

PARAGON HOUSING ASSOCIATION LIMITED

POLICY:	Rent Setting Policy
POLICY AREA:	FINANCE & INVESTMENT
DATE APPROVED:	12 February 2025
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We can produce this document in different formats such as in larger print or audio-format; we can also translate the document into various languages as appropriate.

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1. Introduction

- 1.1 This policy outlines the criteria that Paragon Housing Association (PHA) will use in setting rents and service charges.
- 1.2 In setting rents, we aim to ensure that we set and maintain rental income at a level that guarantees the Association's future long term financial viability, taking account of affordability for current and future tenants and comparability of rents charged by other social landlords for similar properties.
- 1.3 Rents are the main source of revenue income for PHA therefore it is imperative that we ensure that they are set at levels which are not only affordable to tenants but also cover all of our costs such as loan repayments, management costs, and repairs and maintenance. The rent setting process is an integral part of PHA's internal management process including budgeting and longer-term planning.
- 1.4 This policy is also intended to ensure that both individual property rents and annual rent increases are set within a framework which can be seen to be consistent, fair, and equitable. The policy is intended to explain and clarify the rent setting and rent review processes for PHA's properties.

2. Aims

- 2.1 The key aims of the policy are to:
 - Ensure PHA's rent setting generates sufficient income to meet our financial requirements including planning for the medium and longer term
 - Set rents which are affordable to our tenants for the different type and size of properties in our stock portfolio using a recognised measure of affordability
 - Ensure that the costs of providing our housing and services should be met in full by the rents set
 - Have a fair system for apportioning rents between individual properties ensuring equitable rents within our overall rent structure
 - Ensure our rent setting mechanism is transparent and is understood by staff, Management Committee members , tenants and other stakeholders
 - Comply with legal duties, regulatory requirements, and good practice standards
 - Ensure that rents set represent good value when compared with rents charged for equivalent properties by other social housing providers operating in the area.

3. Scope of the Policy

- 3.1 This Policy outlines the criteria that PHA will use in setting rents for its housing stock and lock ups

4. Context

- 4.1 The policy aligns with the Association's charitable objectives to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care
- 4.2 PHA continues to work with its partners at a strategic level in order to provide housing solutions which reflect local needs and local opportunities. Through effective collaboration, we can ensure that more resources are channelled to strategic priorities.

5. Legal and Regulatory Framework

- 5.1 The Rent Policy and associated procedures the Association assists with compliance with the following legislation and contractual obligations:
- Housing (Scotland) Act 2001
 - Housing (Scotland) Act 2014
 - Housing (Scotland) Act 2010
 - Data Protection Act 2018
 - UK General Data Protection Regulation
 - Scottish Secure Tenancy Agreement
 - Housing (Scotland) Act 1988.

6. The Scottish Social Housing Charter

- 6.1 The Scottish Social Housing Charter came into effect in April 2012 setting out the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. Social landlords are responsible for meeting the standards and outcomes set out in the Charter. The Scottish Housing Regulator (SHR) is responsible for monitoring, assessing, and reporting on how well social landlords, individually and collectively achieve the outcomes.
- 6.2 The regulator's approach to monitoring landlords' achievement of the outcomes and standards in the Charter is based on the landlord's performance information and their own assessment of their performance. For each year ending on 31 March, landlords are expected to:
- Measure and assess their performance in progressing towards or achieving the Charter outcomes and standards.
 - Provide the SHR with key performance information on their achievement of the outcomes and standards; and

- Report their performance to their tenants and other service users who use their services.
- 6.3 PHA reviews each element of the Charter with its tenants and agrees locally based KPIs (Key Performance Indicators) designed to demonstrate the achievement of outcomes.
- 6.4 The following Charter outcomes are directly relevant to this policy:

Charter Outcome 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. This outcome covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; giving better value for money by increasing the quality of services with minimum extra cost to tenants, owners, and other customers; involving tenants and other customers in setting rents and service charges; and in monitoring and reviewing how landlords give value for money.

Charter Outcome 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 service users can afford them, and;
- 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

These outcomes reflect a landlord's legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford and the importance that many tenants place on being able to find out how their money is spent. PHA will consult with tenants on an annual basis in order to determine their views on the proposed rent for the forthcoming year. Tenants will be provided with an overview of the reasons determining the proposed changes. Views will be collated and discussed with the Management Committee, to support them to make an informed decision about the appropriate rent level taking into account affordability for tenants, statutory obligations financial plans, organisational viability and the views from the consultation.

7. Affordability

- 7.1 In assessing the affordability of rents PHA uses a variety of tools including the SFHA/HouseMark Scotland rent affordability calculator
- 7.2 There will be an annual review of affordability as part of the rent setting consultation process.

8. Comparability

- 8.1 The Association will compare rents to that of other Registered Social Landlords who operate in the same geographical areas and/or in a comparable peer group. The aim of this is to ensure that rental charges remain comparable to other rents in the social housing sector.
- 8.2 Where marked differentials in comparability are observed, PHA will establish if there is reasonable justification for these or will take steps to address them.

9. Viability

- 9.1 The Association recognises that rents set must sustain the business which it operates and the service it delivers thereby ensuring financial viability and the long-term sustainability of the organisation. The Management Committee reviews, considers, and agrees the range and extent of the PHA's services to its customers.

10. Rent Setting

- 10.1 The Association specifies which services it wishes to provide over the year and costs this. Rents are set to cover costs. Costs include, but are not exclusively:
 - Housing and estate management
 - Day to day repairs, cyclical and planned maintenance
 - Loan charges
 - Management Costs, finance and IT
 - Voids and bad debts
 - Contribution to wider action/community activities
 - Depreciation.
- 10.2 Actual costs against these expenditure categories are primarily met from rents. To ensure that rental income is sufficient to cover costs an annual budget is prepared, indicating the total running costs to be met from rental income. Where possible, planning for the medium and longer term will also take place to calculate costs to be met from rents over more than one financial year.
- 10.3 The standard assumption for rent increase projections is based on the November Retail Price Index plus a margins of 1%. This is used the

starting point for consideration of rent increases. The Management Committee have the discretion to vary approach this depending on prevailing economic circumstances or business requirements.

- 10.4 The rent structure set out in this policy (see Section 12) is primarily based on the size and type of the property with other elements taken into account.

11. New Developments & Other Acquisitions

- 11.1 Properties developed or acquired may be exempt from this policy depending on the rent set as part of the Housing Association Grant (HAG) process. This may include higher cost developments attracting a premium due to shortfalls in grant levels. In these cases, rents will be based on development/acquisition costs and will wherever possible reflect the principals of this model. Rents for new developments will be subject to approval by the Management Committee. Rent levels for Buybacks will be subject to approval by the HM&I sub committee who have delegated authority.

11. Rent Structure

- 12.1 This rent structure was developed after a comprehensive consultation exercise. Appendix One to this Policy sets out the Rent Setting Model that will be used. The model applies charges for the following attributes.

- Base Rent
- Property size
- Property Type
- Age (new build)
- Access to self -contained garden

13. Service Charges

- 13.1 Service charges are applied for services such as landscape maintenance, close cleaning, communal services eg aerials maintenance. This list is not exclusive.

In older estates acquired by stock transfer, the cost of these services may be rolled into rent charges. In newer estates a separate charge may be applicable. Services charges may be introduced when new services are implemented eg stair cleaning.

The level of service charge is based on the recovery of the costs incurred in providing the services. The costs of the service provision in the preceding year will be used to set service charges. These charges will not generate a surplus.

Service charges will be reviewed annually as part of the rent increase process.

14. Lock Ups

- 14.1 Lock up rents and increases will be based on projected management and maintenance costs.
- 14.2 Lock up rents will be reviewed annually as part of the rent increase process.

15. Complaints and Appeals

- 15.1 The Association's Rent Policy relates primarily to the setting of rents for Scottish Secure Tenants under the Housing (Scotland) Act 2001. There is no external appeal system for tenants against rents set by the landlord, although complaints will be considered in accordance with our Complaints Handling Procedure.
- 15.2 Ultimately complainants have a final right of appeal to the Scottish Public Services Ombudsman (SPSO). PHA's Complaints Handling Procedure details the way in which complaints can be made and the timescales for responding.

16. Equalities and Human Rights

- 16.1 In applying the Rent Policy, PHA will ensure it complies with the Equality Act 2010. The Act makes it unlawful to discriminate against, harass or victimise a person because they have one or more of the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.
- 16.2 An Equality Impact Assessment (EqIA) (Appendix 1) has been carried out in relation to this policy to assess the positive and negative equality impacts of this Policy.

17. Data Protection

- 17.1 The Association will treat all personal data in line with our obligations under the Data Protection Act 2018, the UK General Data Protection Regulation and PHA's Privacy Policy and Data Retention Policy. Information regarding how PHA process personal data and the legal basis for processing personal data is set out in its Fair Processing Notices.

18. Delegated Authority

- 18.1 Delegated authority to implement the Rent Policy is granted by the Management Committee through the Association's Schedule of Authorities to relevant staff.

19. Monitoring and Reporting

19.1 The Director is responsible for ensuring the implementation of this Policy. The relevant authorities and responsibilities will be delegated to the appropriate staff including the maintenance of all the necessary records on the Housing Management system, to enable the compilation of regular reports.

19.2 The Management Committee will receive reports from the Management Team to allow monitoring of the effectiveness of the Rent Policy.

These reports will include:

- Rental income received against budget projections
- Comparability of rents based on local and national RSL comparators
- Updated affordability calculations.

20. Customer Service / Satisfaction

20.1 PHA is committed to a high level of customer satisfaction in the delivery of this Policy.

20.2 PHA will include elements of the rent policy and structure within its main customer satisfaction surveys and its Annual Rent Consultation survey and ensure that any feedback is taken into account in the review of the policy.

20.3 The survey information will be used to inform any policy review with a view to improving the services we deliver and the overall customer experience.

24 Policy Review

24.1 The Policy will be subject to review annually during an initial 3 year implementation phase and every five years thereafter.

25. Transitional Arrangements – Rent Harmonisation

25.1 It is anticipated that the adopted Rent Setting Policy will be phased in over a 3 year 3 year period commencing 29th March 2025. Between April 2025 and March 2026 only void properties will be affected, with a capped rent for some properties in accordance with a schedule agreed by the Management Committee.

For tenanted properties the full phased implementation will commence on the 29th March 2026.

25.2 Timetable

- Rent Setting Policy to be adopted from 29th March 2025.
- Transitional arrangements in place from 29th March 2025
- Full Implementation Plan (drawn up by Finance Manager & Housing Manager) to be approved by Committee in first quarter of 2025/26.

Appendix 1 – Rent Setting Model – updated to reflect 3.9% increase

Rent Assumptions

Months	12
RENT	
Base Rent	£ 268.06

Criteria 1: Property and Person Size	Add Rent
1 Apt	£ -
2 Apt	£ 20.78
3 Apt	£ 62.34
4 Apt	£ 103.90
5 Apt	£ 145.46
6 Apt	£ 187.02

Criteria 2: Property and Unit Type	Add Rent
Bedsit	£ -
Flat	£ 41.56
4 in a Block (Close)	£ 41.56
4 In a Block (Own Door)	£ 62.34
Maisonette	£ 62.34
Cottage	£ 83.12
Bungalow	£ 83.12

Criteria 3: New Build	Add Rent
New Build	£ 31.17
	£ -

Criteria 4: Garden	Add Rent
Garden	£ 20.78
No Garden	£ -

Appendix 2: Equalities Impact Assessment

Appendix 3 : Rent Harmonisation Consultation Report

