



## RENT POLICY 2020-2021

### INTRODUCTION

Ayrshire Housing provides affordable rented housing for the benefit of a wide range of households. The association aims to manage and maintain its properties to the highest possible standards. It is committed to working with local communities to meet their housing needs by the provision of houses designed and built to the highest standards, with a particular focus on minimising energy costs.

In calculating the basic rent charge, Ayrshire Housing has to take account of three main principles:

- The viability of the organisation (i.e. is there enough money coming in to meet its commitments?)
- Is it affordable and acceptable for the majority of tenants and applicants?
- How it compares with other housing providers in the area.

### AFFORDABILITY

The association recognises that in setting rents, it must take account of tenants' and prospective tenants' abilities to pay, giving particular attention to those in low paid employment.

The SFHA's Guide to Rent Setting and Affordability tool assumes that those on a "moderate" income should not pay more than 25% of their income on rent. Using this tool, the association's rents would appear reasonably affordable based on the modelled data for South Ayrshire.

To maintain affordability levels, the Board has sought over several years to keep rent increases as low as possible and in line with other landlords.

The most recent tenant satisfaction survey (2019) found that 86% of tenants consider that the rent charged represented good value for money. This is higher than the sector average.

There is no evidence that current rent levels are discouraging the take up of offers of housing.

### CONSULTATION

Ayrshire Housing is required by the Scottish Secure Tenancy to obtain and take account of the views of its tenants when considering proposals to change rent levels. To meet this obligation, tenants were asked for their views on a possible increase of 2.9%, equivalent to £2.60 a week for a typical 3 apartment house. Tenants were asked their views on a

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range of options from no increase to the proposed one. Feedback was invited through a survey form to each tenant, online surveys on the public website and tenant portal, social media and informal discussion.

85 responses were received of which 79% supported the suggested increase.

### **COSTS TO BE COVERED BY RENTAL INCOME**

Ayrshire Housing recognises that enough money must be budgeted for and collected through rental income for it to be financially viable. In this way it can meet its service standard obligations and also borrow to build additional dwellings. The interests of both its existing tenants and of new applicants can thus be balanced. A draft budget aimed at minimising the projected rent increase underpinned the consultation figure.

### **COMPARISON WITH OTHER LANDLORDS**

Ayrshire Housing recognises that for its rents to represent value for money they should be broadly comparable with those set by other providers of similar housing in the area.

From information collated by the Scottish Housing Regulator, Ayrshire Housing's rents are broadly comparable to those charged by other housing associations and the councils in Ayrshire.

The rent increase for April 2020 is broadly comparable with the rent increases of other landlords in Ayrshire and the west of Scotland generally.

### **2020-2021 RENT ADJUSTMENT**

Following careful consideration by the Board, an increase of 2.9% has been approved for 2020-2021. This is in the line with the consultation figure.

Tenants are given one month's notice of changes to their rent, and also any changes to the rent setting policy which will affect their tenancies.

The methodology below forms a basis for the calculation of rents for new acquisitions from 1 April 2020.

### **METHODOLOGY FOR CALCULATING RENTS FOR DIFFERENT PROPERTIES**

Like many housing associations, Ayrshire Housing uses a value system to determine rents for property types. This system is generally seen to be consistent and fair.

Account is taken of key property attributes through uniform adjustments to a base rent. The system gives a clear basis to set rents which reflect the differences in properties by size, the number of bedrooms and additional amenities.

This system is accountable, flexible and easy to understand. It permits forward projection of rents for a full range of house types for Housing Associated Grant submission purposes.

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Ayrshire Housing has determined a base rent (basic charge) for a new 2 person, 1 bedroom house. In deriving the base rent, the issues of affordability, the association's costs, comparability with other providers have been considered. The annual base rent at 1 April 2020 has been set at £4,186 (for 2p, 2apt house). This is the previous year's base rent adjusted by 2.9%.

Rents for individual properties are calculated as follows:

<b>Criteria</b>	<b>Percentage variation from base rent</b>
<b>Type of housing</b>	
House, bungalow or cottage	0
Flat	- 1%
<b>Amenity factors</b>	
Garage	+ 5%
Car port	+ 2%
Dining room/additional open plan living space	+ 15%
<b>Size of house</b>	
1 person	- 5%
2 person	+ 0%
3 person	+ 5%
4 person	+ 10%
5 person	+ 15%
6 person	+ 20%
7 person	+ 25%
<b>Number of bedrooms (ie excluding living and dining rooms and space)</b>	
1 bedroom	0
2 bedrooms	+ 5%
3 bedrooms	+ 10%
4 bedrooms	+ 15%
5 bedrooms	+ 20%

The rent matrix in the annex below shows the resulting rents by house type. The rents are rounded to the nearest £.

The rent levels that the association charges for properties leased to or managed by other agencies differ from the normal rents because of the different responsibilities and expenditures involved. Where the association has overall responsibility for such projects and their management, repair and maintenance costs and insurance costs can be higher than usual. However, costs for bad debts may be lower, and the cost of voids will usually be the responsibility of the partner organisation. To ensure that the rental income is sufficient to cover the expected overall costs, the rent charged for individual houses is adjusted from the standard rent by an individually set premium. Rents are also charged

for any communal living areas and staff accommodation in a similar manner (with initial reference to the number of rooms provided).

For shared ownership houses, the basic rent paid to the association for its share of the house is the rent derived from the formula as above, less the last stated Scottish Government management and maintenance allowances for Housing Association Grant, multiplied by the fraction of the house owned. In addition to the rent, a management fee is also payable.

## **SERVICE CHARGES**

Service charges are calculated independently from the rent setting method and are designed to cover the costs of providing and administering additional services specific to each development or tenancy.

Service items are agreed on a case by case basis and are subject to tenant consultation wherever possible include:

- Close floor and window cleaning.
- Provision of furnishings.
- Provision of additional housing services

So as to create uniformity in the handling of ground maintenance and other non-negotiable services across the stock, a sum of £84 was consolidated in the standard rent on 1 April 2005 to cover items previously charged for through a variable service charge. This figure adjusted each year can therefore be excluded from the rents reported to the Scottish Government with regard to Housing Association Grant. In 2020-2021, the consolidated service element is £138.

In order to reduce charges to tenants and reflecting tenant feedback, the maintenance of private garden areas and the cleaning of dwelling windows has become the responsibility of tenants and this was phased in from 1 April 2005 on the basis of scheme by scheme consultation. Elderly and disabled tenants may be eligible for a free garden tidy scheme on application.

## Annex – Rent Matrix

	18/19 Annual	19/20 Annual	20/21 Annual
<b>Flats</b>			
1 Person, 1 Bedroom	£3,721	£3,833	£3,944
2 Person, 1 Bedroom	£3,912	£4,029	£4,146
2 Person, 2 Bedroom	£4,103	£4,226	£4,348
3 Person, 2 Bedroom	£4,294	£4,422	£4,551
4 Person, 2 Bedroom	£4,484	£4,619	£4,753
4 Person, 3 Bedroom	£4,675	£4,816	£4,955
<b>Houses</b>			
1 Person, 1 Bedroom	£3,759	£3,872	£3,984
2 Person, 1 Bedroom	£3,950	£4,069	£4,186
2 Person, 2 Bedroom	£4,141	£4,265	£4,389
3 Person, 2 Bedroom	£4,332	£4,462	£4,591
4 Person, 2 Bedroom	£4,523	£4,658	£4,793
4 Person, 3 Bedroom	£4,714	£4,855	£4,996
5 Person, 3 Bedroom	£4,904	£5,052	£5,198
6 Person, 3 Bedroom	£5,095	£5,248	£5,400
6 Person, 4 Bedroom	£5,286	£5,445	£5,603

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