



Rent Setting Policy

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Rent Setting Policy

Ardenglen Housing Association can provide this procedure on request, in large print, in Braille, on tape or in other non-written format, and in a variety of languages.

1. Introduction

- 1.1 As a Registered Social Landlord (RSL), Ardenglen aims to operate a rent setting policy which results in rent charges which are equitable and consistent across our housing stock, meet affordability levels and are comparable with similar provision by other local housing providers.
- 1.2 The rent setting policy must however also ensure that Ardenglen's rental income covers current and future costs.
- 1.3 This policy is applicable to all of Ardenglen's various housing types and sizes both new and refurbished.

2. Exception

- 2.1 The only exception to this policy is for Scottish Secure Tenancies started before January 1989, who retain the right to have their rent set independently by the Rent Officer Service.
- 2.2 Rent applications to the Rent Officer are however submitted in an attempt to achieve comparability between registered rents and rents set by Ardenglen for the three-year period for which the fair rent is set. It should be noted however that the final decision on rent registration is out with the Association's control.

3. Objectives

- 3.1 The objectives of the Rent Setting Policy are:
 - Keep rents as low as we can, but ensure that expected rental income covers, in the full, the operational costs of Ardenglen.
 - The rent setting mechanism should be transparent, fair and consistent and based on clearly defined criteria which reflect the amenities being provided.
 - Disabled or other protected groups should not be disadvantaged
 - Those living in larger properties should pay more but not excessively so
 - Aim to charge similar rents for similar properties as far as possible

- Rents should be comparable with similar provision by other local RSLs's.

4. Legislative and Regulatory Framework

- 4.1 As required by Section 31 of the Housing (Scotland) Act 2010, the Scottish Housing Charter set the standards and outcomes that all social landlords should aim to achieve when performing their housing activities.
- 4.2 Standards 14 and 15 of the Scottish Housing Charter expect social landlords to set rents in consultation with their tenants and other customers so that:
- *A balance is struck between the level of service provided, the cost of services and how far current and prospective tenants and other customers can afford them*
 - *Tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlord and tenant*
- 4.3 These outcomes therefore reflect Ardenglen's legal duty to consult with tenants on any changes to the Rent Setting Policy or the annual review of rent levels

5. Ardenglen's Operational Costs

- 5.1 Operational costs which require to be covered by rental income include:
- Housing Management costs
 - Rent loss due to Void properties and bad debts
 - Maintenance and Repair costs
 - Major repairs and renewals
 - Loan and interest charges
 - Property insurance
 - Regeneration activities
 - Salary costs and other Overheads
- 5.2 Ardenglen has developed an independently assessed 30 year Financial Plan to ensure the long term viability of the Association and to meet our operational objectives. The Plan details costs and income requirements.
- 5.2 Ardenglen's operational costs for each year are also contained in our Annual Accounts which are publicly available through the Scottish Housing Regulators web site <http://www.scottishhousingregulator.gov.uk/>.

6. Affordability

- 6.1 Ardenglen aim to set rents which are affordable to current and prospective tenants.

- 6.2 To establish affordability we have adopted the Scottish Federation of Housing Association's definition of affordability which states that households with one person working 35 hours or more per week should only exceptionally be dependent on Housing Benefit.
- 6.3 Details of the application of this test are included in **Appendix 2**.
- 6.4 Ardenglen provides a free money advice service available to all tenants to maximise income and benefit take up to help ensure affordability.

7. Comparability

- 7.1 Ardenglen aims to have rents which are comparable with other RSL's in our operating area.
- 7.2 Comparability information will be taken from statistics made publically available from the Scottish Housing Regulator. This includes information such as average weekly rents by property size. We will make this information publicly available.

8. Rent Setting Mechanism - Objectives

- 8.1 The rent setting mechanism is used to determine the amount of rent to be charged for each Ardenglen property. It is a method of apportioning the total amount of required income amongst the different property characteristics of the total housing stock.
- 8.2 Most costs relate to services which benefit all tenants and are therefore charged as rent between all tenants. By "pooling" rents, costs can be evened out across the whole housing stock.
- 8.3 We aim to have a mechanism that allows tenants to see exactly how the rent for their home has been calculated. This is why we use monetary figures in our rent setting mechanism, rather than using an abstract points system.

9. Rent Setting Mechanism – Operation (Also See Appendix 1)

- 9.1 Ardenglen uses a mechanism where an Base Rent Figure has been set for a 2 Apartment Double Bedroom Property.
- 9.2 The Base Rent Figure is then adjusted for a particular house type by adding adjustment factors for additional bedrooms and adding or deducting adjustment factors based on amenity.
- 9.3 Each of these adjustment factors are set as a percentage of the Base Rent (e.g. 10% for a 1st additional single bedroom). These values are then added to the Base Rent Figure to set an overall Annual Rent for each particular house type.

9.4 Any subsequent rent increase is therefore applied as a percentage to the Base Rent Figure, which will automatically increase the adjustment factors and subsequently increase the total rent due.

9.5 The Rent Setting Mechanism ,which details the calculation for each property type and size is detailed in **Appendix 1**.

10. Rent Review – Scottish Secure Tenancies

10.1 The setting of annual rent levels for Ardenglen is the responsibility of the elected Management Committee. Rents can only be increased once in any year.

10.2 Each year in December, as part of the budget setting process, Ardenglen will begin a review of both our annual and thirty year cash flow and budget projections, to ensure there is enough rental income to cover all operational costs (as detailed in Section 5).

10.3 The Management Committee will consider the requirements for a rent increase, which will take account of the budget process, a consideration of affordability and comparability of our rents with other local landlords.

10.4 A draft budget will be prepared which will detail any required rent increase. Following the Association's 30 Year Financial Plan, this will take particular account of the Retail Price Index (for November). The Retail Price Index (RPI) is the official measurement of inflation, and shows how much prices have gone up each year.

10.5 In line with legislative requirements Ardenglen will then consult with tenants on the proposed rent increase.

10.6 Following the tenant consultaion process, the Management Committee will consider and approve a final budget and rent increase.

10.7 Tenants will be given at least 28 days notice of any increase, which will always take effect on the 1st April.

11. Rent Review – Shared Ownership

11.1 The setting of annual rent levels for Ardenglen Shared Ownership properties is based on actual costs as contained within each individual occupancy agreement.

12. Equalities and Diversity

12.1 This policy will be implemented in line with our Equality and Diversity Policy and is subject to an Equality Impact Assessment to assess the likely or actual effects of the policy to our customers in respect of their disability, age, gender, race, religion/belief, sexual orientation or gender identity to ensure equal and fair access for all.

13. Training

- 13.1 The Association through its Internal Management Plan is committed to training and developing staff and committee members to their full potential in order to deliver a high quality of service in all areas.
- 13.2 Induction training will be provided to all new Committee and staff members and updates as required to existing members.

14. Review

- 14.1 This Policy will be approved by the Management Committee. It will be reviewed every three years unless amendment is prompted by a change in legislation, or monitoring and reporting reveals that a change in Policy is required sooner.

15. Distribution

- 15.1 This policy will be provided to every employee and committee member and will be made freely available to any tenant, member or interested party.

16. Legal Framework

- Housing (Scotland) Act 2010
- The Scottish Housing Charter

17. Related Policies

- Tenant Participation Policy
- Financial Procedures
- 30 Year Financial Plan

--- End of Policy ---

Ardenglen Housing Association: Rent Setting Policy

Appendix 1: Rent Setting Mechanism

2014/15 Base Rent - Assumes an Increase of 3.4%

| Base Rent | Code | % Base | Annual (£) | Monthly (£) |
|-----------------------------------|------------|--------|------------|-------------|
| 2apt, Double Bedroom | Base Rent | 0 | 3,083.61 | 256.97 |
| Additions: Bedroom Factor | | | | |
| Single Room (1st) | SINGLE (1) | 10% | 308.36 | 25.70 |
| Single Room (2nd) | SINGLE (2) | 9% | 277.52 | 23.13 |
| Single Room (3rd) | SINGLE (3) | 9% | 277.52 | 23.13 |
| Single Room (4th) | SINGLE (4) | 9% | 277.52 | 23.13 |
| Double Room (1st) | DOUBLE (1) | 11% | 339.20 | 28.27 |
| Double Room (2nd) | DOUBLE (2) | 11% | 339.20 | 28.27 |
| Double Room (3rd) | DOUBLE (3) | 9% | 277.52 | 23.13 |
| Double Room (4th) | DOUBLE (4) | 9% | 277.52 | 23.13 |
| Additions: Amenity Factor | | | | |
| Tenement | TEN | 7.5% | 231.27 | 19.27 |
| Tenement Main Door | TEN MD | 4% | 123.34 | 10.28 |
| Cottage Flat | CF | 6% | 185.02 | 15.42 |
| Terraced House | TH | 9% | 277.52 | 23.13 |
| Terraced House End | TH END | 16% | 493.38 | 41.11 |
| Semi Detached House | SEMI | 16% | 493.38 | 41.11 |
| Detached House | DET | 17% | 524.21 | 43.68 |
| Town House (2 Bathrooms) | TOWN H | 1.5% | 46.25 | 3.85 |
| Deductions: Amenity Factor | | | | |
| Small Property Factor | SPF | 4% | 107.93 | 8.99 |
| Bedsit Factor | BF | 25% | 770.90 | 64.24 |

| Property Type | Annual (£) | Rent Calculation Description |
|------------------|------------|---|
| 1 Apt Bedsit TEN | 2,544 | Base Rent + TEN (Minus BF) |
| 2 Apt 1P TEN | 3,207 | Base Rent + TEN (Minus SPF) |
| 2 Apt 2P TEN | 3,315 | Base Rent + TEN |
| 2 Apt 2P TEN MD | 3,207 | Base Rent + TEN MD |
| 2 Apt 2P CF | 3,269 | Base Rent + CF |
| 3 Apt 3P TEN | 3,623 | Base Rent + SINGLE (1) + TEN |
| 3 Apt 3P TEN MD | 3,515 | Base Rent + SINGLE (1) + TEN MD |
| 3 Apt 3P CF | 3,577 | Base Rent + SINGLE (1) + CF |
| 3 Apt 3P TH | 3,669 | Base Rent + SINGLE (1) + TH |
| 3 Apt 4P TEN | 3,654 | Base Rent + DOUBLE (1) + TEN |
| 3 Apt 4P TEN MD | 3,546 | Base Rent + DOUBLE (1) + TEN MD |
| 3 Apt 4P CF | 3,608 | Base Rent + DOUBLE (1) + CF |
| 3 Apt 4P TH | 3,700 | Base Rent + DOUBLE (1) + TH |
| 3 Apt 4P TH END | 3,916 | Base Rent + DOUBLE (1) + TH END |
| 3 Apt 4P SEMI | 3,916 | Base Rent + DOUBLE (1) + SEMI |
| 4 Apt 4P CF | 3,855 | Base Rent + SINGLE (1) + SINGLE (2) + CF |
| 4 Apt 4P SEMI | 4,163 | Base Rent + SINGLE (1) + SINGLE (2) + SEMI |
| 4 Apt 5P TEN | 3,962 | Base Rent + SINGLE (1) + DOUBLE (1) + TEN |
| 4 Apt 5P TEN MD | 3,855 | Base Rent + SINGLE (1) + DOUBLE (1) + TEN MD |
| 4 Apt 5P CF | 3,916 | Base Rent + SINGLE (1) + DOUBLE (1) + CF |
| 4 Apt 5P TH | 4,009 | Base Rent + SINGLE (1) + DOUBLE (1) + TH |
| 4 Apt 5P TH END | 4,225 | Base Rent + SINGLE (1) + DOUBLE (1) + TH END |
| 4 Apt 5P SEMI | 4,225 | Base Rent + SINGLE (1) + DOUBLE (1) + SEMI |
| 4 Apt 5P T OWN H | 4,271 | Base Rent + SINGLE (1) + DOUBLE (1) + SEMI + TOWN H (2 Bathroom) |
| 4 Apt 6P TEN | 3,993 | Base Rent + DOUBLE (1) + DOUBLE (2) + TEN |
| 4 Apt 6P TEN MD | 3,885 | Base Rent + DOUBLE (1) + DOUBLE (2) + TEN MD |
| 4 Apt 6P CF | 3,947 | Base Rent + DOUBLE (1) + DOUBLE (2) + CF |
| 4 Apt 6P TH | 4,040 | Base Rent + DOUBLE (1) + DOUBLE (2) + TH |
| 4 Apt 6P TH END | 4,255 | Base Rent + DOUBLE (1) + DOUBLE (2) + TH END |
| 4 Apt 6 SEMI | 4,255 | Base Rent + DOUBLE (1) + DOUBLE (2) + SEMI |
| 5 Apt 6P TH | 4,286 | Base Rent + SINGLE (1) + SINGLE (2) + DOUBLE (1) + TH |
| 5 Apt 6P SEMI | 4,502 | Base Rent + SINGLE (1) + SINGLE (2) + DOUBLE (1) + SEMI |
| 5 Apt 6P SEMI | 4,502 | Base Rent + SINGLE (1) + SINGLE (2) + DOUBLE (1) + SEMI |
| 5 Apt 7P TH | 4,348 | Base Rent + SINGLE (1) + DOUBLE (1) + DOUBLE (2) + TH |
| 5 Apt 7P TH END | 4,564 | Base Rent + SINGLE (1) + DOUBLE (1) + DOUBLE (2) + TH END |
| 5 Apt 7P SEMI | 4,564 | Base Rent + SINGLE (1) + DOUBLE (1) + DOUBLE (2) + SEMI |
| 5 Apt 7P DET | 4,595 | Base Rent + SINGLE (1) + DOUBLE (1) + DOUBLE (2) + DET |
| 5 Apt 8P TOWN H | 4,579 | Base Rent + DOUBLE (1) + DOUBLE (2) + DOUBLE (3) + SEMI + TOWN H (2 Bathroom) |
| 6 Apt 6P SEMI | 4,456 | Base Rent + SINGLE (1) + SINGLE (2) + SINGLE (3) + SINGLE (4) + SEMI |
| 6 Apt 7P TH | 4,564 | Base Rent + SINGLE (1) + SINGLE (2) + SINGLE (3) + DOUBLE (1) + TH |
| 6 Apt 7P TH END | 4,780 | Base Rent + SINGLE (1) + SINGLE (2) + SINGLE (3) + DOUBLE (1) + TH END |
| 6 Apt 7P SEMI | 4,780 | Base Rent + SINGLE (1) + SINGLE (2) + SINGLE (3) + DOUBLE (1) + SEMI |
| 6 Apt 7P DET | 4,810 | Base Rent + SINGLE (1) + SINGLE (2) + SINGLE (3) + DOUBLE (1) + DET |
| 9 Apt 12P DET | 5,473 | Base Rent + SINGLE (1) + SINGLE (2) + DOUBLE (1) + DOUBLE (2) + DOUBLE (3) + DOUBLE (4) + DET + TOWN H (2 Bathroom) |

