



## **RENT POLICY (2025)**

### **1.0 POLICY STATEMENT**

The aim of the Association's rent policy is to achieve rent levels affordable to the Association's existing and prospective tenants whilst ensuring the financial viability of the Association in the short, medium and long term.

The Association also intends to ensure that similar rents are charged for similar property.

### **2.0 CLIENT GROUP**

The Association strives to provide housing for a wide range of needs.

The Association particularly aims to provide housing opportunities for

- ✓ those in low paid employment or
- ✓ in socially disadvantaged situations

and this will be taken into account in any review of the Association's rent policy, rent structure or rent levels.

### **3.0 AFFORDABILITY**

#### **3.1 Measuring Affordability**

The Association endorses the Scottish Federation of Housing Association's approach to measuring affordability as recommended in the Guidance Booklet entitled "SFHA Guide to Rent Setting and Affordability Tool" published by the SFHA in June 2017 in order to relate the Association's rent levels to the affordability criteria relevant to its own tenants.

The affordability tool, which was last updated in November 2022, uses different types of income for household types and proposed rents to calculate 5 key measures of affordability (Percentage of Income, Percentage of Market Rent, Percentage of LHA rate, Income after rent and Income after Rent Above Minimum standard).

The Association's position has remained consistent over the years and is determined to ensure that rents are set at appropriate levels. On this basis, the affordability tool supplied by SFHA will be used to review proposed rents as part of any rent setting/rent setting consultation process.

#### **3.2 Affordability Pass/Failure Rates**

Part of the guidance on developing affordable rents highlights the need to monitor failure rates and these are reviewed annually and reported to the Board.

#### **4.0 VIABILITY**

Rental income requires to be sufficient to cover the Association's costs and in particular costs in relation to management, maintenance, service costs, loan repayments and future cyclical and major repairs obligations.

As a result, any review of rent levels will ensure that all of the Association's costs are adequately resourced both in the short and long term.

#### **5.0 COMPARABILITY**

In establishing its rent structure, the Association will take into account rent levels set by other housing agencies providing similar accommodation on similar tenancy terms in Clackmannanshire, Fife and Stirling.

#### **6.0 RENT SETTING MECHANISM**

The Association's rents are set by the Board. Annual variations in rents also require to be formally approved by the Board.

The rent setting mechanism used aims to ensure that a fair and consistent rent structure is in place and that similar rents are charged for similar properties in similar locations with similar services as far as possible.

Rents set by the Association reflect varying sizes and types of accommodation provided and are established by way of a base rent and points/formula system that ensures that rents are further differentiated according to the features of the property.

The Rent Setting Mechanism currently in operation is attached - **Appendix 1**.

The base rent has been established by considering a basic unit element and the revenue costs to be covered by the rent i.e. management, maintenance, voids/bad debts, major repairs including SHQS and Social Housing Net Zero Standard (SHNZS) compliance.

In order to determine the total rent applicable various additions are made to the base rent for such features as the number of bedrooms, dining facilities, type of central heating, whether the property is a flat, amenity flat, house or wheelchair house and additional services provided to the tenant.

This mechanism is updated annually in order to consider the appropriateness of its various components in relation to the actual rents that it produces.

#### **7.0 SERVICE CHARGES**

Service charges are added into the basic rent or occupancy charge of some properties when costs are incurred by the Association in the provision of additional services and amenities to tenants and to sharing owners.

In the case of owners who receive factoring services, service charges include the costs incurred by the Association in providing the Factoring Service.

## **8.0 TYPES OF SERVICE CHARGES**

The Association will charge tenants, sharing owners and factored owners for the provision of the following services in its developments:

- ✓ Cleaning of communal stairs
- ✓ Cleaning of communal windows
- ✓ Maintenance of hard and soft landscaped areas
- ✓ Maintenance of communal TV aerials providing free to view television and radio services
- ✓ Electricity supply for lighting of communal areas
- ✓ Lift maintenance
- ✓ Provision and maintenance of furniture or white goods, where these items remain in the ownership of the Association.
- ✓ Administration of services

The above list is not exhaustive and may be added to as required.

## **9.0 APPLICATION OF SERVICE CHARGES**

Where services are provided the costs are pooled across our housing stock either as a whole or by scheme and a service charge levied to each property that receives the service. A service charge is generally the same for all properties in a scheme receiving that service.

## **10.0 SERVICE CHARGE CALCULATION AND REVIEW**

The principal objective in determining the level of service charges is the recovery of all costs incurred in the provision of the services, including any previous deficits, without making a surplus.

Service charges will be reviewed annually to ensure the level of service charges is sufficient. Where costs are not known, service charges will be calculated on the basis of costs incurred elsewhere or reasonable estimates of costs that will be incurred.

The Association may decide not to fully recover the costs of a service where this would result in unaffordable charges otherwise being payable or where the increase in costs is higher than the proposed rent increase.

The administration charge will be an additional 5% of the total service charge.

## **11.0 NOTIFICATION OF SERVICE AND CHARGES**

Details of all services provided to a property are detailed in the Tenancy Agreement for tenants and the Occupancy Agreement for sharing owners.

Services provided to factored owners will be described in the Factoring Statement of Service

A minimum of 4 weeks' notice will be given for any change in the overall rental charge with the notification of rent/occupancy charge changes normally being effective from the beginning of each financial year.

Notification of any increase to rents will follow a period of consultation with tenants regarding the proposed increase, whereby the views of tenants will be considered.

Where the Association wishes to introduce new services to an individual property or to a development, we will give 4 weeks' notice and notification of our proposals.

## **12.0 PAYMENT OF SERVICE CHARGES**

### Tenants

For tenants, service charges will form an integral part of the rental charge.

### Sharing Owners

For sharing owners the service charges are recovered with the occupancy charge.

### Outright Owners

For outright owners service charges are recovered by 6 monthly invoicing in accordance with the Association's Factoring Policy and Procedures.

## **13.0 QUALITY OF SERVICE**

The Association aims to ensure high standards of service to its service users and although recognising the direct relationship between costs and standards of service maintains that standards should not be compromised in order to satisfy affordability parameters.

The Association is committed to levels of service and performance contained in relevant Scottish Housing Regulator (SHR) Regulatory publications and which will fulfil the requirements of the Social Housing Charter.

All contractors providing services to the Association's customers are appointed in accordance with the Association's Corporate Procurement Policy and Procedures and are registered on the Association's list of Approved Contractors.

Service delivery is monitored as with other services by inspection and customer feedback.

## **14.0 RENT REVIEW**

Rents are reviewed annually by the Association with new rents being communicated to its tenants by the end of February each year for introduction from the 1 April.

There has been a delay (of almost 7 months) in Scottish Government communicating grant income for off-shelf purchases and Stage 3 Medical Adaptations. At the August 2024 Board meeting, the Board approved expenditure on Stage 3 Medical Adaptations, without any confirmation of grant funding. Whilst this was considered to be a temporary measure, were this to become the norm then the Association would need to decide whether or not this was incorporated into the

rent review process.

This review will consider the rental income required to maintain the Association's financial viability whilst recognising the desire to keep rents at affordable levels to those in low paid employment.

Of particular relevance to the proposed rent increase will be the most recent long term plans, including maintenance life cycles, CPI and RPI inflation rates and any emerging trends in these rates, interest rates and their potential effect and relevance on key expenditure issues such as maintenance costs, loan repayments and staffing costs.

Should RPI or CPI be a negative figure the Association will consider, as a minimum, freezing rents for the following year.

## **15.0 VARIATIONS TO THE RENT POLICY**

In the following situations there may be a requirement for variations to the rent policy to be applied:

- ✓ Shared Ownership  
Shared ownership occupancy payments will be calculated in line with the Scottish Government's guidance to reflect the sharing owners' responsibility for repairs and the percentage of the property that they own.
- ✓ HAG Approval Stage  
Actual rents charged may vary from the policy due to the original rent set at HAG approval stage but will be brought into line as soon as practicable.
- ✓ High Cost Developments  
Properties in high cost developments may have additional points allocated to compensate for any shortfall in Scottish Government funding.
- ✓ Supported Accommodation  
Supported accommodation projects, where the nature and type of accommodation is not covered specifically by this rent setting mechanism.
- ✓ Mortgage to Rent Properties  
Additional points may be allocated to cover any shortfall in the Scottish Government's funding. It is likely that the rent used by the Scottish Government for the calculation of the grant amount will be the same rent used by the Association when allocating the property.
- ✓ Mid-Market Rent  
Mid-Market Rent properties will be covered by a separate policy and rent setting mechanism if introduced by the Association.
- ✓ Open Market Residential Property Acquisitions  
Although the proposed rent will reflect the rent charged for properties of a similar size and type, other relevant factors e.g., purchase price will be taken into account in determining the annual rent. The rent for these properties may be different to the rent mechanism and will be based on the purchase price and any

other factors the Association deems relevant.

## **16.0 LEGAL AND GOOD PRACTICE STANDARDS**

### **16.1 Legislation**

The Association is responsible for setting rent levels for properties within its ownership and consulting with the residents involved.

#### Social Housing Charter

The Scottish Government, through the Social Housing Charter, sets the outcomes it expects social landlords to achieve for its residents.

In terms of how rent and service charges are applied the relevant Social Housing Charter indicators include:

Outcome 13 – Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

Outcome 14 – 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, the cost of services, and how far current and prospective tenants and other customers can afford them

Outcome 15 – 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 tenants.

#### Good Practice

The SFHA Rent Setting Guidance and Affordability Tool 2017 (and subsequent amendments) has been taken into account in developing this policy.

#### Business Planning

This policy supports the strategic requirements of the organisation's Business and Development Plans (Corporate Management and Departmental Service Plans), Standing Orders and the Associations organisation's strategies.

## **17.0 COMPLAINTS**

If any resident or service user has a complaint or appeal against the proposed rent level, they should submit their reasoned appeal to the Director of Finance and Corporate Services.

## **18.0 EQUALITY AND HUMAN RIGHTS**

This policy has been reviewed and complies with the Association's policy on Equality and Human Rights.

## **19.0 POLICY REVIEW**

This rent policy is reviewed annually.

Policy Review and Consultation Process

Reviewed by Senior Management Team	1 <sup>st</sup> November 2024
Considered by the Finance, Audit & Corporate Governance Committee on	7 <sup>th</sup> November 2024
<b>APPROVED BY THE BOARD OF MANAGEMENT ON</b>	<b>28<sup>th</sup> November 2024</b>
<b>Date of Next Review</b>	<b>November 2025</b>

Approved

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