

Rent Setting Policy



<i>Purpose of the policy:</i>	To establish DPHA's policy and set out our position on Rent Setting for our properties
<i>Guidance used for developing the policy:</i>	<p>Housing Act (Scotland) 2001 (as amended 2014)– Part 2, specifically Chapter 1 – Scottish Secure Tenancy.</p> <p>Data Protection Act 2018</p> <p>UK General Data Protection Regulation 2018</p> <p>Scottish Housing Charter – Revised 2022</p> <p>Outcome 13 <i>“Tenants, owners and other customers receive services that provide continually improving value for rent and other charges they pay”</i></p> <p>Outcome 14 <i>“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 can afford them”</i></p> <p>Outcome 15 <i>“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.</i></p> <p>SFHA Rent Setting and Affordability Tool 2021</p>
<i>Policy complies with the following Regulatory Standards:</i>	<ol style="list-style-type: none"> 1. The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users. 2. The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities. 3. The RSL manages its resources to ensure its financial well-being and economic effectiveness. 4. The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose. 5: The RSL conducts its affairs with honesty and integrity.
<i>Policy is linked to the following DPHA policies:</i>	<p>Service Charge Setting Policy</p> <p>Sustainability Policy</p> <p>Risk Management Policy</p>

	Financial Regulations Property Acquisitions Policy
<i>Date Policy last reviewed:</i>	NEW POLICY
<i>Date revised policy approved by the Board of Management (or PRWG if delegated):</i>	TBC
<i>Date policy is next due to be revised:</i>	TBC
<i>Equality Impact Assessment carried out for policy?</i>	YES
<i>Publish revised policy published on the website?</i>	Yes

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1.0 INTRODUCTION

- 1.1 This Policy outlines the criteria Dalmuir Park Housing Association (DPHA) will use in setting rents for the properties it owns.
- 1.2 This policy supports the strategic requirements of DPHAs Business Plan and associated strategic documents, including financial plans.
- 1.3 As rents are the main source of revenue income for DPHA it is imperative that we ensure that they are set at levels which are not only affordable to our existing and prospective tenants but also cover all revenue costs such as loan repayments, management costs and costs of repairs and ongoing improvements to our housing stock and service delivery. The rent setting process is an integral part of DPHA's internal management including budgeting and long-term planning.
- 1.4 This policy is also intended to ensure that both individual property rents and the annual rent review process are set within a framework that can be seen to be consistent, fair and equitable as well as meeting DPHAs business needs.

2.0 AIMS OF THE POLICY

- 2.1 The aims of the Policy are to:
 - Ensure DPHAs rent setting generates sufficient income to meet our financial and business requirements, planning for the medium and longer term where possible.
 - Set rents that are affordable to our customers for the different type and size of property in our stock using a recognised measure of affordability.
 - Ensure our rent setting model is fair, open and transparent and understood by DPHA staff, Board of Management and our customers.
 - Comply with all legal and regulatory requirements and examples of good practice
 - Ensure that rents set represent good value for money when compared with rents charged for equivalent properties by other comparable social housing providers.
- 2.2 Ensure that similar rents are charged for equivalent properties in terms of the type and size of property.
- 2.3 The policy is applied consistently across all our rented properties.

Dalmuir Park Housing Association can provide this document on request, in different languages and formats, including Braille and audio formats.

3.0 AFFORDABILITY

- 3.1 DPHA endorses the Scottish Federation of Housing Association's (SFHA) "Minimum living wage 23+" approach to measuring affordability as recommended in the Guidance "SFHA Guide to rent setting and affordability tool". This was first published in June 2017 and amended in 2021, this newer model is the model used for these purposes, with the affordability measures updated each year to reflect current wages and costs.
- 3.2 The affordability tool uses earnings and income data in Scotland to generate outcomes based on different household types. These are then compared to proposed rents to establish "residual income" after rent is paid. This calculation gives an indication of whether or not tenants' income after paying rent is sufficient for an adequate standard of living and therefore an indication of whether the rent is affordable or not for those on low incomes.
- 3.3 DPHA's position on affordability has remained consistent over the years and the Association remains determined to ensure that rents are set at appropriate and affordable levels. On this basis, the affordability tool provided by SFHA will be used by DPHA to indicate whether any potential rent increase options being considered by the Board as part of the annual budget setting and rent review process are affordable.
- 3.4 Based on SFHA Guidance, which DPHA endorses, the affordability pass rates are as follows:

% of Income Spent on Rent	
<25%	AFFORDABLE
25% - 30%	LESS AFFORDABLE
>30%	UNAFFORDABLE

4.0 VIABILITY

- 4.1 Rental income is required to be sufficient to cover the Association's costs and in particular costs in relation to management, maintenance and improvements, loan repayments, voids and bad debt, wider action and community investment and overall service delivery. As a result, any review of rent levels will ensure that all of the Association's costs are adequately resourced in the short, medium and long term.
- 4.2 All financial assumptions will be projected and closely monitored over a 30-year period to ensure the Association will continue to be viable throughout this period.

5.0 COMPARABILITY

- 5.1 Rent levels should be comparable with other comparable Social Landlords, especially those who operate in our area. A comparison will be made annually of DPHA rent levels for each apartment size against our local Registered Social Landlord partners and with West Dunbartonshire Council.
- 5.2 Comparison figures will be provided annually to the Board of Management as part of the Board's decision-making process relating to budget setting and the annual review of rents.

6.0 RENT SETTING MODEL

- 6.1 The Association's rents are set by the Board of Management and then reviewed on an annual basis.
- 6.2 A new rent setting model (**Appendix 1**), developed in partnership with an external consultant, Arneil Johnson, and in consultation with our tenants will be introduced over a 2-year period from March 2025 onwards.
- 6.3 The rent setting model will be refreshed annually once the Board has agreed any changes to rent levels as part of the annual budget setting and annual review of rent process. Any approved percentage increase to rent levels will be applied to each element of the rent setting model to ensure future rents are assessed in accordance with the Rent Setting Policy.
- 6.4 The new Rent Setting Policy ensures an equitable and consistent rent structure with rents set on three property characteristics these being apartment size and type and whether the property is a new build property from 2025 onwards. The model has a fixed base rent and criteria specific to the rent being calculated for the property is added to give a total rent.
- 6.5 Service charges are in addition to the rent charge, with service charges being calculated and revised as per DPHA's Service Charge Setting Policy.

7.0 RENT REVIEW

- 7.1 Rents are reviewed annually with revised rents being communicated to tenants within the required 28 day notice period, with the new rent coming into effect from 28th March of each year.

- 7.2 The annual review of rents will ensure that sufficient rental income is generated to maintain the Association's financial viability whilst recognising the need to keep rents at affordable levels to those in low paid employment. Reference should be made to Sections, 3, 4 and 5 within this Policy.
- 7.3 Whilst there is no explicit link to CPI (Consumer Price Index) and RPI (Retail Price Index) in DPHAs methodology for its annual rent review process, both indices are of relevance when reviewing the rents, as are any emerging trends in these rates, as well as other factors such as interest rates and the potential effect on key expenditure issues such as maintenance costs, loan repayments and management costs. The annual rent review process is explicitly linked to DPHAs annual budget setting process.
- 7.4 The Association will consult with all tenants over its annual rent review proposals and consultation will be carried out in line with the requirements of the Housing Scotland act 2001. The Association will use a variety of methods to ensure maximum responses from the consultation process. The results of tenant feedback and the consultation process will be presented to the Board to support the Board in its decision-making process with regard to the annual review of rents.

8.0 VARIATIONS TO THE POLICY

- 8.1 In the following situations there may be a requirement for variations to the Rent Setting Policy to be applied:
- **Shared Ownership** – shared ownership occupancy payments will be calculated in line with the Scottish Government's guidance to reflect the sharing owners' responsibility for repairs and the percentage of the property that they own. The rent will be increased annually by the same percentage increase approved by the Board for social rented tenants.
 - **Social Housing Grant (SHG) Approval Stage for New Build Developments** – actual rents charged may vary from the Rent Setting Policy due to the original rent agreed at SHG approval stage but will be brought in line with the Rent Setting Policy as soon as practicable.
 - **High-cost developments** - properties in high-cost developments may have an additional rent charge allocated to compensate for any shortfall in Scottish Government Funding.
 - **Specialist Housing** – Non self-contained accommodation and properties specifically adapted for residents requiring hoist and other mobility equipment, where the nature and type of accommodation is bespoke.

- **Open-market residential property acquisitions** – will not be acquired unless the rent charge calculated as per the rent model makes this a viable option and in compliance with the Association’s Property Acquisitions Policy.
- **Registered Rents** – Refers to tenants who signed a pre-1989 Secure Tenancy. Application will be made to the rent registration service every 3 years (3 months prior to date of registration due date). An application for an increase will be based on DPHAs rent model however the Rent Officer may make decisions on the level of rent approved based on other factors. These rents are also subject to specific rules on rent phasing and therefore may differ from the rent charged through the application of DPHAs rent model.

9.0 ROLES & RESPONSIBILITIES

- 9.1 The Chief Executive has overall responsibility and is accountable to the Board of Management for the financial information pertaining to all aspects of the rent setting and rent review process.
- 9.2 The Customer Services Manager, supported by the Senior Customer Services Officer is responsible for all aspects of the tenant consultation process; ensuring compliance with all regulations pertaining to notifying tenants of any changes to rent levels; and ensuring the Rent Setting Policy and the outcome of the Board’s decision on the annual rent review is implemented.
- 9.3 Members of the Leadership Team will present information to the Board of Management who are responsible for setting rents and reviewing rents on an annual basis.

10.0 EQUALITY AND HUMAN RIGHTS

- 10.1 The Association is committed to promoting an environment of respect, understanding, encouraging diversity, and eliminating discrimination by providing equality of opportunity for all. This is reflected in its Equality and Human Rights Policy.

11.0 COMPLAINTS

- 11.1 Although we are committed to providing high levels of service, we accept that there may be occasions where you may not be satisfied with the service you have received from us. We value all complaints and use this information to help us improve our services. Our Complaints Policy describes our complaints procedure and how to make a complaint.

12.0 DATA PROTECTION

- 12.1 We will treat personal data in line with our obligations under the current data protection regulations and our Data Protection Policy. Information regarding how data will be used and the basis for processing data is provided in our Fair Processing Notices.

13.0 POLICY REVIEW

- 13.1 This policy will be reviewed on a three-yearly cycle by the Board, or earlier if required.

Rent Setting Model Input Assumptions 2024/25

Rent Assumptions

Months	12	<i>Input Number of Rent Months</i>
RENT		
Base Rent	315	<i>Input Minimum Rent</i>

Criteria and Scores

Min Rent		£315.00
Criteria 1: Property Size	<i>2 Apartment</i>	<i>£0.00</i>
Criteria 2: Property Type	<i>Flat</i>	<i>£0.00</i>
Criteria 3: New Build Premium	<i>NO</i>	<i>£0.00</i>

Criteria 1: Property Size	Add Rent	Criteria 2: Property Type	Add Rent
1 Apartment	-£60.00	Detached House	£150.00
2 Apartment	£0.00	End Terrace House	£100.00
3 Apartment	£60.00	Flat	£0.00
4 Apartment	£120.00	Mid Terrace House	£80.00
5 Apartment	£200.00	Tenement Flat	£0.00
6 Apartment	£250.00	Cottage Flat	£50.00
7 Apartment	£300.00		

TOTAL MONTHLY RENT CHARGE 2024/25	£315.00
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