



Rent policy

Approved by Management Committee 14th November 2019
Amendment made to 11.2 December 2021
Next review date November 2024

Yorkhill Housing Association

Rent Policy

1.0 Introduction and Relationship with Regulatory Standards

1.1 This policy relates specifically to the following Regulatory Standards:

2.4	The RSL seeks out the needs, priorities, views and aspirations of Tenants, service users and stakeholders. The governing body takes account of this information in its strategies, plans and decisions.
3.4	The governing body ensures financial forecasts are based on appropriate and reasonable assumptions and information, including information about what tenants can afford to pay and feedback from consultation with tenants on rent increases.
4.3	The governing body identifies risks that might prevent it from achieving the RSL's purpose. It has effective strategies and systems for risk management and mitigation, internal control and audit.

1.2 To comply with this Standard, the Association will:

- Ensure consideration of good quality, measurable information when taking account of affordability, comparability and the comprehensiveness and accuracy of the Association's costs
- Ensure that the Management Committee is given good quality and accurate information when considering annual rent increases and any changes to this Policy
- Ensure that procedures are in place for re-registering secure tenancies with the rent officer on time
- Ensure that individual rents can be related to this Rent Setting Policy
- Continue to seek out and monitor relevant information that would affect the Association's Rent Setting Policy e.g. income information from tenants
- Keep tenants informed regarding their rent and how it has been calculated

2.0 Association's Aims and Objectives in relation to Rent Setting

2.1 Yorkhill Housing Association aims to provide good quality, affordable rented housing to those in greatest housing need.

2.2 Rental income is the Association's primary income source, therefore the governing body must ensure that sufficient revenue is generated year on year to enable the organisation to meet its financial, regulatory, legal and contractual commitments.

2.3 The term "affordable" must be kept in focus when deciding on costs, and the Association takes steps, as far as practicable, to check annually that any rental increase does not compromise affordability. Where practical and possible SFHA's guidance on measuring affordability will be considered in the rent setting process.

2.4 The Policy aims to achieve a rent structure that equitably reflects property amenities, and where staff are able to demonstrate the rent calculation method clearly and concisely.

2.5 Rent setting is a significant component of the Association's business planning framework.

3.0 Policy Principles

3.1 The Association had adopted a Rental Policy which is in line with Government Guidelines and advice by endeavouring to ensure that rents.

- Remain affordable to those in the kind of housing need for which the Association targets its services.
- Compare favourably to other landlords in our areas of operation i.e. are not too much higher or lower.
- Cover the Association's running costs including management, maintenance and contributions to outstanding loans.
- Cover future provision for Major Repairs and Improvements through adequate contributions from rental income into reserves.

The annual review date for revising tenants' rent and service charges is 28th March, and tenants will be advised in writing at least 28 days before the revised rent is due.

4.0 Risk Assessment

4.1 There are a number of risks associated with the Rent Setting and Service Charges Policy, for example

- Charging rents that are unaffordable, may lead to the Association only housing benefit dependent households who will be in the poverty trap
- If rents are too high, low income households who are not or are partially on benefits are more likely to struggle to pay their rent, leading to potentially increased arrears
- If rents are not comparable to local landlords, or the value of paying a higher rent cannot be seen, demand for housing could be lowered, leading to potential void properties and the associated rental loss from these
- If rents do not cover the cost of running the service then either the level of service and staffing will need to be reduced or reserves used to continue with the same level of service. The Association would then run the risk of not being able to survive in the medium to long term, and resulting criticism from external regulators would lead to formal action

4.2 The Association considers these risks when reviewing rents and financial plans.

5.0 Comparability

- 5.1 The Association's rents must compare favourably to other landlords in our areas of operation.
- 5.2 The Management Committee will consider the most recently published average rents of the three closest neighbouring RSLs when setting rents for the Association. (Charing Cross, Glasgow West and Partick)

6.0 Covering Costs

- 6.1 The Association must ensure that its rental income cover the Association's running costs including management, maintenance and contributions to outstanding loans
- 6.2 To comply with this, the Finance Section will provide draft budget information from which the amount of rental income required to cover our costs is then based.
- 6.3 The Finance Section will also confirm the annual amount required to cover loan charges from lenders.
- 6.4 In addition, the Association recognises that rental income will not be received in full and, as per Government guidelines, anticipates void losses at 3% of rental income.

7.0 Future Major Repairs and Improvements

- 7.1 The Association must ensure that it covers future requirements for Major Repair and Improvement costs through adequate provision from rental income year on year.
- 7.2 The Association completed a Life Cycle costing exercise in 2008, and its recommendations informed the 30 year investment programme which is updated each year.
- 7.3 Major Repair and Investment budgets will be included within the Association's annual operating budget, five year, and thirty year financial plans.

8.0 Rent Setting Methodology

- 8.1 The Association uses a points based calculation formula as follows:
- Each property is awarded an appropriate number of points according to its size and amenities.
 - Property points are calculated from a pre-defined scale.
 - Points for individual properties remain static unless the amenity of the property is varied.
 - Point values are calculated annually, according to rental income required.

8.2 The Association's required rental income is calculated using the following year's budget figures as follows:

Management Costs
 + Maintenance Costs
 + Residual Loan payments
 + Allowance for Voids
 - Secure rents
 - Other Income e.g. factoring, RTP allowances
 - Interest Received
 = Required Rental Income

8.3 The Association then calculates the value of one point as follows:

Required Rental Income divided by Total Number of Property points =
 £ Value per point as shown in the example below:

Rent points value: £53.23 x 2.2% (2017/18 increase) = £54.41

Rent For Flat is therefore:

66 x £54.41 = £3,591.06 per annum or £299.26 per month

8.4 The Association calculates the effects of differing rent increases on or above the rental required as a contingency.

8.5 An individual property rent is then calculated by taking the points accorded to that property and multiplying this by the £ Value per point.

8.6 To work out the property points, the Association uses their smallest flat as the Basic Unit and then adds points relative to amenities. The points system is described in Appendix 1 of this policy document.

9.0 Rent Registration Service (Former Secure Rents)

9.1 Where possible, the Association will use the standard rent setting formula when calculating re-registration levels. An appropriate adjustment will be made to take account of the three year registration period.

9.2 The review date for former secure tenants, whose rents are registered with the rent officer, will be three years from the date of last registration, although service charges may be changed during the three year period.

10.0 Re-Lets to former Secure Tenants

10.1 All re-lets are let with a Scottish Secure Tenancy.

10.2 Where tenant paying a Registered Rent is transferring to a new property they are offered a Scottish Secure Tenancy. The new rent will be set in accordance with the Association's Rent Setting Policy

11.0 Rent Setting

- 11.1 Rent Setting will be reviewed annually in November at the same time as the annual budget and the calculation of the required rent levels for the following financial year (which are due from 28th March each year).
Tenants will be consulted on proposed increase levels and decisions taken by Committee in December or January to inform the final budget decision in February.
- 11.2 The Association will use October CPI figures when assessing proposed rent levels against inflation.ⁱ

13. Rent Equalisation (Former GHA Properties)

The Association made a commitment to GHA tenants prior to stock transfer in 2011 that rents would not increase by more than rate of inflation + 1% for the first five years of stock transfer.

Any former GHA properties that become available for letting from 2011 will be pointed according to the Association's Rent Setting Policy and the increased rent charged to the new tenant from their date of entry.

Committee will consider how and when to have YHA's rent setting methodology implemented in respect of the remaining former GHA properties.

ⁱ The Management Committee decided on 11th December 2021 to change from RPI to CPI when deciding on future rent increases. This has been updated in the policy and a full policy review will be carried out in the normal review cycle.