



Rent Policy

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INVESTOR IN PEOPLE

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1.0 Hjaltland Values

Our Vision

Providing homes, supporting communities

Our Values

Teamwork

Working together as one team, to the benefit of our customers. To demonstrate and extend trust in each other.

Open, Honest & Inclusive

We offer a people focused service that is centred in fairness and integrity. We believe in being open, honest and respectful in everything we do.

Ownership

We expect our staff to take responsibility for their actions and give them the freedom to do their job in a positive working environment.

Quality

We value quality in everything we do from the standard of our product to the level of service we provide. We take pride in making a difference in communities and providing continuous improvement.

Innovation

We seek to ensure we have sustainable housing, fit for future generations, maintained and developed to the highest possible standard.

2.0 Introduction

This policy and procedures document sets out the principles which Hjaltland adopts in relation to rent setting for all tenure types, and the ways in which these principles are put into practice.

The Association has the aim of setting rents that are affordable and will use information from various sources to assess the level of affordability for the tenants.

The Association has an objective of raising sufficient rental income to meet the following:

Annual Costs;

- management of the housing stock (including voids and bad debt)
- maintenance of the housing stock (including day to day repairs and planned maintenance)
- loan charges and repayments, and

Long term Costs;

- provision for future major repairs, renewal and improvement
- provision for contingencies.

Target Increase

- To ensure the above objective is achieved the Association will set an annual Overall Target Increase on existing rents of Inflation (CPI) only.
- The Inflation index is based upon the Retail Price Index for October prior to the date of review.
- Increases above or below target may occur where a property has had an improvement in facilities, as a consequence of an upgrade, or there has been an error in the rent calculation from previous years.

The Association has an objective of ensuring that similar accommodation by size and type, taking account of locality, has the same rent.

The Association has an objective of setting rents that are straight forward to assess and update; and are adaptable across tenures. Rents should be known for new projects at an early stage in the development process.

The Association will consult with tenants of each tenure type on any proposed changes to the rent. After consultation the amended rents will be submitted for approval by the Management Committee.

The Association will review the policy regularly and tenant associations will be consulted. Copies of the policy will be made available to tenants, interested parties such as Shetland Islands Council, and the general public.

3.0 Client Groups

The Association seeks to house the following client groups, which include in management:

- Those who are homeless persons and persons threatened with homelessness and who have unmet housing needs;
- Those living under unsatisfactory housing conditions and have unmet housing needs and
- Those in social housing who are considered to be under-occupying their existing property

Please refer to the Association's Allocation Policy for further information on how housing need is assessed, and applications prioritised. In addition to this, the Association has adopted a Leasing Policy, whereby properties may be leased to a small number of organisations to support the wider needs of the community.

4.0 Rent Setting Methodology

The Association's rent setting process takes into account the following:

SIZE OF HOUSING STOCK

which includes in management at 31st March 2026,

Secure tenancies (Fair Rent)	4
Secure tenancies	841
Shared-ownership agreements	36

and under development with completion by:

	31 st March 2027	Future years
Secure tenancies	0	0
Shared Equity Sales	0	0

HOUSE TYPE AND SIZE

No. of occupants Apts/Type	1P		2P	3P	4P	5P	6P	>6p	Total
	1 Apt.	2 Apt.							
House	12	4	40	167	142	88	65	3	521
Flat	4	612	243	44	8	0	0	0	360
Total	16	65	283	211	150	88	65	3	881

LOCATION & AMENITIES

Location	Homes
Area 1 (Lerwick, Scalloway, Gulberwick & Tingwall)	662
Area 2 (Excl above, Sandwick to Brae; Weisdale to Bressay)	85
Area 3 (Rest of Mainland Shetland)	99
Remote (Islands except Burra, Trondra & Bressay)	35

The Association operates a locality-based rent policy whereby a property that is closer to Lerwick will pay more than one that is further away. The variation between Area 1 and Remote is 30%.

The basis of this variation is calculated using the Minimum Income Standard, carried out by Loughborough University, which shows that the budgets that a household need to achieve a minimum acceptable living standard in remote rural Scotland are typically 10-40 per cent higher than elsewhere

in the UK. It further shows that a household in remote island locations will have additional costs compared to those closer to the main amenities of a small town (Lerwick).

Amenities

- Garden (sole use)
- Facilities carrying fixed points (garages)

The Rent setting structure is based upon the following elements:

The application of an agreed base rent per rental point the total rental points allocated to each house.

A formula which allocates rental points to each house taking account of: -

Factors

1. The number of occupants in a house, and
2. Variable Adjustment Factors which amend the number of points according to the location, and amenities of the house.

Minimum and Maximum Rent Increases for Stock in Management

A maximum level of rent increase is set globally and applied to all individual houses in management. This is done to ensure that no tenant suffers excessively high rent increases, and to ensure that rents for similar houses in an estate remain broadly comparable.

Maximum and minimum levels are considered by the Committee of Management in December when reviewing the Association's Budget for the forthcoming year. In setting these levels of increase the Committee of Management takes account of:

- Inflation (CPI) in the previous October
 - Variation from CPI
- Its objective of raising sufficient rental income to meet the following:
 - Annual costs;
 - Long term costs;
- The continuing affordability of the rents is reviewed and considered annually.

It should also be recognised that prolonged volatility in inflation and interest rates could lead to increased affordability pressures for tenants. In such circumstances, maintaining a direct link between rent increases and inflation may become less sustainable over the medium to long term and may require review.

When finalising its review of rents in February the Committee of Management takes account of tenant responses to consultation on proposed rents.

5.0 Application of the Rent Setting Formula to Tenure Types and Re-Lets

The tenure types directly affected by the rent setting formula are Scottish Secure Tenancies (referred to as Secure Tenancies), Shared-Ownership occupancy agreements and properties leased out to organisations as defined in the Leased Policy.

In addition, Scottish Secure ("Fair Rent") Tenancies [referred to as Fair Rent Tenancies] are indirectly affected. Secure "Fair Rent" Tenancies rents are set by the Rent Registration Officer. Please refer to the Fair Rent Policy for information on rent setting for these properties.

The Association will use the formula as a key element in setting rents for supported accommodation group homes.

- Secure Tenancies for houses in management will have rents set according to the formula outlined. The applicable rent will be set on 1 April each year. For properties completed during the year, the applicable rent will be the rent assessed according to the formula.
- Shared-Ownership properties will have Basic Rents set according to the rent setting formula and its application to Secure Tenancies. The Basic rent is then modified to take account of the different responsibilities which apply to Sharing-Owners and set out in the Occupancy Agreements.

The basic Secure rent for the property is discounted according to Scottish Government guidance by the amount of Management & Maintenance Allowance (either actual or estimated) for the year. This Secure rent is then modified by the appropriate rent tranche to produce the Basic Rent. A Management Charge (£494.04 per annum in 2026/27), inclusive of the annual property insurance premium (either actual or estimated), together with any service charges is added to the Basic Rent to produce the total annual Specified Rent charged.

- Supported Accommodation may take a variety of forms regarding the terms under which residents occupy a property. These include:
 - Tenants with Secure tenancies
 - Tenants with Short Scottish Secure tenancies
 - Tenants with Occupancy Agreements
 - Properties leased to third party organisations,

Where the Association is in a direct landlord/tenant relationship the rent setting methodology is the same as for a Secure Tenancy described above. Where the Association has entered into a Lease arrangement with a third party the Applicable Secure Rent will operate as the starting figure for the rent setting. The rent will then be modified, according to the terms of the lease, and how the apportionment of management; maintenance; insurance and void responsibilities is agreed.

Where properties are leased to statutory or third sector organisations for the purpose of accommodating service users, the rent will be calculated using the rent setting formula for Scottish Secure Tenancies.

An additional charge, to be determined by the management committee on an annual basis, will be levied against properties where the lessee uses the property to provide tied or interim accommodation for their workforce.

When finalising its review of rents in February the Management Committee takes account of tenant responses to consultation on proposed rents, regardless of tenure type.

6.0 Service Charge Setting

The Annual Service Charge is determined according to the following formula: -

$(\text{Estimated cost or contracted price +/- under/over recovery} + \text{Association Administration Charge}) / \text{No. of Properties provided with the Service.}$

Where specific service charges are prohibitive in the opinion of the Management Committee, the Management Committee will cap or otherwise review that service.

Contract pricing is determined in accordance with the Association's regulations on purchasing and tendering. The Association's administration charge is set to cover the overheads incurred in managing the provision of services.

7.0 Equality Impact Assessment

The Association is committed to promoting positive measures that eliminate all forms of unlawful or unfair discrimination on the grounds of age, disability, gender reassignment, marriage & civil partnership, pregnancy & maternity, race, religion or belief, sex, sexual orientation. Our aim as landlord, service provider and employer is to recognise the needs of all individuals, and ensure these commitments are evident throughout every aspect of our business and our activities.

The Association assesses and reviews all new and revised policies and procedures, we do not see this policy as having any direct impact upon the protected characteristics contained within the Equality Act.

8.0 Monitoring and Review

The Association will review its rent setting policy and practice yearly with staff making amendments to the policy in terms of updating the affordability section and information on the rental points annually.

The Association carried out a major review of its rent policy in 2014/15 and made amendments to the variable adjustment factors which were approved and incorporated into the rent policy.

During the year the Management Committee will:

- receive reports on rental income noting problems and/or anomalies encountered.
- incorporate practice and rents into the projected annual Association budget, taking account of positive or negative effects.
- adjust policy and practice to ensure the rents set continue to meet the agreed objectives.

Prior to any proposed significant changes to the policy, tenants and formal tenant groups will be invited to comment.

Rent Policy – Factors

1. Possible Occupancy			
	1 apt 1-person	Points	130
	2+ apt 1-person		139
	2-person		153
	3-person		162
	4-person		171
	5-person		180
	6-person		184
	7-person		193
	8-person (5-bed)		207
Cluster Flat	5 apt 4-person		446
	6 apt 6-person		553
Adjustment Factors			
2. Type of Accommodation			
	House		0%
	Flat		-4%
3. Location			
	Area 1		30.00%
	Area 2		20.00%
	Area 3		10.00%
	Remote		0.00%
4. SHQS Energy¹ Compliance			
	Yes		7.00%
	No		0.00%
5. Garden			5.00%
6. Facilities carrying Fixed points			
	Garage	Points	25
7. Rental Increase on existing properties (2026/27)			
	(Subject to rounding)		
	Maximum		5.80%
	Target (CPI + 2%)		5.60%

Minimum	1.00%
Calculation of Rental Points	
Secure Rent	£5,247,000
/ Rental Points during year	183,205
Average Rent per Point	£28.64

¹ – Do properties achieve a minimum rating of NHER 5 or SAP 60 (SAP2001) to comply with SHQS Element 35 requirements

Comparison of Income and Rent Affordability

1. Background

There is no single definition of what an affordable rent is – it varies between 20% and 40% of income or as housing of a reasonable quality that people on **modest** incomes can afford.

The suggested ratio put forward by the Joseph Rowntree Foundation Fairer Rent group is 28%, on the basis that this is the proportion that the average social tenant spends on rent, while Shelter suggest an affordability ratio of up to 35% of income, although they acknowledge that income and household composition need to be taken into account.

The “SFHA Guide to Rent Setting and Affordability Tool” published in June 2017 proposes a ratio of 25% of the 30th percentile income spent on rent for families, since families in particular may struggle to afford their non-housing costs after paying their rent.

The Chartered Institute of Housing Scotland document *Perspectives on Rents and Affordability in Scotland* (December 2013), shows that the concept of a 25% rent-to-income ratio as a measure of affordability is still relevant. In the same publication, it states, ‘Achieving an affordability ratio of 25% housing costs to income is the benchmark, but this can vary depending on individual circumstances and levels of poverty.’

The Scottish Government published a report, Towards a Shared Understanding of Housing Affordability: Short Life Working Group, 2022-24, which states that affordability should have 3 components.

1. Rent should not exceed a maximum of 30% of net income.
2. The minimum residual income of 100% of the UK minimum income standard set by Joseph Rowntree Foundation
3. The household should exceed the UK after housing cost poverty threshold.

With all this in mind, the Association settled on a ratio of **25% of median income** to assess affordability of rents.

2. Measuring Affordability

The latest detailed information available is from the Office of National Statistics (ONS) Annual Survey of Hours and Earnings 2025 – Table 8.1a (Weekly Pay – Gross; Full time). The information shows that:

- The median full time weekly pay in Shetland is £863.60/week (Scotland avg.: £775.60)
- The average weekly pay is £967.30/week (Scotland avg.: £901.30)
- The Lower Quartile income is £679.70/week (Scotland avg.: £589.10)

The ONS also released the official labour market statistics for 2025, which shows that:

- Unemployment rate for Shetland is 2.2% against Scottish average 3.5%
- 84.3% of population are economically active against a national average of 77.7%
- 1.5% of the Shetland population claim out of work benefits while the national figure is 3.5%
- Job density in Shetland is 110% against a Scottish average of 83%. This means that there is insufficient labour in Shetland to fill the jobs that are available.

In terms of ensuring affordability for the majority of applicants, the Association will benchmark the proposed rents against the threshold of **25% of the Median** income for Shetland. Assumed incomes for each household are weighted in line with those used in the Joseph Rowntree Foundation Living Rents report and the SFHA Guide to Rent Setting and Affordability, to take account of household size in recognition that larger households often have more earnings or income and eligibility for Tax Credits and Child Benefit.

<u>Household type</u>	<u>Weighting factor</u>
Single adult (1 adult)	1
Small adult (2 adults/ couple)	1.5
Single parent (1 child)	1.3
Single parent (2 children)	1.6
Small family (2 children)	2.1
Large family (3 children)	2.4
Large adult (4 adults)	2.5
Older smaller (2 adults)	1.5

When considering affordability, it was decided to assess each property against the optimum household composition, i.e. a 2 bed 3 person house was considered as a couple with 1 child as opposed to a single

Parent with 1 child. It was deemed impossible to model every eventuality of household make up and the assessment should focus on the composition of the household that the property was designed to house.

Household Size	House Size						
	1 Bedroom			2 Bedrooms		3 Bedrooms	
	1 pers (1p flat)	1 pers (2p flat)	2 pers (2A)	3 pers (2A+C)	4 pers (2A+C) (2A+2C)		6 pers (2A+ 4C)
Rent per week (Area 1) excluding Service Charges	£101.90	£112.20	£112.20	£126.90	£133.90	£133.90	£144.00
Rent per week (Area 2) excluding Service Charges	£94.30	£103.80	£103.80	£117.90	£124.40	£124.40	£133.90
Rent per week (Area 3) excluding Service Charges	£86.60	£95.40	£95.40	£109.00	£115.00	£115.00	£123.70
Rent per week (Remote) excluding Service Charges	£79.00	£86.90	£86.90	£100.10	£105.60	£105.60	£113.60
Rent per week (Average) excluding Service Charges	£100.73	£106.86	£106.86	£120.80	£127.51	£127.51	£137.21
Tenants: Weekly income (Median) - 2025 (ONS)	£682	£682	£917	£917	£1,197	£1,197	£1,300
% weekly income on rent (Area 1)	15%	16%	12%	14%	11%	11%	11%
% weekly income on rent (Area 2)	14%	15%	11%	13%	10%	10%	10%
% weekly income on rent (Area 3)	13%	14%	10%	12%	10%	10%	10%
% weekly income on rent (Remote)	12%	13%	9%	11%	9%	9%	9%
% weekly income on Average rent	15%	16%	12%	13%	11%	11%	11%

As well as considering Median income levels, we also measure other incomes, including the Lower Quartile (LQ), Minimum Wage (MW), Living Wage (LW), and the 30th percentile (30th%) incomes. The

outcomes are shown below. Again, none of the measured rents breach the 25% affordability threshold, however, a single adult in a 2person flat earning the Minimum Wage, is the closest at 24%.

Household size	Affordability of avg Median rent	Affordability of avg LQ rent	Affordability of avg MW rent	Affordability of avg LW rent	Affordability of avg 30th% rent
Single adult (1p)	15%	18%	24%	22%	17%
Couple (2p)	12%	14%	18%	17%	13%
Small family 2 bed (3p - 2A+C)	13%	16%	20%	19%	15%
Small family 3 bed (4p - 2A+2C)	11%	13%	17%	15%	12%
Large family 3 bed (6p - 2A+4C)	11%	12%	16%	15%	12%