

AGENDA ITEM:	3a
TO:	Housing Services Sub-Committee Meeting
PREPARED BY:	Chris Chalk (Director of Housing & Community Initiatives)
SUBJECT:	REVIEW OF RENT STRATEGY REPORT
DATE OF MEETING:	27 February 2024
APPROVED BY:	Paul Martin (Chief Executive Officer)

# RENT SETTING POLICY

CC/February 2024/Ref: P43



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Registration No. HCB 161 SC Registered: Financial Conduct Authority - 1818 R(S).

Registered under the Co-operative and Community Benefit Societies Act 2014.



## **1. INTRODUCTION**

### **1. AIM OF POLICY**

The aim of the Rent Setting Policy is to examine in detail how rents are set by Milnbank Housing Association (MHA) as there are a range of variations of rent charges which reflect different house types, sizes, and tenancies.

## **2. COMPLIANCE WITH REGULATORY GUIDANCE**

In reviewing the policy, MHA recognises the need to work towards achieving the relevant outcomes as set out in the Scottish Housing Charter in particular:

### **a) Scottish Social Housing Charter**

- 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 provided, the cost of the 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.

**b) Standard 3, Governance & Financial Management** – The Association manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford.

## **3. PRINCIPLES OF RENT SETTING**

The 4 principles of MHA's Rent Setting Policy are:

- Principle 1 - Ensure the rent increase generates enough income to allow services to continue at the current level or to improve.
- Principle 2 - A percentage increase will be applied. This is to assist MHA with the equalisation process.
- Principle 3 - MHA are committed to charging affordable rents and will use the Scottish Federation of Housing Associations (SFHA) Affordability Calculator to assess the rent charges remain at an affordable level.
- Principle 4 - MHA will aim to keep rents as affordable as possible for those tenants in employment on a low income.

#### **4. CONSULTATION ON RENT SETTING**

In line with recognised good practice guidance, MHA is required to consult annually with tenants in relation to the rent setting principles, achieving value for money, affordability and the level of services that are provided. Employment details are also collated as this assists the Association to meet the principle of keeping rents affordable to those tenants who are employed and on low incomes.

The Association has an active Rent Strategy Group who meet on a regular basis. A key objective of the group is to seek tenant's views on rent setting which is reported to the Management Committee which is considered as part of the annual rent setting discussions.

#### **5. AFFORDABILITY AND COMPARISONS**

##### **(a) Affordability**

MHA aims to strike a balance between the ability of the tenant to pay, those on low incomes who are not reliant upon Housing Benefit and Universal Credit and maximising the Association's rental income. Tenants will be surveyed each year to assess income levels.

The Management Committee is conscious of MHA's rent levels being affordable and to monitor this, the SFHA Affordability Calculator (which is standardised across all social landlords in Scotland).

This assessment considers:

- (a) tenants rent as a proportion of income levels for households.
- (b) earning moderate incomes and minimum wage and (b) Assess against minimum income standards for households earning moderate incomes and minimum wage.

##### **(b) Comparisons**

The Association attempts to charge an affordable rent and at a level which is fair when compared to other rent levels of similar Social Landlords within our Peer Group, while simultaneously allowing the Association to meet its costs.

#### **6. RENT CHARGES**

##### **(a) Scottish Secure Tenancies – rent calculations**

MHA have several different rent charges for each size of property and have developed a strategy to equalise rent charges over a period. From the 01 April 2023 the Rent Harmonisation was implemented. The aim of this is to make rents fairer and reduce the different levels of rent that MHA charges for the same property types across its stock. The initial projected timescale for this was set at seven years to complete.

Properties would incrementally increase or reduce to the MHA average rent over this period, but void properties would be changed to the MHA average before being re-let to the new tenant.

The Association will set rents at a sufficient level to cover the costs of managing and maintaining all types of property under its control. In addition, provisions are made for future major repairs.

Tenants are notified of the agreed rent increase in February of each year. This is done by letter and will take effect from 1 April of each year. A rent statement can be requested at any time. Tenants are sent a copy annually at the end of June, three months after the annual rent increase in April

(b) **Pre 1989 Former Secure Tenancies**

Those tenants who have resided within MHA stock for several years have their rent level determined by a 'fair' rents system which is set by An external Rent Officer. This applies to a small proportion of the stock and is gradually declining.

(c) **Leased Properties**

The Association have a small number of Leased properties with external agencies including The Richmond Fellowship Scotland, Mears, and Glasgow City Council. These rent charges will be subject to the same flat rate percentage increase determined by the Management Committee on an annual basis.

(d) **Lock Up's**

Lock Up charges will be subject to the same flat rate increase determined by the Management Committee on an annual basis. Tenants are notified of the agreed rent increase in February of each year. This is done by letter and will take effect from 1<sup>st</sup> of April of each year.

(e) **New Build Development after April 2024**

The Association reserves the right to charge a higher rent for all new build properties developed from April 2024, the charge can be no greater than an additional 10% than MHA's other properties. This decision was taken to accommodate downward grant funding and increased development costs across the Glasgow area.

**6. MONITORING AND REVIEW**

The Rent Setting Policy will be monitored by the Housing Services Sub-Committee and reported to the Scottish Housing Regulator through the Annual Return on the Charter (ARC) and to other relevant agencies or groups for the purposes of performance benchmarking.

The Rent Setting Policy will be reviewed on an annual basis, or as otherwise required, by the Housing Services Sub-Committee.

**7. DATA PROTECTION**

MHA controls the personal information that we collect, this means that we are legally responsible for how we collect, hold, and use personal

information. It also means that we are required to comply with the General Data Protection Regulations (GDPR) when collecting, holding, and using personal information.