



RENT SETTING POLICY

Adopted: 22 February 2022
Date of Review: February 2025

*Molendinar Park Housing Association
3 Graham Square
Glasgow G31 1AD*

*Registered in Scotland 2400 R (S)
Registered Scottish Charity SC043725
Registered Property Factor PF 000125*

1. INTRODUCTION & AIMS

1.1 Molendinar Park Housing Association's Rent Setting Policy is a statement of objectives which the Association is seeking to achieve covering areas such as affordability, quality of service and the costs attributable to the actual rent charge.

1.2 The purpose of this policy is to set out the intentions of Molendinar Park Housing Association in relation to the setting of rents for the Association's properties. The Association will use the Rent Setting Policy and rent structure to establish a rent which can be applied to individual dwelling.

1.3 In considering its Rent Setting Policy the Association refers to a framework which:

- Is applicable to all housing stock owned by the Association
- Takes account of differing factors throughout the stock
- Is flexible
- Will take account of the following areas of expenditure
 - Loan repayments
 - Management costs
 - Maintenance costs
 - Provision for future major repairs and renewals
 - Voids and bad debt
 - Contingencies/risk management
- Will provide sufficient income to enable the Association to continue providing its tenants with high quality management services
- Will provide rent levels comparable with its peer groups
- Meets the requirements of all regulatory guidance and performance standards
- Takes account of the current definition of affordability
- Is considered fair and has a rent structure which is accountable and clear to all those affected by it.

1.4 The Association's method of rent setting will seek to ensure that rent levels are consistent across our housing stock, taking account of property features and attributes – we aim to change similar rents for similar sizes and types of property throughout our housing stock. Account will also be taken of rental levels of other relevant social landlords as part of an annual comparability exercise. A comparability study of rent charges of local and peer social housing providers will be provided for the ?Governing Body as part of the rent review process.

2. RESPONSIBILITY

2.1 Key areas of responsibility in relation to the implementation of the Association's Rent Setting Policy are detailed below:

- The Governing Body has responsibility for ensuring that this policy complies with regulatory and legislative requirements and meets the Association's Business Plan and budget objectives.
- The Director has responsibility for ensuring that this policy is applied to ensure compliance with regulatory and legislative requirements and meets the Association's Business Plan and budget objectives.

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- The Finance Agent has responsibility for ensuring that appropriate financial support and advice is provided to the Governing Body, the Director and other relevant members of staff on rent and service charge setting.

3. BACKGROUND AND REGULATIONS

3.1 In setting rents MPHA must comply with the Housing (Scotland) Act 2001, Part 2, Section 2, Section 25 regarding rent increases:

“Where the landlord under a Scottish Secure Tenancy proposed to increase the rents payable by all its tenants it must, before giving notice under subsection (1) – (a) consult those of its tenants who would be affected by the proposal, and (b) have regard to the views expressed by those consulted”

MPHA intends to consult its tenants regarding rents on an annual basis by way of tenant questionnaires, newsletters and via its website

3.2 The main purpose of this policy is to allow MPHA to set an annual rent increase based on the Scottish Housing Regulator’s standard, that is, a rent increase which will allow the Association to:

- Meet all current and future management and maintenance costs
- To services its existing loan and meet loan covenant agreements
- To be affordable to its tenants

3.3 Rent increases must ensure that MPHA will continue to be able to meet all its current and future business commitments – including those under the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).

3.4 The Association will also take account of The Scottish Housing Regulator’s Scottish Social Housing Charter Standards 12, 14 and 15 which impact on rent and service charges which state that:

Standard 13 – “Social landlords manage ass aspect of their business so that:

“Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay”

Standards 14 and 15 – “social landlords set rents and service charges in consultation with their tenants and other customers so that:

“A balance is struck between 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 rents and other money is spent, including details of individual items of expenditure above thresholds agreed between landlords and tenants”

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4. RENT AND SERVICE CHARGE REVIEW

4.1 The rent and services charge payable will be reviewed annually to take effect from 1st April each year. The Association undertakes to provide tenants with a full written statement of any rent and service charge payable on request and to provide one month's written notice in writing of any changes.

5. TENANT CONSULTATION

5.1 In line with the requirement of the Housing Scotland Act 2002, tenants will be consulted on any proposed increase. A report on this consultation will be included in the rent increase report presented to the Governing Body prior to them making a final decision on the increase.

6. RISK ASSESSMENT

6.1 Rents should be set at a level that ensures short and long term viability for the Association. If this were not the case, the Association would be unable to meet its short and long term financial commitments to maintain its housing stock per the requirements of the Scottish Housing Regulator and be unable to meet its loan covenants and repayment requirements with its Lenders.

6.2 To control this rise the Association will:

- Ensure that the rent setting policy forms an integral part of the internal management planning and the Association's Business Plan
- Each year review its annual and thirty year cash flow projections to ensure that the Association can cover all its expenditure needs – including:
 - Repairs and Maintenance – Day to Day, Planned and Major component replacements
 - Rental losses due to voids or bad debts
 - Salary and administrative overhead
 - Loan interest and repayment costs
 - Insurance fees and so on

This will be done as part of the budget setting process agreed by the Governing Body. Meeting these costs will form the basis of the rent increase proposal for that year

6.3 MPHA will benchmark its rents with other comparable social housing providers.

7. RENT SETTING MECHANISM

7.1 The Association's rents are set by the Governing Body. Annual variations in rents also require to be formally approved by the Governing Body.

7.2 The Association undertook a review of its rent setting process during 2021 when a new structure/formula was developed following consultation with tenants. The Rent Restructure will be implemented over a nine year period from 2022 until 2031. Following this review, the Association has adopted a formula system for determining rents. This establishes a core rent for its smallest and home and then varies this rent by application of a number of factors which weight the rent up or down to reflect variations, in size, type, age and a number of attributes.

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7.3 To the core rent figure established in line with these criteria additions/deductions are made thus enabling a range of rent levels to be established with equitably reflects the differing characteristics of the housing stock.

7.4 The attributes used in the calculation include:

- Size – for each bedroom and living area
- Property type
- Property age band
- Extra w/c
- Parking space/off street parking

8. RENTS FOR NEW BUILD PROPERTIES

8.1 For any new build project it is important to ensure that a project is viable. The Association will assess this by looking at the net present value of future rental streams. In addition, all proposed rents must meet the Scottish Government's affordability benchmark before grant funding can be approved.

8.2 For every new build project a thirty year cash flow projection will be carried out showing projected new rent income streams . The following points will be assessed.

- Annual income from rents and predicted rent increases
- Ability to cover day to day repairs, management costs and improvement costs
- Ability to cover loan repayments and interest
- Impact of inflation and interest changes
- Annual cash flows generated on project
- Net present value of project

8.3 The Association should also demonstrate that any new build project will not compromise its overall viability. MPHA has a thirty year business plan with associated cash flow in place and this clearly demonstrates the Association is a viable organisation. This cash flow is updated via the budget process every year and changes to key assumptions identified.

9. COMPLAINTS AND APPEALS

9.1 Tenants do not have the right of appeal regarding rent and service charge levels. However the Association aims to:

- Consult with tenants regarding any rent and service charge policy review
- Provide full clear, written information regarding rent and service charge levels and the reasons for the increases

9.2 Comments regarding any aspect of the above e should be made in the first instance to the Director.

9.3 The Association has a separate Complaints Handling Procedure whereby a complaint regarding the following will be dealt with:

- The outcome of the policy, ie rent and service charge levels
- Treatment by a member of staff

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- How a tenant has been dealt with
- Any other expression of dissatisfaction with the Association's services

Every tenant has a final recourse to the Scottish Public Services Ombudsman. Please refer to the separate Complaints Handling Procedure.

10. MONITORING

10.1 The Association will report on its rents on an annual basis as part of its rent setting and budget process to the Governing Body.

10.2 MPHA will also consult on rents with its tenants each year and will advertise and invite comments on its rent increase via its newsletter, survey and meetings as appropriate.

10.3 In particular, the Association will report on the viability, affordability and comparability of its rents as part of this same process.

11. REVIEW

11.1 The Rent Setting policy and the formula is reviewed every three years'; the core rents within the formula will be update annually in line with the agreed rental increase.

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