



# **Rent Setting Policy: Mid Market Rent & Market Rent Properties**

Ref. PW05

<b>Prepared By</b>	Operations Director
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<b>Date of Next Review</b>	December 2024 (Annex A in December 2022)
<b>Reviewed By</b>	PWL Board

## 1. INTRODUCTION

### 1.1 Statement of Objectives

The Rent Setting Policy aims to provide a strategic framework for Partick Works Limited (PWL) to set charges that are equitable and consistent, while ensuring that at all times it remains a financially viable and sustainable business.

Our objectives include:

- establishing a framework for setting rents that is equitable and consistent;
- ensuring that the rents set each year provide sufficient resources for PWL to provide a quality management and maintenance service, as well as cover the costs associated with voids and bad debts, loan repayments, planned programmed renewals and new build;
- providing tenants with value for money for the rent that they pay; and
- striking a balance between the level of service provided, customer affordability and tenancy sustainment.

### 1.2 Corporate Fit

Our Rent Setting Policy is consistent with our:

- Group Corporate Plan;
- Business Plan;
- Risk Management Policy;
- Financial Regulations;
- Standing Orders;
- Allocation Policy: Mid Market Rent & Market Rent Properties; and
- Arrears Policy: Mid Market Rent & Market Rent Properties.

It is also consistent with the Scottish Government's Guidance Note 'Affordable Housing Supply Programme: Process and Procedures', April 2018 (ref MHDGN 2018/02).

#### Equalities

Our Rent Setting Policy complies with our Equality Policy to ensure equality of treatment for all tenants without discrimination or prejudice.

#### Confidentiality

PWL recognises that privacy is important to tenants and will treat their tenancy information in the strictest confidence in terms of the General Data Protection Regulation (GDPR) and our Privacy Policy.

#### Business Plan and risk management

Our Business Plan reflects that rent setting is a key landlord responsibility. We seek to mitigate against business risk through managing our rent setting processes in an efficient, effective and economic manner.

## The PWL Board

The PWL Board is responsible for monitoring the implementation of this policy to ensure it is properly operated, that there is appropriate staff involvement in the rent setting processes and effective scrutiny of the Rent Setting Policy: Mid Market Rent & Market Rent Properties to ensure that it meets its intended policy objectives.

In implementing the Rent Setting Policy: Mid Market Rent & Market Rent Properties certain functions are the responsibility of the PWL Board although staff have delegated authority to undertake specific tasks.

The Operations Director has responsibility for overseeing the implementation of the Rent Setting Policy: Mid Market Rent & Market Rent. The Factoring Manager, in partnership with the Finance Manager, is responsible for key aspects of updating rent charges – this includes the annual notification and implementation of revised charges. Specific tasks within the rent setting process are delegated to appropriate staff within the organisation.

We clearly define budgetary responsibilities and delegation of authority for rent setting and rent collection within our Standing Orders.

The Board has the ultimate responsibility for setting rents and for policy review. As a result the Board must approve all rent increases. The Board will receive updates on the implementation of the Rent Setting Policy: Mid Market Rent & Market Rent so that they can have reasonable assurance that it is operating effectively in practice.

## **2. KEY PRINCIPLES – MID MARKET & MARKET RENT SETTING POLICY**

### **2.1 Setting charges – affordability**

2.1.1 Setting rents that are affordable and promoting tenancy sustainment are key policy objectives. When reviewing the affordability of our rent levels, we will consider information on general income levels as well as rents being charged by other comparable landlords within our local housing market area.

### **2.2 Setting charges – financial viability**

2.2.1 Our rents need to take account of the costs of running the business, as set out in our Business Plan and financial forecasts. A significant part of our income is derived from rents and it is therefore vital that the level of rents charged allows PWL to remain financially viable and sustainable. This means that our Finance Team will:

- a) calculate annually the projected expenditure to be financed from rental income in the following areas:
  - leasing charge between PWL and PHA;
  - tenancy management, responsive/void repairs, cyclical maintenance, and planned programmed renewals (including white goods, floor coverings and blinds);
  - appropriate allocation of business overheads; and
  - any other costs associated with running the business.

- b) compare the management and maintenance practices of other appropriate landlords to consider efficiency and best practice;
- c) ensure that expenditure is continually monitored against rental income due and received, via the various Board reporting arrangements in place; and
- d) through effective arrears and void management processes, minimise the amount of rental income lost.

### **2.3 Setting charges – rent setting differentials**

2.3.1 PWL will apply a differential rent level for each property according to size, type and potentially other property characteristics. PWL intends that rent charges should apply uniformly to every established, acquired or new build property. Where necessary, PWL may use transitional arrangements to phase in the alignment of rents over a period of time.

### **2.4 Reviewing charges**

- 2.4.1 For tenants with a short assured tenancy (any tenancy created before 1 December 2017), PWL can increase the rent when we renew your tenancy agreement at the end of the fixed term and will give the tenant 4 weeks' notice before the rent increase.
- 2.4.2 For tenants with a private residential tenancy (any tenancy created on or after 1 December 2017), PWL can only increase rent once a year and must give the tenant 3 months' notice of any increase by issuing a 'landlord's rent-increase notice to tenants'.

### **2.5 Making payments**

2.5.1 Tenants require to pay a rent deposit at the start of their tenancy PWL currently operates a calendar monthly rent debit, meaning that rent is collected every calendar month – tenants must pay their rent every month by Direct Debit by the payment date set by PWL.

## **3. MID MARKET RENT PROPERTIES**

### **3.1 Definition of 'Mid Market Rent'**

- 3.1.1 Mid Market Rent (MMR) properties are aimed at assisting people on low and modest incomes to access affordable rented accommodation, who are unlikely to have priority to enable them to access social rented housing, but have an income level which means they cannot afford to access full market level properties or to buy a home.
- 3.1.2 The rent levels for Mid Market are set between those of Social Rented and Market Rent properties within our area of operation. MMR properties are generally let on an unfurnished basis, but with floor coverings, blinds and white good provided.

### **3.2 Letting Mid Market Rent Properties**

3.2.1 We will prioritise the allocation of MMR properties using the criteria listed below.

- at the point of allocation, prospective tenants should be employed; and
- prospective tenants should be economically active and have **a minimum gross annual household income level of £23,000 and a maximum annual household income level of £45,000** (the minimum and maximum income levels will be reviewed periodically and agreed by PWL Board, taking account of income criteria provided by the local authority); or
- on an individual basis we may consider applicants without regular income who have access to capital funds and applicants where they are in receipt of certain benefits relating to a disability.

### **3.3 Setting Rents for Mid Market Rent Properties**

3.3.1 In terms of the Scottish Government's new housing supply guidance, for schemes to qualify for grant subsidy mid market rents must be affordable to households from the proposed target tenant groups.

3.3.2 It is expected that the starting rent level for each mid market rent home should generally be no more than the Local Housing Allowance (LHA) rate for the property size in question. The grant provider may however give agreement on an exceptional basis to starting rent levels for each mid market rent home being more than the relevant LHA rate if the following cumulative conditions are met:

- the grant applicant can demonstrate that in a particular local housing market area conditions are materially different from the relevant LHA rate; and
- the grant applicant has secured the local authority's support to the proposed starting rent levels; and
- the starting rent levels do not exceed the mid-point of market rent levels for the property sizes in question in the relevant Broad Rental Market Area (as assessed by the Scottish Government).

3.3.3 Rents can then increase annually provided that they do not at any time exceed:

- (a) the mid-point of the market rent levels for the property sizes in question in the relevant Broad Rental Market Area (as assessed by the Scottish Government), or
- (b) where agreed in writing with the Scottish Government/Council the mid-point of market rent levels in a particular local housing market area is demonstrated and accepted as being materially different from the relevant Broad Rental Market Area (BRMA).

3.3.4 **Annex A** sets out our methodology for setting rent charges for Mid Market Rent properties.

## **4. MARKET RENT PROPERTIES**

### **4.1 Definition of 'Market Rent'**

4.1.1 Market Rent (MR) properties are designed to assist in meeting the accommodation requirements of households who have incomes generally in excess of that of normal Social Rented or MMR properties.

4.1.2 The rent levels for MR properties are determined by the location, property type and property size, and we compare local housing market rental charges for similar properties. MR properties are generally let on an unfurnished basis, but with floor coverings, blinds and white goods provided.

#### **4.2 Letting Market Rent properties**

4.2.1 We will generally let MR properties on a first come first served basis. However to ensure tenancy sustainability, we will test affordability by applying minimum income criteria.

4.2.2 Potential tenants will be expected to have an annual household income of at least 30 times the calendar monthly rent of the available property, or at least have a rental guarantor in place who can cover the costs.

#### **4.3 Setting Rents for Market Rent Properties**

4.3.1 PWL has sole discretion to set and review MR rents at a level that we consider reasonable. We will assume annual year-on-year rent increases of 2% for business planning purposes, with any rent increases effective from 1 April.

4.3.2 When reviewing rent charges for MR properties annually we will take account of changes in the cost of living and overall sustainability of PWL's Business Plan. As context PWL will review our rents for MR properties against those charged by other comparable landlords within the local housing market. We will set MR rents from a PWL perspective, reflecting the scale of investment required to deliver business plan priorities and the quality of service provided to ensure that tenancies are sustainable. In the unlikely event that rent levels within the local housing market decrease, we may decide not to change our MR charge for rent setting purposes.

### **5. MONITORING & REVIEW**

We will review our Rent Setting Policy: Mid Market Rent & Market Rent Properties every three years or more frequently if there are any significant changes in market forces, legislation or recommended best practice. We will review and update Annex A annually (refer to Section 3.3 above).

We will also monitor, review and update our procedures as required.

## Setting Rents for Mid Market Rent Properties (December 2021)

1. The Scottish Government's Communities Analysis Division (CAD) provided details of the median annual private rent levels for each Broad Rental Market Area at November 2021. For Greater Glasgow these are as follows:
  - 1 bedroom = £7,140 per year (£595 per calendar month);
  - 2 bedroom = £9,000 per year (£750 per calendar month);
  - 3 bedroom = £11,100 per year (£925 per calendar month); and
  - 4 bedroom = £21,000 per year (£1,750 per calendar month).
  
2. PWL seeks to apply rent charges based within 95% of the November 2021 median annual private rent levels provided for the Broad Rental Market Area (BRMA). This means that our target MMR rents for 2022/23 will be:
  - **1 bedroom** = £6,540 per year (**£550 per calendar month**, i.e. 92.44% of BRMA);
  - **2 bedroom** = £8,256 per year (**£695 per calendar month**, i.e. 92.67% of BRMA); and
  - **3 bedroom** = £10,692 per year (**£895 per calendar month**, i.e. 96.76% of BRMA).
  
3. We will assume annual year-on-year rent increases of 2% for business planning purposes. However when reviewing rent charges for MMR properties annually will take account of changes in the cost of living and overall sustainability of PWL's Business Plan. PWL will review CAD's provided details of the median annual private rent levels for the BRMA each November, which should inform any changes in rent charges. However in the unlikely event that the median annual private rent levels provided for the BRMA shows a decrease in rents, we may decide not to change our MMR charge for rent setting purposes.