



## RENT SETTING POLICY

Date to be Approved	Proposed Review Date
JUNE 2019	JUNE 2021
Chair Person/Office Bearers Signature:	

CASSILTOUN HOUSING ASSOCIATION IS A RECOGNISED SCOTTISH CHARITY (SC035544)  
CASSILTOUN HOUSING ASSOCIATION LIMITED  
59 Machrie Road, Castlemilk, Glasgow, G45 0AZ

# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

## **RENT SETTING POLICY**

### **1. Introduction and Background**

i) We operate in an area of relative social economic deprivation and our rent setting policy recognises this while underpinning our main objectives:

- To provide sustainable high quality housing and services
- To secure a regenerated and revitalised community
- To maintain the Association's financial viability by covering current and future costs
- To keep rents at levels that can be afforded by low wage-earners
- To ensure a fair and proportional differentiation for differing sized properties, differing level of amenities and reflect the new build programme construction costs.

Our rent setting policy thus attempts to reconcile the relatively high costs of service provision with the relatively low incomes earned by our tenants, while ensuring the Association's financial viability.

ii) We believe that these objectives are mutually inter-dependent and are in line with the Scottish Housing Regulator's "Standards of Governance and Financial Management".

*Standard 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.*

*Standard 3 - the RSL manages its resources to ensure its financial well-being and economic effectiveness.*

iii) With the exception of our single residential care home, this policy applies equally to all Association properties, including furnished accommodation, shared ownership and special lets.

### **2. Client Groups**

i) The demand for Association houses is reviewed annually: the present and historic trend is of the high need for mainstream family housing for existing Castlemilk residents, supplemented by the need for family housing from the (enlarged European Union) immigrant community. The impact of the UK's BREXIT is not expected to be significant during the period this policy covers.

ii) Welfare reform from 2013 has created a higher demand for small one bedroom sized properties and with their lower rent.

iii) The economic status of our main client group dictates a level of "affordability" of rents, which the Association gauges as detailed within section 3 iv).

### **3. Rental Charges**

- i) Rental charges are calculated annually to generate sufficient income to cover all our costs on a global basis: housing management, property and estate maintenance, mortgage loan repayments, cyclical maintenance, future major component replacements, development and wider role operations.
- ii) The costs of furnished accommodation, factoring and other services are recovered on a recuperation charging basis.
- iii) Over the long term we aim to generate sufficient rental revenue to increase reserves and maintain cash balances at sufficient levels to meet forecast requirements plus and element for risks and contingencies.
- iv) We aim to set rents at a level comparable with other landlords servicing a similar client group, and we conduct detailed benchmarking of local community ownership groups' rental comparators annually. In addition we conduct detailed benchmarking of the Scottish Housing Regulator's ARC statistics.
- v) We review rents annually in accordance with the terms of the Scottish Secure Tenancy Agreement and Short Scottish Secure Tenancy Agreement. Rental increases will be notified to tenants one month in advance under the terms of their agreements and will apply from 1<sup>st</sup> April each year.
- vi) Properties acquired from GHA in 2009 have a historic stock transfer rental charge which is changed annually in line with paragraph 3v) above.
- vii) Some legacy tenancy agreements have a Fair Rent as outlined at section 5 iii).

### **4. Tenant Participation**

- i) All rent increases and any changes to this policy which are likely to have a significant impact on tenants will be the subject of consultation with all tenants and registered tenants' organizations under the terms of Section 25 and 54 of the Housing (Scotland) Act 2001.
- ii) Specifically (but not exclusively) such consultation will include;
  - Indication of annual rent increase
  - Why this is being proposed
  - Meaningful choices and options
  - Introduction of any new service charge

### **5. Rent Setting Strategy**

- i) The Association sets its rents in such a way as to ensure uniformity, consistency, simplicity and fairness, via the amenity pointing methodology described in section 6 and pointing structure in Appendix 1.
- ii) The Association sets its annual rental increase relative to inflation in accordance with its medium and long-term budgetary forecasts as detailed within the five-yearly and thirty-yearly projections contained within the Internal Management Plan.
- iii) The Association has a small number (currently 15 tenancies) of *Fair Rent* stock - rents set by the Rent Service Scotland which it attempts to balance and integrate

into the global charging structure. The registration procedures for Fair Rents aims to ensure overall comparability over the registration period, typically 3 years.

- iv) Recognisance will be made of the SFHA rent affordability tool to assist with the rent setting strategy and comparability with other social landlords.
- v) When appraising new property construction projects a net present value calculation will be undertaken using HAG capital grant, component life cycle costings and all incremental direct and indirect costs. The assumed required rent will be that necessary for the project to break even over 30 years. If this is above the Scottish Government's (SG) benchmark assumptions or Cassiltoun's existing comparable rent levels then the required rent will be reduced according to how much subsidy Cassiltoun wish to apply and to ensure affordability to tenants.

## **6) Rent Calculation Methodology**

- i) All Association rents are set according to a standardised charging structure relative to house size and amenity provision. This is a simple way of ensuring fairness of the system and allows a transparent demonstration of the rent calculation.
- ii) The rental charge for each property reflects the specific amenities associated with that property based on a 'points' system. The Board approve the list of amenities and the specific points assigned to each which is given at Appendix 1
- iii) The Association's current amenity pointing structure is given in Appendix 1. As new developments or technology come on-stream, new amenities may be added to this list and assigned a relative points value.
- iv) The points value assigned by this method remains static but the charge relative to each point (the unit point charge value) is reviewed annually in line with the applicable rental increase.
- v) The amenity pointing total of each property is simply calculated by adding together its applicable amenity points. This total is then multiplied by the unit point charge value to arrive at the respective annual rent chargeable figure.
- vi) Where the rent charge using this methodology causes clear inconsistencies or fails to cover costs fairly, then management override will be employed to establish a fairer and proportional rent charge.
- vii) New build construction rents will take recognisance of the Scottish Government's enforce rent level assumptions for the year of completion. In the unlikely situation the required starting rent to break even is below SG benchmark then Cassiltoun will be required to increase these to the benchmark. More likely is the required rent will exceed the benchmark and this will then be pro rata downwards to reflect no greater than 10% above the specific benchmark amount per bedspace.
- vii) Exceeding 10% over benchmark will result in no HAG capital grant and could impact on affordability.

## **7) Policy Review**

This policy will be reviewed at least every three years. This general policy review will be in addition to the annual rent review and consultation.

## APPENDIX 1

	<b>Amenities</b>	<b>Points</b>
1	1st Single bedroom	200
2	1st Double bedroom	300
3	Living room	300
4	Kitchen	200
5	1st Bathroom/WC	200
6	Heating	150
7	Environmental	125
8	Extra double bedroom	90
9	Extra single bedroom	75
10	Extra public room	75
11	Extra WC	60
12	Dining kitchen	45
13	Back & front garden/grounds	70
14	Front garden	30
15	Burglar Alarm	30
16	Private car park	45
17	Double glazing	60
18	Insulation	45
19	Terrace (End)	90
20	Terrace (Mid)	60
21	Cottage	45
22	Shower	25
23	Warden alarm	120
24	Lift	70