



Southside Lettings Rent Setting Policy: Mid-Market Rent

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Contents

1. Introduction	Page 03
1.1 Responsibilities	Page 03
1.2 Definition of Mid-Market Rent	Page 03
2. Key Principles	Page 03
2.5 Setting Charges – Affordability	Page 05
2.6 Setting Charges – Financial Viability	Page 05
2.7 Setting Charges – Rent Setting Differentials	Page 05
2.8 Reviewing Charges – Annual Rent Increases	Page 06
2.9 Making Payments	Page 06
3. Monitoring and Review	Page 06
Annex A – Setting Rents for Mid-Market Properties	Page 07-08
Annex B – Schedule of Mid-Market Rent Properties	

1. INTRODUCTION

1.1 Statement of Objectives

The Rent Setting Policy aims to provide a strategic framework for Southside Lettings (Scotland) Ltd (SLS) 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 SLS to provide a quality management service, as well as cover the costs associated with voids and bad debts and servicing the MMR portfolio with white goods and floor coverings etc;
- 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.
- An understanding that our current rents are not consistent, and as such the implementation of this Policy (other than annual increases) will be subject to a period of rent harmonisation, with the “model rent” being reached only at the point of relet.

1.2. Responsibilities

The SLS 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 to ensure that it meets its intended policy objectives.

In implementing the Rent Setting Policy certain functions are the responsibility of the SLS Board although staff have delegated authority to undertake specific tasks.

The Housing & Communities Director has responsibility for overseeing the implementation of the Rent Setting Policy. The Housing Managers, 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. This is also the case with the MMR Allocations Policy and responsibility for letting MMR properties.

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 so that they can have reasonable assurance that it is operating effectively in practice.

1.3 Definition of ‘Mid-Market Rent’

- 1.3.1 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.
- 1.3.2 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 goods provided.

2. KEY PRINCIPLES – MID MARKET RENT SETTING POLICY

- 2.1 In terms of the Scottish Government’s housing supply guidance, for schemes to qualify for grant subsidy mid-market rents must be affordable to households from the proposed target tenant groups.
- 2.2 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).
- 2.3 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).

2.4 **Annex A** sets out our methodology for setting rent charges for Mid-Market Rent properties at Southside Lettings and is updated annually. The CEO has delegated authority for determining which properties fall in each category using the rationale expressed in this policy. **Annex B** contains a schedule of our properties and details of current rents charged – and target rents when properties become available.

2.5 **Setting charges – affordability**

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.

2.6 **Setting charges – financial viability**

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 SLS to remain financially viable and sustainable. This means that we will:

- a) calculate annually the projected expenditure to be financed from rental income in the following areas:
 - leasing charge between SLS and SHA.
 - tenancy management 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.

2.7 **Setting charges – rent setting differentials**

SLS will apply a differential rent level for each property according to size, type, area and potentially other property characteristics. At the outset of this policy, it is recognised that there are varying rent levels across the portfolio. The purpose of this policy is to agree the foundations for moving forward and use transitional arrangements to phase in the alignment of rents over a period of time. SLS intends that rent charges should ultimately apply uniformly to every established, acquired or new build property.

2.8 Reviewing charges – annual rent increases

- 2.8.1 For tenants with a short assured tenancy (any tenancy created before 1 December 2017), SLS 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.
- 2.8.2 For tenants with a private residential tenancy (any tenancy created on or after 1 December 2017), SLS 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'.

2.9 Making payments

Tenants require to pay a rent deposit at the start of their tenancy which is held in a safe deposit scheme. SLS 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 SLS.

3. MONITORING & REVIEW

We will review our Rent Setting Policy 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 (August 2024)

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 2023. For Greater Glasgow these are as follows:
 - 1 bedroom = £795 per calendar month;
 - 2 bedroom = £995 per calendar month;
 - 3 bedroom = £1,300 per calendar month; and
 - 4 bedroom = £2,200 per calendar month.

2. The Glasgow Local Housing Allowance for 2024 – 2025 is set at the 30th percentile of market rents for the area. The 24/25 LHA is based on the BRMA of 2022/23. These are as follows:
 - 1 bedroom = £693.11 per calendar month;
 - 2 bedroom = £847.69 per calendar month;
 - 3 bedroom = £967.33 per calendar month; and
 - 4 bedroom = £1,795 per calendar month.

3. SLS considers 3 area/type rent levels – A, B and C.

Category A properties are high demand properties either through area, or due to the aesthetic appeal – new build/modern/retrofit etc.

Category B properties are also in high demand private renting areas but not at the standard of A’s either by street or condition.

Category C properties are for those in Cardonald/Halfway which are neither of the above and in a lower market area.

4. SLS seeks to apply rent charges based on the LHA and although our funding arrangement for new build would allow higher rents, at this time we will focus on LHA. A property with white goods and carpets in Category A will be charged the full LHA rate and for lower categories or properties without those amenities the rent will be reduced. The table below is an illustration.

Uprated 16.10.24

2024/25	2apt	3apt	4apt	5apt
Category A	£693.11	£847.69	£967.33	£1795
Category B	£625	£760	£870	£1500
Category C	£560	£680	£770	£1300
<i>Deductions</i>	£27.07 (w/o WG) £37.71 (w/o Carpets)	£27.07 (w/o WG) £48.13(w/o Carpets)	£27.07 (w/o WG) £57.26(w/o Carpets)	£27.07 (w/o WG) £70 (w/o Carpets)

All our properties will be on or below the Local Housing Allowance and below the median for BRMA.

5. We will consider these levels annually and assume annual year-on-year rent increases same as SHA rent increases for business planning purposes. However, we will consider other factors when considering rent increases, including void losses

Southside Lettings (Scotland) Ltd. – Rent Setting Policy: Mid-Market Rent

and costs for white goods and furniture.





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