

Highland Residential (Inverness) Limited

Mid-Market Rent Setting Policy REVISED

1. Introduction

- 1.1 This policy sets out the approach that will be taken by Highland Residential (Inverness) Ltd to setting the rents for Mid-market or Intermediate rent.

2. Context

- 2.1 This policy has been prepared to take account in particular of:
- Scottish Government Guidance Note HSGN 2014/05 Affordable Housing Supply Programme – Process and Procedures. Highland Residential (Inverness) Ltd Operational Target – To develop Mid-market rent within the Inner Moray Firth area as part of tenure diversification utilising current development opportunities
 - Highland Council guidance consistent with the objectives of its Strategic Local Programme (SLA) and contribution to the delivery of the Local Housing Strategy (LHS)
 - Future requirements of housing models to be pursued under the aegis, for example, of the National Housing Trust (RSL variant)
 - The local Housing Allowance set by the Highland Council
- 2.2 Consistent with Government guidance, RSL's are required to make MMR allocations through a registered subsidiary (in this case Highland Residential (Inverness) Ltd) utilising an appropriate form of tenancy agreement such as the Short Assured Tenancy Agreement, which is similar to the tenancy agreement provided for private rented housing. The agreement will be in the name of Highland Residential

Ltd which is a subsidiary of Albyn Housing Society.

3. Purpose of Policy

- 3.1 The specific objectives of this policy are to:
- Ensure that rents are set in accordance with the Scottish Government guidelines
 - That rents are set in accordance with the local housing allowance
 - That rents are affordable to the target market
 - That rents are set in a way to ensure that project viability is taken into consideration
 - That rents are set in a clear and fair way

4 Setting the rent

- 4.1 The rent set should be based on the local housing allowance and the current Scottish Government guidance – this currently states that rents should not

exceed 100% of the local housing allowance (LHA) at the property's first let. Rents can then increase annually provided that they do not exceed the median point of the relevant Broad Rental Market Area (BRMA).

- 4.2 The housing allowance is set monthly by the Highland Council (available on their website) and therefore rent setting is sensitive to the month in which the tenancy agreement is signed. In the unlikely situation where the LHA has gone down since the financial parameters of the project were set the rent chargeable will be the rent used in the business case.

- 4.3 The LHA is set as a ceiling for accommodation size therefore the following rents should be used

1 bed property with garden max 100% of housing allowance
2 bed property with garden max 100% of housing allowance
3 bed property with garden max 100% of housing allowance

- 4.4 Rent levels will be set by Highland Residential (Inverness) Ltd for individual properties at appropriate rates between 85% and 100% of the LHA. Rent levels will consider the accommodation size, location and condition / marketability of the individual property.

- 4.5 Rents will be reviewed annually for ongoing tenancies and adjustments will be implemented to take effect on the 1st April. Rents should also be reviewed at the natural end of a tenancy and any adjustment applied to the new tenancy.

5 Financial Implications

- 5.1 There are no specific financial implications associated with this policy

6. Risk

- 6.1 The failure to have a sustainable rent policy for MMR properties exposes HIGHLAND RESIDENTIAL to financial, reputational and operational risks associated with failure to collect the essential revenue from MMR housing developments and with likely complaints from dissatisfied applicants about the absence of proper process. A well thought-out policy and associated process will significantly reduce management time and cost in the establishment of the MMR business.

7. Monitoring and Review

- 7.1 The Business Development Manager will monitor the effectiveness of this policy and report to the HIGHLAND RESIDENTIAL Board as required.
- 7.2 This policy was approved by the HIGHLAND RESIDENTIAL Board on 14th April 2016 . It will be reviewed not later than April 2020.