social Policy who calculate Minimum Income Standards and created a new calculation specific to remote rural Scotland in 2016.](#)

- 2.4 Accountability: To operate a rent setting methodology which is broadly consistent, easily understood and which can be justified to tenants, sharing owners, funders and satisfies the requirements of The Scottish Housing Regulator. Tenants will be able to receive details of how the rents for their property has been calculated when communications are sent to explain any proposed rent increase.

### **3. PROPERTY TYPES**

- 3.1 The Association's own affordable social rented housing properties have largely been constructed since 1985 but also include some properties purchased "off the shelf". All of the properties are in a good state of repair and aim to meet the Scottish Housing Quality Standard. The Association recognises that construction techniques and improved building standards mean that tenants in New Build properties may experience overall lower housing costs than tenants in older properties.
- 3.2 The Association's properties are able to be grouped into five "types" and are further defined by "size" categories, and "build type".

- 3.3 With the exception of upper floor flats, the Association's properties are largely capable of being used for general needs, elderly needs and by most special needs client groups. The Association has a policy of adapting its existing properties to meet specialist needs when required. The Rent Setting Policy does **not** differentiate by client groups, except in the case of properties leased to external organisations under item 4 of this Policy.
- 3.4 The Association has housing properties which provide non-self-contained bedspaces for clients with special needs. The rents for these properties were established at the date of Practical Completion and they are not included within our Standard Rents. However, rent levels are adjusted annually in accordance with the percentage adjustment to Standard Rents.
- 3.5 The Association also currently has shared ownership properties. The rents for these properties were established at the date of Practical Completion in accordance with the Shared Ownership Procedures Guide and they are not included within our Standard Rents. However, rent levels are adjusted annually in accordance with the percentage adjustment to Standard Rents.

#### **4. LEASED PROPERTIES**

- 4.1 The Association may lease HAG-funded properties to external organisations for a range of purposes including: temporary accommodation to prevent homelessness as agreed with the local authority; staff accommodation for individuals providing care to Association tenants with special needs; staff accommodation for individuals working in health care; safe accommodation for domestic abuse survivors; or other accommodation deemed appropriate by the Association. The rentals charged under any such leases will be set and adjusted at a rate agreed by the Board.
- 4.2 The Association currently has five non HAG-funded leased properties:

<b><u>Address</u></b>	<b><u>Tenant</u></b>
5 Station Road, Kyle	Living Hope
Tigh an Oisein, Portree	Donald Rankin, Accountancy
Technical Services Store Yard, Portree	Shiel Buses
1 Duncan MacPherson Court, Kyle	Highland Strength Studio
2 Duncan MacPherson Court, Kyle	Craig Campbell Optician

The lease rental charged for these properties is established on a Valuation and Agreement basis.

#### **5. MANAGED PROPERTIES**

- 5.1 The Association currently manages properties on behalf of Link Group, a Registered Social Landlord. A Management Agreements is in place which

specify the rents to be charged and the rent review arrangements. It is the Association's responsibility to administer these rents and to remit the amounts due to Link Group which owns the properties.

## **6. CLIENT GROUPS**

- 6.1 The Association provides housing for a wide range of client groups including single people, couples and families.
- 6.2 In addition to providing housing for general needs tenants and sharing owners, the Association also provides accommodation for a range of tenants with special needs including individuals with learning difficulties, mental health issues and wheelchair users. Where care is provided to these client groups, some elements may be subject to care charges levied by care providers. The Association does not directly provide care to any of the special needs client groups.
- 6.3 The Association operates on the basis of "open" housing and transfer lists through the [Highland Housing Register Allocations Policy](#) which is designed to ensure equal opportunities for all those seeking housing within the area. Properties are allocated in a manner that is sensitive to the individual needs of the applicants and priority is given on the basis of housing need.

## **7. RENT SETTING METHODOLOGY**

- 7.1 There is no legal framework which housing associations (or local authority) rents must adhere to. However, rent levels have to strike a balance between the viability of the Association, affordability for tenants and the quality, impact and range of services provided. In the annual rent setting exercise, the Association must also consider any policy or political framework which directly intervenes in rent setting levels.
- 7.2 Whilst different criteria for affordability have been used for the last 30 years or more, and no official criteria exists, the Association has always been committed to ensuring, as far as possible, that our rents can be afforded by people in low paid work. This can be achieved by keeping rent levels as low as possible whilst also ensuring that tenants' overall housing costs are reduced through the provision of good quality housing and other services such as energy advice and tenant advice that can have an impact on maximising tenant incomes and reducing their costs.
- 7.3 The Association has adopted a formula for rent setting for its social rented properties which takes a base rent and varies it according to the characteristics of property size, type to produce "Standard Rents" for all house types. In adopting this approach, the Association has agreed a base rent for a one-person, two apartment common entrance flat as a starting point and varied the rent for different properties by application of the following percentages which are "weighted" to reflect their size and type, as follows:-



1 person/2 apartment	Base rent
2 person/2 apartment	+ 13%
3 person/3 apartment	+ 18%
4 person/3 apartment	+ 22%
4 person/4 apartment	+ 28%
5 person/4 apartment	+ 34%
5 person/5 apartment	+ 35%
6 person/4 apartment	+ 36%
6 person/5 apartment	+ 37%
7 person/5 apartment	+ 38%
7 person/6 apartment	+ 39%
8 person/5 apartment	+ 40%
Plus	
Common Entrance Flat as base rent	
Cottage Flat	+ 4%
Terraced House	+ 5%
Semi-Detached House	+ 6%
Detached House	+ 10%

#### Rent Calculation

Base rent : £----- Size Multiplier : x 35%  
Type Multiplier : x 10%

£----- x 1.45 = £-----

**TOTAL RENT** = **£-----**

A Standard Rent Table is produced by this methodology and published annually.

- 7.4 For new build properties, there will be a premium added to this total rent within the allowable limits of the Scottish Government appraisal rents for each new development.

## **8. SERVICE AND OTHER CHARGES**

- 8.1 In addition to rental charges, some tenants and sharing owners are liable for other charges in relation to their occupancy of Association properties, as follows:-

Service Charges - charges are applied in respect of communal electricity for lighting/satellite systems/door entry systems/and for communal cleaning of flatted properties to maintain properties to a high standard. Charges are also applied for any flatted development which has no external drying facilities and therefore have access to internal washer/dryer white goods. Maintenance of hard/soft landscaped communal areas is chargeable where provided for flatted developments. The charges applicable to each property should be listed clearly in the Tenancy Agreement.

Management Charges - applicable only to sharing owners and designed to

recover the costs of administering mutual expenses such as insurances, etc.

- 8.2 The Association separately identifies the costs of these services and sets charges which meet these costs on an annual basis. On average, these charges generally amount to less than 2.5% of the gross rent receivable and consequently they are discounted from consideration within the rent setting process. These charges do not generate additional income. Allocating costs to 'rents' or to 'service charges' will have an effect on how much different tenants pay, but does not affect the overall income of the organisation. The Regulator has been clear that a service charge should only be levied at the actual cost of the service being provided so that it cannot be a source of additional income to the organisation.
- 8.3 These charges are recovered in different ways depending on the occupancy type:
- Tenants: collected separately from rent charge. Some services charges can be covered by Housing Benefit.
  - Owners (shared): collected separately from the occupancy charge and/or when a property is sold.
  - Owners (outright): collected through invoicing annually.
  - Leased (HAG funded properties): collected separately from rent charge.

## **9. RENT COMPARISONS**

- 9.1 The Association measures the comparability of its rents with those of other similar social housing providers by using the information published by The Scottish Housing Regulator in "Scottish Registered Social Landlord Statistics".
- 9.2 The Association will publish annually an analysis of Standard Rents against the average weekly secure rents for Registered Social Landlords within our Peer Group.
- 9.3 Management will provide an annual report to the Board outlining how the Associations' rents compare to the Peer Group rents at 9.2, and performance against the comparability benchmark at detailed at item 2.2.

## **10. ANNUAL REVIEW**

- 10.1 With the exception of the Association's non HAG funded leased properties all rents are reviewed annually and will be adjusted at a rate agreed by the Board. The new rates will apply from 1 April of the following year. The minimum increase to be applied in any one year will be 1%. Tenants will receive at least four weeks written notice of any rent/service charge increase.
- 10.2 Existing Shared Ownership rents are adjusted on 1 April each year in accordance with the rate of adjustment for rented properties. In addition to rent, sharing owners will be charged a Management Fee of £10 per month to carry out the services detailed in the Exclusive Occupancy Agreement.
- 10.3 Following the annual review of service charges, any increase related to the

actual cost of the service provided will also be applied from 1 April.

## **11. CONSULTATION**

- 11.1 The Association is committed to consulting with tenants and sharing owners as part of its annual rent setting process.
- 11.2 Prior to agreeing any increase in rent levels for its social rented properties, the Board will have regard to any representations received from tenants as a result of a consultation exercise on proposed rent increases conducted under the terms of section 25(a) of the Housing (Scotland) Act 2001. Any appeals relating to the calculation of rent will be dealt with as part of the tenant consultation exercise. Complaints are also assessed for any records relating to rent costs and value for money where lessons can be learned.

## **12. GENERAL DATA PROTECTION REGULATION**

- 12.1 The Association will treat your personal data in line with our obligations under the current data protection regulations and our own policies and procedures.
- 12.2 Information regarding how your data will be used and the basis for processing your data is provided in the Association's Privacy Policy.

## **13. POLICY REVIEW**

- 13.1 This document will be reviewed by the Board or Sub-Committee set up for that purpose in accordance with the requirements of the Association's Register of Policies and Procedures.
  - 13.2 The review frequency will be every five years unless there is a significant change in legislation, which requires amendments sooner.
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**Terminology Definitions**

**Business plan**: A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period.

**Rent structure**: The way in which rents for individual properties are arrived at.

**Rent setting**: The process a social landlord goes through to decide what rents will be for a specified financial period.

**Value for money**: Value for money is about obtaining the maximum benefit with the resources available.