

RENT SETTING POLICY

Abertay Housing Association	TITLE OF POLICY	NO.
	RENT SETTING	VERSION
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Department		Operations

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Target Date for Revision	January 2022
Date Reviewed	

Date Amended	
Notes	

RENT SETTING POLICY

1. PURPOSE OF THE POLICY

To set out how our rent levels are determined.

2. OBJECTIVE OF THE POLICY

Our key objectives in setting rent levels are as follows:

1. To keep rents affordable for tenants, without risking the Association's long term financial security or ability to maintain its housing stock to a good standard.
2. To maintain stability and predictability from year to year, (i.e. to favour small steady rises each year, rather than having low rises one year with excessively high rises the following year).
3. To maintain our rents at levels which are reasonably in line with other social landlords in the local area.

We are aware that our rent structure is, to some extent, the result of "historical accident". We do not at present have a consistent rent structure, taking account of facilities etc available in each property. While, in an ideal world, such a structure would be desirable, there would be many problems changing the structure now. We do not see a revision to our rent strategy as being a priority at present, but will keep this under review in the light of developments such as Welfare Reform.

3. OTHER CRITERIA TO BE TAKEN INTO ACCOUNT

Our 30 year business plan assumes that rents will rise 1% above the headline CPI rate each October for the next 4 years, then reverting to CPI. This however is subject to our business plan being revised annually in light of any external factors that may affect the sector.

There is much debate within the housing sector over affordability. The SFHA has produced a rent affordability tool which can be used when considering whether our rents are affordable. There is a constant challenge to the sector to consider whether "inflation plus" rises are sustainable in the light of economic circumstances and organisations are encouraged to offer more choice to residents when proposing annual increases.

It must also be remembered that on the formation of Abertay, the former Scottish Homes rent structure (based on Gross Annual Values) was adopted. The expectation at that time (accepted by both Abertay and Scottish Homes when negotiating the terms of the Sale and Purchase Agreement) was that rents would rise by inflation (RPI) plus 1% until 2027.

4. NEW BUILD

Rents for new build houses will be set taking into account Scottish Government benchmark rents, affordability, and comparison to existing similar properties and location.

5. TIMING OF RENT INCREASE

Whilst rent debits are applied monthly, changes to the annual rent will be effective from 1 April each year. The Management Team, via the budget setting process, will recommend the appropriate increase based on CPI to the end of the previous October.

By law we are required to consult with tenants on the proposed rent increase and take their views into account. We will consult all our tenants giving them the opportunity to respond by various methods in December / January.

The Management Committee will approve any increase.

6. HOW RENTS ARE CURRENTLY CALCULATED

The rents under Scottish Homes were allocated points (Rental Points) based on the Gross Annual Value (GAV) of each property.

The GAV was set independently by the District Valuer to take account of size, type, amenity etc. Abertay inherited this system from Scottish Homes and since April 1998 the individual annual rents have been increased annually by the appropriate approved percentages.

7. IMPROVEMENTS

No increases are made to rent levels for any improvements or component replacements even though there may be an enhancement to what was there previously.

8. REVIEW

This policy will be reviewed in 4 years' time or sooner upon any material developments.