



RENT POLICY

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1.0 Introduction

- 1.1 Linstone Housing Association was formed in May 1997 in order to purchase approximately 1900 tenanted properties from Scottish Homes.
- 1.2 The Association is a registered Industrial & Provident Society and is constituted under the SFHA Model Charitable Rules. It is controlled by a Committee of Management made up of tenants, owner-occupiers and other interested parties.
- 1.3 The Association's tenants originally signed assured tenancy agreements. These are defined in Part II of the Housing (Scotland) Act 1988. The Association's tenancy agreement gives details of the rent payable each month, the period of review and the notice required of rent increases.
- 1.4 Under the Housing (Scotland) Act 2001 the above tenancy agreements will convert to Scottish Secure tenancies from 30th September 2002. Under the Scottish Secure Tenancy landlords must, before giving notice of any rent increase, consult with tenants and have regard to the views expressed.
- 1.5 The purpose of this paper is to set out the policy of Linstone in relation to the setting of rents for the Association's properties. The policy will be agreed by the Committee of Management and will be implemented by the Association's officers until amended by the Committee of Management.

2.0 Rent Policy Objectives

2.1 The Rules of Linstone Housing Association state that “The objects of the Association shall be to carry on for the benefit of the community the business of providing, constructing, improving or managing, or encouraging or facilitating the provision, construction or improvement, of houses for persons in necessitous circumstances”.

2.2 The first three rent policy objectives derive from the above.

2.3 These are;

- To ensure that the rents set meet the Association’s costs and provide sufficient funds to undertake the planned refurbishment and replacement programme. The aim is to provide high quality homes for rent and to ensure the long term financial viability of the Association.
- To ensure, whenever possible, that rents are affordable for those in low paid employment.
- To ensure, wherever possible, that rents are comparable with the rents of other social landlords providing similar accommodation.

In addition; the Association has set itself two further policy objectives. These are:

- To consult fully with tenants who would be affected by any rent increase proposal and to have regard to these views; and
- To ensure compliance with those clauses relating to rent in the 1998 Sale/Purchase agreement with Scottish Homes,

2.4 These objectives are explained more fully in the following sections.

3.0 Long Term Financial Viability

- 3.1 Ensuring the long-term viability of the Association is the first objective of Linstone's rent policy.
- 3.2 This objective is linked to the Association's 30-Year Business Plan which is updated on a six monthly basis and which projects a full statement of likely incomes and expenditures over the next thirty years.
- 3.3 The rents set for the Association must ensure that;
 - Funds are available to fund the planned refurbishment programme promised to tenants in the stock transfer process;
 - Funds are available to meet long term replacement costs such as roof renewal; and
 - Financial reserves are in place to meet unplanned for cost increases.

4.0 Affordability

- 4.1 The second objective of Linstone’s rent policy is to ensure, wherever possible, that rents are affordable for those in low paid employment.
- 4.2 The Association accepts the current SFHA definition of affordability that for a rent to be affordable;

“households with one person (head of household or partner) working 16 hours or more should only exceptionally be dependent on housing benefit in order to pay it”
- 4.3 The Association will monitor “Pass” and “Fail” rates under the SFHA’s affordability definition.

5.0 Comparability

5.1 The third objective of Linstone's rent policy is to ensure, wherever possible, that rents are comparable with the rents of other local social landlords providing similar accommodation.

5.2 The objective is not to seek full financial comparability since there will always be non-financial reasons why tenants choose certain houses/estates over broadly similar houses/estates provided by other social landlords.

5.3 In addition, other social landlords have different;

- Rent structures;
- Forms of funding; and
- Strategic objectives;

which means that rents will never be fully comparable.

5.4 Nevertheless, the Association will collect available data on rents to allow a benchmark comparison between the various rents charged between local social landlords.

6.0 Consultation

- 6.1 The fourth objective of Linstone's rent policy is to ensure that tenants are consulted when rent increases are proposed and that the Association has regard to these views.
- 6.2 The Association's consultation with tenants will follow the aims and procedures set out in the Tenant Participation Policy and Strategy.
- 6.3 The Association will also aim to follow best practice when involving tenants in any discussions surrounding rent increases.

7.0 The Sale/Purchase Agreement & Rent Increases

- 7.1 In relation to those properties purchased from Scottish Homes it will be Linstone's policy to comply with the relevant clauses in the 1998 Sale/Purchase agreement. In particular,
- For a period of 30 years after transfer the Association will limit any annual increase in rents to a maximum of RPI + 1% where RPI represents the Retail Prices Index published by the Office for National Statistics; and
 - Rents shall not be increased more than once a year.
- 7.2 In normal circumstances rent increases for the forthcoming year will be set at the December meeting of the Committee of Management. When a December meeting is not held any rent increase will be considered at a Committee meeting near this date, which allows for;
- Timely production of the forthcoming years budget; and
 - Dispatch of rent increase notifications to tenants
- 7.3 For any increase the RPI figure to be used will be the increase in the "headline" All Items RPI over the preceding twelve months.
- 7.4 It will be Linstone Housing Association policy that rent notifications, informing tenants of any increase in their rent, will be sent out as soon as possible but with at least a minimum of one month's notice.

8.0 Committee Reports

- 8.1 Under the Association's scheme of delegation the annual setting of rent is a function retained by the Committee of Management. As previously mentioned any prospective changes in rents will normally be considered at the December meeting of the Committee of Management.
- 8.2 In order that the Committee of Management makes an informed decision about any change in rent levels it is critical they are presented with relevant information. Accordingly, the report which accompanies the agenda item should contain the following;
- An option appraisal detailing the financial implication, to the Association, of various rent levels and any long term impact. This will mean an updated 30-Year Business Plan.
 - Details of the impact of changes on the rent levels for the Association's type of properties;
 - A statement that the proposed change is in line with the Sale/Purchase agreement;
 - Data on comparable rent levels charged by similar social landlords;
 - Details of "Pass" and "Fail" rates under the SFHA's affordability measure.
 - Details of the consultation held on the proposed rent increase.
 - A recommendation for the forthcoming year's rent increase.
- 8.3 The report will be discussed in open committee and any decision regarding rent increases will be formally approved and minuted by the full Management Committee.
- 8.4 Within any Committee Report on prospective new build/refurbishment projects. The Association will comment upon prospective rents and where applicable their compliance with the Association's Rent Policy objectives.

9.0 Policy Review

9.1 This policy will remain in place until formally amended and approved by the Management Committee.

9.2 The policy will be formally reviewed every two years with any suggestions for amendment made to the full Management Committee.

9.3 Occasions which would require revision might include the following;

- New properties are either purchased or built; and an initial rent has to be set.
- Financial pressures are such that RPI + 1% ceases to be sufficient to meet costs or to meet refurbishment needs; and
- The Association's Rules are amended.
- Changes to Affordability measures.
- Changes in legislation.