

Rent Setting Policy

2021/2022

Service: Finance Services	Date	Staff
Version Number: 7		
Approved by: The Board	???	N/A
Effective From:	???	N/A
Next Review Date:	11/2021	CE
Revision Number:		
Revision Date:	N/A	N/A
Posted on Intranet:	???	PA
Posted on Website:	???	CSM
Publicity Material issued:	N/A	N/A
Handbook(s) updated:	N/A	N/A
Document Register updated:	???	PA
Previous Version archived:	???	PA
SSHC: Charter Standards and Outcomes:	13, 14 & 15	
SHR: Standards of Governance and Financial Management	1.1, 3.3 & 3.4	

Scottish Social Housing Charter Relevant Standards and Outcomes

STANDARD	OUTCOME
<p>Section: Getting good value from rents and service charges</p> <p>13. Value for money</p> <p>Social landlords manage all aspects of their businesses so that:</p> <ul style="list-style-type: none"> • <i>tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.</i> <p>14 Rents and service charges and 15 Social landlords set rents and service charges in consultation with their tenants and other customers so that:-</p> <ul style="list-style-type: none"> • <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> • <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> 	<p>This standard 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; and involving tenants and other customers in monitoring and reviewing how landlords give value for money.</p> <p>These outcomes 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>1 The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.</p>	<p>1.1 The governing body sets the RSL's strategic direction. It agrees and oversees the organisation's business plan to achieve its purpose and intended outcomes for its tenants and other service users.</p>
<p>3 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>3.3 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>3.4 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

CONTENTS

1. INTRODUCTION
 2. POLICY OBJECTIVES
 3. PROPERTY TYPES
 4. LEASED PROPERTIES
 5. MANAGED PROPERTIES
 6. CLIENT GROUPS
 7. RENT SETTING METHODOLOGY
 8. SERVICE AND OTHER CHARGES
 9. RENT COMPARISONS
 10. ANNUAL REVIEW
 11. CONSULTATION
 12. GENERAL DATA PROTECTION REGULATION
 13. POLICY REVIEW
- APPENDIX 1 - Standard Rent Table for 2021/2022
- APPENDIX 2 - Average Weekly Secure Rents for Registered Social Landlords within our Peer Group 2019/2020

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 other landlords. This policy sets out the arrangements for rent and service charge setting that apply to the various categories of property.

2. POLICY OBJECTIVES

- 2.1 The principle aims of this policy are as follows:-
- 2.1.1 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 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
- 2.1.2 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.
- 2.1.3 To set rents 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.
- 2.1.4 To set rents which, as far as possible, meet the affordability measurement criteria set out within the Scottish Federation of Housing Associations' "Guide to Rent Setting and Affordability Tool (2019)".

- 2.1.5 To operate a rent setting methodology which is consistent, easily understood and which can be justified to tenants, sharing owners, funders and The Scottish Housing Regulator.

3. PROPERTY TYPES

- 3.1 The Association's own affordable social rented housing properties have largely been constructed since 1985 but also includes some properties purchased "off the shelf". All of the properties are in a good state of repair and meet the Scottish Housing Quality Standard. The Association has no "difficult-to-let" properties. Consequently, the Rent Setting Policy is **not** required to differentiate between housing stock of varying quality and "Standard Rents" are able to be applied.
- 3.2 The properties are able to be grouped into 5 "types" and are further defined by "size" categories.
- 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.
- 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 currently leases HAG-funded properties to The Highland Council for temporary accommodation in accordance with the Homelessness arrangements which have been agreed by both organisations. Other HAG-funded properties are leased to Key Housing to provide staff accommodation for individuals providing care to Association tenants with special needs and several properties are leased to NHS Highland for similar purposes. A single property is also let to Skye and Lochalsh Women's Aid. The lease rentals charged for all these properties are in line with the Association's Standard Rents.
- 4.2 The Association has 4 non HAG-funded leased properties as follows:-

Address	Tenant
5 Station Road, Kyle	Living Hope
Tigh an Oisein, Portree	Donald Rankin, Accountancy
Technical Services Store Yard, Portree	Shiel Buses

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 The Highlands Small Communities Housing Trust, Highlands & Islands Enterprise, Link Housing Association and the National Trust for Scotland. Individual Management Agreements are in place with each organisation 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 (less our costs and charges) to the individual organisations which own 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 and, currently, no policy or political framework which directly intervenes in rent levels. 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.
- 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' 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 which takes a base rent and varies it according to the characteristics of property size and 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%

7.4 Rent Calculation

Base rent	:	£-----	Size Multiplier	:	x 35%
Type Multiplier	:	x 10%			
£-----	x 1.45	=	£-----		
TOTAL RENT	=	£-----			

The Standard Rent Table for 2020/2021 produced by this methodology is attached as **Appendix 1**.

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
- 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.

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”. The most recent year for which information has been published is 2019/2020.

9.2 **Appendix 2** is an analysis of the average weekly Secure rents for Registered Social Landlords within our Peer Group.

9.3 The Table indicates that the Association’s rents are set at levels which are towards the lower levels of rent being set by the Peer Group.

10. ANNUAL REVIEW

10.1 With the exception of the Association’s leased properties all rents are reviewed annually and will be adjusted at a rate equivalent to the Consumer Price Index (from the “September” figure) plus **one** per cent. This will result in an increase of 1.5% from 1 April 2021. The new rates will apply from 1 April 2021. The minimum increase to be applied in any one year will be 1%.

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 £120 per annum.

10.3 Following the annual review of service charges, these will be increased in line with the increase in rents from 1 April.

11. CONSULTATION

11.1 The Association is committed to consulting with tenants, sharing owners and other stakeholders on its Rent Setting Policy and will undertake a consultation

exercise annually.

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.
-

DRAFT

BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LTD
LOCHALSH AND SKYE HOUSING ASSOCIATION

STANDARD RENTS 2021/2022										
	Common Entrance Flat		Cottage Flat		Terraced House		Semi-detached House		Detached House	
	0%		4%		5%		6%		10%	
	P.A,	P.M.	P.A,	P.M.	P.A,	P.M.	P.A,	P.M.	P.A,	P.M.
1 person/ 2 apt	£3,451.44	£287.62	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2 person/ 2 apt	£3,900.27	£325.02	£4,038.56	£336.55	£4,072.60	£339.38	£4,106.66	£342.22	£4,244.68	£353.72
3 person/ 3 apt	£4,072.60	£339.38	£4,210.86	£350.90	£4,244.68	£353.72	£4,278.74	£356.56	£4,416.98	£368.08
4 person/ 3 apt	£4,210.86	£350.90	£4,348.86	£362.41	£4,382.94	£365.24	£4,416.98	£368.08	£4,555.25	£379.60
4 person/ 4 apt	£4,416.98	£368.08	£4,555.25	£379.60	£4,589.06	£382.42	£4,625.65	£385.47	£4,761.39	£396.78
5 person/ 4 apt	N/A	N/A	£4,763.16	£396.93	£4,797.70	£399.81	£4,831.78	£402.65	£4,970.03	£414.17
5 person/ 5 apt	N/A	N/A	N/A	N/A	£4,832.01	£402.67	£4,866.51	£405.54	£5,004.58	£417.05
6 person/ 4 apt	N/A	N/A	£4,831.80	£402.65	£4,866.52	£405.54	£4,899.64	£408.30	£5,037.91	£419.83
6 person/ 5 apt	N/A	N/A	N/A	N/A	£4,901.04	£408.42	£4,935.55	£411.30	£5,073.61	£422.80
7 person/ 5 apt	N/A	N/A	N/A	N/A	£4,935.55	£411.30	£4,970.08	£414.17	£5,108.14	£425.68
7 person/ 6 apt	N/A	N/A	N/A	N/A	£4,970.07	£414.17	£5,004.58	£417.05	£5,142.64	£428.55
8 person/ 5 apt	N/A	N/A	N/A	N/A	£5,004.58	£417.05	£5,039.10	£419.92	£5,177.15	£431.43
8 person/ 6 apt	N/A	N/A	N/A	N/A	£5,039.10	£419.92	£5,073.61	£422.80	£5,211.67	£434.31
8 person/ 7 apt	N/A	N/A	N/A	N/A	£5,073.61	£422.80	£5,108.12	£425.68	£5,246.18	£437.18
8 person/ 8 apt	N/A	N/A	N/A	N/A	£5,108.12	£425.68	£5,142.64	£428.55	£5,280.70	£440.06

Buidheann Tigheadas Loch Aillse agus an Eilein Sgitheanaich
Lochalsh Skye Housing Association
ANNUAL RETURN ON THE CHARTER - PEER GROUP REPORT 2019/2020

Appendix 2

Landlord Name	Total Number of Homes	Average weekly rent increase	2 Apt - Average weekly rent	3 Apt - Average weekly rent	4 Apt - Average weekly rent	5+ Apt - Average weekly rent
Scotland average	Not available	Not available	£78.65	£82.26	£89.76	£98.69
Albyn Housing Society Ltd	3235	2.7%	£59.45	£77.03	£86.66	£97.03
Lochalsh & Skye Housing Association	706	2.7%	£73.22	£79.58	£87.80	£93.20
Clydesdale Housing Association Ltd	743	2.7%	£76.27	£81.62	£89.52	£105.98
Dunbritton Housing Association Ltd	829	1.5%	£78.05	£83.41	£89.51	£96.03
East Lothian Housing Association Ltd	1305	3.2%	£87.16	£97.15	£106.87	£119.05
Eildon Housing Association Ltd	2435	2.5%	£79.11	£92.18	£98.96	£109.10
Forth Housing Association Ltd	857	2.1%	£72.86	£81.37	£88.92	£94.89
Fyne Homes	1559	2.4%	£79.23	£91.80	£104.37	£116.26
Hjaltland Housing Association Ltd	730	2.2%	£85.81	£93.92	£98.75	£110.40
Homes for Life Housing Partnership	274	2.3%	£80.05	£91.44	£98.64	--
Lochaber Housing Association Ltd	693	2.9%	£76.98	£90.05	£98.50	£105.33
Loreburn Housing Association Ltd	2382	3.0%	£83.11	£89.15	£108.89	£106.33
Orkney Housing Association Ltd	804	2.4%	£81.39	£89.67	£95.96	£104.34
* Osprey Housing Ltd	1045	2.2%	£91.42	£98.72	£117.21	£130.21
** Osprey Housing Moray	565	2.2%	£73.11	£88.24	£96.97	£108.28
Pentland Housing Association Ltd	484	3.1%	£64.07	£73.97	£91.65	£104.32
Rural Stirling Housing Association Ltd	602	2.4%	£74.95	£85.24	£92.47	£98.79
West Highland Housing Association Ltd	793	2.5%	£82.48	£95.17	£103.97	£121.89
The Highland Council	14,177	3.0%	£69.41	£76.30	£85.20	£94.60

* formerly Aberdeenshire Housing Partnership

** formerly The Moray Housing Partnership Ltd