



## **RENT SETTING POLICY**

**Policy Classification: Strategic**

**Status: Approved**

<b>Policy Lead:</b>	Director of Housing & Care Services
<b>Date Approved:</b>	December 2011
<b>Last Review Date:</b>	December 2011
<b>Review Due Date:</b>	December 2014
<b>Review Period:</b>	3 years unless required earlier due to changes in the law, regulation, best practice or requirement of the Association

## REFERENCE PAGE

<b>Document Title:</b>	Rent Setting Policy
<b>Aim:</b>	
<b>Objective:</b>	Choose an item.
<b>Scope of Policy:</b>	Choose an item.
<b>Nominated Officer:</b>	
<b>Approval Source:</b>	Choose an item.
<b>Legal and Regulatory References:</b>	
<b>Procedural References:</b>	
<b>Consultation Completed:</b>	Choose an item.
<b>Risk Implications:</b>	Choose an item.
<b>Equalities Assessment:</b>	All Eildon policies and key documents are developed with the clear objective of ensuring that they do not discriminate against any person and have negative impacts for equality groups. We will always welcome comments on the impact of a policy on particular groups of people in respect of, but not limited to, age, disability, gender reassignment, race, religion, sex or sexual orientation, being pregnant or on maternity leave and children's rights and wellbeing.
<b>Accessibility:</b>	Accessible electronically/online and in print. All documents can be translated and made available in audio, braille and large print versions upon request.

## SCOPE OF THE POLICY

This is a comprehensive rent setting policy for all of the Association's housing stock. The vast majority of the Association's tenancies are Scottish Secure Tenancies, with a decreasing number of rents being subject to Rent Registration and under 10 % of the stock occupied by sharing owners. A small number of properties provide shared accommodation or have elements of shared facilities, where the service is registered with the Care Inspectorate (SCSWIS). A small number of properties are leased to voluntary organisations, other housing association, or the local authority – the latter providing temporary accommodation for people who are homeless.

This policy includes all Association property with the exception of that which is commercially rented i.e. shops and offices. Garages which are leased independent of a tenancy also come under the scope of this policy. This statement incorporates the Association's policy on viability, affordability, comparability, and monitoring and evaluation of the policy. Property which may be subject to a nominations agreement will also be covered by the general thrust of the policy, albeit there may be specific clauses in such agreements which take precedence (eg in relation to Borders General Hospital 'residences' stock transfer).

## OBJECTIVES OF THE RENT POLICY

The policy takes full account of viability, affordability and comparability. The setting of rents takes account of the business needs, current and future, in relation to the provisions set out below.

- The income from basic rents must meet the costs of

Housing Management services.

- Voids and bad debts.
  - Repairs and Maintenance including cyclical maintenance and provisions for
  - Future maintenance.
  - Provision for future major repairs and renewals.
  - Loan repayments. (actual costs)
  - Building and other necessary insurances
  - Staffing except for services which are funded outwith the rental income stream.
- The Association aims to charge similar rents for similar sizes and types of property throughout its housing stock.
  - The rent setting policy and structure and the resulting income stream is an important factor for the raising of private finance to complement grant funding for new developments. The specific rents which will be applicable to completed

properties, as required by this policy, need not necessarily be those used for grant submission purposes providing the Association, its lenders and the Scottish Housing Regulator can be assured of the financial prudence of any alternative methodology.

The Association is committed to fixing 'affordable rents' in line with the SFHA definition of affordability which is as set out below (and which is currently under review).

*'That a member of the household working 35 hours per week or more should have an income which allows the rent to be paid without reliance on Housing Benefit if you are in full-time employment you should not need Housing Benefit to be able to afford your rent.'*

The Association aims to set rents at levels affordable to those in employment, or who may be seeking employment at income levels such that they will not qualify for Housing Benefit assistance.

- The Association is committed to the development of objective measures of monitoring the affordability of its rents, and to regular evaluation of the relationship between rent levels and affordability as defined in this policy.
- The Association aims to charge rents which represent value for money and which are broadly comparable to similar landlords) including those operating in Scottish Borders.

## **RENT SETTING STRUCTURE**

The Association has adopted a formula system for determining rents. This establishes a base rent for a single person flat, with a separate bedroom, built or rehabilitated to the Association's performance standards. The base rent is then varied by application of the formula detailed below, which 'weights' the rent up or down to reflect the variations in size, type or property characteristics.

**FORMULA TO BE APPLIED**

<b>Base Rent:</b>	<b>Single Person Flat to Full Standards</b>
<b>Criteria</b>	<b>% Variation from Base Rent</b>
<b><i>Size of house</i></b>	
1 person	as base
2 person	+10%
3 person	+17%
4 person	+23%
5 person	+28%
6 person	+33%
(each additional bed space	+ 5%
<b><i>Number of bedrooms</i></b>	
1 bedroom	as base
2 bedrooms	+ 5%
3 bedrooms	+10%
(each additional bedroom	+ 5%)
<b><i>Type of house</i></b>	
Flat	as base
Terraced/Semi-detached	+5%
Detached	+10%
<b><i>Amenity</i></b>	
Garage	+10%
Car Port	+4%
Provision of own driveway parking – unless already being charged for provision of car port	+4%
Conservatory/Sun space	+5%
Otherwise below Association overall standards. This will apply in very limited instances eg studio flats.	-7.5%
Flats with own front door – not off shared stair	+4%
Provision of additional w.c.	+3%
Provision additional shower room with shower	+4%
Provision of separate dining room	+4%
New homes into management 2012 onwards, covered by 2010 Building Regulations	+3%
New homes covered by 2013 Building Regulations	+5%
New homes covered by 2016 Building Regulations	+7%
Absence of external drying facilities	-3%
Provision of lifts in new build	Costs to be apportioned over all homes in new development with this provision.

**Example:** A 3 person, 2 bedroomed house attracts a rent calculated as:-  
Base Rent + (17% + 5% +5%).

## **BASE RENT AND MATRICES**

In addition to the basic rent, in most developments, Association tenants pay a service charge to cover the actual costs, and associated administration, of services provided to the property or development, e.g. landscape maintenance, common lighting housing. These charges must be taken into account when considering both comparable rents and affordability.

## **SETTING SERVICE CHARGES**

In keeping with the overall rent policy objectives, in setting service charges the Association must be satisfied that:

- the income from service charges meets the costs of services delivered;
- the charges reflect the actual cost, including administration of the service;
- The charges represent value for money.

The service charge for each development shall be considered in relation to the income and expenditure. Some charges will have an uneven spend pattern eg replacement of furniture and equipment.

## **SHARED OWNERSHIP RENT SETTING**

### **SHARED OWNERSHIP HOMES**

In setting occupancy charges for shared ownership properties the Association applies the same principles as for rented properties. This requires that sharing owners in similar sized properties will pay the same occupancy charge (rent) irrespective of location.

- The rent for a shared ownership property will be set as follows:
- Identify the full rent for the size and type of property from the rent matrix for the relevant year, to establish the annual rent.
- From this sum, deduct an annual amount for maintenance, equivalent to the notional allowance level set by Scottish Government inflated by the RPI. This is in recognition of the fact that Sharing Owners are responsible for carrying out all maintenance
- Further deduct an annual amount for management, equivalent to the notional allowance level set by Scottish Government. This yields the base rent for rent setting purposes.

- To calculate gross rents for shared ownership, 25%, 50% or 75% of this base figure is established
- The management allowance figure is then added to the resulting figure to give the annual payment due by the sharing owner. This figure incorporates a property insurance premium.
  - No reduction is made to the management allowance in view of particular management costs associated with shared ownership which cannot be recovered elsewhere, e.g. to deal with re-sales or buybacks.
  - In certain situations it will also be necessary to charge a service charge, most commonly for maintenance of landscaped areas. This arises where the properties are included in a mixed tenure development. The annual cost will be recovered with the rent, or through issue of an annual invoice, under a factoring arrangement.
  - Where blocks of flats are provided for shared ownership, the Association may act as Factor as long as it retains majority ownership in any one block. A factoring fee will be charged for this service and recovered with the occupancy charge, or through issue of invoices.

## **FACTORING**

For shared ownership / shared equity or homes sold under RTB where communal services are provided a factoring fee will be charged for this service and recovered with the occupancy charge, or through issue of invoices.

## **REGISTERED RENTS**

The proposed rents for fair rent properties (ie those let before January 2 1989) will comprise a basic rent and service charge. The basic rent will be fixed by taking the matrix rent equivalent for the same size and type of property in the same development and applying an increase of the average of RPI + 1% over three years, using the RPI prevailing at the time of submitting the proposed rent to the Rent Service Scotland for agreement.

Service charges will be included in the proposed rent at the rate for equivalent Scottish secure tenants in the same development at the time of submission. These charges will be variable and will be increased as necessary, once per annum, and in line with increases for assured tenants in the development.

Where property previously subject to a fair rent is to be re-let the rent will be revised and set in line with the rent matrix.

## **LEASED AND SHARED ACCOMMODATION**

### **Leased accommodation**

The Association works in partnership with other housing associations and voluntary organisations where appropriate to enable suitable housing to be matched with care and support which will enable individuals with particular needs to live in integrated housing provision in the community. In some instances the property is leased to a partner organisation. This arrangement also applies to accommodation which is leased to the local authority for the provision of temporary 'homeless' accommodation. In such instances the rent will be established using the rent matrix, with appropriate clauses included in the lease agreement to reflect any particular arrangements with regard to repairing or making good obligations.

### **MID-MARKET RENTS**

Mid-market rents will be determined by reference to the prevailing Scottish Government Guidance and the Local Housing Allowances.

### **ANNUAL RENT INCREASES**

Rents will be reviewed annually on 1 April, with proposals submitted to the Board for approval prior to consultation. Review proposals will require a careful balancing of business viability, future strategy requirements, affordability and the economic environment. Proposals will generally be based on inflation (RPI plus 1%), using the RPI figures for October each year, as announced in mid-November. Tenants will be consulted on any proposed changes and subsequently given a minimum of 4 weeks' notice of the intended increase. A negative RPI will not lead to a reduction in rents.

The Association continues to address variations in rents resulting from the previous rent setting mechanisms and is working towards harmonising all rents with the rent matrix. To achieve this, rents which are presently below the matrix figure will be subject to annual increases of RPI plus an additional uplift agreed by the Board, taking account of business requirements and affordability.

### **CONSULTATION**

The requirements of Section 25(4) of the Housing (Scotland) Act 2001 are as follows

"Where the landlord under a Scottish Secure Tenancy proposes to increase the rents or any other charges payable by all, or any class of, its tenants it must, before giving notice under sub-section (1)

- a) consult those of its tenants who would be affected by the proposal, and
- b) Have regard to the views expressed by those consulted.

## **COMPARABILITY**

An examination of rents for similar landlords –primarily housing associations will be carried out annually and the results provided to the Board of Management when consideration is being given to rental increases for the following financial year.

## **AFFORDABILITY**

The SFHA affordability measure, currently under review, is:

- For a rent to be affordable, a member of the household working 35 hours per week or more should have income which allows the rent to be paid without reliance on Housing Benefit (ie if you are in full-time employment you should not need Housing Benefit to be able to afford your rent.)

Annually using SCORE data the Association will review its rental policy in terms of affordability

## **MONITORING**

On an annual basis the Association will provide to the Board of Management income profile information for household types housed in the preceding year through SCORE analysis.

In line with the policy the Board will review the rent policy statement and structure each year and approve subject to consultation.

## **REVIEW**

This policy should be reviewed within three years unless required earlier due to changes in the law, regulation, best practice or requirements of the Association.