



RENT SETTING POLICY

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1. PURPOSE

This policy establishes the approach of SPCHG to setting rent in its long-term rental housing programs.

2. SCOPE

This policy applies to all long-term rental properties owned or managed by SPCHG under all relevant programs. This policy applies to both residential rental agreements (rental agreements) and rooming house agreements. Unless stated otherwise, references to “renters”, “tenancies” and “rental agreements” also applies to rooming house residents.

3. PRINCIPLES

- To clearly convey our rent setting processes with minimum information required.
- To provide a clear and simple process for rent setting.
- To be transparent, fair and equitable in our processes and decision-making procedures.
- SPCHG recognises the difficulty of rising rents and aims to provide affordable rent to all renters to enable long term successful tenancies.
- SPCHG recognises the important of publicly available documentation for all stakeholders to engage with our policy.

4. OBJECTIVES

- To ensure that SPCHG renters are able to afford SPCHG housing over the length of tenancy
- To ensure that rent is not a barrier to housing
- To allow SPCHG to continue to allocate housing to those single people with the highest levels of need and least access to other housing options.
- To provide a simple and transparent process
- House single people who have experienced homelessness who have a link to the local Inner Southern metropolitan area

5. RENT SETTING

SPCHG sets rent to fulfil its social mission and to ensure that its housing relieves households from rental stress.

Accordingly, SPCHG will:

- set rent in accordance with established affordability benchmarks;
- communicate clearly to applicants and renters as to how SPCHG sets and reviews rent
- respond appropriately to changes in household circumstances to prevent undue hardship; and
- comply with its contractual, legal and regulatory obligations relating to affordability of rent.



5.1. Approaches to Rent Setting.

SPCHG will determine the approach to rent that applies to the property or tenancy prior to an offer of a tenancy being made. In determining the approach that applies to a property or tenancy, SPCHG will comply with legal and contractual obligations that may apply to a particular property. SPCHG will not offer a tenancy to an applicant for housing unless it is satisfied that the approach to the affordability of rent is appropriate and sustainable for that household.

5.2 Current SPCHG Rent Model.

SPCHG currently uses an income based model to rent setting in accordance with Homes Victoria policy. Unlike Homes Victoria's approach to rent setting in public housing, however, SPCHG does not use a "rebate" model. SPCHG uses a simpler model which is more in line with the approach used in the private rental sector. This approach has the following key elements.

- SPCHG only ever uses a single rent figure which is the "income based rent". The actual rent that renters are required to pay.
- SPCHG tenancy agreements do not include a notional "market rent" figure as well as the "income based rent" figure.
- SPCHG does not use the term "rebate" in communicating with renters.
- SPCHG "income based rents" are only reviewed annually – rather than being reviewed in line with income changes.
- SPCHG "income based rents", however, can be reduced between annual rent reviews if a renter's income is reduced.

This approach has the following benefits.

- It is simpler to administer.
- It is easier for renters to understand.
- It avoids any confusion in relation to CRA.
- It encourages people to seek employment – knowing that any increase in their income will not immediately lead to an increase in their rent.

SPCHG calculates rents using the following method.

Step 1. Determining Assessable Income.

SPCHG determines the Assessable Gross Household Income of each renter household in accordance with Department of Families, Fairness and Housing Assessable Income Guidelines.

Step 2. Determining a % of Assessable Income.

SPCHG determines the appropriate % to apply to various parts of the Assessable Income Level in accordance with Homes Victoria rent setting policy for community housing. For the majority of SPCHG renters this figure is up to 25% of the Gross Assessable Income.

Step 3. Determining the Additional Services provided at a property.

The majority of SPCHG properties provide a range of additional services that are normally not provided in rental properties. These include the supply of:

- electricity
- gas
- water



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- fridge
- laundry facilities and equipment

SPCHG calculates an average cost per week of providing each of these additional services across all relevant properties. The averaging of costs across properties does not further disadvantage renters, for example, who live in older properties with higher energy costs.

Step 4. Determining the amount of Commonwealth Rent Assistance (CRA) the renter is eligible to receive.

SPCHG then determines the appropriate amount of CRA the renter will be eligible for based on Services Australia policy. The amount of CRA each renter will receive varies with the following factors.

- Income type.
- Household type.
- Weekly Rent figure.

The majority of SPCHG renters will be eligible to receive the maximum amount of CRA but some renters on lower income types, such as Youth Allowance, will receive less than the maximum amount. SPCHG then includes 100% of the CRA as a third component of the rent.

Step 5. Determining a Weekly Income Based Rent Figure.

SPCHG then determines a weekly rent figure for each renter using the following formula.

Weekly Rent = (% of Assessible Weekly Income) + (Average weekly cost of providing additional services) + (100% of CRA).

Step 6. Determining a Maximum Rent.

The Maximum Rent is the lower of the following two figures.

- A “market” rent valuation for the property.
- 74.9 % of the ATO “market rent” figure.

Step 7. Determining a Final Weekly Rent.

The Final Weekly Rent is always the lower of:

- The Income Based Weekly Rent
- The Maximum Rent.

5.3 Provision of information about household income.

Renters and applicants are obliged to provide to SPCHG reasonable evidence that establishes their total household income when requested by SPCHG:

- before being offered a tenancy with SPCHG; and
- when SPCHG carries out an annual rent review.

SPCHG may increase rent to Maximum Rent if the renter does not provide the information within the timeframe required. If a renter subsequently provides information about household information after a rent review, changes will only take effect on and from the date the renter contacted SPCHG and provided reasonable details of the household income. SPCHG may agree to back-date changes in rent in circumstances where SPCHG determines that the hardship provision of this policy applies.



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5.4 Reviews of calculation of rent.

SPCHG will provide renters with a clear and transparent explanation as to how their rent has been calculated. All renters have the right to ask SPCHG to review the way that SPCHG has determined their rent and to provide a further explanation.

5.5 Response to changes in household circumstances

If a renter contacts SPCHG and is facing hardship with paying rent, SPCHG may determine:

- to re-assess the renter's rent based on this policy;
- to determine that a different approach to rent should apply to that tenancy; or
- to consider a payment plan that the renter can manage

Generally, such changes will only take effect on and from the date the renter contacted SPCHG and provided reasonable details of the change in the household circumstances. SPCHG may agree to back-date changes in rent payable in circumstances where SPCHG determines that the renter ought to be granted relief from hardship.

SPCHG determines hardship by looking at the overall circumstances of the household, including:

- any unforeseen change to household composition beyond the control of the renter;
- any material change in the health (physical or mental) of the renter or members of their household;
- any disability of the renter or members of their household;
- the impact of family violence on the renter or members of the household; and
- cultural considerations, including Aboriginal cultural considerations.

6 ANNUAL RENT REVIEW.

Rents are reviewed by the Board in March/April every year in conjunction with the annual budget and the Business Plan. Any agreed increase to take effect around July of the same year.

Recommendations are prepared by the CEO, Manager Corporate Services, and Finance Manager in conjunction with the Finance, Audit & Risk Committee.

Rent levels will not be adjusted unless by resolution of the Board.

Decisions about rent levels will be based on the following factors:

1. Limits on rents set by Homes Victoria in property leases
2. Maintaining a scale of rents according to differing levels of amenity in different types of accommodation offered
3. Rent based on fair and consistent percentage of income while allowing for Factor 2.
4. Fairness and affordability of rents when compared with:
 - a. The rents of other community housing agencies managing similar accommodation
 - b. Henderson Poverty Line- after rent income
 - c. Median Rents per room for a 3-bedroom house in cheaper suburbs of Melbourne (compare with Sunshine, St Albans)
5. SPCHG annual Business Plan and plans for expansion of housing stock.

As required by the Residential Tenancies Act 1997, renters will be given a minimum of 60 days written notice of a proposed rent increase and rents will not be increased more frequently than



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every 12 months. This applies to renters commencing a new tenancy agreement, however does not apply to renters who are approved for an internal transfer unless the transfer necessitates a new lease agreement. Notices regarding rent increases will, in accordance with the Act, include a statement informing the resident of their right to apply for an investigation and report on the proposed rent.

Rent increase notices will be accompanied by a letter from the CEO giving the date of the Board decision and outlining factors that have contributed to the need for the rent increase.

7 HOW THE POLICY CAN BE CHANGED

SPCHG may from time to time implement changes to this policy. The revised policy will apply to all tenancies on and from the date of the change. SPCHG will implement strategies to mitigate the effect of any changes of this policy on renters and households.

8 PROCEDURES

Procedures established by SPCHG will include processes to ensure compliance with this policy, including:

- to set and review the affordable rent;
- on communication with applicants and renters about how SPCHG has determined their rent;
- to identify the rental approach that applies to a particular vacancy, property or tenancy; and how renters may ask for a determination of rent to be reviewed

9 RELEVANT POLICIES

- Tenancy Management Framework
 - Rent Payment Policy
 - Evictions Policy
 - Inspection Policy
 - Allocations Policy
 - Renter Transfer
 - Service Charter
 - Code of Conduct
 - Complaints Policy
 - Maintenance Policy
 - Hoarding Policy