

RENT SETTING POLICY

Classification: Strategic

Status: Approved

Policy Lead:	Director of Community Services
Last Review Date:	November 2023
Review Due Date:	November 2025
Review Period:	2 years unless required earlier due to changes in the law, regulation, best practice, or requirement of the Association

REFERENCE PAGE

Document Title:	Rent Setting Policy
Aim:	This policy details how we set rents and, where applicable, service charges across our social rented properties. This includes properties we lease to other organisations and occupancy changes within our shared ownership properties. Garages which are leased independent of a tenancy also come under the scope of this policy.
Objective:	3 The Eildon Group will ensure the delivery of high quality, responsive and affordable housing and support services
Scope of Policy:	All stakeholders
Nominated Officer:	Director of Community Services
Approval Source:	Board
Legal & Regulatory References:	<ul style="list-style-type: none"> • Housing (Scotland) Act 1984 • Housing (Scotland) Act 2001 • Housing (Scotland) Act 2010 • Housing (Scotland) Act 2014 <p>Reference made to the Scottish Social Housing Charter</p>
Procedural References:	<p>This policy has been considered alongside other Eildon policies including:</p> <ul style="list-style-type: none"> • Treasury Management Policy • Factoring Policy • Repair and Maintenance Policy • Void Policy • Rent Management Policy • Property Asset Management Strategy
Consultation Completed:	<p>A significant review of the Rent Setting Policy was undertaken in 2021, with the next review due to take place by December 2024. However following advice from our Auditors, a change has been made to rent setting within our supported housing developments which will impact new tenancies created from 1 April 2024. A full policy review involving key stakeholders will be undertaken in 2025.</p>
Risk Implications:	1- Existing policy, minimal change
Equalities Assessment:	All Eildon policies and key documents are developed with the clear objective of ensuring that they do not discriminate against

	<p>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.</p>
<p>Accessibility:</p>	<p>Accessible electronically/online and in print. All documents can be translated and made available in audio, braille, and large print versions upon request.</p>

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1. SCOPE OF THE POLICY

This policy details how we set rents and, where applicable, service charges across our social rented properties including sheltered and extra care housing (referenced in this policy as “supported housing”); properties we lease to other organisations; and occupancy charges within our shared ownership properties.

The policy aims to generate sufficient rental income to cover the costs of managing and maintaining Eildon’s properties, carry out future planned improvements and maintenance (including improvements required to meet safety standards and carbon reduction and energy efficiency measures) and to provide a quality and affordable service to tenants, therefore ensuring our long-term viability.

Garages which are leased independent of a tenancy also come under the scope of this policy.

The policy objectives are detailed below. The rent setting matrix detailing the specific mechanisms by which we set social tenancy rents is set out in Appendix One.

2. OBJECTIVES OF THE RENT SETTING POLICY

The overall objective of the policy is to provide a fair and transparent method of calculating rent charges which ensures income generated is sufficient to meet Eildon’s current and future business needs.

The objectives of this policy are to ensure:

- Rents and charges maintain the financial viability of Eildon including investment to improve and modernise our homes, and in building new homes.
- Rent charged reflects the rent characteristics of the property and that the method of calculating rent is consistent, transparent, and easy to understand.
- Rent levels are comparable within our overall stock and to that of other similar housing providers.
- Where possible, rents are affordable to those on low incomes and who do not receive benefits towards their housing costs.
- We will use available inflation measures to assess inflation.

This rent setting policy and matrix, and the resulting income stream, is an important factor for the raising of private finance to complement Scottish Government grant funding for new developments. The level of rent which will be applicable to completed properties may not be the same rent level for similar existing properties as rents will be set as part of the new build development viability process.

3. COSTS TO BE COVERED

3.1 Basic Rents

The income received from basic rents is used to fund the following costs:

- **Housing management costs** – costs associated with managing all aspects of the housing service including related staff involved in the delivery of this service.
- **Maintenance costs** – costs associated with undertaking day to day repairs of properties.
- **Communal Repairs and Maintenance (supported housing only)** – costs associated with the repair and maintenance of shared communal areas within our supported housing developments. This includes structural repairs, lift replacement, and upgrading of communal kitchens.
- **Major repairs and renewals** – costs associated with planned maintenance and replacement of components within properties such as kitchens, heating systems and windows. This includes the amounts required to bring properties up to new standards, such as those for energy efficiency set by the Scottish Government. Also costs associated with major repair and replacement of lifts within general needs developments.
- **Voids and bad debts** – an amount we put in place to cover for lost income due to empty properties/voids or rents being unrecoverable such as former tenant arrears.
- **Loan charges** – costs associated with servicing loans taken out by us to fund the building of homes.
- **Insurances** – costs associated with building, public liability, and other insurance.

The Communal Repairs and Maintenance rent characteristic (see Appendix One) is a new charge for tenancies in sheltered and extra care housing created from 1 April 2024. This includes existing tenants who transfer from one Eildon property to another. This charge has been created to ensure we have sufficient income to invest and modernise our building infrastructure, and to meet the increased legal and regulatory requirements associated with providing supported housing for vulnerable people.

3.2 Service Charges

Across our supported housing developments, some leased and other properties we apply service charges. These charges will vary based on the design, size and facilities provided.

Within supported housing, service charges cover the actual cost of providing and maintaining the interior of our communal areas i.e., furniture within lounges and floor coverings in communal areas, servicing and maintenance of safety and security systems including lifts, and services out with the property i.e., grounds maintenance and window cleaning, and associated administration costs. This includes some costs

relating to local staff in place within our supported housing who deliver enhanced housing management activities.

In addition, service charges may be applied across social housing properties where a lift is provided; where we provide services within the property such as white goods and furniture, and where a “heat with rent” service is provided. Charges will vary across developments based on the local service arrangements.

Where we provide a meal service a separate charge will be applied to cover the cost of providing meals and any related staff costs.

In setting service charges, we will seek to fully recover the costs of providing these additional services. However as with rent charge setting, we will ensure our service charges are consistent, transparent, and easy to understand, and where possible, are affordable to those on low incomes and who do not receive benefits towards their housing costs.

In 2017 a comprehensive review of service charges was undertaken with the aim of ensuring income levels for each of our supported housing developments achieved full cost recovery. This resulted in a significant increase in charges across some locations which the Board agreed would only apply to new tenancies commencing from April 2018. Service charges for tenancies created before April 2018 are reviewed annually based on inflationary levels.

4. SHARED OWNERSHIP RENT SETTING

In setting occupancy charges for shared ownership properties Eildon applies the same principles as for social 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 to cover inflation. 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, Eildon may act as Factor if it retains majority ownership in any one block. A factoring fee will be charged for this service and recovered with the rent charge, or through issue of invoices.

5. FAIR RENTS

Eildon still has a small number of tenants with regulated tenancies. These are tenancies which started before 2 January 1989 – secure tenants of a Housing Association whose tenancy was converted to a Scottish Secure Tenancy in September 2002. Fair rents are set by the Rents Registration Service every 3 years to conform with the requirements of the Rent (Scotland) Act 1984.

The service is completely independent of Eildon. However, when making Fair Rent submissions, at re-registration we will make the application to the Rent Officer to apply the rents based on the rent settings mechanism as outlined in Appendix One.

6. LEASED PROPERTIES

Leased properties are properties that we own and lease to Scottish Borders Council, other RSLs, a social care provider or a charitable organisation.

Most rents for leased properties will be established using the rent setting matrix, with appropriate clauses included in the lease agreement to reflect any particular arrangements with regard to repairing or making good obligations.

Occasionally we will negotiate a different rent setting structure where we are seeking to lease a cluster of properties. Rent setting will take account of the purpose of the lease and use of properties, market rents, and local comparability.

The rents for leased properties will be uplifted each year by the same percentage as applied to our social rented properties, unless a different review process has been agreed within the lease. We will also add all costs we incur in terms of renewing leases and applying for House in Multiple Occupation (HMO) licences where these are required.

7. COMPARABILITY

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

8. AFFORDABILITY

One of our key objectives is to ensure our rents are affordable to those on low incomes and who do not receive benefits towards their housing costs. We fully appreciate and understand that affordability can be subjective and for individuals, perception of affordability can be influenced by a range of factors.

In assessing the affordability of our properties, we will consider a number of factors to understand levels of affordability across our tenants:

- We will use the Scottish Federation of Housing Association's Affordability Tool. This tests if our rents meet the recommended affordability level of 30% of all income which includes benefits.
- We will compare our rents to those charged by local and comparable registered social landlords.
- We will compare our rents against the Local Housing Allowance and with average market rents in the private rented sector.
- We will seek to carry out affordability assessments, including gathering household income, as part of our annual rent review process, our annual satisfaction surveys and as part of our management of tenancy related debt.
- We will survey new tenants at post allocation visits carried out within eight weeks of the tenancy starting.
- We will gather feedback from applicants who refuse offers of tenancies.
- We will consider the reasons provided by former tenants who terminate their tenancy.

9. REVIEW OF CHARGES AND CONSULTATION

Reviewing proposed increases will require a careful balancing of business viability, future strategy requirements, affordability, and the economic environment.

We will use available inflation measures to assess inflation across a range of cost indicators which affect how Eildon deliver services to tenants, such as staff costs, building materials, transport, energy and borrowing costs. From this assessment options will be considered by the Board each November.

In accordance with the Housing (Scotland) Act 2001, we will consult with social housing tenants annually regarding potential rent and service charge increases, giving reasonable and real options to consider, and taking account of their views during the decision-making process. Social tenants will be consulted on any proposed changes

and subsequently given a minimum of 4 weeks' notice of the intended increase. The revised charges will apply from 1 April each year.

Some leased properties may have different rent review dates which are set out within the lease.

10. 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.

APPENDIX ONE - RENT SETTING MATRIX

Eildon has adopted a formula system for determining rents using rent characteristics. This establishes a base rent for a single person flat, with a separate bedroom, built or redeveloped to the Association's 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, amenity, or service.

Rent Characteristics Matrix	Base Rent = Single Person Flat % Variation to Base Rent
Size of house	
1 person	as base
2 person	+ 10%
3 person	+ 17%
4 person	+ 23%
5 person	+ 28%
6 person	+ 33%
Incremental increase for each additional bed space	+ 5%
Number of bedrooms	
1 bed	as base
2 bed	+ 5%
3 bed	+ 10%
Incremental increase for each additional bedroom	+ 5%
Type of house	
Flat	as base
Terraced/Semi-detached	+ 5%
Detached	+ 10%
Amenity	
Garage	+ 10%
Car Port	+ 4%
Provision of own driveway parking – unless already being charged for provision of car port	+ 4%
Conservatory/Sun space	+ 5%
Assessed as being below Eildon's property standards. This will apply in very limited instances e.g., studio flats.	-7.5%
Flats with own front door – not off shared stair	+ 4%
Provision of additional w.c.	+ 3%
Provision of additional shower room with shower	+ 4%
Provision of separate dining room	+ 4%
Absence of external drying facilities	- 3%
Building Regulations – New Homes	
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%

Rent Characteristics Matrix	Base Rent = Single Person Flat % Variation to Base Rent
Common Services	
Provision of external grounds maintenance	+ 2.68%
Provision of communal cleaning	+ 2.05%
Provision of common services e.g., alarms, stairway lighting	+ 2.88%
Provision of community WIFI	+ 3%
Communal Repairs and Maintenance (Supported Housing only)	
Sheltered Housing	+ 10%
Extra Care Housing without a commercial kitchen	+ 13%
Extra Care Housing with a commercial kitchen	+ 15%