

# Rent Setting and Review Policy

Interim Review: May 18  
Next Review: 2021



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## **1. Introduction/Purpose**

- 1.1 The purpose of the Policy is to set out our approach for setting and reviewing rents for our properties.
- 1.2 Rosehill owns and manages almost 1000 properties in the Pollok area of Glasgow. Rosehill began with a stock transfer of 374 houses from Glasgow City Council in 1988 with the rents being “inherited” from the former landlord. Since then Rosehill has grown primarily through the development of new houses but also through other smaller stock transfers. Again in some of these cases the rents were “inherited” from the former landlords.
- 1.3 We believe we fundamentally exist to provide good quality, affordable housing and services that are valued by our tenants. This is enshrined within our Vision statement:

“To provide excellent quality homes, in well maintained neighbourhoods where our tenants feel safe, and to provide valued services to our tenants and other customers.”

## **2. Legal and Regulatory Framework**

- 2.1 Whilst this Policy sets out to explain Rosehill's approach to setting and reviewing rents it must do so in the context of legal and regulatory requirements.
- 2.2 Housing (Scotland) Act 2001
  - 2.2.1 Under this legislation Landlords have the authority to increase the rent or any other charge payable under the tenancy. However in order to do so landlords must give tenants 28 days’ notice of any increase. In addition before issuing any notification to tenants, Landlords must first consult tenants on any proposed increase and have regard to the views expressed.
- 2.3 The Scottish Social Housing Charter
  - 2.3.1 The Social Housing Charter came into effect in April 2012 and this sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Charter replaces the Performance Standards and the outcomes relevant to this Policy are:

1. Equalities

Social Landlords 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.

2 Communication

Social landlords manage their businesses so that tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides.

3 Participation

Social landlords manage their businesses so that tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.

13 Value for Money

Social landlords manage all aspects of their businesses so that tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

14/15 Rents and Service Charges

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. 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.

**3. Key Objectives**

- 3.1 When setting rents for new properties or reviewing rents annually we aim to achieve the following objectives:

## 3.2 Affordability

3.2.1 Setting and maintaining rents that are affordable to households on low incomes is a key objective for Rosehill. However defining and demonstrating affordability is challenging and has proven problematic over the years. The most commonly used affordability model within our Sector has been produced by the Scottish Federation of Housing Associations (SFHA).

3.2.2 However it has been recognised that this model is not perfect. With the introduction of Welfare Reform, including the replacement of Housing Benefit with Universal Credit for tenants of working age, the appropriateness of the existing model is called into question. It is our understanding that SFHA are currently revising the model.

3.2.3 In the interim we will continue to take account of the existing SFHA affordability measure which states that:

“a member of the household working 35 hours per week or more should have an income which allows the rent to be paid without reliance on Housing Benefit i.e. if you are in full time employment you should not need Housing Benefit to be able to afford the rent.”

3.2.4 As part of our comprehensive Tenant Satisfaction Surveys, carried out every 3 years, we undertake a household survey which captures amongst other things tenants' income levels. This data is used to assess the affordability of our rents using the SFHA measure.

3.2.5 We also attempt to supplement this data by raising our tenants' awareness and encouraging their participation in our own in-house tenant census. We are keen to regularly update the income data we hold in an effort to keep our rent affordability outcomes as current as possible.

3.2.6 The comprehensive Tenant Satisfaction Survey also captures the satisfaction question relating to whether tenants think their rent represents value for money. Whilst this is not a direct measure of affordability we believe that there is a link between tenants' perception of rent being value for money and being affordable.

3.2.7 We also monitor factors such as the reasons for tenancy refusals and tenancies being ended to establish if there is an issue with the affordability of our rents.

### 3.3 Comparability

3.3.1 We recognise that we are not the only provider of social rented housing in the local area. As such we do consider the rent levels of other local landlords. It is our aim that our rents are broadly comparable with neighbouring landlords.

3.3.2 We utilise the information gathered as part of the Annual Return on the Charter (ARC) which we are required to submit to the Scottish Housing Regulator. Using the data from the ARC and the Regulator's comparison tool on its website we compare our rents with other landlords. As part of our annual rent review process we use such comparisons and consider both the local and wider context i.e. neighbouring landlords and the Scottish average.

### 3.4 Viability

3.4.1 Whilst we aim to ensure our rents are affordable and comparable this needs to be balanced with the need to ensure we are generating sufficient income to meet our costs, commitments and objectives in the short and long term.

3.4.2 We will take account of the following:

Management Costs e.g. office overheads, staff costs, provision of housing management services including letting properties, anti-social behaviour and welfare right services.

Maintenance Costs e.g. day-to-day and cyclical maintenance including gutter cleaning and external painter work

Planned maintenance e.g. replacement of kitchens, bathrooms and boilers

Loan repayments and interest charges

Voids and bad debt provisions

Cost of building new houses

### 3.5 Transparency

- 3.5.1 The provision of clear information on how we set and review our rents is very important. The rent setting model which forms part of this Policy sets out what factors we take account of when determining rents for new properties. It also clearly sets out the number of points we allocate to recognise the differences in size and types of properties.
- 3.5.2 When consulting with our tenants over any proposed rent increase we provide information on our costs, planned commitments for the next five years and rent comparisons with other landlords. In addition we offer discussion groups to explore such information further and we hold discussion sessions with our Tenants' Group. We offer our tenants a range of ways to give us their feedback.

### 3.6 Value for Money

- 3.6.1 There is no one single definition of Value for Money and we recognise that it means different things to different people. The Scottish Social Housing Charter places an importance on achieving value for money and has set a standard and outcome to be achieved:

“Social landlords manage all aspects of their businesses so that tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.”

- 3.6.2 We aim to achieve this standard/outcome by making value for money a key objective of our Rent Setting and Review Policy and a key theme within our Business Plan.
- 3.6.3 We will seek to demonstrate value for money by benchmarking our cost and performance data through combining data collected for the ARC return, information from our annual accounts and financial projections and cost/performance benchmarking data when considering rent levels. The pursuit of value for money will be a key business objective.

## **4. Rent Setting Model**

- 4.1 The model will determine the rent that will be charged for individual properties taking account of specific property characteristics e.g. size and type and the amenities and facilities provided within the property.

4.2 The prime aim of the rent setting model is to ensure that rents are set in a fair and consistent manner. Similar properties should be charged similar rents and rent levels should fairly reflect the level of amenities and facilities provided in different properties.

4.3 The Rent Setting Model is set out in Appendix 1.

4.4 Standard Rent

4.4.1 A standard rent has been created for each house size which covers the types of costs as set out under the section “Viability”. It also includes amenities that have become standard over the years in new build and these are:

Gas central heating, double glazing and extractor fan in bathrooms

4.4.2 The standard rent also assumes that all properties will have private front and back gardens, in curtilage parking and natural ventilation in bathrooms.

4.4.3 The model allows for a reduction in the rents if the above amenities are not provided e.g. if the property only has a shared front and/or back garden.

4.5 Additional Amenities

4.5.1 The model uses a points based system to apply points for individual property characteristics e.g. to recognise different house types. The number of points awarded to each characteristic will be weighted to reflect the importance and desirability to us and our tenants.

4.5.2 The standard rent is built on by adding points to recognise the different house types and any additional amenities e.g. additional w.c. or bathroom, utility room. There is also a mechanism to deduct points if any assumed “standard amenities” are not provided e.g. provision of internal bathroom i.e. no window.

4.5.3 The points’ value has been updated to reflect the position as at 2015. This has resulted in a current value of £28.55. The original value was set after the rent setting mechanism was tested against different house sizes and types and appropriate differentials in the rent levels for each were achieved. We are satisfied that this approach continues to work



and produces sufficient differentials in rent levels to reflect differences in property characteristics including house type and amenities and facilities.

#### 4.6 Total Rent

4.6.1 The total rent is calculated by adding together the standard rent and the sub total from the amenity factor calculation.

### 5. Service Charges

5.1 We have only a small number of properties that attract a charge for services e.g. stair cleaning and lighting in tenement properties. Service charges are based on actual costs and because of this, charges can go up or down e.g. if we achieve savings with a particular service. To ensure value for money we will tender relevant services from time to time e.g. stair cleaning.

### 6. Individual Acquisitions

6.1 In addition to providing new build housing we also acquire properties on an individual basis. The main ways we do this are:

- Buy back of shared ownership
- Open Market Purchases – our main focus for these are properties within the Second Stage Transfer stock in Nitshill to increase our ownership in the 4-in-a-blocks.
- Mortgage to Rent

6.2 Typically the individual properties we acquire are the same or in keeping with our existing housing stock. Therefore we will use existing rent levels for individual acquisitions.

### 7. Annual Rent Review

7.1 Annually we carry out a review of our rent levels. This in effect acts as a financial health check to ensure that we are generating sufficient income to meet our costs and commitments. This is balanced, where possible, in the context of affordability and comparability.

7.2 The following processes are key to any decision to increase rents:

- Annual budget setting exercise
- Consideration of our Business Plan objectives and activities

- Value for Money – Benchmarking Cost/Performance Data

### 7.3 Inflation

7.3.1 In an effort to keep our rents affordable to tenants we aim to keep any increases in line with the rate of inflation. Traditionally we use RPI and base it on the month of October each year.

### 7.4 Tenant Consultation

7.4.1 The final decision on what level of rent increase, if any, is to be applied rests with our Management Committee. However before making our decision we must consult with our tenants, as per the 2001 Act, on any proposed increase and have regard to the views expressed.

7.4.2 As part of the consultation process we provide our tenants with information about our costs (provided in the form of a pie chart that shows how tenants' rent is spent); our planned maintenance commitments over the next five years e.g. number of bathrooms, kitchens and boiler replacements to be carried out and how our rents compare with other local landlords.

7.4.3 We also offer discussion sessions with interested tenants and meet with our Tenants' Group to discuss the proposed rent increase.

7.4.4 We will also consult our tenants over the development and review of this Policy.

### 7.5 Notifying Tenants

7.5.1 Once a decision has been reached about a rent increase, taking account of any feedback from our tenants and Tenants' Group, we will give our tenants 28 days' notice prior to the increase being applied. Traditionally any increase is applied from the 1<sup>st</sup> of April each year.

## **8. Tenant Participation**

8.1 We are a tenant focussed organisation and as such we are committed to involving tenants in all aspects of our work and ensuring that tenants are included, informed and consulted about decisions that have an impact on the way their homes are managed.

8.2 As part of this commitment we will involve our tenants in the development of our policies and seek feedback where appropriate. We will ensure that

any significant changes to this Policy and other Policies which will affect our tenants will be the subject of consultation.

## **9. Equality and Diversity**

- 9.1 We are committed to ensuring equal opportunities and fair treatment for all people in its work. In implementing this Policy, we will provide a fair and equal service to all people, irrespective of factors such as gender, race, disability, age, sexual orientation, language or social origin, or other personal attributes.

## **10. Risk Management**

- 10.1 In all the key areas of our business we need to consider any risks which may arise. To this end we have in place a robust Risk Management Policy and from this flows our Risk Register. We have identified our “Top 5” risks which are regularly monitored by our Management Team and Audit Sub-Committee.
- 10.2 Key to mitigating risks associated with balancing financial viability and affordability for our tenants is having a comprehensive policy in place to govern how we set and review rents.
- 10.3 To ensure we continue to manage the associated risks we will periodically review this Policy to ensure compliance with all legislative requirements and regulatory and best practice guidance.

## **11. Complaints Procedure**

- 11.1 We aim to get things right first time and provide a good quality service to our tenants. However, we acknowledge that things can go wrong and that some tenants may be unhappy with the service provided.
- 11.2 We promote our Complaints procedure through our website and periodic articles in our newsletters. In addition we initially issued all of our tenants with a copy of the new Procedure introduced in October 2012. This information leaflet is also issued to all new tenants as part of the signing up pack.

## **12. Data Protection**

- 12.1 On the 25<sup>th</sup> May 2018 the legislation governing data protection changed with the introduction of the General Data Protection Regulation (GDPR).

- 12.2 We hold a variety of Personal Data relating to individuals including tenants, waiting list applicants, factored owners, other service users, employees and Committee Members. Our Privacy Policy sets out the basis on which we can process and share such data with third parties, it also sets out how we will securely store individuals' data, whether electronically or in paper format. It also provides information on individuals' rights under GDPR including: to view personal data held about them by us; to request a restriction of processing of their data; the right to be forgotten and a right to object to us processing their data. In terms of the rights to be forgotten and to restrict or object to processing of Personal Data, any such requests will require to be considered on their own merits and legal advice will need to be obtained in some circumstances. We have the responsibility for accepting or refusing such requests and will do so in writing.
- 12.3 Under GDPR we are required to provide all customers whose Personal Data we hold with a Fair Processing Notice (also known as a Privacy Notice). The Notice sets out the Personal Data we process and the basis for doing so.
- 12.4 We will only keep and process Personal Data for the original purpose we gathered it for and we will not keep it for any longer than necessary. Attached to our Privacy Policy is a table of Retention Periods for Personal Data held and processed by us. We recognise that not all Personal Data can be processed and kept for the same period of time, and this will vary depending on the individual circumstances of each person whose Personal Data we hold.
- 12.5 The Privacy Policy sets out what should happen in the event of a Data breach e.g. does the breach require reporting to the Information Commissioner's Office and whether the individual affected should be notified. Timescales are set out for dealing with data breaches.
- 12.6 Full copies of our Privacy Policy are available upon request at our office or from our website [www.rosehillhousing.co.uk](http://www.rosehillhousing.co.uk)

## 12. **Policy Review**

- 12.1 This Policy will be reviewed at least every three years or sooner to ensure it continues to reflect current thinking and practice and to comply with legislative requirements and regulatory guidance.

## Appendix 1 - Rent Setting Model

### 1. Standard Rents

Property Size	Annual Rent (as at 2015)
2 apt/2 per	3,236.03
3 apt/4 per	3,521.54
4 apt/6 per	3,807.05
5 apt/8 per	4,092.55

### 2. Amenities

Additional:

Property Type	Points
Detached bungalow	18
Detached house	16
Semi-detached/end terrace bungalow	12
Mid terrace bungalow	10
Semi-detached/end terrace	9
Mid terrace	7
4-in-a-block	5
Flat main door	3
Flat above ground level	1
Additional Amenities	
Car Ports	2
Utility Room	5
Additional/separate w.c.	5
Ensuite	5
Additional bedroom*	5
Dining space (rehab only)	5
Additional bath/shower room	10

\*where a property has an additional bedroom above the number of persons e.g. 2 x double rooms (4 person) – 1 x double (2 person) plus 1 x single room (1 person) plus 1 x single room (1 person)

Deductions:

	Points
No front garden	-5
Shared front garden	-2
Shared back garden	-2
Parking space adjacent	-2
Internal bathroom	-3
Rehab	-4

### Discretionary Points:

These points will be applied by agreement of the Management Committee. This provides the facility for points to be awarded where an amenity exists that is not included in the above model. The use of discretionary points can be for adding or deducting points.

Points Value: Each point has a value of £28.55 (uprated 2015)

### 3. Example Rents for new build properties:

#### 3.1 3 apt/4 per Mid terrace house

Standard rent for 3 apt/4 per £3,521.54

Plus:

House Type:	Mid Terrace	7 points
Amenities:	Additional W.C.	5 points
Deductions:	None	0 points
Discretionary:	N/A	<u>0 points</u>
Points Total		12 points

Total Points: 12 x £28.55 £ 342.60

**Total Annual Rent: £3,864.14**

**Total Monthly Rent: £322.01**

#### 3.2 4 apt/6 per semi detached

Standard rent for 4 apt/6 per £3,807.05

Plus:

House Type:	Semi-detached	9 points
Amenities:	Utility Room	5 points
	Additional W.C.	5 points
Deductions:	None	0 points
Discretionary:	N/A	<u>0 points</u>
Points Total:		19 points

Total Points: 19 x £28.55 £ 542.45

**Total Annual Rent: £4,349.50**

**Total Monthly Rent: £362.46**