

## **RENT SETTING POLICY**

### **1.0 INTRODUCTION**

1.1 Our rent policy has three main aims:

- to generate sufficient rental income to cover the costs of managing and maintaining our properties, of carrying out future planned improvements and maintenance, and of providing a quality service to our tenants, thus ensuring the long-term viability of the Association;
- to comply with current guidance that the rents resulting from the policy are affordable to those in low paid employment but not reliant on Housing Benefit, and are comparable with the rents charged by other local social landlords;
- to enable the forward projection of rents for a full range of house types, to be used when submitting bids for housing grant for new developments.

1.2 The rent policy applies to all our residential property for rent, except for Supported Accommodation for Special Needs with Multiple Occupation. It does not cover the setting of rents for non-residential properties such as garages, or any other non-standard let.

1.3 We aim to charge similar rents for similar properties, as far as possible, within the statutory and financial controls applied by the Scottish Government and Scottish Housing Regulator.

### **2.0 RESPONSIBILITIES**

#### **2.1 Board of Management**

- To ensure that there is in place a rent-setting policy which ensures the continuing financial viability of the association, and complies with current guidance and good practice.
- To monitor the implementation of the policy.

#### **2.2 Management**

- Chief Executive: To ensure that all staff are aware of and comply with the policy.
- Head of Housing Management: To implement the policy on a day-to-day basis, providing advice and reports to the Board and Senior Management Team as required, and advising Housing Management staff on the requirements and implementation of the policy.
- Head of Finance: To ensure that Finance staff are aware of the policy and that relevant finance systems accurately record property rents and income due.

#### **2.5 Employees**

- To ensure that they are aware of and comply with the requirements of this policy.

### 3.0 COSTS TO BE COVERED BY RENTAL INCOME

3.1 The rent policy aims to provide a framework for setting rents for individual properties which, when combined, will provide an annual income sufficient to cover all relevant costs. The costs to be covered by rental income include:

**Housing Management:** The costs associated with providing a high standard of service to all tenants regarding all aspects of their tenancy, including all supporting administrative services.

**Voids and Bad Debts:** The amount of rental income lost when properties are empty or when rent arrears cannot be recovered.

**Maintenance:** The costs of day-to-day (reactive) repairs, and of cyclical maintenance such as regular external painterwork, including supporting administrative services.

**Landscaping:** The costs of maintaining open landscaped areas including the cost of grass-cutting, pruning and tidying up shrub beds.

**Planned Maintenance and Improvements:** The costs of improving or replacing property components such as windows, bathroom or kitchen units at the end of their useful life, and any major repairs required during the life of a property. The costs include the amounts required to bring our properties up to any standards, such as those for energy efficiency, set by the Scottish Government.

**Loan Charges:** The cost of any private loans taken out to fund our activities, in particular the building of new homes and the planned improvements to existing properties.

**Insurances:** The costs of property and office insurance, public liability and employer's liability insurance etc.

### 4.0 AFFORDABILITY & COMPARABILITY

#### Affordability

4.1 We are aware of the 'poverty trap' that exists in the benefit and taxation system and we do not wish to be in a position where only those in receipt of full housing benefit can afford to rent our properties.

4.2 We therefore endorse the current SFHA 'Housing Benefit dependency' model which states:

"For a rent (including service charges) to be affordable, households with one person working 35 hours or more should only exceptionally be dependent on housing benefit in order to pay it".

4.3 We will aim to set rents that are affordable as defined above, but are aware that certain tenants will not meet these criteria. We will regularly review current rent levels against the criteria and take the results into account when reviewing rent levels and this policy. We will utilise SCORE data and information from occasional income surveys covering the 'Housing Benefit dependency' model to assess the affordability of our rents.

4.4 Should a nationally acceptable new definition for 'affordability' be agreed we will re-assess our rent structure and review this policy in light of the new guidance.

### **Comparability**

- 4.5 We will seek to ensure that, as far as possible, our rents are broadly comparable with the rents of other local social landlords providing similar accommodation.
- 4.6 We recognise that other social landlords may have different rent structures for their range of properties, methods of funding and strategic objectives which will influence the levels of rent they set, and through 'benchmarking' exercises we will seek to gather information on the underlying reasons for any significant differences in rent levels for similar properties.

## **5.0 SETTING & REVIEWING RENTS**

- 5.1 The rent setting structure is the mechanism used to ensure that our policy objectives are met. It determines the amount of rent to be charged for each type of property.

### **Points system**

- 5.2 We have adopted a points system in order to allow maximum flexibility when considering the required rental income (see Appendix 1). The appropriate points will be allocated to each new acquisition and new build property.

### **Calculating rents**

- 5.3 The annual rent for individual properties will be calculated as follows:
  - a) As part of the annual budget-setting exercise, the costs outlined in section 3 will be calculated in the form of an expenditure budget, which will provide a total figure for the annual income required.
  - b) A range of percentage increases will be applied to the current rent point (price per point) value, to give a range of projected income totals for consideration by the Board and consultation with tenants.
  - c) Following consideration of the results of the tenant consultation exercise the Board will approve a percentage rent increase which will produce a new rent point value.
  - d) The new rent for each individual property will then be calculated by multiplying the total points value of each property by the new rent point value (subject to any final adjustments, for example if the rent increase is being phased in – see para. 5.7 below).
- 5.4 An increase in the points value of a property may be applied during the year to take account of works for which additional points are awarded, for example the provision of new gas central heating.

### **Reviewing rents**

- 5.5 Rents for all properties will be reviewed annually with any increases agreed being applied on the first of April each year. All tenants will be given the opportunity to comment on options for any proposed annual rent increase. The results of the consultation will be reported to the Board and will be taken into account when the rent levels for the following year are set.

Rents for individual properties may also be reviewed during a year as a result of changes to the applicable rent points.

- 5.6 At least 4 weeks' notice in writing will be given of any proposed change to property rents.
- 5.7 Following any comprehensive review of the association's rent structure, resulting increases in rents may be phased in over a number of years, possibly with a cap on the increase in any one year, to avoid excessive rises over short periods.

**6.0 VARIATIONS TO STANDARD RENTS**

- 6.1 The rents for non-residential properties such as garages, and any non-standard lets will be calculated separately from this policy.
- 6.2 The rent for leased properties will be calculated as detailed in Appendix 2.
- 6.3 The rent for properties purchased under the Mortgage to Rent scheme will be calculated as detailed in the Mortgage to Rent procedure.

**7.0 IMPLEMENTATION AND REVIEW**

- 7.1 The Head of Housing Management is responsible for ensuring that this policy is implemented by all relevant staff.
- 7.2 The Head of Housing Management will ensure that the Board reviews this policy at least every five years.

<b>FIRST APPROVED IN</b>	<b>SEPTEMBER 1996</b>
<b>CURRENT VERSION 6.0 APPROVED IN</b>	<b>FEBRUARY 2015</b>
<b>NEXT REVIEW DUE BY</b>	<b>FEBRUARY 2020</b>

## RENT POINTS – Applicable from 1 April 2015

ITEM	POINTS
<b>All properties (base rent)</b>	<b>170</b>
<b>Property size – no. of bedrooms</b>	
1	20
2	40
3	60
4	80
5	100
6	120
7	140
<b>No. of Bedspaces</b>	
1	10
2	20
Each additional bedspace thereafter	10
<b>Property type</b>	
Detached house/bungalow	70
Semi-detached house/bungalow	60
End-terraced house/bungalow with side ground	60
Terraced house	40
Split-level house	30
Flat – private entry	30
Flat – common entry	0
<b>Heating</b>	
Electric White meter	0
Gas radiators	20
<b>Amenities (Additional rooms)</b>	
Ensuite	10
Shower room	10
Dining Room	50
Conservatory	50
Utility room	10
Study/store room	20

<b>ITEM</b>	<b>POINTS</b>
<b>Extra Amenities</b>	
Car port (disabled)	50
Parking bay within garden	40
Garage	60
Designated parking	20
<b>Energy Efficiency</b>	
New developments or major refurbishment: where the average energy efficiency rating over all properties is 80 or above	30

## **RENT SETTING for LEASED PROPERTIES**

### **1.0 INTRODUCTION**

- 1.1 This part of the Rent Policy describes our arrangements for setting the rents of properties that are leased to other organisations.

### **2.0 SETTING THE ANNUAL RENT**

- 2.1 The rent for leased properties will initially be calculated by reference to the points system in Appendix 1, i.e. as if the property was to be let as a standard tenancy. Additional rent will be charged as appropriate. As a guide we will use the Local Housing Allowance Rates as a starting point for setting an appropriate rent.
- 2.2 An administration charge amounting to 10% of the rent due will be added to the initial amount to produce the total rent due. This charge is to cover the additional administration costs involved in drawing up each tailored lease agreement, managing the 'general consents' process, and in arranging and participating in the regular monitoring meetings that are required under the lease.

### **3.0 IMPLEMENTATION AND REVIEW**

- 3.1 The Chief Executive is responsible for ensuring that this section of the policy is implemented, and the Head of Housing Management is responsible for ensuring that it is reviewed at the same time as the main policy.