



SFHA Finance Conference 2021
Approaching Rent Reviews

indigo house

Approaching rent reviews

- Current context
- How to approach setting a rent policy
- Rent structures
- Designing & reviewing rents
- The critical stages of the rent setting process
- Understanding VFM and affordability

Current context

- COVID-19 has challenged landlords significantly in terms of service delivery
- Repair response times have increased, tenant satisfaction with VFM has decreased
- Average planned rent increases 2020/21 down to 1.2%
- Tenant incomes will have been adversely affected by furlough, unemployment, loss of UC uplift etc.
- Landlords also face increased costs and need to build new homes, meet Scottish Housing Quality Standard and the Energy Efficiency Standard in Social Housing...
- Viability **and** affordability need to be balanced with continued focus on affordability from SHR

Rent policy

- A comprehensive description of the organisation's approach to rent
- Statement of aims and objectives
- Explanation of what rental income needs to cover
- The way in which rents for individual properties are decided
- Approach to Service Charging (although this can also often be a stand-alone policy)

Rent structures

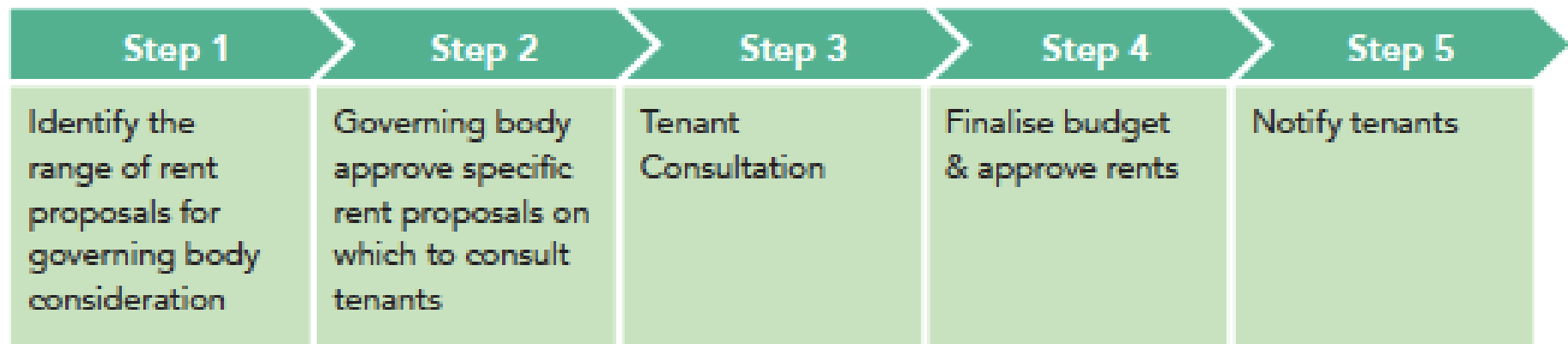
- Market-Based Rent Structures
- Comparability-Based Rent Structures
- Considering a New Rent Structure

Designing & Reviewing rents

- *Stage 1: Establish Stakeholders*
- *Stage 2: Agree Principles*
- *Stage 3: Select Attributes*
- *Stage 4: Weight Attributes*
- *Stage 5: Model and Review*
- *Stage 6: Formal Consultation*
- *Stage 7: Partial Reviews*
- *Stage 8: Monitor*
- *Stage 9: Review and Change*

The rent setting process

Rent Setting Process or discrete issue flow diagram



Rent setting checklist (1)

Timescale	Activity: Have you....	Complete
Pre October	Agreed an appropriate timetable for rent proposals to be considered in line with the draft annual budget?	
	Identified who will develop the rent proposals and prepare the rent paper for Board consideration?	
	Considered whether the current rent structure needs alteration?	

Rent setting checklist (2)

October/ November	Developed more than one rent proposal (e.g. no rent increase, a rent increase of 2%, etc.)	
	Looked at the impact of the proposed increase on the overall rental income	
	Looked at the impact of the proposed increase on individual property rents	
	Considered how different rent options affect outcomes - investment opportunities, service levels	
	Looked at the viability of the rent proposals for short, medium and long-term financial performance	
	Tested the impact of the proposals on a range of different rents using the affordability tool	
	Compared rents to other social landlords providing similar properties and services (e.g. Scottish average, local providers, benchmarking peers)	
	Sought approval for a limited number of rent proposals from the Board of Members on which to consult	

Rent setting checklist (3)

November/ December	Considered how to give tenants a chance to take part in rent consultations in a meaningful way?	
	Analysed and reported back the views expressed by tenants to the Board	
	Presented a final draft annual budget to the Board	
January/ February	Secured approval for the annual rent increase to be applied	
	Prepared a final rent for each individual property	
	Sent out letters giving at least four weeks' notice to tenants of any rent increase	

Considering Value for Money

- Value for Money has extended considerably beyond its original application to justify policy or investment decisions
- VFM is about *maximising the use, and impact of each pound spent* to improve homes and neighbourhoods
- An improved understanding of **costs** and **results** is needed so that we can make better, more informed, evidence-based decisions and choices
- VFM does **not** mean that we only do the cheapest or the easiest things, but rather that we understand what is driving our financial performance
- **Costs** are examined alongside measures of **quantity** and **quality**

Guidance on VFM

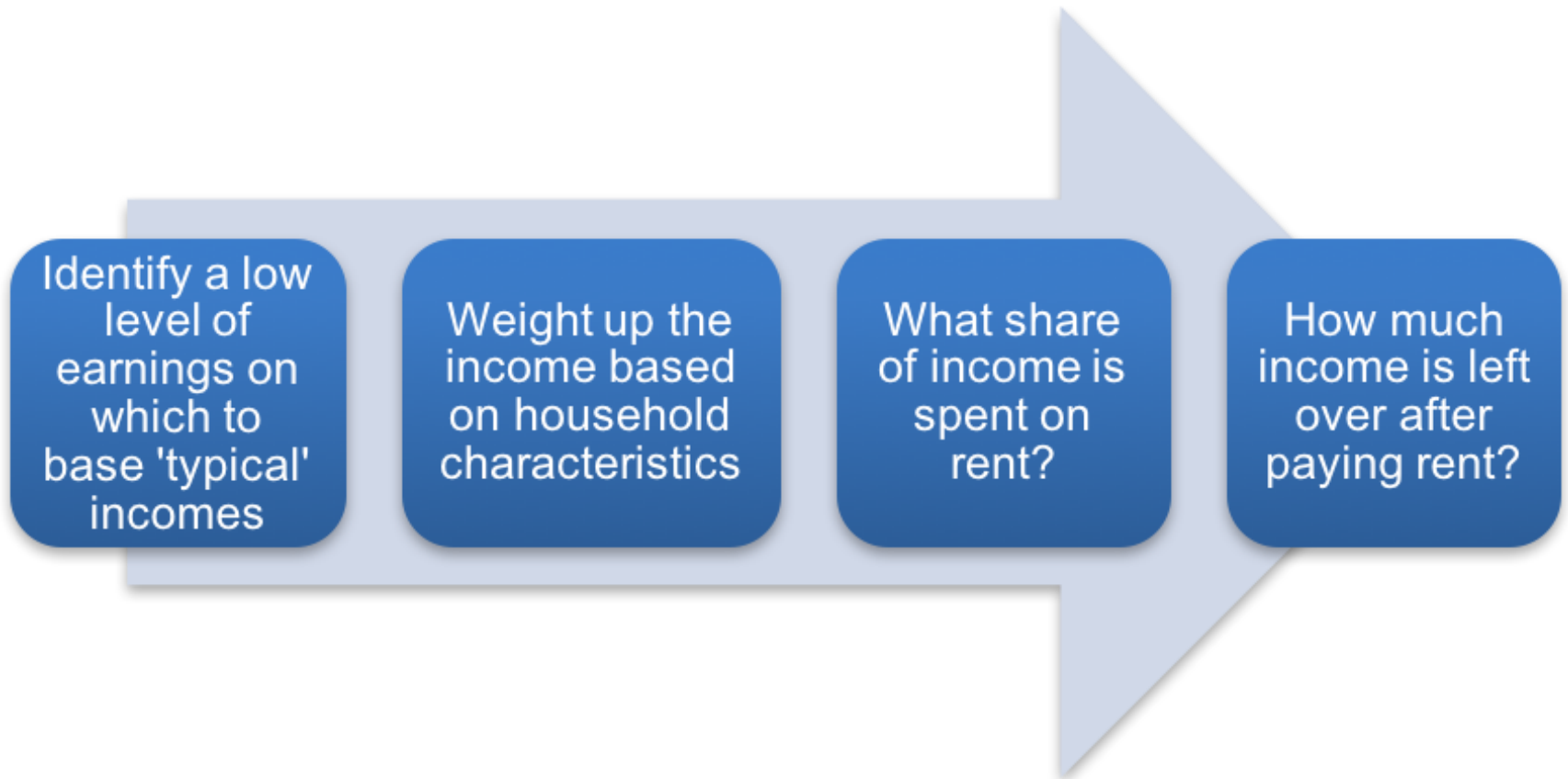
- The HM Treasury Green Book
- The Scottish Future's Trust – Guidance for all capital programmes and projects for the Scottish Government
- Housemark's VFM Checklist
- Scotland's Housing Network Value for Money service
- SFHA Rent Setting Guide – including VFM case studies

Rent Affordability

Landlords wanted a simple approach to affordability

- ... that takes into account household type
- ... that reflects variations in local incomes
- ...but does not rely on landlords having detailed information about tenants

Affordability analysis developed for SFHA Guidance



SFHA/Housemark affordability tool

- Calculates five affordability measures for a proposed rent
- A range of income types and household sizes can be used for testing
- Household incomes are calculated using a similar method developed in the Guidance
- Allows users to see how their rent and affordability measures compare to other social landlords
- Tool available to SFHA members through the SFHA website