



C R A I G D A L E

HOUSING ASSOCIATION LTD

Craigdale: The Home of Good Housing

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RENT SETTING POLICY

AS WITH ALL OF THE ASSOCIATION'S POLICIES, THIS GUIDE IN FULL AND IN PART IS AVAILABLE IN SUMMARY, ON TAPE, IN BRAILLE, & IN TRANSLATION INTO MOST OTHER LANGUAGES – PLEASE ASK A MEMBER OF STAFF IF YOU WOULD LIKE A VERSION IN A DIFFERENT FORMAT

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CONTENTS

	Page
1. Introduction	2
2. Context	2 - 3
• Legislation	
• Social Housing Charter	
• SFHA Guidance	
• Resident Consultation	
3. Areas of Responsibility	3
4. Policy Aims	3 - 5
• Affordability	
• Viability	
• Comparability	
• Value for Money	
5. Annual review of Rent Levels	6
6. Consultation on Annual Review	6
7. Rent Setting Formula	7
• Properties	
• Bed space charge	
• Dining charge	
• Shared Ownership	
• Fair Rents	
8. Equality & Diversity Statement	7
9. Right to Complain	8
10. Policy Review	8

1. INTRODUCTION

The Scottish Housing Regulator requires that Craigdale Housing Association (Craigdale), as a Registered Social Landlord (RSL), adopts a rent setting policy that takes account of affordability, costs of managing and maintaining properties, and comparability with rents charged by other RSL's operating in the same area. RSL's are also expected to design a rent setting mechanism which apportions rents fairly to individual properties.

2. CONTEXT

Legislation

2.1 Under the terms of the Housing (Scotland) Act 2001 Landlords are responsible for setting rent levels for properties within their ownership and for consulting with the residents involved.

2.2 Social Housing Charter

The Scottish Government, through the Social Housing Charter (2017), sets the outcomes it expects Landlords to achieve for their residents. In terms of how rent and service charges are applied the Social Housing Charter states that:

Outcome 13: Value for Money

Social Landlord 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.

Outcome 14 & 15: Rents and Service Charges

Social Landlord 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.

2.3 SFHA Guidance

Specific guidance has also been developed by the Scottish Federation of Housing Associations (SFHA): “SFHA Guide to Rent Setting on Affordability Tool” 2017. Account has been taken of this guidance in the development of this policy.

2.4 Resident Consultation

The Housing (Scotland) Act 2001 contains a number of important provisions relating to the rights of individual and groups of residents to be consulted on key policy areas. This policy contains details of the steps to be taken to ensure that our obligations under the terms of this legislation are met.

3. AREAS OF RESPONSIBILITY

3.1 Key areas of responsibility in relations to the implementation of the Rent Setting Policy are detailed below:

- **The Board** – in its formal approval of the policy, accepts full responsibility for the policy and for ensuring its implementation.
- **Director and Senior Staff** – are responsible for the day to day operation and monitoring of the policy, including providing Governing Bodies with regulatory, legislative and financial advice and support.
- **All Staff** – have a responsibility to ensure that the policy is applied as instructed.

4. POLICY AIMS

4.1 The Policy aims to meet all legislative and regulatory requirements by ensuring that the following:

- **Affordability** – rents set are affordable to households on low income and not fully reliant on Housing Benefit to meet housing costs.
- **Viability** – sufficient income is generated to meet all financial requirements including the costs of managing and maintaining the homes and any associated borrowing.
- **Comparability** – rents are broadly consistent with comparable rents charged by similar social landlords in similar circumstances.
- **Value for Money** – understand the costs and outcomes of delivering our services.

4.2 Affordability

Craigdale endorses the SFHA “moderate income” approach to measuring affordability.

Craigdale will seek to ensure that rent levels are affordable for all tenants.

The changes implemented by Welfare Reform and the removal of Housing Benefit for many working age benefit claimants have challenged historic approaches as appropriate gauges of affordability. The SFHA have developed a Guide to Rent Setting to provide Landlords with a new approach which encourages constructive consideration by staff, governing bodies and tenants about the affordability expectations of residents.

To assist in these considerations, the Guide provides an “Affordability Tool” which allows Landlords to test different rent scenarios across a range of Local Authority areas, different property sizes and various household types.

The Tool assumes that residents on a “moderate income” should not usually pay more than 25% of their income on rent. Where the assessment indicates that a “moderate income” is paying 25-30% of their income on rent, this is considered to be on the margins of affordability. A “moderate income” is one that is just above the eligibility threshold for receipt of Housing Benefit.

When setting rents for new properties and carrying out the annual rent review, Craigdale will take account of the SFHA Guide to Rent Setting and Affordability Tool, which will be used to test the affordability of rents and any proposed rent increase. The outcome of this assessment will be provided to the Board for consideration as part of approving new rents or the annual review.

In addition to this assessment of affordability, and where possible Craigdale will continue to ensure that rents and the annual rent increase, on average, do not exceed levels set by other Social Landlords operating in the Castlemilk area.

4.3 Viability

Craigdale’s rental income is of vital importance to the viability of the organisation. Given this, the annual review of rent charges will be carried out as part of Craigdale’s annual budget setting process. This will ensure that a detailed assessment of all relevant costs is made and that rent charges will be set at levels necessary to meet these as well as achieving an acceptable level of operating surplus. Costs to be considered as part of the annual budget setting exercise will include but not limited to:

- Management of housing stock.
- Maintenance of housing stock (reactive and cyclical).
- Cost of providing services.
- Voids and bad debts allowance.

- Loan charges, repayments and covenants.
- Provision for future major repairs, component renewal and, planned maintenance works.

The viability of Craigdale in the long term will be of key importance in the consideration of these costs and all associated issues.

An important issue for all RSL's over recent years has been the changes to the way in which development programmes have been funded by the Scottish Government and the long-term financial considerations surrounding these. In summary, the changes have involved increased assumptions in relation to rental income and the introduction of standard rents to assess value for money within development grant calculations.

These changes have added to the financial challenges involved in continuing to provide new affordable homes. Craigdale, is committed to continuing with the active provision of new homes, throughout its area of operation. Craigdale is also mindful though of the importance of balancing this with the need to ensure that existing properties are affordable for residents. In working to ensure this, the overall financial viability of new build schemes will be considered in detail and will include analysis of all relevant strategic, financial and operational issues before a decision is taken by the Board on whether or not to proceed with a development.

4.4 **Comparability**

The method of rent setting as it's outlined in this Policy will ensure that Craigdale's rent levels are consistent across housing stock. Craigdale will also take account of rental levels of other relevant social landlords operating within our area as part of an annual comparability exercise. A comparability study of rent charges of local and peer social housing providers will be provided to the Board as part of the annual rent review process.

4.5 **Value for Money**

Craigdale will ensure that they achieve Value for Money by managing their resources economically, efficiently and effectively to provide quality services and homes, and planning for and delivering on-going improvements in value for money. In particular we must have a robust approach to making decisions on the use of our resources to deliver our agreed objectives.

5. ANNUAL REVIEW OF RENT LEVELS

- 5.1 Rents will be reviewed annually, with any increases being implemented from 28th March each year.

Prior to agreeing any increase in rent levels Craigdale will have regards to any representations received from tenants as a result of the consultation exercise on proposed rent increase conducted under the terms of section 25(a) of the Housing (Scotland) Act 2001.

When calculating rent increases in the annual budget setting process, Craigdale will use as a guide the Consumer Price Index (CPI) inflation figure for October. Craigdale will aim where possible to limit any increase to no more than CPI plus 1%. However this will be subject to the outcome of Craigdale's annual budget setting review.

All residents will receive at least one month's written notice of any increase in their rent.

6. CONSULTATION ON ANNUAL REVIEW

- 6.1 Craigdale's tenants have a right under the Housing (Scotland) Act 2001 to be consulted on rent policy and rent increases. The consultation process begins annually in November of each year and includes the following:

- We will write out to all our tenants and shared owners advising them of a range of rent increase options and information on what we spend rent money on.
- Each tenant will receive a questionnaire to return for feedback on the rent increase options.
- Tenants are offered appointments to speak to a member of Housing Services Staff.
- We publish what our tenants have told us and show how that has influenced our decision.
- A report on the outcome of the consultation on the rent review is normally submitted in January to the Board, for approval prior to any rent increase being applied.

7. RENT SETTING FORMULA FOR NEW AND ACQUIRED PROPERTIES

7.1 The Association has agreed the following formula for rent setting:

A base rent based on a 2 apartment property of £3000.63 (reviewed in 2018/19) for individual properties all Scottish Secure tenancies will be set as the starting point for calculating rents. The base rent figure will be increased annually in line with the Association's approved rental increase amount.

The following additions will be made to the base rent depending on the size and type of property:

Properties

Flat	+ 12% to Base Rent	=	£3,360.73
New build Flat	+ 13% to Base Rent	=	£3,390.72
Cottage Flat	+ 15% to Base Rent	=	£3,450.73
Terraced Bungalow	+ 20% to Base Rent	=	£3,600.76
New build Flat	+ 21% to Base Rent	=	£3,630.77
Maisonette	+ 26% to Base Rent	=	£3,780.80
Terraced House	+ 27% to Base Rent	=	£3,810.80
Semi Detached House	+ 30% to Base Rent	=	£3,900.82

7.2 **Plus Bed Space charge:** the base rent will be supplemented by £86.31 per bed space in each house.

7.3 **Plus Dining charge:** An addition of 5% of base rent will be charged for dining room/area.

7.4 **Shared Ownership** - The rent for shared ownership properties will be set in accordance with the principles of this policy.

7.5 **Fair Rents** – Craigdale have a number of residents who have the preserved rights for rents to be set by an Independent Rent Officer on a three yearly basis. Craigdale will apply the Fair Rent as set and approved by the Rent Registration Officer.

8. **IMPACT ON EQUALITY & DIVERSITY**

8.1 Craigdale demonstrates its commitment to diversity and promoting equality by ensuring that this policy is applied in a manner that is fair to all sections of the community, with due regards to the protected characteristics identified under the Equality Act.

9. RIGHT TO COMPLAIN

- 9.1 In the event of you not being satisfied with the service received, please contact Craigdale for a copy of the Complaints Policy or download from our website.

10. POLICY REVIEW

- 10.1 The Association's Board will review this policy at least every three years or in the event of changes to relevant legislation.