



Rent Setting Policy

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Cadder Housing Association Ltd

Rent Setting Policy

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Rent Setting Policy

1.0 INTRODUCTION & BACKGROUND

- 1.1 Cadder Housing Association (the “Association”) is a registered social landlord, which took ownership of its properties through stock transfers from Scottish Homes in 1994 and 1998 with the aim to improve the living conditions for residents in the Cadder area in the north of Glasgow. It operates on a ‘not for profit’ basis and is run by an elected Management Committee, consisting mainly of local residents who employ a staff team to manage the Association on a day to day basis.
- 1.2 This document outlines the Association’s Rent Setting Policy, which is one of the key documents we produce. In line with legislative and good practice requirements, our objectives of this policy are for there to be a consistent and fair structure for setting rents for our properties.
- 1.3 Cadder Housing Association is a debt-funded association, having purchased its stock through LSVTs from Scottish Homes in 1994 and 1998 via loan funding from the Cooperative Bank.
- 1.4 This policy supports the strategic requirements of the Association’s Business and Development Plans, Standing Orders and strategies.

2.0 RENT SETTING PRINCIPLES, AIMS & OBJECTIVES

- 2.0.1 Our Rent Setting Policy observes the following underlying principles in calculating the costs of the Association’s rents:
 - 2.1 Affordable
 - 2.1.1 The Cadder area is within the Maryhill / Kelvin Ward (Ward 15). The area has four Data Zones, three of which are within the worst 8% most deprived areas in Scotland (Scottish Index of Multiple Deprivation, 2016). The remaining fourth Data Zone is now ranked 26.4%. We are therefore dealing with people on very low incomes and who have a reliance on housing and other benefits. The affordability of rents is essential to avoid households being caught in the ‘poverty trap’
 - 2.1.2 The affordability of rents to our tenants will be a prime consideration when annual increase levels are being considered. The Rent Affordability Tool, which was recently introduced by the Scottish Federation of Housing Associations and endorsed by the Scottish Housing Regulator, demonstrates that the vast majority of our rents are defined as ‘affordable’. This is based on the assumption that those on

a “moderate” income should not pay more than 25% of their income on rent.

2.1.2.1 The Tool developed ‘moderate income’ scenarios for different types of household and tested these against survey-based data. The SFHA guidance advises that a ‘moderate incomes’ approach is based on the assumption that landlords are not able to set rents to be affordable to every tenant, regardless of how low their income is but should consider moderate incomes when setting rents.

2.1.3 We will take account of the findings from our resident satisfaction survey with our tenants in relation to value for money in respect of their rent payments. This area of our work focuses on customer satisfaction levels in a range of Association activities and is centred on the Scottish Social Housing Charter. Tenants surveyed will be asked if they feel the rent for their property properly represents good value for money (Charter Indicator No. 29). The Association carries out a survey every three years and aims to engage with 50% (320) of our tenants. These findings are reported to our Management Committee and residents, with an accompanying action plan to address identified issues.

2.1.4 We will actively encourage the maximisation of tenants’ income through benefits take up and money / debt advice. We will do this through promotions and individual contacts with our tenants. Our financial inclusion service will aim to meet with all new tenants at missive stage to carry out a benefit health check (with the tenant’s consent).

2.2 Viability

2.2.1 Viability is another key underlying principle of our Rent Setting Policy, where we must ensure that our income covers our operating costs. The main costs incurred by Cadder Housing Association are management and maintenance costs, lost income through vacant properties and bad debts, loan charges and planned maintenance works and the substantial improvement works carried out to a significant number of our properties.

2.2.2 The annual review of rents will be aligned to the Association’s budget setting process. This will ensure that a detailed assessment of all relevant costs is made and that the resulting rents will be set a level necessary to meet these, as well as achieving service delivery and a suitable operating surplus amount.

2.3 Comparability

2.3.1 The third underlying principle is comparability, where we must compare our rents internally for properties with similar amenities and characteristics. In addition, we would compare our rents and service charges with other peer and neighbouring housing associations.

2.3.2 The Association compares its rents each year with similar and neighbouring housing associations. We also benchmark our average rent against the Scottish social landlord average. Overall, the Association's average rent amount compares well with all three groups.

2.4 Value for Money

2.4.1 As landlord, the Association appreciates that tenants, as with other services and products that they receive (purchase), look for value for money for their rent money.

2.4.2 Achieving value for money is enshrined in all that we do, as we appreciate that making every pound go further will allow for more services and improvements to our tenants and their homes. This approach also benefits the Association's Business Plan and rent level reviews. The Association believes in delivering maximum value while minimising cost.

2.4.3 Our objectives in achieving value for money are:

- Affordable rents
- Efficient procurement
- improving services
- maximising income
- investing for the future
- reducing our costs as proportion of turnover
- generating a surplus to make a wider social impact, including major repairs and new homes

2.4.4 The Association has spent considerable monies in recent times to significantly improve our tenants' homes. These improvements were delivered with cost efficiencies at the forefront and providing tenants with more pleasing and warmer homes, whilst reducing energy bills.

2.4.5 The Association has also achieved substantive value for money in its management of the Cadder estate. The Association employs its own in-house caretaking team, which has been supported by employability trainees. This has allowed the Association to deliver estate management services to our residents at very competitive rates.

2.4.6 The Association also employs its own in-house direct labour force to carry out day to day and major works.

2.4.7 We have ascertained that by delivering these in-house and other services that we provide give our tenants better value for money, when compared to external contactors carrying out these functions.

2.4.8 To gauge if our tenants feel that their rent money provides value for money, the Association carries out a resident satisfaction survey every

three years and asks this question. This and other findings are reported to the Association's Management Committee, with required actions being taken. These are also reported to our tenants and other residents.

2.5 Aims & Objectives

2.5.1 The aims and objectives of this policy are to: -

- ❖ Ensure it complies with all relevant legislation and good practice
- ❖ Be clear and easy to understand.
- ❖ Have a system to set rents for our properties that is fair and consistently applied
- ❖ Provide training on the Rent Setting Policy will be given to staff, Committee members and Resident Group representatives.
- ❖ Offer a range of methods for tenants to pay rent monies.
- ❖ Efficiently process payments to the rent account.
- ❖ Consult with tenants and service users on the annual rent increase and take account of their views.
- ❖ Ensure all tenants are given at least 28 days notice to advise them of the annual increase of rent.
- ❖ To deal with complaints / appeals to any decisions in the implementation of this policy, in accordance with our Complaints Policy.
- ❖ To formally review this policy every 3 years, although, operational amendments may be presented to the Management Committee on an annual basis. Where the proposed changes affect service users, they will be consulted prior to the review. The outcome of the review will be published in our quarterly newsletter.
- ❖ Rent are set at levels, required to generate sufficient income to meet the Association's costs so as to secure its financial security and ensure its continuing financial viability.
- ❖ Ensure that the Association is able to continue providing the highest possible standard of service to its residents.

2.6 Equal Opportunities

2.6.1 This policy complies with the Association's Equality & Diversity Policy.

3.0 STRATEGIC AIMS & VALUES

3.1 This Policy is aligned and informed by the Association's Strategic Aims for 2011-18 and its Values. These are:

3.1.1 Strategic Aims:

- I. Provide a high quality housing service that is continually responsive to the expectations of our tenants and other customers;

- II. To engage and build relationships with our customers to ensure our service and activities meet their needs and aspirations of our tenants and other customers;
- III. To invest in our people to ensure they have good knowledge and skills to excel in their role within the Association;
- IV. Pursue development, regeneration and wider role initiatives in close working with key partners with the aim of improving Cadder, as well as the quality of life and living conditions of tenants and residents in Cadder; and
- V. Maintain the financial viability of the Association through sound business planning, control and achievement of best value in all that we do.

3.1.2 Association Values:

The Association identified core values associated with our commitment to improve the 'customer journey' in our services, which was integral to our achievement of Investors in People (Silver) accreditation in July 2015. These values (Our 4 'Cs') are:

- ✓ Customer Focussed
- ✓ Communication
- ✓ Caring
- ✓ Commitment

4.0 LEGISLATION, REGULATION & GUIDANCE

4.0.1 The Rent Setting Policy complies with legislation, regulation and good practice guidance, including:

4.1 Housing (Scotland) Act 2001

The Housing (Scotland) Act 2001 (Sections 25 & 54) - Requires landlords to give each tenant not less than four weeks' notice in writing before increasing rents or other charges. Where a landlord proposes to increase rents generally, it must first consult those tenants who would be affected.

4.1.1 The Cadder Scottish Secure Tenancy Agreement, part 1, outlines the tenant / property details, date of entry and monthly rental amount due.

4.2 Equality Act 2010 - Requires equal treatment in access to employment as well as private and public services, regardless of the protected

characteristics of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex, and sexual orientation

4.3 The Social Housing Charter

The Social Housing Charter Came into effect in April 2012 and sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Association's Rent Setting Policy will take account of and comply with the relevant Outcomes contained within the Social Housing Charter:

Outcomes 13; 14 & 15:

(13) Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

(14) A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.

(15) Tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.

4.4 Regulation Framework (Scottish Housing Regulator)

This policy is particularly aligned to Standards 2, 3 and 5 of the Scottish Housing Regulator's Regulation Framework:

Standard 2 – 'The landlord 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'.

Standard 5 – 'The RSL conducts its affairs with honesty and integrity'

4.1.4 This Policy has taken account of:

- ❖ Rent Setting Guidance - Scottish Federation of Housing Associations
- ❖ Rent Increase Consultation – Scottish Housing Regulator
- ❖ Rent Affordability Perspective – Chartered Institute of Housing (Scotland)
- ❖ Openness & Accessibility in Scottish Social Housing - Scottish Housing Regulator

- ❖ National Panel of Tenants & Service Users Annual Report - Scottish Housing Regulator
- ❖ First Month's Rent Flexibilities – Shelter Scotland
- ❖ Recommended Business Planning Practice - Scottish Housing Regulator
- ❖ Data Protection Act 1998 - Defines UK law on the processing of data on people. It is the main piece of legislation that governs the protection of personal data in the UK
- ❖ Equality Act 2010 - Requires equal treatment in access to employment as well as private and public services, regardless of the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex, and sexual orientation

5.0 Consultation

5.1 Housing (Scotland) Act 2001 / Scottish Social Housing Charter

5.1.1 Consultation with the community and resident participation has always been one of the key aspects of the way in which the Association operates. We therefore, welcome the statutory provisions of the Housing (Scotland) Act 2001, which require all social landlords to take tenants' views into account when formulating key service policies.

5.2 Consultation

5.2.1 There are two strands to policy consultation within Cadder: -

- ❖ Firstly, where required, we believe it is important to inform all tenants when a policy review is due, together with some information on the proposed changes by the Association.
- ❖ Secondly, to invite feedback from tenants on (i) how well they feel the proposals address the needs of the community and (ii) whether there are any particular amendments they would like to see.

5.3 Resident Participation Strategy

5.3.1 The Association's Resident Participation Strategy outlines our commitment to providing information and consulting with residents on our policies and in particular, the ones that affect them.

5.4 Annual Review

5.4.1 Rents for all properties will be reviewed annually with any increases agreed being applied on the first of April each year. All tenants will be given the opportunity to comment on options for any proposed annual rent increase. The results of the consultation will be reported to the Board and will be taken into account when the rent levels are set for

the following year. At least 4 weeks' notice in writing will be given of any proposed change to property rents.

5.4.2 The Association will use a wide range of consultation methods to maximise tenant views on its annual rent view and other areas. These include:

- ❖ Written correspondence
- ❖ Newsletter articles
- ❖ Text messaging
- ❖ Website articles
- ❖ Materials being placed at reception area
- ❖ Focus groups
- ❖ Scrutiny group
- ❖ Resident satisfaction survey
- ❖ One to one dialogue with tenants

6.0 RENT STRUCTURE

6.1 Similar Rents for Similar Properties

The rent structure is a key area of the Association's Rent Setting Policy and will outline the methodology as to how rents are set. The key objective of a rent structure is to enable us to charge a similar rent for properties with similar amenities and property characteristics.

6.2 Appropriate System

There are a number of systems that social landlords use to calculate their rents and it is important that we ensure we have a system that allows us to efficiently and effectively calculate a rent for individual properties. The system should also be easy to understand, easy to apply, transparent, flexible and fair.

6.3 Core Rent / Points Based Combined System

The Association uses a combination of a core rent and points based system to reflect different property characteristics to calculate the rents for each property.

The rent for each property uses the following formula: -

$$\text{Rent} = \text{Points for Dwelling} \times \frac{\text{Total Rent Required}}{\text{Total Points}}$$

6.4 Methodology

6.4.1 The Association sets rents according to the property characteristics and amenities, which provides a simple way of ensuring fairness of the system and allows a simple demonstration of the rent calculation.

6.4.2 The property characteristic value is based on a reasonable incremental points total to reflect the size and type of accommodation.

6.4.3 Property characteristic values for rent setting are as listed: -

Number	Amenity / Characteristic	Points
1	Core Rent	500
2	2 Apartment Property	10
3	3 Apartment Property	60
4	4 Apartment Property	100
5	5 Apartment Property	140
6	Tenement	10
7	Tenement - Main Door	20
8	Mid Terraced	100
9	End Terraced	150
10	Semi-Detached	200
11	New Build Properties	

6.4.4 The Association converted the current rent as at 2005/06 to inform the new proposed fair rent which was implemented over a 5 year period to ensure the process was affordable to our tenants, as well as viable to the Association. The period of conversion which was deployed at that time is as listed: -

Increases to realise fair rent

% increase to realise fair rent	Conversion Period
0-5%	1year
5-10%	3years
10-20%	3years
20%+	5years

Decreases to realise fair rent

% decreases	Conversion Period
0-5%	5years
5-10%	5years
10-20%	5years
20%+	5years

6.5 New Build Properties

6.5.1 The Association recognises that its current stock portfolio is limited in terms of meeting the demands of certain demographic groups.

6.5.2 The Association has commenced the development of new high quality housing in its area of operation, which will help to sustain the Cadder area and contribute to the social, physical and environmental regeneration of the community.

6.5.3 Rent levels will be set for these new units.

7.0 OTHER FACTORS

7.1 There are a range of management and maintenance services provided to tenants within their rent. We will provide a breakdown of the rent payable each year to our tenants to account for the provision and best value of these services.

7.1.1 To achieve best value we will monitor the efficiency and effectiveness of all services, as well as assess tenants satisfaction on key services funded through rents i.e. repairs, close cleaning, landscape maintenance, management costs (staffing), etc.

7.2 The Association will regularly monitor and review the performance, quality and cost of the services provided to the residents of Cadder. This will be achieved by:

- ❖ Regular environmental inspections
- ❖ Regularly tendering work carried out by our contractors
- ❖ Customer satisfaction surveys.
- ❖ Periodic quality assurance techniques.
- ❖ Performance reviews with the Customer Satisfaction Working Group (tenant Scrutiny Panel). It is the Association's intention to form this group so as to meaningfully gauge opinion and service satisfaction levels.

8.0 RENT COLLECTION

8.1 The Association has a variety of payment methods to allow tenants to have accessible and convenient payment options to pay their rent.

These are: -

- ❖ Direct Debit facility (staff are able to set these up, which aids income collection)
- ❖ Our payment agent, Allpay, through:
 - Paypoint outlets
 - Post Office
 - Telephone
 - Internet
 - Allpay App
 - Debit card (phone or at office)
 - By cheque

- ❖ Housing Benefit
 - ❖ Alternative Payment Arrangement (direct payment from tenants' Universal Credit payment)
 - ❖ DWP Third Party Payment Deductions (for payment to rent arrears owed)
- 8.2 We will continually assess other methods of payment to provide greater options for tenants and service users to pay their rent and/or service charges.
- 8.3 The Association is committed to updating tenants' payments within two working days of receiving the relevant documentation from Allpay and City Council Housing Benefit Office. This will ensure that tenants receive accurate information on their rent accounts.
- 8.4 Rent payments are required to be received to accounts by the last day of each calendar month. Payments received after the last day of each month, will be considered as being made late and as such, the Association will take appropriate action against tenants, where required.

9.0 WELFARE REFORM

- 9.1 The Welfare Reform Act 2012 presents challenges and pressures to the Association. The main risk presented to rent collection levels are tenants affected by payment of the rent element (housing benefit) directly to tenants through Universal Credit.
- 9.2 Welfare Reform ranks as first on the Association's corporate risk register and the optimum collection of rent is critical in mitigating this risk.
- 9.3 The Association will support and assist tenants affected by welfare reform to maximise rent collection levels. We will do this by:
- Providing benefits and money / debt advice
 - Attending tenant benefit tribunals
 - Keeping up to date with welfare reform issues
 - Staff training
 - Ensuring tenants have suitable methods of paying their rent
 - Making fair and reasonable repayment plans
 - Making tenants aware of the Credit Union
 - Assisting tenants to access suitable banking facilities
 - Assisting tenants to access IT facilities in Cadder Community Centre for the purpose of claiming Universal Credit (UC)
 - Assisting tenants with the submission of applications to financial support schemes - Discretionary Housing Payment and Extra Room Allowance and any other available schemes

- Continually engaging with our tenants in advance of Glasgow becoming a full service area (October 2018)
- Advising UC tenants of their right to mandate the rent element of their UC payment directly to the Association (Scotland Act 2016)
- Discussing preparation for UC and other benefits at planned home visits
- Submitting Alternative Payment Arrangement and Third Party Payments applications to the DWP
- Providing benefit updates and information of available support through the Association's Financial Inclusion Team in our newsletter and on our website
- Holding liaison meetings with the DWP's RSL Partnership Team to discuss issues and be appraised of emerging issues / risks
- Marketing the Association's Financial Inclusion Team in tenant correspondence and reception materials
- Holding benefit surgeries at other venues attended by our tenants – local schools, credit union.
- Arranging for our Financial Inclusion Team to attend new tenancy sign-ups (missives)

10.0 ANNUAL RENT REVIEW

10.0 Rent Increase

- 10.1 The Association will apply an annual increase, which will be effective from 28th of March each year. Tenants will be given at least 28 days' notice of an increase in rent. We will only apply one increase of rent in any twelve-month period. The overall rent amount will incorporate costs for the provision of services to tenants (management cost such as staffing, office premises, etc and maintenance costs such as repairs close cleaning / estate management).
- 10.2 The decision as to the level of any increase in rents must be made the Association's Management Committee. Prior to agreeing any increases, the Management Committee will have regard to comments received from tenants, received through the annual consultation exercise.
- 10.3 The Association's budget planning process will be a main factor for determining any rent increases. The Association will also take account of the two main inflation measures - Consumer Price Index (CPI) and Retail Price Index (RPI) levels, at September of each year. The RPI includes prices for food and drink, tobacco, housing, household goods and services, personal goods and services, transport fares, motoring costs, clothing and leisure goods and services. CPI is similar, but does not take account of rises in mortgages, rents or council tax.

11.0 REPORTING & MONITORING

11.1 Reporting

In order to measure the success of this policy and procedure, the Management Committee will monitor performance on a quarterly basis. Our performance will be monitored through: -

- ❖ Comparative statistics
- ❖ Rent due against target
- ❖ Rent arrears information
- ❖ Void Loss
- ❖ Credit Balances

11.2 Review

This Policy will be reviewed in February 2021 or earlier to take account of:

- ❖ Legislative, regulatory and good practice requirements
- ❖ Association performance
- ❖ the views of tenants, Committee and staff