

Rent Policy

Approved by The Board

2nd August 2018

1.0 Rent Policy

This Rent Policy seeks to outline the rent systems which are in operation concurrently across the Association's stock of rented dwellings.

A separate section within the policy document is given over to each of these systems as follows:

Section 2	Scottish Secure Tenancy (SST) Rents for General Needs Housing
Section 3	SST (Fair Rents)
Section 4	Large Scale Voluntary Transfer (LSVT) Rents
Section 5	Sharing Owners
Section 6	Rents for Leased Housing
Section 7	Retirement / Sheltered Courts

The Association's rental base profile for 2018/19 at Appendix 2 outlines the extent to which each category contributes to the overall revenue of the Association.

2.0 SST Rents for General Needs Housing

2.1 Introduction

In setting rents for Scottish Secure Tenancies (SST), the Association requires to consider:

- Its aims and objectives
- The needs and resources of existing and future tenants
- Housing legislation
- Scottish Federation of Housing Associations (SFHA) Guidance
- Tenant affordability & Scottish Housing Regulator (SHR) guidance

Cairn Housing Association operates in most areas of Scotland and has an extremely varied housing stock. Cairn HA is committed to providing good quality affordable housing for people in need throughout Scotland.

We have a programme of periodic Customer Profile Survey visits which enable us to establish the income levels and resources available to existing tenants.

In setting rent levels Cairn HA has to ensure that SST rents are

- Affordable to the Association's tenants and within the reach of those in low paid employment
- Sufficient to cover all running costs (management, maintenance, financing and risk)
- Comparable to other similar social housing providers
- Set within a rent setting mechanism which addresses equality and consistency throughout the housing stock

2.2 **General Policy: Rent Setting Mechanism**

To ensure rents are set transparently and fairly, a revised rent setting model was introduced from 1 April 2018 following extensive consultation with tenants. The model which was introduced is outlined below & reflects the elements taken into account for each individual property:

- the size of the accommodation
- the type of accommodation
- the location of the property (linked to the Local Housing Allowance (LHA))
- the LHA element is only applied to Retirement / Sheltered Court stock where the property is due a discount via the LHA element

The rent charge will be reviewed every year in line with inflation.

To ensure both affordability and viability for the Association to deliver homes and services, the Business Plan is built on the Cost Price Index (CPI) + 1%.

2.3 **Base Rent**

a) **Costs**

The Association requires to set rents which are sufficient to cover the following costs:

- Management
- Maintenance

- Loan Charges
- Void and Bad Debt
- Planned Maintenance

b) Services

In addition to covering the cost of providing and managing the accommodation, the Association also needs to recover the costs of the provisions of any additional services. The following are examples of services that may be provided:

- Warden and Staff costs
- Communal area Cleaning
- Landscape Maintenance
- Contract Maintenance
- Garden Maintenance
- Common Ground Maintenance
- Furniture
- Window Cleaning

Where such a service is provided, the Association will separately identify the cost of provision. The Association undertakes to ensure that any service offered represents good value for money.

2.4 **Affordability**

Whilst it is very difficult to arrive at an agreed definition of affordability, the rent model adopted by Cairn adopts the LHA to inform rent levels according to location.

(The LHA is based on the 30th percentile of local rented accommodation. LHA rates relate to the area in which the housing benefit claim is made. These areas are called Broad Rental Market Areas, defined as "where a person could reasonably be expected to live taking into account access to facilities and services")

Whilst the LHA does not apply to social tenancies for the purpose of calculating Housing Benefit eligibility it does provide an objective indication of affordability taking into account the local housing market etc.

The rent model ensures that rents remain below the LHA levels for each area.

2.5 **Comparability**

Cairn HA will monitor its rents and compare them against similar properties. Rent levels vary widely across the country. Rent levels reflect economic circumstances of areas including house prices and demand and there are significant differences in rents prevailing in economically active and depressed areas.

2.6 Individual Rent Fixing

Calculation of Base Rent

The total of the rental income required to cover costs forms the basis for the calculation of the Base Rent. The properties require to produce an income equivalent to the total cost. The total cost is divided by the total number of units to give the average rent per unit.

The average rent will be adjusted to ensure that after the application of the variance of size, type and location to each property, the required rental income in total remains the same. The resulting adjusted figure will be the standard Base Rent to be applied to each property.

The Base Rent is then varied in accordance with the relative size, type, and location of each property as outlined in Appendix 1.

For new build properties, the rent can be influenced by the level of grant received from Scottish Government. The level of rent which can be applied in these cases may not be the same as would have flowed from Cairn HA Rent Policy however wherever possible the Cairn Rent Model will be applied.

3.0 Fair Rents

The Association still has a number of tenants with secure tenancies. Such rents are set by the Rents Registration Service that conforms to the requirements of the Rent (Scotland) Act 1984. The service is completely independent of the Association.

However, when making Fair Rent submissions, at re-registration the Association will make application to the Rent Officer to apply the rents resulting from the SST rent settings policy as outlined in Section 1.

4.0 LSVT Rents

In December 2003, 207 Lochside Housing Association tenants transferred to Cairn HA. These rents are set in accordance with the contract covering the transfer. The contract stipulates that rent payable shall not be increased more than once in any twelve month period with the annual increase set at Retail Price Index + 1%.

5.0 Sharing owners

5.1 Introduction

Communities Scotland's Shared Ownership Procedures Guide effective from 1st March 1995, sets out the way in which rental values should be calculated for Shared Ownership properties.

5.2 Rental Calculation: Specified Rent

The Association is required to set a rent on the portion of the property to be rented by the shared owner. This is called the specified rent, and the method to be applied is as follows:

- Calculate full SST Rent for the property
- Deduct notional maintenance allowance from relevant current guidance.
- Deduct notional management allowance from relevant current guidance
- Pro rata remaining balance (the Basic Rent)

ADD

- Management Costs
- Factoring Fee
- Buildings Insurance
- Service Charges (If appropriate)

5.3 Using the above methodology these rents are normally set in agreement with Scottish Government at the Housing Association Grant (HAG) approval stage with increases applied annually at the same rate as to SST rents for general needs housing in Section 1.

5.4 Staircasing

Should a Shared Owner elect to buy a further share of the property, the Shared Ownership rent must be re-calculated to reflect the reduction in the rented share.

If the date of a staircasing transaction coincides with the rent review date, the rent must be assessed and apportioned to reflect the reduction in rented share.

6.0 Rent for Properties subject to External Management Arrangement

6.1 Introduction

The Association lets a number of properties to other organisations. The form of these arrangements entered into vary. The arrangements exist where the Association intends that the property be used for providing special needs housing with an element of support and where the Association feels that this can most appropriately be done by letting the property to another organisation which has specialist skills in providing and managing the type of supported housing in question.

Earlier sections of this Policy outlines the rent setting methodology adopted by the Association. However, it is not always appropriate for rents set under this policy to be applied to those properties.

In setting rents for those arrangements the Association will be concerned with:-

- The extent to which rental income will cover the Association's costs.
- The affordability of charges made to scheme residents.

The Association's costs will vary from scheme but will fall into the following areas:-

a) Management Costs

These will be largely determined by the extent to which the Association retains responsibility for the housing management/support arrangements within the project.

b) Maintenance Costs

An element should be included within the rent to cover the anticipated costs of carrying out repairs and maintenance in accordance with the obligations of the agreed let.

c) Life Cycle Provision

The Association will identify the amount that will need to be set aside from then rent each year to cover anticipated future major repairs.

d) Residual Loan

Where the scheme has not been 100% HAG funded the rent charged will also need to cover the specific costs related to repayment of any private finance loan.

6.2 Service Charges

In some circumstances the Association incurs costs in providing/maintaining services beyond the provision and management of the living accommodation covered by the agreement e.g. carrying out landscape maintenance, maintaining a lift or intruder alarm system. These costs will be separately identified and added to the rent.

6.3 Affordability

In these arrangements, the rents charged to the residents will be set by the lease organisation and will take into account the organisation's need to cover the Association's costs incurred in managing the scheme and supporting the residents.

The Association, in setting its rent, will be conscious of the effect that the rent level might have on the affordability or otherwise of the residential charges.

While it is recognised that the issue of affordability is far more complex in special needs housing, the Association will be anxious to ensure, in negotiating lease arrangements that as far as possible charges are set at a level which do not cause financial hardship to potential residents.

6.4 Reviewing Rents subject to External Management Arrangements

Rents will be reviewed each year with effect from 1st April. Any changes in the rent will be determined by changes in the Association's costs.

7.0 Retirement / Sheltered Courts

The principles of setting rents as for SST rents will be applied to these properties. It should be noted however, as outlined in the model, that the LHA element will only be applied to Retirement Housing where a discount to the rent is due (i.e. Retirement / Sheltered properties will not be subject to additional rent charges via the LHA element)

The above approach recognises the broad similarity between courts (regardless of location) and protects them from increased charges.

8.0 ANCHO

At the time of writing the policy regulatory consent had just been received to proceed with a constitutional partnership with ANCHO Housing Association.

As part of the partnership ANCHO tenants will be provided with a 5 year rent guarantee based on CPI only (assumed at 2%)

ANCHO currently have their own rent policy in place. After five years the Cairn Group rent policy will apply which is based on local housing allowance and maintaining affordability for local people.

9.0 Review

With the exception of SST (Fair Rents) (and Sharing Owner rents which will be reviewed on 1st October each year), the Association will review all its SST rents on an annual basis with a view to adjusting them on the 1st April each year. The review will take into account both costs incurred over the previous 12 months and reasonably anticipated costs over the coming year.

10.0 Tenant Consultation on Annual Rent Increases

The Association is obliged to conform to the statutory requirements of the Housing (Scotland) Act 2001 as they relate to Tenant Participation and Consultation. A specific requirement in this regard relates to the need to conduct a consultation exercise in relation to our proposed Annual Rent Increase.

Section 54 of the Housing (Scotland) Act 2001 places duties on Local Authority Landlords and Registered Social Landlords to consult with both individual tenants and Registered Tenant Groups on issues affecting them. It places a duty on landlords to notify tenants of any proposals and the likely effect of any proposal.

Landlords must have regard to representations by individual tenants or tenants groups.

A local authority landlord and a registered social landlord under the terms of a SST or a Short Scottish Secure tenancy must notify the tenant and every registered tenant organisation of any proposals concerning: -

- Its policy in relation to housing management, repairs or maintenance, where the proposals, if implemented, are likely to significantly affect the tenant.
- The standard of service in relation to housing management, repairs and maintenance which it intends to provide.

11.0 Policy References

This Policy supports the strategic requirements of the Association's Business and Plan, Standing Orders and the Association's strategies, policies and procedures, and Risk Management Strategy.

12.0 Complaints

- 12.1 Any tenant who feels that a rent and/or service charge increase for their property has been improperly calculated or applied may request a reassessment of the rent/service charge level prior to the increase being applied.
- 12.2 In addition to 12.1, any tenant may submit a complaint using the Association's complaints procedure if it is felt that the Association has failed to correctly apply this rent and service setting policy.

Appendix 1: Rent Model

Model Input Assumptions

Rent Assumptions

Months	12
RENT	
Base Rent	270

Criteria 1: Property Size	Add Rent
Room	- 45.00
1 Bedroom	-
2 Bedroom	45.00
3 Bedroom	90.00
4 Bedroom	135.00
5 Bedroom	180.00
6 Bedroom	225.00

Criteria 2: Property Type	Add Rent
Flat	5.00
Maisonette	15.00

Bungalow Mid Terrace	25.00
Bungalow End Terraced	35.00
Bungalow Semi Detached	35.00
Bungalow Detached	45.00
House Mid Terrace	55.00
House End Terrace	65.00
House Semi Detached	65.00
House Detached	75.00

Criteria 3: LHA	Add Rent
Scottish Borders	- 30.00
Dumfries and Galloway	- 25.00
North Lanarkshire	- 20.00
West Dunbartonshire	- 15.00
Fife	- 10.00
Highland and Islands	- 5.00
Argyll and Bute	-
South Lanarkshire	5.00
Dundee and Angus	10.00
Forth Valley	15.00
Renfrewshire/ Inverclyde	20.00
Perth and Kinross	25.00
West Lothian	30.00
Greater Glasgow	35.00
East Dunbartonshire	40.00
Aberdeen and Shire	45.00
Lothian	50.00

Criteria 4: Caithness Discount	SCORE
Caithness	- 50.00
N/A	-

Criteria 5: LHA Retirement Factor	SCORE
Lothian - Retirement	- 50.00
Aberdeen and Shire - Retirement	- 45.00
West Lothian - Retirement	- 30.00
Perth and Kinross - Retirement	- 25.00
Renfrewshire/ Inverclyde - Retirement	- 20.00
Forth Valley - Retirement	- 15.00
Dundee and Angus - Retirement	- 10.00

South Lanarkshire - Retirement	-	5.00
Argyll and Bute - Retirement		-
Highland and Islands - Retirement		-
Fife - Retirement		-
Dumfries and Galloway - Retirement		-
Scottish Borders - Retirement		-
N/A		-

APPENDIX 2: Rent Base

Tenancies at 1 April 2018

	No	%	Section
General Needs (SST)	1881	59.15	2
Fair Rents (SST)	7	0.22	3
LSVT (Lochside)	174	5.47	4
Sharing Owners	40	1.26	5
Leased	51	1.60	6
Retirement/Sheltered (SST)	1027	32.30	7
Total	3180	100%	