

## HOUSING MANAGEMENT REPORTS

7.2.4 – ANNUAL RENT REVIEW 2020 / 2021 – Recommendation Report to the Meeting of the Full Management Committee, Thursday the 30th of January, 2020.

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**Tenant Consultation**Analysis of Responses for Rent Increase 2020 / 2021

Prior to making a decision concerning the rent increase (if any) to be applied from 1st April 2020, the Management Committee must consider the views of tenants expressed through consultation. Tenants were consulted directly by letter and asked to express their view on current rent levels and the level of rent increase which should be applied. As part of the consultation exercise tenants were provided with information explaining how different levels of rent increase would impact on the rent that they would pay from 1 April 2020. The consultation included an option for a rent increase of RPI, which at the time of consultation was 2.1%.

As part of the consultation process tenants were provided with a wide range of information that was based on the recommendations published by the Scottish Housing Regulator in their November 2016 publication "How social landlords consult about rent increases – A thematic inquiry". This information included details of how much different rent increase levels would cost tenants, how the Association's rent levels compare to those charged by other landlords, direct rental costs received by the Association, tenancy sustainment rates and tenancy offer refusal rates. Furthermore, tenants were also provided with information detailing how the Association spends its rental income and how this is re-invested in its housing stock. Affordability information generated using the Scottish Federation of Housing Associations (SFHA) Rent Setting Tool was also provided to tenants. Tenants were asked to give their views on both how affordable they consider their current rent to be and also the level of rent increase that they think should be applied from 1 April 2020. A summary of the responses to the consultation is provided below:

Tenants view on how affordable they consider their current rent

Consultation Responses	No.	%
• Very affordable	46	34.3
• Fairly affordable	68	50.7
• Neither affordable nor unaffordable	13	9.7
• Fairly unaffordable	4	3.0
• Very unaffordable	0	0.0
• No answer provided / spoilt response	3	2.3
• Total	134	100.0

Tenants view on what increase should be applied

Consultation Responses	No.	%
• No rent increase	37	27.6
• Rent increase – 1%	54	40.3
• Rent increase – 2%	14	10.5
• Rent increase – equal to RPI (2.1%)	15	11.2
• Rent increase – 3%	8	6.0
• Rent increase – RPI plus 1% (3.1%).	1	0.7
• Rent increase – 4%	1	0.7
• Rent increase – 5%.	0	0.0
• No answer provided / spoilt response.	4	3.0
• Total	134	100.0

Conclusions

The Association consulted with six hundred and seven tenants. One hundred and thirty-four responses were received representing a response rate of 22.1%. With regards to current rent levels, one hundred and fourteen (85.1%) respondents considered their rent to be affordable while only four (3.0%) respondents consider their rent to be unaffordable.

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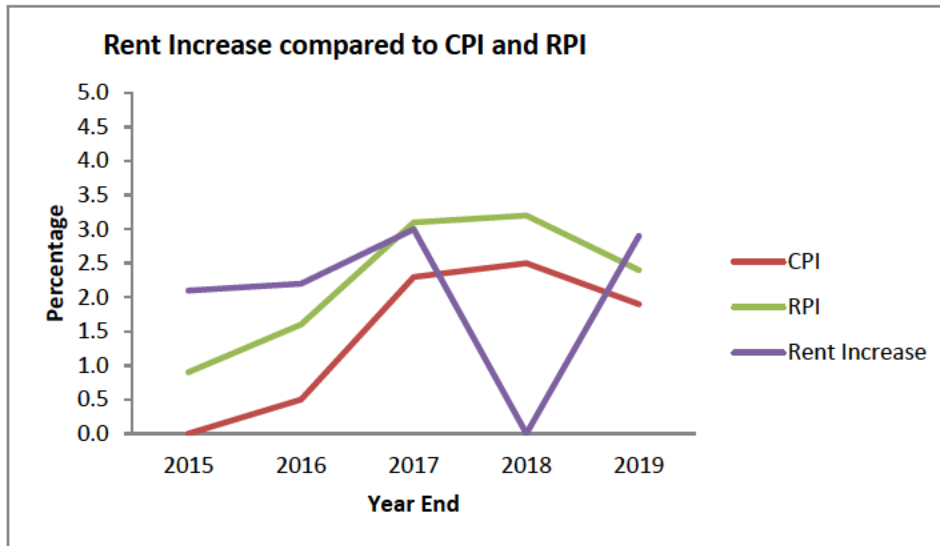
With regards to the level of rent increase that should be applied from 1st April 2020, ninety-three (69.4%) of those who responded agreed that a rent increase should be applied next year. Of the ninety-three respondents who agreed that a rent increase should be applied, a majority of fifty-four (58.1%) respondents agreed with an increase of 1%. This was followed by fifteen (16.1%) respondents who agreed with an increase of 2.1% and fourteen (15.1%) respondents who agreed with an increase of 2%.

Thirty-seven (39.8%) of the one hundred and thirty-four respondents did not think that any rent increase should be applied from 1 April 2020.

**Previous Rent Increases**

When making a decision concerning the level of rent increase that should be applied from 1 April 2020 the Management Committee should consider inflation levels. The information below provides a five year analysis of Consumer Price Index (CPI) and Retail Price Index (RPI) at the 31st March compared to rent increase levels that were approved for the following financial year. CPI is currently 1.3% and RPI is currently 2.2%

Year	CPI	RPI	Approved Rent Increase
2019	1.9%	2.4%	2.9%
2018	2.5%	3.3%	0.0%
2017	2.3%	3.1%	3.0%
2016	0.5%	1.6%	2.2%
2015	0.0%	0.9%	2.1%



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**Recommendation**

One of the Association's key strategic objectives includes the provision of affordable rented housing to those on the lowest incomes. The Association must also consider rent levels set by other local housing providers in order to ensure demand remains for its own housing stock. The affordability analysis confirms that for the exception of young people (aged 18 to 20) earning the national minimum wage, the rents charged by the Association are generally affordable for those earning the national minimum wage or the nation living wage. The comparability analysis confirms that the Association's existing rent levels compare extremely favourably to those charged by other local housing providers. The outcome to the tenant consultation confirms that tenants generally consider the rents charged by the Association to be affordable while the majority of respondents have indicated that some level of rent increase should be applied.

The issue of financial viability must also be considered. The Association's short-term and medium-term financial projections do not indicate any financial viability concerns. Long-term financial projections are based upon the assumption that rents will not increase in real terms but will rise in line with the general rate of inflation. The long-term financial impact of failing to increase rent levels in line with general inflation can be significant over the long term.

Given that generally no affordability concerns exist in relation to current rent levels and given that the Association's long-term financial projections are based upon the assumption that rent levels will increase in line with the general rate of inflation, it is recommended that a minimum rent increase of RPI inflation is applied.

Purpose of this Report

This report and policy has been prepared for a decision.

Conflicts of Interest

There is a clear conflict of interest to tenant members of the Management Committee. Those committee members should only consider the likely impact of any rent increase on the Association and tenants collectively and not on themselves as individuals.

Risk Management

The risks regarding to rent levels relate to Financial Viability which is covered by risks 65 to 68 in the Association's Risk Register. The risk of applying inappropriate levels of rent increase could negatively impact on the Association's long-term viability, the Association's ability to obtain its strategic objectives and the Association's ability to obtain future private finance.

The risks regarding to rent levels relate to Risk and Value for Money which is covered by risks 133 to 139 in the Association's Risk Register. The risk of applying insufficient rent increase levels could result in the Association being unable to invest in properties and development programmes. The risk of applying insufficient rent increase levels could result in the Association being unable to pay contractors and meet other financial obligations potentially resulting in the Association being subject to litigation actions.

The risks relating to rent levels relate to Arrears which is covered by risks 25 to 30 in the Association's Risk Register. The risk of applying high rent increase levels could result in rent becoming unaffordable to tenants therefore resulting in increased levels of rent arrears, loss of revenue and increased legal costs being incurred.

To mitigate these risks the Management Committee will review rents on an annual basis. As part of this review process the Management Committee will consider various tests used to measure the affordability of current rent levels while also considering the level of rent increase that would be required to ensure that the Association remains financially viable in the long-term and able to meet its financial obligations and strategic aims.

Scottish Housing Regulator – The Standards of Governance and Financial Management for RSLs

This report relates to Standard 3 – "The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay". This report relates specifically to guidance item 3.4.