

PERTH AND KINROSS COUNCIL

Housing and Health Committee

9 March 2016

Restructuring of Council House Rents

Report by Director (Housing and Community Care)

ABSTRACT

This report updates Committee on progress with the Council's Rent Restructuring Project and seeks approval for a new modernised rent charging structure for Perth and Kinross Council's 7,415 properties.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Council's rent structure and the way rent levels for Council housing are calculated is one of the most important issues that affects all tenants. Tenants need to understand how the rent for their home is determined and have the confidence that this process is fair and equitable.
- 1.2 The system of calculating and allocating rents is outdated. As a result, in August 2014, Housing and Health Committee approved the commissioning of a review of the existing rent charging structure (Report 14/356 refers).
- 1.3 This report gives an update on progress with the rent restructuring project, the objectives of which were to:
- Reduce the range of rent charges
 - Deliver a fair and equitable rent scheme that meets future and long terms needs, based on consistency, transparency, durability, financial viability and affordability
 - Develop a model of calculation that is supported by tenants and easy to understand
 - Ensure financial viability through the HRA Business Plan
 - Support the Council's commitment to social and financial inclusion

2. DEVELOPING THE MODEL

- 2.1 A Project Team and Tenant Working Group were established to deliver the outcomes of the review and progress phase 1 milestones, which are detailed in the table below:

Phase 1 Milestones	Completion Date
Project Set up <ul style="list-style-type: none"> • Project Team and Working Group established • Project scope and associated documentation • Procurement and appointment of Technical Consultant and Tenant Advisor 	September 2014 to March 2015

Phase 1 Milestones	Completion Date
Review of Current Rent Structure <ul style="list-style-type: none"> • Existing data provision and validation • Overview of current model, range of rent charges, variances and anomalies • Consultation with tenants on their priorities • 1st Elected Member briefing session 	April – June 2015
Developing the Model <ul style="list-style-type: none"> • Build and populate rent model options • Assess, develop and review potential models • Assess impact on HRA Business Plan and tenants • Tenant feedback and consultation to support Option Appraisal 	April – October 2015
Evaluating the Model <ul style="list-style-type: none"> • Option Appraisal of potential models • 2nd Elected Member and Tenant Feedback • Consultation and Engagement 	November – December 2015

2.2 Tenant and elected member consultation and engagement

As all tenants are affected by the way rents are calculated, it has been important that they have been fully involved, briefed and consulted on the review and proposals. A Tenant Working Group was established to support and inform the review and has been led by an Independent Tenant Advisor. This aspect of the project was, and is, key to carrying out wider tenant consultation and engagement, as well as supporting an Equalities Impact Assessment on future models.

2.3 Since the beginning of the project tenants have been offered a range of ways of informing and influencing the review, including:

- Formal consultation, which was formally launched at the Annual Tenant Conference in June 2015.
- Responding to a questionnaire which was designed by the Tenant Working Group and issued to all tenants asking for their views on the factors they felt were important in determining rent.
- Attending 13 locality events where they had the opportunity to consider and develop potential rent model options.

2.4 Following these activities, tenant feedback was collated. The findings indicated agreement about factors that were important to tenants:

- Properties with similar characteristics should have similar rents
- Rents should vary depending on the size of the property
- Rents should vary depending on the type of property
- A consistent approach to setting rents is needed
- Models should be straightforward and easy to understand

- 2.5 To support elected member involvement and feedback, a range of opportunities have been offered, including:
- A briefing session in June 2015 which focused on the principles of rent restructure and an overview of the current system.
 - A briefing note issued in August 2015 which provided a further update on progress.
 - A second briefing session in early November 2015 which gave a more detailed overview of the project, progress against key milestones and an outline of the potential models.
- 2.6 Once feedback was gathered from the tenant engagement activities, a number of potential rent models were developed and their impact assessed. Further feedback was then sought from tenants. The Project Team and Tenant Working Group then identified a number of models, which are included in the appendix. It is important to note that the difference between the models relates to property characteristics and their associated financial values.

3. PROPOSALS

- 3.1 The project team and the Tenant Working group assessed, appraised and ranked options on future rent models against the project's objectives. This robust process was carried out in order to:
- Ensure a consistent appraisal and assessment mechanism across all potential models.
 - Thoroughly test and assess each of the potential models against the project objectives
 - Make sure each of the options was compared, evaluated and documented in a transparent way
 - Identify suitable models for consideration
- 3.2 Ten models were identified and assessed of which two fully met the project objectives. Following this, further consultation was undertaken with the Tenant Working Group on these models, as well as the wider tenants and elected members during November and December 2015.
- 3.3 The models work on the principle that a base rent is added to or subtracted from using agreed property characteristics (each with a financial value) to determine the final rent charge.
- 3.4 The table below details and compares these models and their benefits. Model 2 was favoured by the majority of tenants and elected members.

<i>Model 1</i>	<i>Model 2</i>
Property Characteristics	Property Characteristics
<ul style="list-style-type: none"> • Bedsit – 6 bedroom • Flat • Cottage • House 	<ul style="list-style-type: none"> • Bedsit – 6 bedroom • Multi-Storey • Flat • Terraced

Model 1	Model 2
<ul style="list-style-type: none"> • Hard to Heat 	<ul style="list-style-type: none"> • Semi-Detached • Detached • Hard to Heat
Shared Benefits of the models <ul style="list-style-type: none"> • Reflect the clear direction from our tenants on what is important in relation to calculating their rent • Both models are easy to understand, fair, transparent and consistent • Rent varies according to the size and type of property • Location does not influence rent level • Significant reduction in the range of rent charges from over 290 • Promotes social and financial inclusion 	
Overview comparison of the 2 models : (calculated on 2015/16 rents)	
<ul style="list-style-type: none"> • Higher range of rent charges (15) • More tenants (593) facing a significant increase (i.e.+£15) per week • Better balance across increases (56%) and decreases (44%) • Rent differentials between property sizes / comparison are unbalanced • Slightly higher impact on average rent level (+0.74%) • Generates more additional income 	<ul style="list-style-type: none"> • Lower range of rent charges (13) • Fewer tenants (37) facing a significant (i.e.+£15) increase • Slightly lower balance across increases (57%) and decreases (43%) • Rent differentials between property sizes / comparison are balanced • Lower impact on overall average rent level (+0.54%) • Generates lower amount of additional income
Recommendation and rationale <p>Both models fully meet the views of tenants, the service requirements and the project objectives. Option 2 is, however, the recommended option on the basis that:</p> <ul style="list-style-type: none"> • fewer tenants will face a significant increase • the rent differentials between property sizes are more balanced and in line with the national position • the impact on the overall average rent is lower <p>The model will deliver fairness, equity and transparency to our tenants and maintain our commitment to social and financial inclusion.</p>	

**Hard to Heat – 97 properties fall within this category -They are houses that are not served by the gas mains network, having either electric or solid fuel heating systems and insulation.*

4. PHASE 2 – HARMONISATION OF THE OLD TO THE NEW MODEL

- 4.1 Following Committee approval of the model, recommended as model 2, the Project Team will progress phase 2 of the project and work with tenants to agree the best way of moving from the current to the new model.
- 4.2 A range of harmonisation options will be considered and the views of tenants and the Tenant Working Group will influence this process. The options for harmonisation will be assessed to determine the impact on tenants and the HRA business plan. A full options appraisal will also be conducted and a further report presented to Committee in August 2016 detailing the outcome of

the consultation and options appraisal and recommending the favoured approach to harmonisation.

- 4.3 The models in this report were appraised based on existing rent and stock levels at 1st April 2015. Work is currently underway to update this information to reflect various factors, including:

- annual rent increase
- increase in stock due to new builds, buy backs, capital improvements

It is important to note, however, that information will continue to be updated before implementation in 2017 as key factors, such as those above, continue to change.

- 4.4 The table below summarises the extensive work needed over the next few months to consult with tenants on the harmonisation process and following this, to submit a report to the August Housing and Health Committee with recommendations for harmonising the rents in 2017.

Phase 2 Milestones	Target Date
Review the Harmonisation Options: <ul style="list-style-type: none"> • Consider all options available for harmonisation against the approved model • Develop our approach to consultation, engagement and support with Tenant Working Group 	March – May 2016
Develop the Option: <ul style="list-style-type: none"> • Work with tenants to assess, develop and review potential harmonisation models • Assess the impact on tenants • Assess the impact on the HRA/Business Plan • Tenant consultation, engagement and feedback to support Option Appraisal 	Late May/Early June – July 2016
Evaluate the Options: <ul style="list-style-type: none"> • Option Appraisal • Elected Member and Tenant Feedback • Tenant consultation and feedback • Committee approval 	July – August 2016
Implementation: <ul style="list-style-type: none"> • Build new model in test database and undertake robust testing • Develop model in live system • Notification to tenants of new rent (including any annual increase) 	September 2016 - February 17

- 4.5 Following approval of the model, financial information will be shared with tenants as part of the consultation on harmonisation during late May/ to July. At this point we will be able to advise tenants on how the new model will affect them and provide the reassurance about the process and support available as the new arrangements are introduced. It is proposed that the implementation process will begin in September following the August Housing and Health

Committee. This implementation will involve a significant range of activities, including developing and testing the IT system, staff training and developing all associated procedures and quality assurance processes to underpin the new rent pointing system.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1 The report highlights our commitment to involve our tenants in developing a new model for calculating rents across the Council's 7,415 houses. The model that is proposed maintains Council house rents at affordable levels, while protecting the financial position of the Housing Revenue Account (HRA) business plan.
- 5.2 Model 2 is recommended for a number of reasons: fewer tenants would face a significant increase, the rent differentials between property sizes are more balanced and in line with the national position and the impact on the overall average rent would be lower.
- 5.3 Finally, rent levels within Perth and Kinross would remain the 9th lowest in Scotland and we would continue to deliver rents at levels that are affordable to tenants.
- 5.4 Committee is asked to:
- (i) Approve the new rent restructure model 2 outlined in Section 3.
 - (ii) Request the Director (Housing and Community Care) to provide a further report to Committee in August 2016 seeking approval for the best way of moving from the current to the new model.

Authors

Name	Designation	Contact Details
Michelle Dow	Service Manager (Housing)	(01738) 476207 mcdow@pkc.gov.uk
Clare Mailer	Senior Services Manager (Housing)	cmailer@pkc.gov.uk

Approved

Name	Designation	Date
John Gilruth	Director (Housing and Community Care)	26 February 2016

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 The following objectives of the community plan and SOA are relevant to this report:
- (i) Giving every child the best start in life
 - (ii) Developing educated, responsible and informed citizens
 - (iii) Promoting a prosperous, inclusive and sustainable economy
 - (iv) Supporting people to lead independent, healthy and active lives
 - (v) Creating a safe and sustainable place for future generations

Corporate Plan

- 1.2 As above

2. Resource Implications

Financial

- 2.1 The cost of the review will be met within the Housing Revenue Account budget within 2016/17.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. The Equality Impact Assessment undertaken in relation to this report can be viewed clicking [here](#).

This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **relevant** and the following positive outcomes expected following implementation:
- The Rent pointing system will be simpler and more transparent and easier to understand across all equalities groups but primarily those who are older or disabled

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

This section should reflect that the proposals have been considered under the Act. However, no action is required as the Act does not apply to the matters in this report.

Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

- 3.4 The Head of Legal Services has been consulted on this report and will be fully consulted on the introduction of the approved model.

Risk

- 3.5 A detailed risk profile has been developed as part of the project.

4. Consultation

Internal

- 4.1 The Head of Finance has been consulted on this report.

External

- 4.2 All Perth and Kinross Council tenants have been consulted and their feedback considered as part of this report.

The Tenant Committee Report Panel were consulted on this report. They commented that ‘this has been a long process, involving staff and tenants, and is not one that can be rushed. We’re hopeful more tenants will take the opportunity to get involved in the final part of the rent restructure process. This is a good, well-thought out paper.’

The Tenant Working Group commented as follows:

“The Perth & Kinross Council Rent Restructuring Tenant Working Group (RRTWG) is represented by 19 tenants from throughout the authority. It has been meeting regularly over the last twelve months to consider the views of and represent the wider tenant movement to consider the rent restructuring process. Supported by the Tenants Information Service, tenant independent advisor and working in partnership with Council staff, the RRTWG aims to influence and shape a new rent structure model which is transparent, easy to understand and fair to Council tenants. The RRTWG would like to see a consistent approach to setting rents; properties with similar characteristics should have similar rents and rent should vary depending on property size and type. The RRTWG now have an agreed preference for Model 2.”

5. Communication

- 5.1 Further communication will take place with tenants following Committee approval as outlined in the Next Steps section of this report.

2. BACKGROUND PAPERS

None

3. APPENDICES

Appendix 1 - Options for new models of rent restructuring

Model 1

Criteria 1: Property Size
Bedsit
1 bed
2 bed
3 bed
4 bed
5 bed
6 bed

Model 2

Criteria 1: Property Size
Bedsit
1 bed
2 bed
3 bed
4 bed
5 bed
6 bed

Model 3

Criteria 1: Property Size
Bedsit
1 bed
2 bed
3 bed
4 bed
5 bed
6 bed

Model 4

Criteria 1: Property Size
Bedsit
1 bed
2 bed
3 bed
4 bed
5 bed
6 bed

Model 5

Criteria 1: Property Size
Bedsit
1 bed
2 bed
3 bed
4 bed
5 bed
6 bed

Criteria 2: Property Type
Flat
Cottage
House

Criteria 2: Property Subtype
Multi-Storey
Flat
Terraced
Semi-Detached
Detached

Criteria 2: Property Type
Flat
Cottage
House

Criteria 2: Property Type
Flat
Cottage
House

Criteria 2: Property Subtype
Four in a block
Multi-Storey
Flat
Maisonette
Terraced
Semi-Detached
Detached

Criteria 3: Hard To Heat
Y
N

Criteria 3: Hard To Heat
Y
N

Criteria 3: Hard To Heat
Y
N

Model 6

Criteria 1: Property Size	
Bedsit	
1 bed	
2 bed	
3 bed	
4 bed	
5 bed	
6 bed	

Criteria 2: Property Subtype	
Four in a block	
Multi-Storey	
Flat	
Maisonette	
Terraced	
Semi-Detached	
Detached	

Criteria 3: Hard To Heat	
Y	
N	

Model 7

Criteria 1: Property Size	
Bedsit	
1 bed	
2 bed	
3 bed	
4 bed	
5 bed	
6 bed	

Criteria 2: Property Type	
Flat	
Cottage	
House	

Criteria 3: Hard To Heat	
Y	
N	

Model 8

Criteria 1: Property Size	
Bedsit	
1 bed	
2 bed	
3 bed	
4 bed	
5 bed	
6 bed	

Criteria 2: Property Type	
Flat	
Cottage	
House	

Criteria 3: Hard To Heat	
Y	
N	

Model 9

Criteria 1: Property Size	
Bedsit	
1 bed	
2 bed	
3 bed	
4 bed	
5 bed	
6 bed	

Criteria 2: Property Subtype	
Multi-Storey	
Flat	
Terraced	
Semi-Detached	
Detached	

Model 10

Criteria 1: Property Size	
Bedsit	
1 bed	
2 bed	
3 bed	
4 bed	
5 bed	
6 bed	

Criteria 2: Property Subtype	
Four in a block	
Multi-Storey	
Flat	
Maisonette	
Terraced	
Semi-Detached	
Detached	

Criteria 3: Hard To Heat	
Y	
N	