

**PERTH AND KINROSS COUNCIL****Housing and Health Committee****27 August 2014****Rent Restructuring****Report by Executive Director (Housing and Community Care)****PURPOSE OF REPORT**

This report provides the background to the current rental charging structure and seeks approval to commission a review in order to introduce a new modernised rent charging structure.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 All Local Authorities and registered social landlords have powers to set their own rent charging structures to bring in the rental income necessary to meet their obligations.

**Current Position**

- 1.2 Perth and Kinross Council's current points-based rent charging structure was introduced in 1974 and has largely remained unchanged since then. This is not dissimilar to many other Local Authorities whereby rents are calculated using a complex combination of factors, including:

- Property size
- Property type
- Property age
- Property amenities – heating , glazing, rewiring
- Location / popularity

- 1.3 Points are allocated to a property based on the above factors and each point equals an amount of rent. The total rent for a property is based on the total number of points it attracts. Through the annual rent setting process, the same annual increase is applied to all properties. There are currently 390 basic rent pointing combinations and resultant rent charges.

**2009/10 Rent Structure Review**

- 1.4 During 2009/10 Perth and Kinross Council commissioned specialist advisors DTZ consultancy services, to develop an appropriate rent charge structure to address the anomalies detailed above. This company offers strategic advice to the public sector, on a range of property management issues. The work was concluded during 2011 and a report to Housing and Health Committee on

1 February 2012 (Report 12/42) stated: “After reviewing the methodology for setting rent levels for all HRA council houses, it is considered that there would be no benefit in implementing any new system. In addition, the costs and staff time required to implement any such change would have a detrimental effect on the provision of front line services.”

1.5 There are, however, a number of issues with the current system, including:

- The system is old and does not fully reflect the improvements made through the capital programme and the standard delivery plan to meet Scottish Housing Quality Standards (SHQS).
- The complexity and relevance of the current rent charging structure means it is not easy to understand and therefore difficult to explain to customers, staff and elected members affecting transparency and perceived fairness.
- Differences exist with rent levels for properties of a similar size and type across the area.
- The system is not automated and does not link with the Northgate system which means that manual calculations are required to adjust rents when properties undergo change.

In light of these continuing historic weaknesses the Service sought to explore learning from other Local Authorities.

### **Learning From Renfrewshire Council**

1.6 Learning from discussions on affordable rents at the Chartered Institute of Housing (CIH) conference in October 2013, a benchmarking visit was organised with colleagues in Renfrewshire. It is worth noting that Renfrewshire has more Council housing than Perth and Kinross, with around 12,600, compared to 7,300 in Perth and Kinross. Their Council’s Housing Service has successfully rationalised a very complex rent structure into a much simpler system. Some key learning points from the visit included:

- To be clear of the objectives of the exercise at the outset
- The need to fully consult with and inform tenants at each stage of the process
- To minimise the impact on tenants by phasing in the new structure allowing tenants to move over to the new arrangements over a period of years
- To have clear transitional arrangements in place that minimise the impact
- The requirement to appoint a project manager and a project team
- To appoint consultants with proven experience and outcomes in this area of work to review and develop a fit for purpose rent charging structure.

1.7 Renfrewshire Council appointed consultants over a 2 year period at an approximate cost of £40,000. The main modelling exercise took approximately 9 months from appointment. Work following this involved the preparation of various scenarios and alternative models along with benchmarking activities and transitional proposals to ensure a phased approach to the introduction of revised charges.

- 1.8 They also appointed a separate organisation at an approximate cost of £16,000 to undertake the tenant consultation activity including presentations to tenants, organising tenant network events and meeting with the consultants and the Council. Their role was to provide impartial and objective advice on the full range of issues and any implications arising from the proposals. This approach provided tenants with an assurance of independence and impartiality and was very much welcomed by them.
- 1.9 In line with other Local Authorities the new arrangements were introduced by Renfrewshire Council over a 5–6 year period which minimised the rent increase for existing tenants to the annual rent increase, plus an additional £1.50 per week. Our rent levels, the 9<sup>th</sup> lowest in Scotland are currently below the national average. Our continued commitment to financial inclusion will be one of the key objectives of the review.

## **2. PROPOSALS**

- 2.1 Perth and Kinross Council needs to introduce a modern, simplified, fairer rent charging structure in which rents will be based on a significantly reduced number of property factors for consideration, such as type, size and heating, and thereby leading to fewer differentials across rents. Although the process of reviewing and implementing a new policy is complex and time consuming, the status quo is unsustainable.
- 2.2 The overall objectives of reviewing and introducing a new rent charging system are to:
- Engage and consult with tenants to make sure the proposals reflect their requirements
  - Deliver clear transitional arrangements allowing tenants to move gradually to the new rent charging structure over an agreed period of years, minimising any negative financial impact on tenants and avoiding any detrimental impact on the HRA business plan
  - Reduce the number of rent charges that currently exist and reduce the range between the lowest and highest charges.
  - Deliver a fair and equitable rent scheme that meets future and long term needs, based on consistency, efficiency, transparency, sustainability, financial viability and affordability.
  - Secure the support of tenants and is easy to understand
  - Ensure financial viability through the Housing Revenue Account (HRA) business plan.
  - Support the Council's commitment to social and financial inclusion, while improving the capacity to maximise rental income.
- 2.3 Due to the complexity of this task, there is not the capacity or expertise within the service to deliver the required outcomes. It is therefore proposed that the service commissions external consultants to review the existing rent charging structure and make recommendations. It is anticipated that it will be possible

to use some previous background information and analysis, but the extent of this will need to be determined.

2.4 The review will cover the following range of tasks and activities:

- Undertake a full review and appraisal of the existing system
- Develop and test a number of alternative rent structure options to deliver on the overall objectives.
- Take account of customer feedback when developing the options.
- Undertake a financial and customer impact analysis.
- Develop transition proposals to move from the current to new structure.
- Prepare an outline implementation plan.

### 3. CONCLUSION AND RECOMMENDATIONS

3.1 The proposals in this report will facilitate the introduction of a new rent charging structure for Perth and Kinross Council's houses. The new system will remove the current risks and issues and provide a modernised rent structure which is fair and equitable, transparent and easy to understand. An update of the outcome of the review will be reported to committee.

3.2 It is recommended that Housing and Health Committee:-

- i. Approve the request to commission a review of the existing rent structure by appointing external consultants.
- ii. Remit the Executive Director of Housing and Community Care to provide Committee with details of the final costings and the outcome of the review with proposals for the new system.

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#### Approved

Name	Designation	Date
John Walker	Executive Director, Housing and Community Care	18 <sup>th</sup> August 2014

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Strategic Environmental Assessment	<b>No</b>
Sustainability (community, economic, environmental)	<b>No</b>
Legal and Governance	<b>Yes</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

1.1 The Community Plan and Single Outcome objectives are all relevant to this report:

- Giving every child the best start in life
- Developing educated, responsible and informed citizens
- Promoting a prosperous, inclusive and sustainable economy
- Supporting people to lead independent, healthy and active lives
- Creating a safe and sustainable place for future generations

#### Corporate Plan

1.2 As above. The five Corporate Plan objectives are all relevant to this report.

### 2. Resource Implications

#### Financial

2.1 The cost of the review will be met within the 2014/15 Housing Revenue Account budget.

#### Workforce

- 2.2 As above requirements will be fully identified by the Implementation group

Asset Management

- 2.3 IST developments will be essential and will be identified by the Implementation group

**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. An Equality Impact Assessment will be an integral part of this project.

Legal and Governance

- 3.2 The Head of Legal Services has been consulted on this report and will be fully consulted on the introduction of any new system.

Risk

- 3.3 A detailed risk profile will be developed as part of the project brief. The implementation of a new rent structure will mitigate against any likely reputational damage which may occur due to the issues highlighted in section 2.1 and 3.1 of the report.

**4. Consultation**

Internal

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

External

- 4.2 The Tenant Committee Report Panel were consulted on this report. They considered it to be a very complex paper and felt that more information regarding the overall cost of the project would have been helpful to help tenants establish best value is being achieved.

Full consultation with tenants will be an integral element of the process.

**5. Communication**

- 5.1 The Implementation group will develop a communication plan for each stage of this project.

**6. BACKGROUND PAPERS**

None