

PERTH AND KINROSS COUNCIL

Housing and Health Committee

24 August 2016

Implementing the Restructure of Council House Rents

Report by Director (Housing and Social Work)

PURPOSE OF REPORT

This report seeks approval for a proposed method of moving from the current to the new system of calculating tenants' rents from April 2017 and for agreement to an annual payment of rents paid by tenants over 52 rather than 48 weeks.

1. BACKGROUND/MAIN ISSUES

1.1 In March 2016, Housing and Health Committee approved a new modernised rent charging structure (Report 16/120 refers) to be introduced in April 2017 and asked the Director to provide a further report in August 2016 seeking approval for the best way of moving from the current to the new model.

1.2 The original aim and objectives of implementing a new way of calculating tenant rents 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 Housing Revenue Account (HRA) Business Plan
- Support the Council's commitment to social and financial inclusion

1.3 The model approved by Committee in March was recommended and approved on the basis that:-

- the rent differentials between property sizes were more balanced and in line with the national position
- the impact on the overall average rent would be lower

2. MOVING TO THE NEW RENT SYSTEM – 'HARMONISATION'

2.1 Harmonisation is the term used to describe the method by which tenants would move from the current to the new model when introduced in April 2017. Important factors which need to be considered in this process include:

- Minimising the impact for those tenants facing an increase
- Fairness and equity in the approach
- Length of time taken to address any inequities
- Ensuring the financial viability of the Housing Revenue Account

2.2 A range of harmonisation options were identified by the Rent Restructuring Project Team and the Tenant Working Group. Together they assessed, appraised and ranked the options against the project's objectives in order to:-

- Ensure a consistent appraisal and assessment mechanism for all potential options
- 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 options for consideration

2.3 Eight options were identified and assessed based on current housing stock information and 2016/17 rent levels. The outcome of the Options' Appraisal exercise identified two harmonisation options which scored highly and fully met the project objectives. These are detailed below. It is important to note that the numbers below may change slightly by April 2017 due to changes in stock levels, either through new builds/buy backs or right to buy sales.

2.4 **Option 1 – introduce changes in one stage – ‘Big Bang’ (numbers based on 52 weeks rent)**

With this option, every tenant, regardless of whether their new rent is higher or lower, will start paying the new rent in April 2017.

Level of decrease in rent per week	Indicative no. tenants (n=7,452)
£0 to £5	1,909
£5 to £10	847
£10 to £15	211
£15 to £20	174
£20 to £25	104
£25 to £30	13
Total	3,258 (44%)
Level of increase in rent per week	Indicative no. tenants
£0 to £5	2,610
£5 to £10	1,404
£10 to £15	174
£15 to £20	4
£20 to £25	2
Total	4,194 (56%)

- 2.5 This is the preferred option as it meets the objectives of the exercise. In addition, all tenants will move to the new rent straight away and it is an approach which is simple to understand for tenants and the Council. This option also quickly sorts out the current issue of similar properties being charged different rents.
- 2.6 **Option 2 – introduce changes for those with decreased rent and £10 per week cap for increases ('big bang' plus capped increases, based on 52 weeks rent)**

In this approach those tenants moving onto a lower rent will start paying this rent from April 2017. However, those with an increased rent would have this capped to £10 per week and phased in over three years as a way of easing the impact on them. The majority of tenants would, however, have moved to their new rent payment within the first year, as detailed in the table below.

	Year 1 April 2017	Year 2 April 2018	Year 3 April 2019
	Indicative no. tenants		
Decreases per week		N/A	N/A
£0 to £5	1,909		
£5 to £10	847		
£10 to £15	211		
£15 to £20	174		
£20 to £25	104		
£25 to £30	13		
Increases per week			
£5 to £10	1,584	6	0
£0 to £ 5	2,610	174	2

2.7 **Charging Annual Rent**

Rent for all Council properties is calculated annually. Current practice is to divide this rent by 48 and charge the rent over a 48 week period. However, for the reasons detailed below, Committee is also asked to consider a proposal to introduce a 52 week rent charge period.

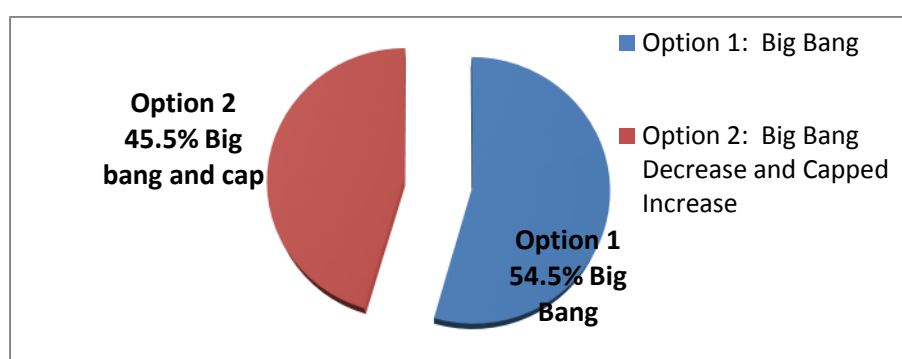
- 2.8 Moving to a 52 week rent charging structure would mean that the impact would be lessened for tenants facing an increase in rent, as the new calculation would be over a higher number of weeks. It would also support the Council's Rent 1st Campaign and the payment culture needed to make sure rent collection is maximised. Tenants in rent arrears are expected to continue to pay on time, every week/month until they are position where they are meeting their tenancy obligations and paying their rent in advance. Unfortunately many of these tenants chose to take what they see as their entitlement to "free weeks".

- 2.9 It is common practice for tenants to refer to the remaining 4 weeks as “rent free weeks”, although this is not the case, as tenants are simply paying the same annual rent but over a shorter period of time.
- 2.10 Another reason for moving to a 52 week charge is that Universal Credit was introduced in Perth and Kinross on 25 April 2016 and is paid monthly. The move to a 52 week charge would mean that the weekly rent charges would be closely aligned to the monthly payments from Universal Credit and will make the process more streamlined and easier to administer.
- 2.11 Tenants’ choice in relation to how and when they pay their rent will continue to be maintained and it is a condition of their tenancy that tenants pay their rent in advance. They can, however, still choose to pay their rent in advance over 48 weeks or indeed over any period, as long as this requirement is met.
- 2.12 All tenants would be notified of this change and asked to sign and return a declaration confirming their agreement, which would be in accordance with housing legislation.

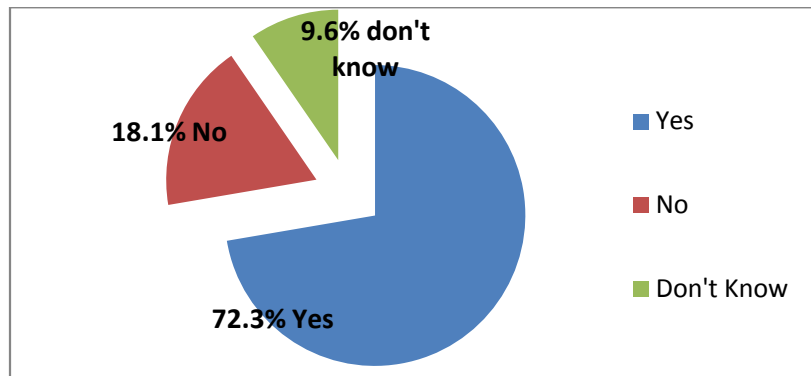
3. TENANT AND ELECTED MEMBER ENGAGEMENT AND CONSULTATION

- 3.1 As all tenants are affected by the rent restructure and the way rents are calculated, it was essential that they were fully involved, briefed and consulted on the review and proposals and throughout the review, tenants were offered a range of opportunities including:-
- Participating in workshops (43 attended) at the formal launch of consultation during the Annual Tenant Conference in June 2016
 - Responding to a questionnaire designed by the Tenant Working Group and issued to all tenants asking them for their views on the two options and the proposal to move to a 52 week charging year
 - Attending 13 locality events in June led by the Independent Tenant Advisor
- 3.2 625 tenants responded to the postal survey (8.4%) The majority (54.5%) selected Option 1: ‘big bang’ as their preferred method of implementing the new rent model, as summarised below.

Question 1: Which option for rent harmonisation do you prefer?



Question 2: Do you agree with the Council's proposal to charge your annual rent over 52 weeks?



- 3.3 Elected members were issued with a briefing note on the rent model and harmonisation options in May 2016 and this included an outline of the two options and the next steps. This was followed by a briefing session in August. The total number attending these sessions will be confirmed after the August session.

4. PHASE 3 – SUPPORTING TENANTS IN THE MOVE TO THE NEW MODEL

- 4.1 Following Committee approval for the method of harmonisation, work will continue with tenants to make sure they are fully aware of how the new model will affect them and reassured that support will continue as appropriate, including:

- 4.2 The range of support for tenants during the transition to the new model will include:-

- Personal contact with those facing a significant increase (c.180 tenants)
- Personal contact with tenants known to be vulnerable
- Locality based drop-in sessions with key staff from across the Council
- Feature article in Autumn Edition of *On The House*
- Offer to meet with anyone affected, regardless of the value of the increase or decrease between September 2016 and January 2017

5. CONCLUSION AND RECOMMENDATIONS

- 5.1 The report summarises the outcome of the options explored by tenants and staff to implement the new rent model for Council tenants and highlights the Council's continued commitment to involve and support tenants through this process.
- 5.2 Option 1 is the recommended option for moving from the current to new system for the following reasons:-

- All tenants will move to the new rent straight away and it is an approach which is simple to understand for tenants and the Council.
- It quickly sorts out the current issue of similar properties being charged different rents
- It would mean that in future years only any proposed annual rent increase would be added.

5.3 The option proposed maintains Council house rents at affordable levels, while protecting the financial position of the Housing Revenue Account business plan, with rent levels within Perth and Kinross remaining 9th lowest in Scotland. Details of rent levels for each property type are included in Appendix 1.

5.4 Committee is asked to:-

- Approve Option 1 as outlined in Section 2 as the approach to rent harmonisation
- Approve the charging of annual rent over a 52 week period

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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**

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 and Governance has been consulted on this report.

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 Rent Restructuring Tenant Working Group (RRTWG), made up of Perth and Kinross Council tenants, 'has continued to work in partnership with Perth and Kinross Council staff, meeting regularly to meaningfully understand and influence the Rent Restructuring Project components, including the rent model, harmonisation approaches and the regularity of rent payments. RRTWG members have shaped the ongoing communication with Council tenants and played a significant role in the recent consultation.

'The RRTWG fully endorse the recommendations to the Housing and Health Committee and feel that rent payments over 52 weeks and the Big Bang approach to implementation is favourable. The RRTWG look forward to influencing the future communication and the way support and information is provided to tenants in the lead up to the implementation date in April 2017.'

The Tenant Committee Report Panel was also consulted on this report. They commented that 'we support the paper but are concerned about the timescale and if there will be enough staff in place to support the people who need it. We commend the work and dedication of the volunteers over this long process.'

5. Communication

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

6. BACKGROUND PAPERS

None

7. APPENDICES

Appendix 1 – New Rent Levels
Appendix 2 – Tenant Feedback

Appendix 1: New Rent Levels for Council Stock

*Please note these will change prior to implementation to reflect changes in stock levels and any potential annual rent increase

Property Type	Bedsit	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	6 Bedroom
Multi-Storey	n/a	£54.00	£59.00	n/a	n/a	n/a	n/a
Flat	£44.00	£59.00	£64.00	£69.00	£74.00	n/a	£84.00
Terraced	£49.00	£64.00	£69.00	£74.00	£79.00	£84.00	n/a
Semi Detached	£54.00	£69.00	£74.00	£79.00	£84.00	£89.00	n/a
Detached	n/a	£74.00	£79.00	£84.00	£89.00	n/a	n/a

Appendix 2 Tenant Feedback

Tenant Feedback for Rent Restructure Report – H&H Committee August 2016

The Perth & Kinross Council Rent Restructuring Project consultation on the harmonisation approach options was launched at the Tenants Summer event on 1st June 2016. Following this event, every Council tenant was sent, by post, an Information Newsletter, consultation survey and FREEPOST return envelope. The newsletter offered tenants the opportunity to contact the Tenants Information Service (TIS) for advice using the Freephone number and also an invitation to the series of Open meeting held across the authority.

Thirteen open meetings were held in communities across Perth & Kinross Council and were attended by a total of 59 tenants. Where possible, members of the Rent Restructure Tenant Working Group were also represented at the meetings. Nineteen calls were made to the TIS Freephone number.

The open meetings included a presentation explaining the harmonisation approaches:-

- Big Bang
- Big Bang for Decreases and £10 per week Capped for Increases

The open meetings also explained how rent is currently calculated over 48 weeks and how the consultation also aimed to gather tenant feedback on the rent calculation of the annual rent paid over 52 weeks.

A total of 625 tenants (8.4%) completed the consultation survey which sought seek opinions from tenants on the ease of understanding and fairness of the two options for harmonisation and their preferred option. It also asked tenants opinions on the change from a 48 week to a 52 week payment arrangement. An overview of the results is:-

- 65.7% considered the options to be fair and equitable
- 54.5% preferred Option 1 and 45.4% preferred Option 2
- 72.3% agreed with changing to calculating rent payments over 52 weeks rather than 48 weeks
- In terms of being easy to understand, 66.5% thought Option 1, 'Big Bang' was easy to understand and 64.4% thought Option 2 (Big Band for decreases and £10 per week capped for increases) was easy to understand.

Tenants were also invited to give comments, where they raised concerns about affordability and the need for additional support for tenants to manage rent increases.