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# Rent Setting Policy

<b>Policy Title:</b>	Rent Setting Policy
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<b>Date of Approval:</b>	29 <sup>th</sup> August 2023
<b>Date for Next Scheduled Review:</b>	August 2026
<b>Review Body:</b>	Board
<b>Equality Impact Assessment Complete:</b>	Yes
<b>Policy Published on Web:</b>	Yes
<b>Scottish Social Housing Charter Standard</b>	13, 14 & 15
<b>Scottish Housing Regulator Standard:</b>	2,3 & 4
<b>Scottish Housing Regulator Guidance:</b>	Sources of guidance included in the policy



## **Vision**

***By providing aspirational homes and high-quality services we will transform communities to enhance the quality of life of our customers.***

## **Values**

- ***Customer and Community Focused***
- ***Treating our customers with respect***
- ***Accountable***
- ***Making a difference***
- ***Innovative***
- ***Equal access to services and opportunities for all***

## **Strategic Objectives**

- ***Deliver first class customer services***
- ***Provide quality homes, communities and sustainable tenancies***
- ***Achieve robust financial management and governance excellence***
- ***Empower, develop and engage our staff***
- ***Build strong collaborative relationships locally and nationally***

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## **Rent Setting Policy**

### **1. Purpose**

- (1) The rent setting policy of Ardenglen Housing Association (AHA) is central to the performance of its independently regulated housing activities, to ensure its financial well-being and good governance.
- (2) AHA is responsible for delivering good outcomes and services for customers. AHA must identify and drive improvement so it can continue to have access to funds at affordable costs, to provide new housing, support our businesses and manage risks.
- (3) The policy sets out the process of gathering information and evidence to inform the Board's annual decision on rent levels. The policy also sets out how rents are calculated, how the rents are set and how they are reviewed. The process will be transparent and accountable.
- (4) AHA will actively and inclusively involve customers in our work to set rent levels which ensure our financial well-being and which they can afford to pay.

### **2. Timeframes**

- (1) AHA is responsible for setting rent levels annually, which apply from 1st April following consultation with tenants. It is the AHA Board which decides, drawing on evidence and reports.
- (2) Board decisions on rent and service charges, whether static or increased, must be intimated to and received by customers no later than 28th February each year, to provide at least four weeks' notice.
- (3) AHA must submit annual rent information to the Scottish Housing Regulator in the Annual Return on the Scottish Housing Charter in May each year.

### **3. Our Commitment**

- (1) AHA is committed to balancing rent affordability with investment in services and homes.
- (2) AHA will engage with customers on rent issues, including the annual statutory rent consultation. Engaging with customers ensures that AHA understands what is important to them, what they want and can afford to pay for.
- (3) AHA recognises that the process of accessible engagement, inclusive communication and consultation can take several months commencing in December following publication of the most up to date information. Customers will be consulted on the proposed options for any planned rent increase. The consultation process runs until mid-January.

- (4) AHA recognises that the annual rent setting exercise can be challenging as it requires the Board to consider the impact of rising costs and inflation on the organisation while recognising the financial hardship that is a reality for many customers. Therefore, AHA is committed to a process which is evidence led, pays due regard to the results of the consultation with customers and serves to maintain a robust organisation which is regulatory compliant.
- (5) Any rent increase agreed by the Board will be announced in conjunction with timely, appropriate and helpful advice.

#### 4. Regulatory Framework

- (1) **Regulatory Standard 2** requires AHA to be open about and accountable for what it does, understands and takes account of the needs and priorities of its customers and stakeholders and that our primary focus is the sustainable achievement of these priorities.
- (2) **Regulatory Standard 3** requires AHA to manage its resources to ensure its financial well-being, while maintaining rents at a level that customers can afford to pay.<sup>1</sup>
- (3) **Regulatory Standard 4** requires AHA to base its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.<sup>2</sup>
- (4) The Housing (Scotland) Act 2010 permits social landlords to increase rents but requires them to consult with customers about the increases. In addition, when suggesting a rent increase landlords should keep in mind what is affordable for their customers.
- (5) Section 31 of the Act requires Scottish Ministers to set out the standards and outcomes, which social landlords should aim to achieve when performing housing activities. These are contained in the "Scottish Social Housing Charter".<sup>3</sup>
- (6) AHA is responsible for meeting the outcomes and standards set out in the Charter and is accountable to customers on how well we deliver.
- (7) The Charter helps to improve the quality and value of services provided by AHA, to achieve outcomes that matter to our customers and supports the Scottish Government's National Outcomes on communities, environment and human rights.
- (8) Outcome one of the Scottish Social Housing Charter requires that "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

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<sup>1</sup> The Standards of Governance and Financial Management for Registered Social Landlords (RSLs) and [regulatory-framework-regulation-of-social-housing-in-scotland-february-2019.pdf](#) ([housingregulator.gov.scot](http://housingregulator.gov.scot))

<sup>2</sup> Ibid

<sup>3</sup> [Housing \(Scotland\) Act 2010 \(legislation.gov.uk\)](#)

with respect, and receives fair access to housing and housing services”. It also says that landlords have a responsibility “...for finding ways of understanding the needs of different customers and delivering services that recognise and meet these needs”.

- (9) This policy enables and informs the process of gathering evidence to provide assurance of compliance and pro-active delivery of duties.

## **5. Evidence Led Decision Making**

- (1) In coming to an annual decision on rents and service charges, AHA will review its business plan, data and information to fully understand its ability to deliver effectively for customers given external factors such as increasing interest rates, above-inflation cost increases, levels of arrears, inflation, and the impact of previous, sub-inflation rent increases.<sup>4</sup>
- (2) AHA will draw on its own engagement with customers as well as official information, research and data sources to arrive at evidence led decisions on rent levels. This will include reports from engagement with the ‘National Panel of Tenants and Service Users’ commissioned by the Scottish Housing Regulator.

## **6. Getting good value from rents and service charges**

- (1) The AHA Rent Setting Policy complies with The Scottish Housing Charter<sup>5</sup>:
- a) AHA manages all aspects of our businesses so that: tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.
  - b) AHA set rents and service charges in consultation with our customers so that: a balance is struck between the level of services provided, the cost of the services, and how far current and prospective customers can afford them.
  - c) Customers receive clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants. This information will be provided in Newsletters, letters and on the AHA [website](#).
- (2) AHA will fulfil its duty to meet the Scottish Housing Quality Standard (SHQS), statutory and regulatory requirements relating to customers safety, building quality standards and relevant Energy Efficiency and Zero Emission Heat Standard which is in place (recognising that this is a changing landscape in the context of decarbonisation).
- (3) AHA has a duty to prevent homelessness (recognising the forthcoming new Homelessness Prevention Duty) and will place particular emphasis on addressing arrears which arise from rent increases.

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<sup>4</sup> [Advice for social landlords on rent setting, Annual Assurance Statements, and business planning | Scottish Housing Regulator](#)

<sup>5</sup> [The Scottish Social Housing Charter \(www.gov.scot\)](http://www.gov.scot)

## 7. Rent Setting Process

- (1) AHA operates a fair system of setting and apportioning rents for different types of property. AHA rents include landscaping and close cleaning costs.
- (2) The objectives of the Rent Setting Policy are:
  - a) Keep rents as low as we can, but ensure the expected rental income covers, in full, the operational costs of AHA.
  - b) Ensure income covers legal and regulatory duties.
  - c) The rent setting mechanism should be transparent, fair and consistent and based on clearly defined criteria which reflect the amenities being provided.
  - d) Those living in larger properties should pay more but not excessively so
  - e) Aim to charge similar rents for similar properties as far as possible.
- (3) AHA set rents and service charges in consultation with their tenants and other customers so that:
  - a) A balance is struck between the level of services provided, the cost of the services, and how far current and prospective customers can afford them.
  - b) Customers get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.
  - c) In discussion with customers, what information to publish about expenditure above a particular level, and in what form and detail.
- (4) AHA will seek to ensure that our rent and service charge levels are affordable and positively comparable to similar properties and areas.
- (5) In making annual decisions on rent levels and service charges, AHA will pay due regard to:
  - a) The SFHA's 'Guide to Rent Setting' which sets out procedures to consider the affordability expectations of customers.<sup>6</sup>
  - b) The SFHA's "Affordability Tool" 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" would be 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.<sup>7</sup> This assessment will be provided to Board of Management as part of the annual rent review policy process.
  - c) Feedback from rent consultations and tenant satisfaction surveys as well as any change in housing demand or increased offer refusal rates and the reasons for this.

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<sup>6</sup>[Scottish Housing Regulator welcomes the SFHA's new Guide to Rent Setting and Affordability - The Scottish Federation of Housing Associations Limited](#)

<sup>7</sup>[Rent setting and affordability tool updated - The Scottish Federation of Housing Associations Limited \(sfha.co.uk\)](#)

(6) Throughout the year, customers will receive information through Newsletters and can access AHA's annual operational reports on our website at [Our Annual Reports \(ardenglen.co.uk\)](http://Our Annual Reports (ardenglen.co.uk)) and paper copies of the Annual Report can be obtained from the AHA office.

## 8. Rent Setting by Tenure

(1) **Scottish Secure Tenancy** AHA has a base rate of rent for all the housing stock it owns. The base rate includes 1 living room and 1 double bedroom and the following additions / deductions will apply in order to calculate the annual/monthly rent charge for each property.

<b>Additions: Bedroom</b>		
<b>Factor</b>	<b>Code</b>	<b>% Base</b>
Single Room (1st)	SINGLE (1)	10%
Single Room (2nd)	SINGLE (2)	9%
Single Room (3rd)	SINGLE (3)	9%
Single Room (4th)	SINGLE (4)	9%
Double Room (1st)	DOUBLE (1)	11%
Double Room (2nd)	DOUBLE (2)	11%
Double Room (3rd)	DOUBLE (3)	9%
Double Room (4th)	DOUBLE (4)	9%
<b>Additions: Amenity</b>		
<b>Factor</b>	<b>Code</b>	<b>% Base</b>
Tenement	TEN	7.5%
Tenement Main		
Door	TEN MD	4%
Cottage Flat	CF	6%
Terraced House	TH	9%
Terraced House		
End	TH END	16%
Semi Detached House	SEMI	16%
Detached House	DET	17%
Town House (2		
Bathrooms)	TOWN H	1.5%
<b>Deductions: Amenity</b>		
<b>Factor</b>	<b>Code</b>	<b>% Base</b>
Small Property Factor	SPF	4%
Bedsit Factor	BF	25%

(2) **Fair Rents** AHA has a very small number (at the time of writing we have 6) of tenants who have the preserved rights for rents to be set by an independent rent officer on a three yearly cycle. Landlords will apply the fair rent as set by the rent registration officer. The fair rents are implemented from the **1<sup>st</sup> May** each year.

(3) **Service Charges** AHA will levy a service charge to the supported housing properties. These monies will be annually reviewed by AHA staff with the funds expensed only on the property against which it is charged.



(4) **GHA / SST stock** As part of the stock transfer from Glasgow Housing Association (GHA) in 2009, part of AHA's commitment was to continue with the rent levels set by GHA. These rents will be re-aligned with AHA rents when the property becomes vacant using the base rate and calculations at section 8.1 above.

(5) **Mortgage to Rent Scheme** AHA on taking ownership of new supply via this scheme will use the base rent and additional criteria to set rent accordingly for these properties as at section 8.1 above.

(6) **New Build Homes** Where new developments have been built under the Affordable Housing Supply Programme (AHSP), the rents for the new properties will be set in line with Scottish Government's standard benchmark and rents will be reviewed annually in line with this policy.<sup>8</sup>

(7) **Shared Ownership** AHA has a small number of shared ownership properties. These properties are aimed at helping people to access home ownership. The owner can own a 25 per cent, 50 per cent or 75 per cent share in the property, with the Association retaining ownership of the remaining portion. The rent and service charges for shared ownership properties are set in accordance with the principles of this policy. Rents are set on the portion of the property to be rented by the Sharing Owner. The service charges, e.g. the cost attached to providing services such as gutter cleaning, landscape maintenance and building insurance, are set annually at a level to recover actual costs incurred, plus a management fee.

(8) **Commercial Lease** Rents and service charges for commercial premises will be subject to the conditions of the lease arrangements and will normally be set depending on market forces. This lease is a legally binding contract, setting out the rights and responsibilities of the customer as occupier of the property and of AHA as landlord. The terms of the lease will state the agreed term of the lease including the rent review date, this will be on the anniversary of the date of entry.

## 9. Risk Management

(1) AHA's Board will consider the risk management factors involved in their rent and service charge setting processes including:

- Financial risk through potential failure to ensure that enough income is generated to cover operating costs.
- Non-compliance with the Scottish Government's Social Housing Charter outcomes.
- Non-compliance with the Scottish Housing Regulator's Regulatory Framework, the Regulatory Standards of Governance and Financial Management and with legal duties.
- Failing to invest in energy efficiency measures to help reduce running costs, and in zero direct emissions heating systems where appropriate. This will prevent lock-in of poor performance and reduce the risk of additional issues arising in future.

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<sup>8</sup> [Adjustments to current set of benchmark assumptions - Report on the work of the 2021 Affordable Housing Investment Benchmarks Working Group - gov.scot \(www.gov.scot\)](#)

- Setting charges which are viewed as being unfair and/or not affordable.
- Emerging risks from changes to the welfare benefits system and external economic factors.
- Failure to consult customers effectively.
- Failure to gather sufficient information to enable informed decision making.

(2) To mitigate risk, AHA will combine the annual rent review with a comprehensive budget and business plan review process. This overall process will involve active consideration of all relevant issues relating to the achievement of affordability, viability, fairness and comparability in line with this policy. This process will provide assurance that the risk is being managed appropriately.

## **10. Complaints Procedure**

(1) Any customer may submit a complaint, using the AHA complaints procedure if they believe we have failed to correctly apply this Rent and Service Charge Policy.

(2) The Scottish Housing Regulator publishes a range of information to allow tenants, and other service users understand each landlord's performance and compare landlords' performance. This includes to support meaningful discussions between landlords and their tenants about performance, rent levels, service levels, and future plans.<sup>9</sup>

## **11. Equality and Human Rights**

(1). This policy should be read in conjunction with the Equality & Diversity policy

(2) The Rent Setting Policy supports the Charter outcomes that people:

- live in communities that are inclusive, empowered, resilient and safe
- value, enjoy, protect and enhance their environment
- respect, protect and fulfil human rights and live free from discrimination.

## **12. Review**

Once approved by the AHA Board, this policy will be reviewed every three years unless amendment is prompted by a change in legislation, or monitoring and reporting reveals that a change in Policy is required sooner.

## **13. Distribution**

This policy will be provided to every employee and Board member and is freely available on the AHA [website](#). AHA will arrange to provide any required training for staff & board members on the delivery of this policy.

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<sup>9</sup> 4.3 Regulatory Framework pub by SHR [Regulatory Framework | Scottish Housing Regulator](#)