



# **MID-MARKET RENT**

## **RENT POLICY**

<b>Approved On</b>	<b>August 2024</b>
<b>Reviewed</b>	
<b>Next Review</b>	<b>August 2027</b>

<b>CONTENTS</b>	<b>PAGE</b>
<b>RENT POLICY</b>	<b>3</b>
<a href="#"><u>Introduction</u></a>	3
<a href="#"><u>Policy Background</u></a>	3
<a href="#"><u>Policy Aims</u></a>	4
<a href="#"><u>Policy Objectives</u></a>	4
<a href="#"><u>Financial Viability</u></a>	4
<a href="#"><u>Rent Structure</u></a>	4
<a href="#"><u>Other Charges</u></a>	5
<a href="#"><u>The Role of the Board</u></a>	5
<a href="#"><u>Rent Review</u></a>	5
<a href="#"><u>Consultation</u></a>	5
<a href="#"><u>Implementation of Policy</u></a>	5
<a href="#"><u>Policy Review</u></a>	5
<a href="#"><u>Information</u></a>	6
<a href="#"><u>Data Protection</u></a>	6
<b>SERVICE COSTS</b>	<b>7</b>
<a href="#"><u>Introduction</u></a>	7
<a href="#"><u>Additional Charge</u></a>	7
<a href="#"><u>Fixed Charge</u></a>	7
<a href="#"><u>Eligibility for Housing Benefit/Universal Credit</u></a>	7
<a href="#"><u>Calculating the Charges</u></a>	7
<a href="#"><u>Procurement</u></a>	7
<a href="#"><u>The Introduction of a New Charge</u></a>	8

## RENT POLICY

### 1. INTRODUCTION

- 1.1 This policy outlines the criteria that Westscot Living (WL) will use in setting rents for its tenants.
- 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 whilst taking account of affordability to current and future tenants, and comparability of rents charged by other private sector landlords for similar properties.
- 1.3 In setting rents and other charges, WL will ensure every tenant and customer is treated fairly and with respect and receives fair access to housing and housing services (see also West of Scotland Housing Association's Equality & Human Rights Policy).

### 2. POLICY BACKGROUND

- 2.1 Mid-market rent (MMR) is aimed at assisting people on low and modest incomes to access affordable rented accommodation and helps those who have difficulty accessing social rented housing, buying their own home or renting privately on the open market.
- 2.2 MMR rents are typically higher than social rents but lower than private sector rents by bedroom size in each Broad Rental Market Area (BRMA). It is also a standard condition of any MMR grant offer that the starting rent charged (including charges for services) will be no higher than 100% of the Local Housing Allowance (LHA).
- 2.3 Charges for services related to MMR are normally included within the rent but the tenancy agreement should make clear what services are included and, where possible, a breakdown of the prices of each.
- 2.4 MMR rents cannot be increased more than once in any twelve-month period and WL must give the tenant at least three months' notice before any increase can take place. MMR tenants can refer the increase to a Rent Officer for adjudication if he or she considers that the rent increase amount is unreasonable, unless the property is located in a rent pressure zone (RPZ). There is no obligation to consult MMR tenants on proposed rent increases.
- 2.5 The following legislation and other documents are relevant to the content of this policy and may be referred to for further information and context:
  - [Rent \(Scotland\) Act 1984](#) (as amended): details restrictions in relation to premiums and advance payments.
  - [Housing \(Scotland\) Act 2006](#): includes provisions related to tenancy deposits.
  - [Equality Act 2010](#)
  - [Tenancy Deposit Schemes \(Scotland\) Regulations 2011](#): details the requirements regarding rent deposits.
  - [Private Housing \(Tenancies\) \(Scotland\) Act 2016](#): details the requirements for a Private Residential Tenancy (PRT) including restrictions in relation to rent, other charges and variations to rents.
  - [SAL Fact sheet on rent increases](#): provides guidance on increasing rents for a PRT including where the increase has been referred to the Rent Officer.
  - [Letting Agent Code of Practice](#): sets out the standards expected of letting agents operating in Scotland including handling rent and other payments.
  - [General Data Protection Regulation \(GDPR\)](#)

- Westscot Living Tenancy Agreement
- Westscot Living Allocations Policy.

### 3. POLICY AIMS

3.1. This Policy will achieve the following aims.

- **Viability:** following a full and realistic assessment of the relevant costs, rents will initially be set in line with grant conditions (if applicable) and then will be varied each year to ensure the long-term financial viability of WL, provided they are no higher than the median private sector rent.
- **Affordability:** WSHA is committed to trying to achieve rent levels which are affordable to MMR tenants, but which also ensure Westscot Living's financial viability.
- **Comparability:** Private sector rental levels will be routinely benchmarked against WL rents. This will give an overview of private rent levels and an indication of trends against other relevant providers to establish if the rent charged by WL is competitive.

### 4. POLICY OBJECTIVES

4.1 The rent structure will achieve the following objectives:

- **Coherence and Consistency:** the rent charged will reflect the size and location of the dwelling and the services provided.
- **Transparency:** the calculation of rents will be easy for staff and tenants to understand.
- **Practicality:** the rent structure will be straightforward to operate.
- **Durability:** the rent structure will be able to be updated to reflect external changes such as market conditions and management costs.

### 5. FINANCIAL VIABILITY

5.1 The costs to be covered by rental income will be linked to the Business Plan, annual and five-year budget plans and will take account of any contractual commitments including lenders covenants' where applicable.

5.2 The projected expenditure to be financed from rental income include the following categories:

- Management costs
- Reactive and cyclical maintenance costs
- Provision for future major repairs
- Voids and bad debts (amounts set aside for lost rent)
- Loan repayments
- Contribution to reserves (amounts set aside for future investment in stock).

5.3 Expenditure will be continually monitored against rental income due and received.

### 6. RENT STRUCTURE

6.1 WL will determine the starting rent based on Scottish Government guidance (at the time of writing [MHDGN 2023-01](#)) and grant conditions if applicable.

6.2 Starting rents will not normally be higher than 100% of the Local Housing Allowance unless the grant provider permits otherwise.

- 6.3 Rents after the initial let will not normally be increased higher than the median rent by property size in each BRMA and any increase will take account of CPI.
- 6.4 Private sector rent levels will be routinely benchmarked against WL rents and statutory requirements such as rent restrictions considered. This will give an overview of private rent levels, an indication of trends against other providers to establish if the rent charged by WL is competitive and that any change in rent levels meets other obligations. This means rents after the initial let may vary in each location WL has stock to take account of market conditions.

## **7. OTHER CHARGES**

- 7.1 Service costs recovered are additional to the basic rent charge but will be included within the rent charge itself. They are property specific and are calculated on the basis that the Association covers the full cost of providing the services and that these costs are fair and reasonable. The charges are reviewed to ensure that the related income is sufficient to cover the future cost of the services. The section on Service Costs (pp 7-8) sets out our approach to setting these charges in more detail.
- 7.2 Tenants must pay a tenancy deposit at the start of their tenancy. However, the tenancy deposit is returnable to the tenant at the termination of their tenancy subject to appropriate deductions, if any, in compliance with the tenancy agreement and the requirements of the Tenancy Deposit Schemes (Scotland) Regulations 2011. Details of the amounts required for rent deposits are included in the Westscot Living Allocations Policy (section 8.7).

## **8. THE ROLE OF THE BOARD**

- 8.1 The WL Board will have responsibility for the annual review of all WL rents.
- 8.2 The WL Board also have responsibility for approving this Policy.

## **9. RENT REVIEW**

- 9.1 The Association will give a minimum of three months' notice of a change in any rent and will not normally increase rents more than once in any 12-month period.
- 9.2 New rents will normally apply from 1 June each year, however, all new tenancies created after the date the annual rent review is approved by the WL Board will have rents charged at the new amount (unless grant conditions determine otherwise).

## **10. CONSULTATION**

- 10.1 There is no requirement to consult with MMR tenants on annual rent increases, but WL will advise MMR tenants of proposed increases in advance of the required three-month notice.
- 10.2 This Policy has been the subject of consultation with the Tenant Action Group (TAG) and staff and was agreed by the WL Board.

## **11. IMPLEMENTATION OF POLICY**

- 11.1 The Director of Housing & Community Services will be responsible for ensuring this policy is implemented and that all staff are aware of this policy and briefed on its implementation.

## **12. POLICY REVIEW**

- 12.1 This policy and associated documentation will be reviewed every three years or earlier if statute and good practice requires it.

### **13. INFORMATION**

- 13.1 A copy of this policy will be made available on request and, where required, in large print, other formats and in other languages.

### **14. DATA PROTECTION**

- 14.1 WL recognises the importance of data protection legislation, including the General Data Protection Regulation (GDPR), in protecting the rights of individuals in relation to personal information that we may handle, use and disclose about them, whether on computer or in paper format. We will ensure that our practices in the handling, use and disclosure of personal information as part of the processes and procedures outlined in this policy comply fully with data protection legislation. More information is available from the Data Protection Officer.

## **SERVICE COSTS**

### **1. INTRODUCTION**

- 1.1 This section sets out to provide an accurate and transparent outline of how WL sets, reviews and accounts for all items deemed to be of a service nature. It aims to ensure all charges to tenants are correctly identified and recovered.
- 1.2 In addition to the basic rent for a property, the Association may require in some instances to charge for service costs. These charges are charged as part of the rent payable in accordance with the conditions set out in the tenancy agreement.

### **2. ADDITIONAL CHARGE**

- 2.1 The SFHA Guidance Manual on Service Charges notes that there is no legal definition of what constitutes a service charge. It is generally applied however in addition to the standard rent charge. It is intended to cover the costs of providing and maintaining services and benefits associated with the property which are beyond the normal charge for enjoying the benefit of occupation of a residents home.

### **3. FIXED CHARGE**

- 3.1 All of WL's service related charges vary according to the relevant costs incurred or to be incurred in the period for which the charge is payable. In other words, the Association can collect, in the charge, expenditure which has already been incurred and budgeted for, and anticipated expenditure for the year ahead.
- 3.2 WL recognises that costs can vary through the year and will endeavour to ensure that the service related income is sufficient to cover the future cost of the services while minimising the potential to over or under charge our tenants.
- 3.3 Where appropriate, the charge will include an element to cover our costs in administration of the service and/or charge.

### **4. ELIGIBILITY FOR HOUSING BENEFIT/UNIVERSAL CREDIT**

- 4.1 Benefit regulations list a number of services and defines whether they are eligible to be included in the assessment of a claimants Housing Benefit/Universal Credit. Broadly speaking, if the charge is related to the property, it could be eligible, if it is related to the person, it is not.
- 4.2 Eligibility for Housing Benefit/Universal Credit will only be considered where the service concerned is provided as a condition of occupying the property in question.

### **5. CALCULATING THE CHARGES**

- 5.1 All costs will be apportioned equally amongst all residents – both tenants and owners benefiting from the service. In the case of a lift within a close or block, a charge will be made to each resident whose access to their home is via the communal entrance.
- 5.2 Where a charge covers a number of different services a Statement of Service Charge Costs will be provided to each resident on request.
- 5.3 Tenants will be given notice of any change in their service charge.

### **6. PROCUREMENT**

6.1 WSHA's Procurement Policy and Financial Regulations will be applied to ensure service contracts achieve best value for tenants by considering both quality and cost.

**7. THE INTRODUCTION OF A NEW CHARGE**

7.1 WL will consult with tenants who will benefit from the service when proposing to introduce a new charge. Consultation will include information about the likely costs as well as the scope of the service.