

|                          |                     |
|--------------------------|---------------------|
| <b>Draft Policy on :</b> | <b>Rent Setting</b> |
|--------------------------|---------------------|

|  |   |
|--|---|
| <b>Compliant with Scottish Social Housing Charter:</b> | <b>Charter Outcome-2 Communication;<br/>Charter Outcome- 3 Participation;<br/>Charter Outcome-13 Value for Money;<br/>and Charter Outcome- 14 and 15<br/>Rents and Service Charges.</b> |
| <b>Compliant with Tenant Participation Strategy:</b>   | <b>Consultation Complete</b>  |
| <b>Compliant with Equal Opportunities :</b>            | <b>Yes</b>  |
| <b>Compliant with Business Plan</b>                    | <b>Yes</b>  |

|  |                      |
|--|----------------------|
| <b>Date Approved Following Consultation:</b> | <b>February 2017</b> |
| <b>Date for Review :</b>                     | <b>February 2020</b> |

|                             |                                      |
|-----------------------------|--------------------------------------|
| <b>Responsible Officer:</b> | <b>Director of Customer Services</b> |
|-----------------------------|--------------------------------------|

**Contents :**

- 1. Introduction**
  - 2. Policy Background**
  - 3. Policy Principles**
  - 4. Policy Objectives**
  - 5. Rent Setting: New Build/Re-let Properties**
  - 6. Rent Harmonisation: Mainstream Properties**
  - 7. Rent Setting: Secure Tenancies**
  - 8. Rent Setting: Shared Ownership Properties**
  - 9. Mortgage to Rent/Open Market Purchases**
  - 10. Special Projects**
  - 11. Performance Monitoring**
  - 12. Equality & Diversity**
  - 13. Complaints Policy**
  - 14. Confidentiality**
  - 15. Consultation**
  - 16. Policy Review**
- 
- Appendix 1: Rent Setting Pro-Forma**  
**Appendix 2: Property Size**  
**Appendix 3: Rent Poundage Multiplier**

*This leaflet can be made available in different languages  
and alternative formats*

## **1. Introduction**

The Scottish Housing Regulator requires that Registered Social Landlords adopt rent policies that take account of affordability, costs of managing and maintaining properties, and comparability with rents charged by other RSLs operating in their areas. RSLs are also expected to design a rent setting mechanism which apportions rents fairly to individual properties.

This policy outlines the criteria that Barrhead will use in setting rents for its housing stock, with the exception of Fair Rents.

Secure tenancies (with Fair Rents) are regulated by the Rent Officer and are out with the scope of the rent points system as far as the setting of the rent is concerned. This policy relates to rents which Barrhead Housing Association is able to set for Scottish Secure Tenants under the Housing (Scotland) Act 2001.

The rent setting mechanism has to address equity and consistency issues arising from the difficulty in setting rents which objectively reflect affordability and comparability across our varied housing stock. The Association adopted a revised approach to setting rents in February 2015 and this policy reflects this.

The rent setting mechanism is based on a points system reflecting property attributes including type and designed. This is designed to ensure transparency of rent setting to tenants, stakeholders including funders and the Scottish Housing Regulator. The operation of the rent setting mechanism (the points system) is the subject of annual review. The Association also agreed a phased harmonization of rents so that rents changing under the new policy will be phased in over a maximum period of up to 10 years to minimize the immediate impact on tenants.

## **2. Policy Background**

The Scottish Social Housing Charter most relevant to this policy is:

2.1 The Scottish Social Housing Charter most relevant to this policy is:

### **13 Value for Money**

Social landlords manage all aspects of their business so that:

- \* Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

### **14 and 15: Rents and service charges**

Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- a balance is struck between the level of services provided, the cost of the 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 landlords and tenants.

### **3. Policy Principles**

Barrhead Housing Association's Rent Setting policy is based on the following principles:

- That the costs of providing the properties should be met from the rents set, in particular that loan charges, voids, management and maintenance costs, including amounts set aside for future expenditure, are met in full.
- That rents should be affordable to tenants using the Scottish Federation of Housing Association's definition of affordability.
- That rents set should represent value for money when compared with rents charged for equivalent properties by other social housing providers in the area.
- Barrhead Housing Association will ensure that the policy complies with and reflects the legal framework and good practice.
- Tenants and key stakeholders including our Registered Tenant Organisations are consulted in the development, implementation and review of the policy and annual rent setting procedures.

### **4. Policy Objectives**

The overall objective of Barrhead Housing Association's Rent Setting Policy is to provide a fair and affordable method of calculating rents which ensures that the rents charged are sufficient to provide an efficient and effective housing service.

Barrhead Housing Association has adopted the Scottish Federation of Housing Associations definition of affordability (2010) 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.

The specific objectives of the policy are:

- To provide a method of calculating rent which is consistent for all properties.

- To ensure that the rent charged reflects the size, type and amenities of the property.
- To ensure that the method of calculation is transparent and easily understood.
- To ensure that Barrhead Housing Association sets rents at a level which is sufficient to provide quality services that offer value for money.
- To ensure that Association rent levels are comparable within our overall stock and also to that of other local housing providers
- To use the available inflation measures including consumer price index and the retail price index and the Government's forecasts to measure inflation
- Whilst social security reforms will have a significant bearing on our tenants ability to pay rent, this rent setting policy makes no specific reference to welfare reform at this time. The ability of the Association to set fair and consistent rents for our properties, is the important issue and for the Association in running a financially viable business. This position will be monitored going forward.

## **5. Rent Setting: New and Re-let Properties**

For new developments, rents will be set as part of the development process, and assessed as part of the ongoing business planning process.

Rent levels for re-lets, and Rent off The Shelf purchases will be calculated using a 'Formula System'(see appendix 1).

The rent calculation system is based on the following criteria:

- Size in terms of apartment and bed spaces;
- Property type;
- Amenities in and around each property; and
- Energy Performance.

The formula is as follows:

Total variable points + Property Size = Total rent points

Total rent points x rent poundage/multiplier + annual service charge costs = annual rent

The Property Size Rent is the weighting given to the property based on the number of bedrooms and person size of the property. For example, 10 points for a 2 bedroom 2

person property. This is then added to the Variable Points e.g. property type and amenities. The total Rent Points are then added to a Base Rent Figure of 100, and this finally added to a rent poundage figure.

Details of the Rent Poundage multiplier and % rent increases will be updated annually at appendix 3.

Points allocated for each individual characteristics are set out in Appendix 1.

The rent poundage will be subject to uplift as part of the annual rent review **and updated annually at Appendix 3.**

## **6. Rent Harmonisation: Mainstream Properties**

The Association undertook detailed consultation as part of the Policy Review, and to smooth the transition to the new Rent Setting Structure rent adjustments to existing individual properties will be phased in over a period of up to 10 years, with a maximum differential of £+6.61/£-9.33 per month.

Rents will also be reviewed each year as part of the annual budget setting process. The review will take account of the comparability of Association rents, and tenants' views on affordability and the value for money of rents. The review will also consider inflation, using prevailing rates for CPI and RPI and Government forecasts. The inflation figure will also be assessed against past trends and future projections. The rent review will take place on the 1<sup>st</sup> April each year, with consultation taking place from early December each year.

## **7. Rent Setting: Fair Rents Tenancies**

The Rent Registration Service has the responsibility for setting rents for tenancies with Fair Rents- currently 4 properties. These rents are reviewed every 3 years, and the Association notified of the revised rents set by the Rent Registration Service.

## **8. Rent Setting: Shared Ownership Properties**

Shared Ownership properties will have their rents calculated in accordance with this policy. Rents are set on the portion of the property to be rented by the Sharing Owner.

## **9. Rent Setting: Mortgage to Rent and Open Market Purchases Without Grants**

Work to review rent setting for potential Mortgage to Rent purchases is ongoing and will continue be assessed individually against financial viability. The Association will allow an initial or future plus 5-10% up-rating of the annual rent to ensure that over a 30-year period the property represents a financially viable and breakeven proposition.

Where the Association is considering the purchase of an "open market" purchases without grant the Association will also allow an initial or future plus 5-10% up-rating of the annual

rent to ensure that over a 30-year period the property represents a financially viable and breakeven proposition.

## **10. Rent Setting: Special Projects**

The rent setting policy will be used to assess the initial rent for all special needs projects. However, individual circumstances may need to be re-assessed annually. These rents may be subject to a higher increase where the expenditure on the supported projects result in higher than average repair and maintenance or management provision

## **110. Performance Framework-Monitoring and Reporting**

The Governing Board will approve annual rent increases, and will ensure compliance with the requirements of the Scottish Social Housing Charter. Tenants and stakeholders will be fully consulted with clear information about the proposed annual rent increase and how their rent is set in line with the Charter Outcomes on Communication and Participation. The Association will also actively seek tenants' views on whether their rent provides Value for Money (Charter Outcome 13) through satisfaction surveys, bespoke rent consultation questionnaires, and tenants/RTO meetings. In addition the Association will monitor/analyse tenants' views on the quality of services e.g. through satisfaction surveys and the affordability of rents in line with the requirements of the Charter Indicators on Rents and Service Charges (Outcomes 14 and 15).

Reports will be presented to show the effect of implementation of the increase upon existing Scottish Secure Tenancy rents.

The Senior Management Team, as well as the Governing Board, will measure rental income received against budget projections.

## **12. Equality & Diversity**

Scottish Social Housing Charter - SSHC 1: Social landlords perform all aspects of their housing services so that:

*Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.*

We aim to encourage an environment of equality amongst our customers, employees, committee members and other individuals. Our policy on equality and diversity sets out the principles that Barrhead will apply to all its work in governance, employment and service provision. We will ensure that all our processes comply with our policy and that those suppliers of goods, services and works have Equal Opportunity policies.

Our information will be clear, simple and consistent, and personal information gathered for the purposes of monitoring equal opportunities will be handled in accordance with the principles set out within the Data Protection Policy.

Individual monitoring forms will be used for statistical purposes only and destroyed on completion of analysing.

We will seek to ensure that there are no barriers as a result of gender or marital status, race, colour, disability, age, sexual orientation, language or social origin, or other personal attributes, including beliefs, or opinions, such as religious beliefs or political opinions.

### **13. Complaints Policy & Procedure**

Barrhead Housing Association operates a Complaints Policy that is open and transparent, should any customer or service user feel the need to make a complaint against an individual or the organisation, the complaints policy and procedure will be implemented.

All complaints will be recorded and dealt with under Complaints Policy and Procedures, which meet the requirements of the Scottish Public Services Ombudsman.

### **14. Confidentiality**

Barrhead Housing Association will ensure that any personal information provided by an applicant will be treated as completely confidential by any member of staff who has access to the information.

In keeping records about complaints and in allowing access to our files we will comply with the legislative requirements including, Access to Person at Files Act 1987 and Data Protection Act 1998.

### **15. Policy Consultation**

This policy is a result of robust consultation through four focus groups with tenants, and through consultation with stakeholders through our Newsletter, Web-site and Tenant Scrutiny Panel.

### **165. Policy Review**

The Policy Sub-Committee will review this revised Rent Setting Policy every 12 months to review its impact, based on Social Security Reforms unless there is a change of legislation or best practice that requires a review sooner.



**Appendix 1**  
**Rent Matrix: Variable Additions & Deductions**

| <b>At the time the rent is set:</b>               | <b>Points</b>                            | <b>Total</b> |
|---|--|--------------|
| <b>Property type:</b>                             |  |              |
| Detached  | 35                                       |              |
| Semi-detached                                     | 30                                       |              |
| Terraced house                                    | 30                                       |              |
| Upper/lower flat                                  | 20                                       |              |
| Maisonette  | 22                                       |              |
| <b>Amenities:</b>                                 |  |              |
|   |  |              |
|   |  |              |
|   |  |              |
| Sheltered Housing                                 | 10                                       |              |
| Kitchen with white goods                          | 7  |              |
| Kitchen combined within living area               | -10                                      |              |
| Additional WC                                     | 12                                       |              |
| Separate shower room                              | 3  |              |
| Separate dining room                              | 3  |              |
| Combined dining room                              | 2  |              |
| Energy Efficiency- Energy Performance Certificate | 8 (A-B),<br>6 (C-D),<br>2(E,F),<br>0 (G) |              |
| Private garden                                    | 10                                       |              |
| Shared garden/back court                          | 2  |              |
| Communal White Goods                              | 2  |              |
| Lift Replacement                                  | 8  |              |
| Individual driveway within curtilage of dwelling  | 10                                       |              |
| Parking in Development                            | 5  |              |
| Environmental Charge                              | 6  |              |
| Common Ground Maintenance                         | 3  |              |
| <b>Total Variable Points:</b>                     |  |              |

Appendix 2  
**Property Size**

| <b>SIZE</b>         | <b>Points</b> |  |
|---------------------|---------------|--|
| 0 Bedroom: 1 person | -25           |  |
| 1 Bedroom: 1 person | 0             |  |
| 2 person            | 5             |  |
| 2 Bedroom: 2 person | 10            |  |
| 3 person            | 15            |  |
| 4 person            | 20            |  |
| 3 Bedroom: 4 person | 20            |  |
| 5 person            | 30            |  |
| 6 person            | 45            |  |
| 4 Bedroom: 5 person | 45            |  |
| 6 person            | 50            |  |
| 7 person            | 55            |  |
| 5 Bedroom: 7 person | 55            |  |
| 8 person            | 60            |  |
| Base Rent Total:    |               |  |

The total points are then added to a base rent of £100 and also subject to a rent multiplier..

### Appendix 3

| Year    | Rent Poundage | % Rent Increase |
|---------|---------------|-----------------|
| 2014/15 | 2.14          | 3.1             |
| 2015/16 | 2.18          | 1.9             |
| 2016/17 | 2.22          | 2.0             |
| 2017/18 | 2.26          | 2.0             |