

EAST AYRSHIRE COUNCIL

HOUSING COMMITTEE - 3 SEPTEMBER 2003

RENT POLICY

Report by Directorate of Homes & Technical Services

1. PURPOSE OF THE REPORT

- 1.1 To seek members approval to go to tenant consultation on the introduction of an East Ayrshire Rent Setting Policy.

2. BACKGROUND

- 2.1 In terms of section 23 of the Housing (Scotland) Act 2001, each Scottish housing authority is expected to supply its tenants with information about the authority's rent setting policy and service charges if requested to do so. Furthermore the Council within its tenant participation strategy prepared in terms of section 53 of the Act is obliged to promote the participation of tenants in the formulation of proposals in relation to housing management. In addition in terms of section 54 of the Act each authority is required to notify its tenants of any proposals in relation to housing management, which if implemented are likely significantly to affect the tenants. Moreover, each authority should aim to meet the specific requirements of the Single Regulatory Framework for local housing authorities. Standard AS 1.6 on rent setting policy states "we set rents that take account of affordability, the cost of managing and maintaining our houses, comparability with other social landlords in the area and enable us to service existed loans and fulfil contractual obligations. We have a fair system for apportioning rents between individual properties."
- 2.2 While the authority has harmonised the rents of the two predecessor authorities over a five year period, there has been no attempt to introduce a single rent policy for the unitary authority.
- 2.3 Since 1996, the Council has generally increased rents on a flat rate basis. The consequence of this has been to reduce differential between the rental values of properties of different sizes and types. At the extreme this has narrowed the gap between the rent of a 4 bedroom semi-detached and the rent of a bed-sit to less than £4 per week.
- 2.4 This issue is not unique to East Ayrshire. Recent research carried out by the Department of Urban Studies at Glasgow University, indicates that over 70% of local authority rent setting policies - where they exist - are over 20 years old.

3. PROPOSALS

3.1 Following publication of the regulatory framework guidance, an officer working group from Housing, Finance and Legal was established to produce proposals for a new approach to rent setting within East Ayrshire. The objective of the project has been to establish a policy or policies which are:

- Fair
- Understandable to the general public
- Differentiate between different house sizes, house types and locations
- Takes into account either the demand or value of the property.

3.2 Criteria

Various criteria can be used to construct a rent setting policy. The Glasgow research found that among typical criteria used by landlords were:

1. Size of property – the bigger the accommodation, the higher the weekly rent
2. Type of property -- certain house types attract a premium e.g. detached properties will have a higher rent value than bed-sits
3. Demand – accommodation in high demand areas will attract a premium
4. Value -- based on valuation of stock carried out by district valuer or council tax band
5. Location – the larger population settlements, with more amenities are charged more than smaller population settlements with less amenities.
6. Condition or standard of the property – is it a new house or has it been fully modernised

These criteria would be used in different combinations to provide a policy suitable to the landlord and its tenants and it is therefore proposed that these elements would form part of the consultation exercise.

3.3 Timescale

An other element of introducing a new rent setting policy would be the timescale. The experience of the department in harmonising the rent systems of Kilmarnock and Loudoun and Cumnock and Doon Valley was that that a timeframe of around five years was acceptable to the tenants. Again this element would form part of the consultation and tenants' views sought on what would be an appropriate timescale.

4. CONSULTATION

- 4.1 To make consultation meaningful, and to give due weight to what is an important issue for all tenants, it is recommended that consultation take place over an extended period of months. This will ensure that the tenants' groups and the wider tenant population are given the maximum opportunity to consider a rent setting policy and its implications.
- 4.2 Various methods of consultation will be used e.g.
- Presentations to all tenant groups
 - Road shows at various locations through out the area
 - News letter with survey to all tenants
 - Publicity material at all Council facilities
 - Use of the Council's web page
- 4.3 It is suggested that the outcome of that consultation would then be analysed and reported back to members to assist them in constructing a rent setting policy for the Authority.

5. FINANCIAL IMPLICATIONS

- 5.1 The above exercise will be based on current income and expenditure. However, as the relative differentials between various properties would change, there would be a financial implication for the individual tenant. Any rent setting policy introduced would not affect the normal annual budgetary procedures, except that any proposed rent increase would be based on maintaining the relative rankings of each of the properties once these were established through the new policy.
- 5.2 The introduction of a rent setting policy will have to take into account the Council's current deliberations on a Prudential Borrowing Regime and should assist in providing a sound financial basis for future decisions on how the housing stock is improved and maintained.

6. POLICY AND LEGAL IMPLICATIONS

- 6.1 The above proposals would ensure that the Council has in place a rent setting policy which meets the requirements of the Housing (Scotland) Act 2001 and the Single Regulatory Framework.

7. RECOMMENDATIONS

- 7.1 It is recommended that:
- a) the Department carries out appropriate consultation with tenants, in line with the details contained within this report;

- b) the consultation takes place between October 2003 and February 2004; and
- c) the analysis and outcome of that consultation be reported to members in due course.

James Lavery
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August 2003.

LIST OF BACKGROUND PAPERS

Nil

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