



Rent Setting Policy

Linthouse Housing Association	
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1. Introduction

1.1 Linthouse Housing Association (LHA) is committed to providing good quality homes with a range of services, by charging rents that are affordable to current and prospective tenants. The Rent Setting Policy details how we set rents for all of our social rented and sharing owner properties so that they remain affordable and offer value for money.

Note: In this document the Rent Setting Policy is referred to as ‘the Policy’ and Linthouse Housing Association as ‘we’, ‘our’ or ‘us’.

1.2 Scope

1.2.1 This Policy applies to all tenants, staff and Management Committee members of the Association.

1.3 Equality and Diversity

1.3.1 We are committed to providing fairness and equality of opportunity in order to prevent discrimination in both the workplace and wider society. The Rent Setting Policy will be applied in line with our Equality and Diversity Policy to ensure that no person is discriminated on the grounds outlined in the Equality Act 2010.

1.3.2 We will ensure our approach to dealing with setting rents takes into account the individual needs of our tenants and their households. Where required, appropriate arrangements will be made for communicating with our tenants, particularly during the annual rent consultation process.

1.3.3 This complies with the section of the Scottish Government’s Scottish Social Housing Charter dealing with equalities which states that social landlords must perform all aspects of their housing services so that:

“Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.” (Outcome 1: Equalities).

1.4 Our Mission

1.4.1 The Rent Setting Policy forms part of our mission to:

“deliver high quality and cost-effective housing services designed to meet the needs of existing and future customers. To work in partnership with others to create thriving communities that people want to live and work in”.

1.5 Our Vision and Values

1.5.1 Our vision is the creation and sustainment of lasting, unique, vibrant homes in stable, popular and ambitious urban communities. Our vision is underpinned by four core values which we apply to all areas of our business. These are to be:

- i. **Customer Driven**
- ii. **Honest**
- iii. **Accountable**
- iv. **Transparent**

1.6 Our Organisational Culture

1.6.1 Our **C.H.A.T** values as outlined, form the foundation of our **Listen, Hear, Act (L.H.A)** customer excellence and organisational culture programme. All staff receive training at induction on customer service standards and the organisational culture we promote. This includes reference to our Equality and Diversity Policy and a requirement to treat colleagues, tenants, contractors, service users, and any other stakeholders with dignity and respect.

1.6.2 The organisational culture we promote is based on finding solutions to suit customer needs regardless of individual differences We will:

1. **Listen** - We are committed to listening to those we do business with, be that our customers, staff, stakeholders, regulators or funders, to ensure that our responses are reflective of what people are saying to us.
2. **Hear** - Once we listen and understand the need/demand/offer that is presented, we will ensure that we fully understand what is being said.
3. **Act** - Whilst we will think about what we do, we want to be known for acting swiftly to deliver solutions and for always keeping our promises.

1.6.3 Our Customer Service Standards aim is to ensure all of our service users receive an excellent standard of service. The Standards helps define what our customers can expect when contacting or engaging with the staff in our office. It is available on our website, direct from the office, or in other formats as required.

Section 2: The Legal, Regulatory Framework and Good Practice

2.1 Legislation

Under the terms of the Housing (Scotland) Act 2001 we are responsible for setting rent levels for the properties within our ownership and consulting with the tenants on any proposed change to the rents.

2.2 The Regulatory Framework

The Scottish Social Housing Charter outcomes relevant to the Rent Setting Policy are:

- **Outcome 13:** Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay
- **Outcome 14:** Social landlords set rents and service charges in consultation with their tenants and other customers so that a balance is struck between the level of services, and how far current and prospective tenants and other customers can afford them
- **Outcome 15:** Tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants

2.3 Good Practice

The SFHA Rent Setting Guidance (2017) and the SFHA/HouseMark Scotland Rent Setting Tool (2020) have been considered in the development of this policy.

Section 3: Policy Aims and Objectives

3.1 Aims

The aim of the Rent Setting Policy is to achieve rent levels that are affordable to our existing and prospective tenants whilst ensuring the financial viability of Linthouse Housing Association in the short, medium and long-term.

3.2 Objectives

The principal objectives of this policy are:

- To ensure that the Policy complies with relevant legislation and good practice in relation to consulting tenants about rent setting levels on an annual basis. This will include providing tenants with comparative figures of rent levels set by other Registered Social Landlords (RSL's) to allow an assessment reasonability by comparison.
- To ensure that a balance is struck between level of services provided, the cost of the services, and how far current and prospective tenants can afford them by continuing our commitment to the principle of only charging enough to pay our reasonable costs to ensure that we remain a viable business.
- To ensure that the rent setting process meets the costs of managing our 30 year planned maintenance investment programme.
- To ensure that we meet the costs of providing a quality housing service which meet the needs of our tenants and other customers, whilst we strive to ensure that it remains lean, effective and offers value for money.
- To ensure transparency and public accountability.
- To promote equal opportunities by ensuring that our methodology is easily understood by tenants and other service users.
- To apply a fair and consistent rent structure
- To ensure our rent levels are broadly comparable with other social landlords in the area.

Section 4: Affordability, Comparability and Viability

4.1 Affordability & Comparability

4.1.1 A key aim of this policy is to set rents which are affordable to our existing and prospective tenants, taking into account people on low incomes.

4.1.2 To help assess rent affordability and support the Management Committee to make decisions about rent levels, we will carry out the following tasks:

- Comparison of proposed rents against the Scottish Federation of Housing Associations Affordability Tool.
- Review of the response rates in our ongoing Customer Satisfaction Surveys asking for feedback on the affordability of rent
- Comparison of our rent levels with the two other local Housing Associations (Govan and Elderspark Housing Associations) and the Scottish average RSL rent for the previous financial year, to try to ensure our rents are broadly comparable.

4.2 Viability

4.2.1 The income received from rents must be set at a level that ensures the financial viability of the Association whilst protecting the standard and quality of the homes and services we provide.

4.2.2 The expenditure expected to be financed by rental income includes:

- Management costs
- Day to day and planned maintenance costs
- Provision for voids and bad debts
- Loan repayments and compliance with our lenders' conditions of borrowing (e.g. covenants)

4.2.3 Expenditure is monitored on an ongoing basis and we seek to achieve value for money for the goods and services we purchase, in addition to continual review of staffing requirements to ensure we balance rents with the costs of providing services. In controlling our costs, we aim to ensure that proposed

rent increases are kept to the minimum required to cover the issues detailed in 4.2.2.

4.2.4 In order to control risk we will annually review our five year financial projections and thirty year cash flow to ensure that we can cover expenditure as outlined. The annual rent increase will take account of the October CPI inflation rate.

Section 5: Rent Restructure and Service Charge Review

5.1 Rent Restructure

5.1.1 A comprehensive review of the 2019/20 rent structure was carried out during 2019 to tackle numerous inconsistencies in the structure and devise a more effective rent and service charge system to meet both customer and business requirements.

The rent restructure aims were:

- to ensure a consistent method is used for calculating rents based on fair principles that are easy to understand;
- to ensure the rent charged reflects the benefits and/or amenities of each property;
- to ensure that rents are affordable for the size of each property; and
- to ensure the method for calculating rents provides enough income to support the delivery of quality services which are value for money.

5.2 Tenant Engagement

A key aspect of the rent restructure carried out in 2019/20, was engagement with tenants to seek their views and recommendations on how to develop a revised rent and service charge structure.

The outcome of the engagement exercise was that the characteristics tenants believed are fair and simple for rent setting were:

- Property size;
- Property type; and

- Service charges to be included within the rent

charge **5.3 Rent Structure Model**

After consultation with tenants, the decision was taken to set rent levels using a base rent level for all properties based on the lower quartile weighted average (LQWA) of the exiting 2019/20 rent charges and thereafter applying a charge for the following criteria:

- Type of property; and
- Size of property

There are an additional two criteria for properties subject to a Comprehensive Tenement Improvement (CTI) and new supply properties post 2020 as outlined below.

5.3.1 Criteria 1: Property Size

The criterion for property size is calculated in line with affordability parameters and to align favourably with local RSL charges.

5.3.2 Criteria 2: Property Type

The second criterion for property type is determined by a cost for types of mainstream properties and amenity housing.

Property Type: Amenity Housing

Amenity housing offers active older people an alternative to sheltered accommodation. LHA amenity housing is comprised of properties which prior to the 2019/20 rent restructure, were made up of sheltered, very sheltered, and amenity housing. As a result of cuts in local authority funding for sheltered housing, in 2018 LHA carried out a review of this type of housing which resulted in the closure of the full sheltered housing service as it was no longer financially viable due to withdrawal of local authority funding.

The 2019/20 rent restructure calculates the amenity charge for housing that is suitable for older people at a lower rate than sheltered housing but in line with housing for tenants with particular needs.

5.3.3 Criteria 3: Uplift for CTI

A 10% uplift applies to properties subject to a full Comprehensive Tenement Improvement Programme (CTI) due to capital costs involved in the improvement works and the high quality of these tenements.

Due to the extent of the improvement works, the tenement properties benefitting from the CTI programme have been brought up to 21st century standards with work including reconfiguration of the layout of the properties in the block, a full refit, and high quality refurbishment.

5.3.4 Criteria 4: Uplift of New Supply Rents (post 2020)

The new rent structure model also includes a criteria for new supply properties post 2020.

The cost of building new homes can vary by issues such as location and site specific costs, which can include costs for things such as:

- demolition of unused buildings, for example schools, garages or offices;
- preservation and/or conversion of existing listed buildings;
- diversion of sewers or other utilities;
- dealing with contaminated land;
- extensive ground works on for example, sloping sites.
- Unit costs dependent on the size of the site due to economies of scale.

Due to varying costs and to reflect the quality and demand for new supply homes, all newly developed properties (after 2020) rent charges will be based on the new structure with an uplift of 10-15% plus or minus points (£) when the proposed premium is lower or exceeds the Scottish Government benchmark rental guide figure by 10-15%. This degree of flexibility ensures that LHA can deliver new homes by setting rents to a level that takes into account the levels of private finance and government grant, as these may vary for each development and have an impact on the level of rent required to ensure the development is viable. We will always undertake a rent affordability assessment before committing to delivering new housing developments.

To ensure fairness and comparability with the proposed rents for the Drumoyne Primary School (DPS) newbuild development, the rent charges of existing LHA properties of similar property size and type to the newbuild properties may be reduced to their new structure 2019/20 rents at the DPS completion date if it falls before the rent restructure process is finalised (due for completion 2023). The new rent charge for the existing LHA properties will be applied at the next rent increase date following completion of the DPS development.

See appendix 1 for the Rent Structure Model.

5.5 Harmonisation and Cap on Increase

A key objective of the rent restructure was to remove charging discrepancies and 'harmonise' rents to ensure rents for similar properties are of an equivalent cost.

The decision to harmonise rents over a three/four year period was taken in response to the tenant engagement exercise (see section 5.2). The decision was taken to ensure no customer experienced immediate hardship and rents remained affordable throughout the transitional period.

The cap is applied to the annual rent charge prior to the annual rent increase resulting in variable changes to rent charges over the harmonisation process. This means that higher rents remain frozen during the harmonisation process; mid-range rents receive a partial increase; and lower rents, the full capped increase until reaching the new restructure charge.

All void properties will be re-let at the their frozen higher rent charge until the harmonisation process is completed or put immediately on to their new restructure rent if the current rent charge is lower.

This expected completion date of restructure is financial year 2023/24.

5.6 Service Charges

Service charges cover the costs of maintaining communal areas in the estate and/or in a block. This can include communal services such as communal lighting, communal landscape maintenance, communal close cleaning and our estate caretaking service.

As part of the rent restructure, service charges for most properties were amalgamated into the main rents in line with feedback from the tenant engagement process. Existing services will continue unaffected and will not be changed or reviewed without prior consultation with customers.

The remaining service charges that sit outside the rental debit are those in relation to the non housing benefit eligible charges at the amenity complex at 1 Drumoyne Drive (former very sheltered complex) and the high dependency unit at Elder Grove Court. The charges include costs for:

- window cleaning
- heating costs provided by common heating systems
- white goods
- furniture

The 2019/20 rent restructure model reflects tenant feedback to include current housing benefit eligible service charges within the rent. Reassessment of the current rent structure model and tenant consultation would be required for any substantial additions to existing service charge delivery costs.

Service charge costs will be reviewed annually to ensure that they reflect the actual cost of delivering services.

Section 6: Exceptions to the Policy

6.1 Fair Rents

6.1.1 The Association has a small number of properties that are Fair Rent stock. Fair Rents is a term that applies to tenants who have held their tenancy prior to 15th January 1989. These rents continue to be phased out as the properties becomes void and the tenancy is replaced by a SST. These rents are re-calculated internally every three years and then approved by the Independent Rent Officer. We increase them to bring the rent charge in line with a similar rent for the same size and type of property. Where the Association and a tenant paying a secure rent fail to reach an agreement over

any proposed change, the tenant has the right to refer the matter to the Rent Assessment Committee.

6.2 Commercial Rents

Rents and service charges for commercial premises will be subject to the conditions of the lease arrangements. The rent levels will be reviewed regularly and set in accordance with the outcome of the external valuation report obtained through a suitably qualified surveyor every five years.

6.3 Shared Ownership

Rent and service charges (occupancy payment) for shared ownership properties will be set in accordance with the principles of this policy.

Calculation of the occupancy payment will be based on a Basic Payment calculated in accordance with the rent setting policy, multiplied by the association's share less an amount deducted for taking into account the sharing owner responsibility for meeting the cost of repairs and maintenance to the property. The Exclusive Occupancy Agreement confirms that the occupancy payment will be reviewed on an annual basis in line with the rent increase policy.

If the date of any purchase of a further percentage share ('staircasing') coincides with the occupancy payment review date, the occupancy payment will be re-assessed and the new occupancy payment apportioned to reflect the reduction in the share owned by the association.

Section 7: Annual Rent Review and Consultation Process

- 7.1 The Housing (Scotland) Act 2001 and Social Housing Charter places a responsibility on social landlords to consult with tenants on their rent setting proposals. In line with the terms of the Scottish Secure Tenancy Agreement the rent charge will only be reviewed annually.

We aim to provide clear and easy to understand information to all tenants on the rent review process.

The timetable for the rent review and consultation process is as follows:

- October/November: Gather comparative rent charge information from Social Housing Charter returns.
- November/December: Committee, in order to consider the rent increase required, will take into account the new 5 year financial projections, and thirty year cash flow in line with any proposed rent increases at this stage.
- January: A letter will be issued to all tenants to inform them of the proposed rent increase option(s). This will include details of the rent restructure process and the impact that has in the rent charge for their property. We will offer customers the opportunity to take part in a variety of different consultation methods, in order to provide them with a means to feedback their views to the Association on the proposed rent increase.
- February: Management Committee consider feedback from consultations, reconsider and approve budget including any rent increase taking account of customer views.
- February: Tenants will be issued with a letter providing them with twenty eight days' notice of any rent increase, which will be effective from 1st April each year.

Section 8: Complaints and Performance Monitoring

8.1 General Complaint Handling Procedure

8.1.1 Our complaint handling procedure was established by the Scottish Public Services Ombudsman (SPSO).

8.1.2 In accordance with housing law, we provide our tenants with thorough information pertaining to our complaint handling process. Moreover, we also advise all service users on their right to complain.

8.1.3 A complaint is defined as:

“An expression of dissatisfaction by one or more members of the public about the housing association’s action or lack of action, or about the standard of service provided by or on behalf of the housing association”.

8.1.4 Our complaints handling process includes explicit reference to customer complaints relating to equalities issues. In addition, we have a regulatory requirement to provide information to the Scottish Housing Regulator on the number of customer complaints we receive that relate to equalities issues in the Annual Return on the Charter.

8.2 Monitoring

8.2.1 Details of our proposed rent increase must be approved by the Management Committee prior to carrying out the consultation with tenants.

Section 9: Review

9.1 This policy will be reviewed every 3 years to ensure that the appropriate amendments are made. All staff and relevant third parties will be informed. Continuously subjecting our Policy to review will ensure that its effectiveness is maintained, and that feedback can be acted upon in a reasonable time frame.

Appendix 1: Equalities Impact Statement

TITLE OF POLICY:	Rent Setting Policy
Strategic Outcome:	To set rent levels that are affordable to our existing and prospective tenants whilst ensuring the financial viability of the Association
What is the purpose of the proposed Policy?	The purpose is to provide staff with a rent structure.
Protected Characteristic Groups affected by the Policy	Race possibly, if for example there is a language barrier – but our Equality and Diversity Policy is designed to address this whereby any requests for information can be by provided in other formats or via translating services.
Who is the target audience of this policy or who is intended to benefit from the proposed policy and how? (ie. employees, service users, management committee etc.)	Current and prospective tenants, and appropriate staff involved in the rent setting process.
List any existing documents, evidence, research which have been used to inform the EqIA (this must include relevant data used in this assessment)	None
Has any consultation involvement been undertaken with the Protected Characteristic Groups to inform this assessment? (please provide details of who and how consulted)	No
What is the actual likely impact?	Unlikely to be a significant impact on the protected characteristics.
How have you, or will you, put the Policy into practice, and who is or will be responsible for delivering it?	The policy will be put into practice by the Finance/Business Support Team and the Customer Service Team during the annual rent increase and during the period of rent restructure and harmonisation.
How does the Policy fit into our wider or related policy initiatives?	The Policy fits into our wider policy initiative to achieve rent levels that are affordable to our existing and prospective tenants whilst ensuring the organisation remains financial viability of in the short, medium and long-term
Do you have a set budget for this work?	No

Appendix 1: Rent Restructure: Model 2019/20

Base Rent	£
Base Rent set at LQWA (all properties)	255

Criterion 1: Property Size

1 Apartment	15
2 Apartment	25
3 Apartment	55
4 Apartment	95
5 Apartment	125
6 Apartment	155

Criterion 2: Property Type

Flat	10
4 in a Block	20
House - Mid Terraced	30
House - End Terraced / Semi Detached	40
House – Detached	50
Pre 2019/20 Amenity	70

Criteria 3: CTI % Uplift

Full Comprehensive Tenement Improvement:	10%
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Criteria 4: New Supply (post 2020) % Uplift

New Supply post 2020 (+ or - variations when proposed charge exceeds or is lower than SGB rental guide figures by 10-15%): **10- 15%** (dependent on development viability)