

History of Tollcross Housing Associations Rents

Prior to the completion of the Second Stage Transfer in 2011, Tollcross Housing Associations stock was predominately made up of traditional sandstone tenement properties. There were a limited number of new build units making up around 15% of the stock profile at that time.

It appears that the rents for these tenemental properties were set when these flats were refurbished and property size and the number of apartments seems to have been the main factors considered when setting these rents in the very early years of the Association.

With the new build units built around this time, things were different. When these new build properties were constructed, almost 30 years ago, the Housing Association Grant (HAG) rate was much higher than it is today and there was much less pressure on Associations to maximise rental income on new build projects, to keep the levels of grant subsidy to a minimum. The idea that rents would be increased to make projects “stack up” financially was almost unheard of and Associations were rarely asked to make financial contributions from their own reserves to “stack” up new build projects. At this point, new build rents were set using a system that took account of the various amenities being provided in each new build property.

Following this initial rent setting procedure the rental charge was usually increased annually by an agreed percentage following a consultation process with tenants.

Second Stage Transfer

Two of the main benefits of the Second Stage Transfer were the increase in stock numbers and the diversity of stock types that the Association then controlled. There was no direct comparison between any of the original Tollcross Housing Association stock and the stock transferring from GHA, so there was no way to directly compare the rental charges in place for both sections of the stock.

The original Tollcross Housing Association rents were generally lower than the transferring GHA rents, but in most cases the GHA properties were newer and apartment sizes were larger than those in the sandstone tenement properties owned historically by Tollcross.

In addition, the purchase value of the transferring stock was assessed largely using the future rental income and that income was based on the GHA rents at that time.

There has never been a need to “harmonise” the rent charges across the original and transferring stock as no direct comparison can be made between the original stock and any of the transferred stock.

Recent New Build Rents

Over the last ten years the Association has continued to develop new homes. The fundamental aim of the Association is to provide as many high quality affordable homes as possible, and to that end the Association has always attempted to keep new build property rent charges as low as possible, without creating schemes that place an unacceptable financial burden on the Association. The constantly dropping levels of HAG funding means that Associations are under constant pressure to drive up new build rents. The higher the project rental income then the more private finance the Association can attract for the project, this in turn means that less grant is required to make to project viable. However, Tollcross is careful not make new build rent charges unaffordable and too high for tenants that don't receive any form of assistance with their rent.

Over the last ten years HAG levels have been reduced and pressure on Associations has grown to increase rents or use Association's own reserves to help finance new build projects.

Over this period the Association has not set rents for individual new build properties, but instead that rents have been set using the minimum rents charges published by the Scottish Government for new build project.

At regular intervals these rents are updated by the Government and the Association simply applies the rent charges set for each new build property type. These rents are set using the number of apartments in each property. These set rents allow the Association to obtain the maximum amount of grant funding for new build projects whilst keeping the rents low and as affordable as possible.

Rent Increases

The Association usually applies an increase to the rent charges annually on the 1st April. The Association does absolutely everything possible to keep this increase as low as possible. We fully appreciate that some tenants find it hard to pay their rent.

A number of factors are considered when calculating our annual increase. The Associations' business plan assumes that rents will increase by the rate of inflation plus 1% every year for the next 30 years. Therefore, the first thing considered is the published R.P.I. figures for August, September and October each year. We take the average of these 3 figures and then add 1%. However, this simple calculation is never the full basis of the proposed rent increase.

More fundamentally, the Association carefully considers what it will take to run the Association over the coming years, maintain and develop our stock and continue to provide a range of high quality services to our tenants and customers. This process considered the likely increases in costs being charged by contractors, staff wages, new development and all other expenditure, and balances that up with what the organisation needs to bring in to cover these costs. This process is always

undertaken with efficiency in mind and the Association is always careful to make sure that operating costs are kept to a minimum.

In addition to the above, the Association will also always consider any other relevant factors when trying to evaluate any rent increase. For example this year, 2021/ 22, the Association considered it appropriate not to have any rent increase as we were acutely aware of the difficult economic circumstances many of our tenants were facing as a result of the Pandemic.

When the proposed rent increase for the year has been established the Association then embarks on a full tenant's consultation process to allow everyone to comment on the proposed figure. This consultation process usually takes place in December and January and is open to all customers. The Association actively seeks the views of tenants groups, Community Councils, Tenant Scrutiny Groups and any other interested party. All of the comments and feedback gathered is considered by the Management Committee when any proposed rent increase is finally agreed. Every tenant is then given 28 days' notice of their new rental charge.

Tollcross Housing Association's rent charges are comparatively low when benchmarked against our peers. Each year everything is done to keep any rent increases to a minimum and we fully understand that every pound collected in rent must be wisely spent.