



GOVANHILL
HOUSING ASSOCIATION

Rent Setting Policy

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Appendix

Rent Setting Procedure (currently under review)

Rent Setting Policy

1. Introduction

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 very few homes occupied by sharing owners. A small number of properties are leased to voluntary organisations or the local authority which provide shared accommodation or have elements of shared facilities or are used to provide temporary accommodation for people who are homeless.

This policy includes all Association property with the exception of the commercially rented shops. This statement incorporates the Association's policy on viability, affordability, comparability, and monitoring and evaluation of the policy.

2. 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:

8.1. 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; and
- Staffing and other overheads except for services which are funded from outwith the rental income stream.

8.2. The Association aims to charge similar rents for similar sizes and types of property throughout its housing stock.

8.3. 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 the any alternative methodology.

8.4. The Association is committed to fixing "affordable rents.

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.

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8.5. 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.

8.6. The Association aims to charge rents which represent value for money and are broadly comparable with similar landlords who operate with similar types of housing stock.

3. Rent Setting Structure

The Association has adopted a formula system for determining rents. This establishes a base rent for its smallest home and then varies this rent by application of a number of factors which weight the rent up or down to reflect variations in size, type and a number of characteristics.

The detailed calculations are contained in the Association's Rent Setting Procedure and these are subject to periodic review to ensure that the mechanisms remain relevant and that the rents set by the Association remain clear, consistent and fair as far as is possible.

4. Service Charges

In addition to the rental charges payable by tenants, most of our properties have additional services provided and tenants are required to pay a service charge which is calculated to cover the actual costs and associated administration costs of services provided to the property. These charges cover services such as common area maintenance, common stairwell lighting, door entry systems, stair cleaning and back-court maintenance.

In a small number of cases there are additional services provided to tenants which are charged for and these charges are clearly detailed for tenants at sign-up and each year when their charges are reviewed.

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

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

The service charges for each property will be considered in relation to the income and expenditure. Some charges will have uneven spend patterns, such as replacement of furniture and equipment.

5. Shared Ownership Rent Setting

In setting occupancy charges for shared ownership properties the Association applies the same principle as for social rented properties. Rents are set based on the rent for a similar social rented property, discounted in line with the Scottish Government's

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guidance and then prorated depending on the percentage of the property (25 / 50 / 75%) which the Association still owns.

6. Factoring

For shared ownership homes or homes sold under Right to Buy provisions as well as homes owned by third parties within our managed stock, where services are provided to the common areas of the properties, a factoring fee is charged and invoices issued to owners on a quarterly basis.

7. Registered Rents

The proposed rents for fair rent properties (i.e. those let before 2 January 1989) will comprise a basic rent and service charge. The rent will be fixed based on the size and type of property, and the service charges will be included in the proposed rent at a rate equivalent to that paid by the Scottish secure tenants in the same development at the time of submission.

Where a property previously subject to fair rent provisions is to be re-let, the rent for the property will be revised and set in line with the current rents set as per our Rent Setting Procedure.

8. Leased and Shared Accommodation

The Association works in partnership with 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 Setting Procedure where possible, with appropriate clauses included in the lease agreement to reflect any particular arrangements with regard to repairing or making good obligations.

9. Annual Rent Increases

Rents will be reviewed annually on 28 April, with proposals submitted to the Management Committee for approval prior to consultation with tenants. Review proposals will require a careful balancing of business viability, future strategy requirements, affordability and consideration of the economic environment. Proposals will generally be based on inflation (CPI plus 1%), using the CPI figures for September each year, as announced mid-October.

Tenants will be consulted on any proposed changes and then given a minimum of 4 weeks' notice of the intended increase and the revised rents and service charges payable. A negative CPI will not lead to a reduction in rents in that year.

The Association is working to address variations in rents resulting from the historic rent setting mechanism and is working towards harmonising all rents over a period of time. To achieve this, rents which are presently below the figure set by the Rent Setting Procedure will be subject to annual increases set as above for the rest of the housing

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stock, plus an additional uplift agreed by the Management Committee, taking account of business requirements and affordability.

10. 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 subsection (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.

11. Comparability

An examination of rents for similar landlords – primarily community-controlled housing associations with similar housing types to those of the Association – will be carried out annually and the results provided to the Management Committee when consideration is being given to rent increases for the following financial year.

12. Affordability

The Scottish Federation of Housing Associations has defined affordability as follows:

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.

According to the Scottish Government's Housing Need and Demand Assessment Tool published in 2018, rents are considered to be affordable if a household pays no more than 25% of their income on housing costs; in reality, most households will spend between 25-30% of their income on housing costs.

The Association will have consideration of these factors as well as any other guidance which is published before it considers its proposed rent increase each year, or any proposed changes to the Rent Setting Procedure.

13. Monitoring and Review

The Management Committee will consider the rent policy statement and Rent Setting procedure each year and approve subject to consultation the rent charges for the following year for Business and Financial Planning purposes.