

REPORT TO: Cabinet

MEETING DATE: 25 November 2003

BY: Director of Community Services

SUBJECT: Rent Review

1 PURPOSE

- 1.1 To set out proposals for the setting of Council house rents following a review of the Council's rent structure.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Council adopts the Rent Policy set out at Appendix 1 to this report.
- 2.2 It is recommended that the Council adopts the revised rent structure described in this report.

3 BACKGROUND

- 3.1 The rents of East Lothian Council houses are generally speaking those that were in place at the reorganisation of Local Government in 1975 with subsequent additions to reflect annual increases, modernisation and the installation of central heating. Over the years a number of anomalies and inconsistencies have arisen and have been commented upon by the Council's auditors. As a result a thorough review has been undertaken.
- 3.2 In November 2001 the Social Work and Housing Committee approved the development of a new rent policy that was to be open and accountable and address the key issues of affordability, viability and comparability. A Rent Review Steering Group was formed to examine options for change and to make recommendations to the Committee on the most effective way to meet the criteria set out above. The Group comprised elected members, representatives of the East Lothian Tenants and Residents Panel, a consultant from DTZ Pineda and officials from the Departments of Finance and IT and Social Work and Housing.

- 3.3 The Group recommended to the Social Work and Housing Committee in October 2002 that a “points” based system would be the fairest, most easily understood and adaptable method setting rents. The Committee accepted this recommendation and over the last year work has been undertaken to ensure that the new system can be implemented from 1st April 2004.
- 3.4 To provide context for the review the Rent Review Steering Group has developed a Rent Policy. This is attached for approval at Appendix 1.

POINTS BASED SYSTEM

- 3.5 A points based system is one which identifies a limited number of attributes of a dwelling (such as the number of rooms or the fuel type) and assigns a number of points to each of them. The points totals for all houses are then added together to give a total points value for the whole stock. This figure is then divided into the total amount of money that must be collected in rent over the course of a year to determine a value per point. The rent to be set for each house is determined by multiplying the number of points allocated to it by the point value.

Illustrative Example

Total HRA Income Required	Total Number of Points in Whole Stock	Point Value (per year)	Point Value (per fortnight)
£16,807,152	958,036	£17.54	£0.73097

Element	Attribute Description	Points	Points Value	Total rent per F/N
Base		60		
Property Class	House	10		
Property Level	Double Storey	5		
Property Style	Semi detached	6		
Apartment Size	3 apartment	8		
Bedspaces (Persons)	3	2		
Heating System	Full C/H	12		
Fuel Type	Gas	8		
		111	£0.73097	£81.14

Details of the proposed points scheme are attached at Appendices 2a and 2b.

- 3.6 The East Lothian Standard will set out the standard of internal and external accommodation and amenity that all Council houses will be expected to provide. It is likely that it will take up to ten years before all houses meet that standard. As improvement work progresses it is inevitable that some houses, because of the space limitations, will not be

capable of reaching the standard. For example there might be insufficient space to provide a modern kitchen. Where this happens negative points will be applied.

IMPLEMENTATION

- 3.7 Because the same amount of money has to be collected from the same number of tenants but in a different way, there will be winners and losers. In implementing this proposal 53% of tenants will pay more per fortnight (the losers) and 47% of tenants will pay less per fortnight (the winners). Appendix B shows the number of winners and losers in bands of £2.16 per fortnight (£2.16 per fortnight over a 24 fortnight year represents £1 per week over a 52 week year). These are shown both by property style and area at Appendix 3.
- 3.8 It is proposed that all winners should benefit immediately but that the increase due by losers should be phased. It is proposed that the maximum loss due to the rent review should be capped at £1 per week (£2.16 per fortnight) and applied only in 2004/05 and 2005/06 and that all reductions are applied in total at once. The cost of this proposal in 2004/05 and 2005/06 will be £171,001 and £65,007 respectively. All houses falling vacant will be relet at the reviewed rent immediately. It is proposed that all costs due to phasing be met from the HRA surplus.

ROLL OUT PROCESS

- 3.9 Following approval by the Cabinet it is proposed that a letter be sent to each tenant again summarising the points scheme and listing the attributes of their homes as they appear in Council records. The purpose of this letter is to ensure that the rent calculation is based on an agreed list of attributes.
- 3.10 The Council is required by the Housing (Scotland) Act 2001 to consult with its tenants on the method used to fix rents and on any proposed increases. In the third week in December a letter will be sent to tenants covering both issues. It will inform them of the rent fixed for their homes in the current year under both the present system and the proposed points system. It will also seek their views on the annual rent increase which will be implemented from 1st April 2004.
- 3.11 The Council will bring the responses to the consultation exercise together in a report for consideration when it fixes rent levels on 10th February 2004.

4 POLICY IMPLICATIONS

- 4.1 As above.

5 RESOURCE IMPLICATIONS

- 5.1 Financial – Reference has been made in the report to the losses and gains that will accrue to individual tenants and the use of the HRA surplus to compensate for losses due to phasing. There will be no other financial implications
- 5.2 Personnel - There will be no personnel implications
- 5.3 Other - None

6 BACKGROUND PAPERS

- 6.1 Reports to the Council of 22 August 2000 and to the Social Work and Housing Committee of 27 November 2001.

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APPENDIX 1

EAST LOTHIAN COUNCIL

Department of Community Services

Rent Policy for Council Houses

1. Scope of Policy

- 1.1 The rent policy relates to properties held on the Council's Housing Revenue Account.
- 1.2 The purpose of the rent policy is to state the Council's aims in determining rental and service charge levels for its properties.
- 1.3 The Council is aware of its statutory obligations, and its contractual obligations under the Housing (Scotland) Act 2001

2. Aims

- 2.1 The primary aim of the rent policy is to ensure that the Council's total rental income covers its total expenditure.
- 2.2 In setting rents, the Council will take the following factors into consideration:
 - Rental income will be sufficient to meet all management costs, maintenance charges, loan charges and prudent provision for the future and the need to generate sufficient resources to meet long-term investment needs in its stock and provision of affordable housing. Only in this way can the Council maintain its viability and continue in its role of meeting housing need through the provision of rented housing.
 - That the rent structure, the manner in which rents are calculated, is easy for all stakeholders to understand, simple to administer, justifiable and sensitive to cater for the wide variety of properties.
 - Rent levels will reflect the size, property type, heating system and main fuel type of each property.
 - Rents will be affordable for tenants on low incomes.
 - Rents will usually be set below market levels.
 - In setting rents, the Council will not differentiate between those in receipt of Housing Benefit and those who are not.

- All property (with no exceptions) should have a rent set although the cost may not be passed directly on to the individual tenant (e.g. Charity – rent charge should be part of the grant – value of rent transferred to HRA or other housing account). This will enable a true cost of providing services that the Council, contribute to.
- It will ensure that the budgeting and financial modelling processes are informed by its rent policy objectives.
- Service charges, charged in addition to rents, are affordable and where appropriate make adequate provision to cover costs of services rendered.

3. Review

- 3.1 The Council will review its rents policy every three years or earlier if circumstances warrant it.

Appendix 2a

East Lothian Council – Department of Social and Community Services

Property Attributes, Points and Weightings :

Element	Attribute	Point Value	Weightings
Base		60	25%
Property Class	Flat	8	8%
	House	10	
Property Level	Upper Flat	3	7%
	Ground Floor Flat	4	
	Single Storey	5	
	Double Storey	5	
Property Style	Tenemental 6 in Block	1	13%
	Tenemental 4 in Block	2	
	Maisonette	3	
	4 in Block	3	
	Mid Terrace	4	
	End Terrace	5	
	Semi-detached	6	
	Detached	7	
Apartment Size	1 Apartment	4	23%
	2 Apartment	6	
	3 Apartment	8	
	4 Apartment	10	
	5 Apartment	12	
	6 Apartment	14	
Bedspace (Persons)	1 person	0	9%
	2 person	1	
	3 person	2	
	4 person	3	
	5 person	4	
	6 person	5	
	7 person	6	
Heating System	Tenant installed	0	8%
	Partial	8	
	Full	12	
Fuel Type	District Heating	0	7%
	Maintenance only	3	
	Solid Fuel	3	
	Electric	5	
	Gas	8	
TOTAL		240	100%

Appendix 2b

East Lothian Council – Department of Community Services

Definition of Property types :

Houses :

Single Storey (Detached)

Single storey pitched/flat roof house. Stands alone. Own entrance door/s.

Single storey (Semi-detached)

Single storey pitched/flat roof house, attached to one other property. Own entrance door/s.

Single Storey (End Terrace)

Single storey, Gable end house attached to 2 or more properties. Own entrance door/s.

Single Storey (Mid Terrace)

Single storey house attached both sides. Own entrance door/s.

Double storey (Detached)

Double storey pitched/flat roof house. Stands alone. Own entrance door/s.

Double Storey (Semi-detached)

Double Storey pitched/flat roof house, attached to one other property. Own entrance door/s.

Double Storey (End Terrace)

Double storey gable end house attached to 2 or more properties. Own entrance door/s.

Double Storey (Mid Terrace)

Double storey house attached both sides. Own entrance door/s.

Flats :

4 in Block (Ground)

Ground floor property with own access having a storey above which has own access.

4 in Block (Upper)

Upper floor property with own access having a storey below which has own access.

Tenemental 4 in Block (Ground)

Ground floor flatted property of up to and including 4 properties sharing communal access or stair

Tenemental 4 in Block (Upper)

Upper floor flatted property of up to and including 4 properties sharing communal access or stair

Tenemental 6 in Block (Ground)

Ground floor flat of 6 or more properties sharing communal access or stair

Tenemental 6 in Block (Upper)

Upper floor flat of 6 or more properties sharing communal access or stair

Maisonette (Ground)

Self-contained flat on 2 levels having its own internal stair. Entrance at ground floor via own or communal access.

Maisonette (Upper)

Self-contained flat on 2 levels having its own internal stair. Entrance at upper floor via own or communal access.

Appendix 3

East Lothian Council - Department of Social and Community Services

Winners and Losers - Number of Households by Scale of Change (Property Style)

	Value range	Detached	Semi-detached	End Terrace	Mid Terrace	4 in Block	Maisonette	Tenemental 4 in Block (or less)	Tenemental 6 in Block (or more)	TOTAL
Losers (Rent Increase)	Over £8.66	13	37	6	0	2	0	0	0	58
	£6.5-8.66	16	275	87	48	0	0	0	0	426
	£4.34-6.5	26	440	202	254	53	0	7	2	984
	£2.16-4.34	10	445	215	237	339	1	42	46	1335
	£0.01-2.16	7	464	325	405	494	43	123	159	2020
Sub-Total of Losers		72	1661	835	944	888	44	172	207	4823
Winners (Rent Reduced)	No Change*	0	8	1	4	1	0	0	0	14
	£0.01-2.16	5	302	230	405	264	20	74	181	1481
	£2.16-4.34	4	267	163	268	215	12	59	241	1229
	£4.34-6.5	5	132	88	157	174	2	84	78	720
	£6.5-8.66	4	49	35	35	157	4	48	68	400
	Over £8.66	0	16	14	28	55	6	27	122	268
Sub-Total of Winners		18	774	531	897	866	44	292	690	4112
	TOTAL	90	2,435	1,366	1,841	1,754	88	464	897	8,935

* - relates to a change of less than £0.01

Average Rents : Rents Area Level 3 (Sub-Districts) - Fortnightly Average Rents (£)

Area	Apartment Size					New Rent	Original Rent
	1	2	3	4	5		
East Area	£70.36	£74.70	£78.60	£81.46	£84.64	£78.71	£78.03
Musselburgh	£71.57	£72.47	£77.22	£80.51	£83.96	£77.19	£78.14
Prestonpans	£71.88	£74.83	£79.03	£81.74	£85.15	£79.16	£78.32
Tranent	£0.00	£74.76	£78.68	£81.15	£84.18	£78.72	£79.17
New Average Rent	£70.93	£74.07	£78.31	£81.20	£84.53	£78.38	£78.38
Original Average Rent	£73.56	£73.70	£78.01	£81.92	£85.51		

Appendix 4

East Lothian Council - Department of Community Services

Costs of Phasing in Increases in Rent as a Result of Remodelling Rents (includes Janitor's anomaly)

	Numbers	Year 1	Numbers	Year 2	Numbers	Year 3	Numbers	Year 4	Numbers	Year 5
Increase to tenants (Full rent)	2028	£51,854.67	1327	£29,658.39	984	£24,971.77	430	£9,052.72	46	£654.30
Increase to tenants (Phased* rent)	2795	£145,340.00	1468	£76,336.00	484	£25,168.00	54	£2,808.00	8	£416.00
Total increase to tenants	4823	£197,194.67	2795	£105,994.39	1468	£50,139.77	484	£11,860.72	54	£1,070.30
Cost to Council	2795	£171,001.32	1468	£65,006.93	484	£14,867.16	54	£3,006.44	8	1936.14**
Base Phased Increase	4823	£368,195.99	2795	£171,001.32	1468	£65,006.93	484	£14,867.16	54	£3,006.44

* Phasing assumed at £1 per week (£2.16 per fortnight)

** Anomaly with "8" Janitors Rents already being phased in to current rent setting method