

MORE HOMES DIVISION GUIDANCE NOTE



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To: All Local Authorities
All Registered Social Landlords

Subject: Affordable Housing Supply Programme:
RSL Social Rent Benchmark Assumptions

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This guidance note sets out the new RSL social rent benchmark assumptions which will be used for grant assessment purposes with immediate effect. It supersedes HSDGN 2016/02.

This guidance works in tandem with [current guidance](#) on the operation of the main part of the Affordable Housing Supply Programme.

You will find a copy of this guidance on the Scottish Government [website](#).

If you have any queries on the content of this guidance, please contact your grant provider – that is your local Scottish Government More Homes Division Area Office or – in the case of Edinburgh and Glasgow – the City Councils.

RSL SOCIAL RENT BENCHMARK ASSUMPTIONS

1. While it is up to individual RSLs to strike the best balance between rent levels and meeting the housing needs of local communities, rents for new social rented homes should not be set without regard to the importance of affordability for tenants. The grant provider does therefore assess the proposed rents for new RSL social rented homes at the point of first let.
2. At tender application stage, proposed RSL rents (which should be projected to the date of practical completion) will be compared against the relevant social rent benchmark.
3. If the relevant benchmark is exceeded by more than 5%, the RSL must justify to the local authority and to the Scottish Government why the proposed rent is considered affordable. Approval of rents exceeding benchmark by more than 10% will be given only in exceptional circumstances. Justification for variations in excess of these levels may, for example, include reference to market conditions in the geographic area, or the energy efficiency of the new homes.
4. The benchmark assumptions which will be used for grant assessment purposes with immediate effect are detailed in **Appendix 1**. This Appendix also includes an illustrative example showing how the assumptions are applied in practice.
5. More generally, the [Scottish Social Housing Charter](#) describes the results that tenants and other customers expect social landlords to achieve – including getting good value from rents and service charges.

ANNUAL RSL SOCIAL RENT BENCHMARK ASSUMPTIONS

RSL social rent benchmark assumptions have been calculated using the three-person equivalent as the base (100%) and applying a conversion factor relevant to the property size to that base rent (see conversion factor table below). (NB The base three-person benchmark assumption which will apply with immediate effect is £4,082. This represents a 1.2% (November 2016, CPI) increase to the previous three-person benchmark figure of £4,034.)

BEDSPACES	CONVERSION FACTOR
2	89.3
3	100.0
4	109.0
5	115.5
6	120.0
7	130.0

For example, for a four-person property completing in 2017-18 the annual rent is calculated as follows – three-person equivalent = £4,082 x 109.0% (four-person conversion factor) = £4,450.

Projected annual social rent benchmark assumptions

The table below shows the relevant social rent benchmark assumptions over the years 2017-18 to 2020-21 inclusive – annual year-on-year increases of 2% have been applied.

BEDSPACES	2017-18	2018-19	2019-20	2020-21
2	£3,646	£3,719	£3,793	£3,869
3	£4,082	£4,164	£4,247	£4,332
4	£4,450	£4,539	£4,630	£4,722
5	£4,715	£4,809	£4,906	£5,004
6	£4,899	£4,997	£5,097	£5,199
7	£5,307	£5,413	£5,522	£5,632

Illustrative example:

An RSL is proposing to build 10 units for social rent which are scheduled for completion in 2019-20. The following rents are due to be charged at the point of first let:

4 no. x 2 bedspace units – £3,888 per unit per annum

4 no. x 4 bedspace units – £4,500 per unit per annum

2 no. x 5 bedspace units – £5,274 per unit per annum

The grant provider compares these rental amounts with those in the table above. While the proposed annual rent for the four bedspace units is lower than the relevant projected rent benchmark assumption of £4,630, the proposed annual rent levels for the two and five bedspace units exceed the relevant amounts (of £3,793 and £4,906 respectively). As the difference between the proposed rent for the two person units is less than 5% of the projected amount, no justification of affordability is required. The RSL is however expected to justify to the grant provider why the proposed rents for the five bedspace units are considered affordable given that they exceed the relevant benchmark amount by 7.5%.