

Rent Setting Policy

1. Introduction

1.1 The purpose of the policy is to set out how our rent levels are determined.

2. Aims and Objectives

2.1 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 a level which are reasonably in line with other social landlords in the local area.

2.2 We are aware that our rent structure is historical in nature. Therefore, the Association intends on carrying out a rent review with a view to ensuring rents for like properties are at the same level.

3. Other Criteria to be Taken into Account

3.1 Our 30 Year Financial Plan assumes that rents will rise 1% above the headline CPI rate each September 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.

3.2 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.

3.3 It must also be remembered that on the formation of the Association, the former Scottish Homes rent structure (based on Gross Annual Values) was adopted. The expectation at that time (accepted by both the Association 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

4.1 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

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

5.2 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 throughout the December / January.

5.3 The Board will approve the increase.

6. How Rents are Currently Calculated

- 6.1 The rents under Scottish Homes were allocated points (Rental Points) based on the Gross Annual Value (GAV) of each property.
- 6.2 The GAV was set independently by the District Valuer to take account of size, type, amenity etc. The Association 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. Risk Management

- 8.1 The risks associated with rent setting are incorporated within the Association's Risk Management Framework.

9. Equality and Diversity Statement

- 9.1 The protected characteristics enshrined in the Equality Act 2010 are respected when ensuring compliance with the Association's obligations in respect of rent setting.

10. Policy Monitoring and Review

- 10.1 The Rent Setting Policy will be monitored by the Chief Executive and reviewed every four years or as and when deemed necessary.