



Irvine
Housing
in Association with you

Rent Setting Policy

Date Effective: March 2021



Registered Scottish Charity No: SC042551

Date Approved: 25 March 2021

Approved by: IHA Board

Policy Owner: Paul Hillard

Lead Officer: Morag Hutchison

Applicable to: IHA Staff, Customers

In consultation with: IHA customers, Finance services

Associated Documents: Rent Consultation documents, Rent Affordability Tool.

Purpose

The aim of the rent policy is to provide a set of principles to guide the setting and varying of rents (in residential properties) which meet legal, regulatory and best practice requirements.

The policy aims to balance the Association's need to maintain financial viability and well maintained, energy efficient homes; with the need to ensure that our rents remain affordable to our customers, many of whom have a low income.

The policy applies to all social tenancies and in particular:

- Scottish Secure Tenancies
- Short Scottish Secure Tenancies

The policy does not cover:

- Rents on non-residential properties
- Garages
- Service charges
- Properties leased to an organisation or let as supported accommodation

The policy is designed to clearly explain how Irvine Housing Association sets its rents. The policy sits alongside the Riverside Group's Rent Framework, which provides the context and framework for the setting and varying of rents across the Group in both England and Scotland, and the statutory and regulatory expectations that are applicable to us as a registered social landlord.

1. Guiding Principles

Irvine Housing Association will set and vary rents at levels which are designed to be affordable for tenants in our customer base, whilst maintaining sufficient income to ensure viability and deliver our charitable objectives. Rent setting will comply with legal and regulatory requirements.

The desired outcomes are:

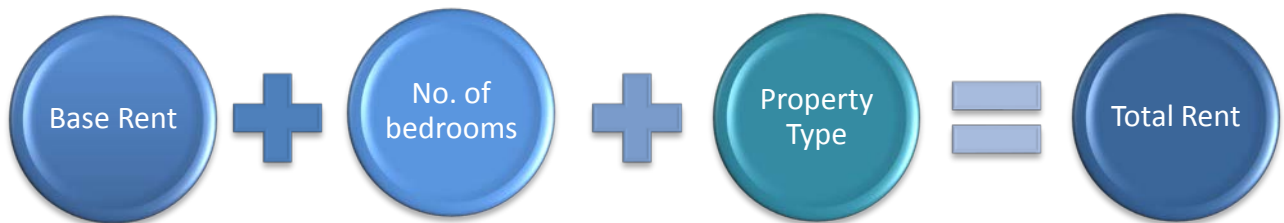
- **Legal and regulatory:** Both policy and practice will be within the law and will meet the standards set out in the Scottish Social Housing Charter.
- **Contractual compliance:** The setting and varying of rents must be consistent with the relevant clauses in the applicable tenancy agreements or leases, as well as any obligations arising from stock transfer and merger agreements.
- **Affordability:** Rents must be set at levels which:
 - are below market levels,
 - ensure low income, working households, have sufficient income to live on without creating undue dependence on benefits to meet housing costs.
 - take account of the operation of the benefit system by ensuring that benefits will cover eligible housing costs for the majority of households entitled to state support.

- **Viability:** Rents will be set and varied to ensure the rental income stream is sufficient to support financial viability and allow the delivery of our charitable objectives.
- **Consultation:** This policy has been carefully developed over a period of time, to allow us to provide our customers with a number of opportunities to engage with us and shape the principles of our new rent setting policy, using a variety of methods to encourage participation and feedback.
- **Promotion of Equality:** This policy will be applied equally to all tenants regardless of their ethnic or social grouping. It will not have a disproportionate adverse impact on any of the groups with protected characteristics in relation to equality of opportunity.

This policy conforms to our Equality Diversity & Inclusion policy and has been subject to an Equality Impact Analysis.

2. Rent Structure

The new structure uses the following formula:



The base rent was calculated using the lower quartile weighted average of all of the Association’s current rents, to ensure that the final rent would be affordable.

Properties with two bedrooms or more have a supplementary charge added to the base rent for each additional bedroom. Likewise, all properties except flats (tenements and four-in-a-block) carry an additional charge to reflect the relative demand for each property type.

Below are three worked examples using a notional base rent of £100 per week:

- A one bedroom flat £100 + £0 + £0 = £100
- A two bedroom bungalow £100 + £10 + £5 = £115
- A three bedroom terrace £100 + £15 + £7.50 = £122.50

3. Variations to the policy

For new build properties, we will apply the same policy, but take account of the funding rules pertinent to the scheme, and also the benefits to the tenant of occupying a new build property. This may result in a new build supplement being applied to the rent for the first 10 years of the property's life.

Where it is evident from verified statistical information that specific property types or properties within a specific designated area have a rent charge that is not in keeping with local market drivers, the Board will be asked to decide if the rent should be varied. A variation of this nature could be achieved through the use of a Local Lettings Initiative.

4. Annual Rent Setting

The Scottish Secure Tenancy Agreement makes provision for an increase in rent and service charges, following a period of consultation and the appropriate notification of the increase to the tenant. A rent increase should not usually occur more than once in a 12 month period.

Each year a rent increase proposal is put forward based on the business plan, which is updated annually, to ensure that it meets the needs of the business. This proposal forms the basis of an annual consultation with customers, the outcome of which the Board considers along with the business plan when deciding what increase to apply.

Tenants moving into properties let after the Board have made their decision, will, wherever possible, be charged the rent and service charge for the forthcoming year to avoid a change to their rent and service charge early in their tenancy.

5. Policy Review

This policy will be reviewed every three years or as required, for example, if there is a change to the legislation or regulatory requirements.