

Policy Name	Rent Policy
Policy Category	Customer Services
Policy Number	TM011
Officer Responsible	Chief Executive
Application	Lochaber Housing Association
Scottish Housing Regulator Standard	2 & 3
Equality Impact Assessment Complete	November 22
Date to Board of Management	November 22
Next Review Date	November 28

1.0 Introduction and Background

- 1.1 Lochaber Housing Association is a registered social landlord committed to providing good-quality affordable housing and related services, specifically the management and maintenance of its stock. At the same time the Association is required to operate as a self-sustaining business, and as such must ensure that it generates sufficient income to cover its expenditure in meeting all its management and maintenance commitments.
- 1.2 As rents are the main source of revenue income for the Association, it is imperative that the Association ensures that rents are set at a level which is not only affordable to its tenants, but which also covers all its revenue costs such as loan repayments, management costs, and reactive and cyclical maintenance costs. The income from rents must also provide for an annual contribution towards major planned repairs. This means that both the rent review and rent consultation process is an essential part of the Association's internal management, including budgeting and longer-term planning.
- 1.3 This policy confirms the principles behind the process of LHA's rent setting following the review of the 'rent-setting and rent harmonisation process' carried out over the past five years, which sets the current framework for setting LHA rents and for implementing the current rental regime. This document outlines the policy considerations associated to this framework along with the review process and annual consultation with tenants for rent increases.

2.0 Aims

- 2.1 The aims of the Rent Policy are to provide a rent structure that is easily understood, simple to calculate, fair for all tenants, transparent in its workings, and affordable by all tenants – while at the same time protecting the cash-flow and revenue income of the organisation to meet its objectives in the present and medium-term.

3.0 Objectives

- 3.1 The key objectives of the rent policy are as follows:
- That the Association abides by all legal, regulatory, and good practice requirements when implementing its rent policy
 - To ensure that the rent policy framework ensures the Association has sufficient income to meet all its management and maintenance responsibilities
 - To ensure that the Association applies a fair and consistent rent structure with the policy
 - To ensure that the rents set for individual properties accurately reflect the property's characteristics

- That the rents are linked, and are continued to be linked, to the national minimum wage, to ensure affordability
- That the rent policy and process for rent consultation and increases are reviewed on an annual basis to ensure the process is fit for purpose
- That tenants are well informed and able to make meaningful decisions on the rent increase that impacts on them
- That tenants are involved in the decision-making process for the rent consultation as part of the Associations Your Voice activities

3.2 In terms of ensuring continued affordability, no rent, for the lifetime of this policy, shall exceed 25% of the national minimum wage, calculated as 1 person working 35 hours per week in a one-bedroomed property, and 1.5 people together working 52.5 hours per week in a two-bedroomed property and above.

4.0 Rent Setting Criteria

4.1 The terms ‘rent’, ‘current rent’ and ‘target rent’ in the following text refers to rent **net** of any service charges. Service charges are to cover particular costs associated with a property, eg grounds maintenance, communal cleaning, and are therefore not applicable to all properties.

4.2 A fundamental principle underlying this policy is a simplification of the factors involved in rent setting. The factors to be considered have been simplified by the current policy. A single base rent, set in January 2017 at £242.00 per property per month, for the financial year 2017/18, which has continued to rise incrementally per annum in subsequent years, for each property, by the following factors:

- Property type (i.e. detached house, semi-detached house, terraced house, flat)
- Size of the property (defined by the number of bedrooms and number of persons permitted)
- Condition of the property (defined as unimproved, refurbished pre-1982, refurbished 1983–2002, new-build 2002– 016, and new-build for 2016/17. See also section 4.6, below.)

These factors add points, and make up an additional value per month which, added to the base rent, give the total **target rent** (net of any service charges) per month, for each property. A copy of the table showing the values is appended to this report. (**APPENDIX 1**)

4.3 With the rent harmonisation process the rental charge for individual properties where the current rent is already **higher** than their target rent has remained frozen, until such time as their target rent reaches their current rent. Thereafter, their current rent will start to increase yearly by the agreed amount.

4.4 The rental charge for any individual properties whose current rent is **lower** than their target rent will continue to rise by a maximum of 6% per annum, until such time as their current rent meets their target rent. Thereafter, their current rent will increase yearly by the agreed amount. It was identified in 2017 that it would take between 1 – 9 years from the inception of the original framework (April 2017) for all properties affected to reach their target rent. It was anticipated by year 5 (2020 / 21) at least 88% of these properties will have met their target rent. On 31st March 2021 89% of properties were at their target rent, slightly surpassing the original goal of 88% within this timescale. As of 31st March 2022, this figure was 91%. In 2022/23 Under 3% of properties received an increase higher than 3.9% so it’s likely the Association remains on course for all properties at their target rent by year 9.

- 4.5 All new lettings, **are let at the target rent for the property.** Thereafter their rent will increase yearly by the agreed amount based on Section 5 & 6 below.
- 4.6 All new-build properties built will have an increased additional value per month (calculated through additional points) for *condition of the property*. The additional points – and consequent additional value per month – to be so given will be calculated on a yearly basis. This is to ensure that the cost of providing and paying for new housing is adequately provided for in both the immediate and the long term.
- 4.7 The basis for the values in relation to new build properties (bullet point 4.2 above) has not been updated since 2017 and should be reviewed in the coming year to take account of energy saving measures the new build houses will have going forward when compared to current properties in terms of insulation etc.

5.0 Rent Review

- 5.1 It is intended for the medium term – i.e for a period of 4 years that remains from the original nine year period to harmonise rents, and in line with the normal review date for all LHA policies, set five years hence from their inception (Sept 2027). That this policy will be reviewed yearly, in October, simply to check whether the financial situation current in September 2022 is still relevant at the time of review.
- 5.2 Guidance on the rate of inflation should be considered from both RPI and CPI rates in September +0.8%, along with the Associations budgetary requirements and commitments for the year ahead including any inflationary pressures. Consideration should be given to the longer-term impacts on the Association and its 30-year projections with reference to the Associations long term viability.
- 5.3 Any consideration for an increase must also ensure it balances with the affordability assessment. Tenants will be offered a range of rent increase options with an explanation of the impact of the options to the Associations budgets, along with the longer-term impact on financial viability.
- 5.4 Given recent inflationary pressures and the impact of governmental interventions due to a level of concern for the affordability of social rented housing. This may result in consideration of rent control measures, such as a rent freeze or a rent cap in response. Other developing situations may also arise, resulting in the need to adjust the current policy. The yearly review will be chaired by the Chief Executive, and include all relevant senior staff, together with other professional guidance, if necessary. Appropriate recommendations will then be made to the Board of Management for decision.

6.0 Rent Consultation

- 6.1 In line with the Association's Tenant Participation Strategy, and with our legal requirement to consult with tenants on matters affecting them. The Association will consult with tenants on an annual basis, with a view to seeking their views on proposed changes to their rent.
- 6.2 Tenants will be provided with information to enable them to make an informed choice through a tenant briefing which will provide financial details, business reasoning, implications/benefits for services or budgets and ensure that it reflects the viability of the Association.
- 6.3 The Consultation process will be agreed with tenant representatives of Your Voice in November each year, based on the viable options open to the Association in line with the Rent Policy and proposed to the Board of Management in December each year, with

consultation carried out between December and January. Consultation should be completed no later than the February Board of Management meeting.

- 6.4 The outcome of the rent increase consultation will be reported to the Board of Management at the February board meeting to obtain a decision on the proposed increase for the forthcoming financial year. The Board of Management will consider the views of tenants and make a decision that reflects tenants wishes whilst considering the viability and financial impact of any rent increase on the Association.
- 6.5 Tenants will be notified of the outcome of the rent consultation in a tenant briefing along with the statutory 28-day notification in writing, received prior to the increase being applied.
- 6.6 Subject to 5.4 above, the rent consultation process can be subject to temporary changes as agreed by the Board of Management in response to any Government interventions, if it meets the principles highlighted above with regards consulting with tenants.

7.0 Complaints and Appeals

- 7.1 There is no external appeal system for tenants against rents set by their social landlord. We must, however, follow any such requirements as may be set by the Scottish Government from time to time. If a tenant wishes to make a complaint about a decision in relation to the rent (and / or service charges) levied, or about the treatment they have received from staff during the rent setting and / or consultation process, they may do so via the Association's complaints procedure.
- 7.2 A copy of the complaint's procedure is available from the Association, on request.

8. General Data Protection Regulations

- 8.1 The organisation will treat personal data in line with our obligations under the current data protection regulations and our own data protection policy. Information regarding how personal data will be used and the basis for processing personal data is provided in the LHA Group's privacy notices.

This policy can be made available in other formats, for example in large print, audio format or Braille, the document may also be available in other languages, in full or summary form, as appropriate.

9. Equality, Diversity, and Inclusion

- 9.1 This policy reflects the Association's commitment to meeting our equality obligations in advancing equality, promoting good relations between protected characteristics, and eliminating discrimination in the way we provide our services

It also aims to reflect our commitment to considering the Equalities and Human Rights impacts of what we do as an RSL.

- 9.2 The Association assesses and reviews where appropriate new and revised policies and procedures, and an Impact Assessment is available to support this policy. (**APPENDIX 2**)