

# THE HIGHLAND COUNCIL

Housing and Social Work Committee – 19 May 2010

Agenda Item	
Report No	

## Review of the Housing Revenue Account Rent Structure

### Report by the Director of Housing and Property

#### Summary

This report provides details of a planned review of the current Housing Revenue Account (HRA) rent and service charge structure. The aim of the review is to develop a harmonised rent and service charge structure for all properties held on the Housing Revenue Account.

#### 1. Introduction

- 1.1 The current structure of Highland Council residential rents and service charges has remained unchanged since 1996. This structure is derived from different historic rent setting mechanisms, resulting in widely varying rent charges for similar properties across the Highland area. **Appendix 1** provides information on the range of current charges.
- 1.2 The current rent structure is not transparent or easily understood by either staff or tenants and is unlikely to meet the standards set by the Scottish Housing Regulator.
- 1.3 Section 210 of the Housing (Scotland) Act 1987 gives the local authority the power to charge a “reasonable” rent that must be reviewed periodically. It gives no guidance beyond this as to how rents should be set. The Act also specifically prohibits the local authority from taking the personal circumstances of a tenant into account when setting the rent for a property. However, consideration needs to be given to the following:
  - The need to set rents at a level which covers service costs, including repairs and maintenance and investment required to achieve the Scottish Housing Quality Standard (SHQS).
  - The need to account for higher borrowing in future as Right to Buy sales decline.
  - The possibility of extra borrowing if the Council seeks to build new houses.
  - Current rent comparisons: Highland Council rents are currently the 3<sup>rd</sup> highest in Scotland and the average rent is above the average housing association rent in Highland.

#### 2. Rent Structure Review

- 2.1 It is proposed to carry out a full review of the current HRA rent structure. The aim of the review will be to develop a new harmonised, transparent and easily understood

rent and service charge structure for properties held on the HRA, based on the following principles:

- A standard base rent level for each property size
- Minimum variations in rent levels for properties in different areas
- Minimum variations in rent levels for properties with different characteristics
- Adherence to current regulatory requirements relating to rent setting and service charges.
- Ability to raise sufficient income to cover service costs, including new borrowing.

2.2 Any new rent structure needs to satisfy the standards set by the Scottish Housing Regulator. We currently require to demonstrate that we have set rents that take account of affordability; the costs of managing and maintaining homes; comparability with other social landlords in the area; and that enable us to service existing loans and fulfil contractual obligations. We are required to have a fair system for apportioning rents between individual properties.

2.3 The Housing (Scotland) Bill proposes the introduction of a Scottish Social Housing Charter. This would replace the current regulatory framework, and would require landlords to demonstrate they had considered factors such as targets for building new social housing - and their cost implications; the state of the capital markets; and the Council's financial strength and performance.

2.4 These principles will be tested and refined as part of the ongoing work of the review, along with consideration of the following:

- Different rent levels based on achieving elements of the Scottish Housing Quality Standard achieved
- Different rent levels for properties in areas where general market values are lower.

A phased implementation of the new structure

2.5 Section 25 of the Housing (Scotland) Act 2001 states that tenants have the right to be consulted about proposals to increase the rents generally. Our Tenant Participation Strategy aims to ensure that our tenants are fully consulted and properly involved in the decision making process. Tenants will need to be fully consulted and involved at appropriate key stages in the rent review process.

2.6 At this stage, no specific proposals are presented on actual rent levels. Given the current rent structure, it is safe to assume that recommendations arising from the review would involve some rents increasing and some rents decreasing. As stated above, consideration will need to be given to how any changes are implemented.

### **3. Equality Issues**

3.1 An Equality Impact Assessment will be carried out as part of the review process to

ensure that no statutory equality group will be adversely affected by any new rent structure proposed as a result of this review.

#### **4. Review Process**

- 4.1 The initial priority of the review will be to develop a modelling tool to test and inform decisions on any proposed new rent and service charge structure and allow accurate forward financial projection for revenue planning purposes. The modelling tool will also illustrate the effect of any proposed changes on current rent and service charge levels.
- 4.2 A report on the outcomes of this review with detailed recommendations will be presented to Committee in November 2010.

#### **5. Recommendations**

- 5.1 Members are asked to approve a review of the HRA rent structure based on the following principles:
- A standard rent level for each property size
  - Minimum variations in rent levels for properties in different areas
  - Minimum variations in rent levels for properties with different characteristics
  - Adherence to current regulatory requirements.
  - Ability to raise sufficient income to cover HRA expenditure and investment needs.
- 5.2 A report on the outcomes of this review with detailed recommendations will be presented to Committee in November 2010.

Signature:

Designation: **Director of Housing and Property**

Date: 10 May 2010

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## Appendix 1: Rent variations in Highland 2010/11\*

Property Type	Min Rent*	Max Rent	Average rent for property type/size	Variance between min/max rents	No of Variations between min/max rents
<b>Bedsit</b>	£31.31	£81.57	£48.10	£50.26	42
<b>2 apartment bungalow</b>	£37.39	£96.74	£60.25	£59.35	253
<b>3 apartment bungalow</b>	£37.39	£99.27	£64.89	£61.88	189
<b>4 apartment bungalow</b>	£48.33	£107.07	£70.09	£58.74	79
<b>5 apartment bungalow</b>	£71.42	£83.96	£77.69	£12.54	2
<b>2 apartment flat</b>	£30.78	£100.75	£54.60	£69.97	131
<b>3 apartment flat</b>	£28.02	£104.52	£63.75	£76.50	169
<b>4 apartment flat</b>	£37.89	£116.57	£71.37	£78.68	64
<b>5 apartment flat</b>	£54.60	£99.46	£77.31	£44.86	8
<b>6 apartment flat</b>	£141.64	£141.64	£141.64	£0.00	1
<b>2 apartment house</b>	£28.77	£85.96	£60.26	£57.19	73
<b>3 apartment house</b>	£41.25	£96.46	£65.74	£55.21	284
<b>4 apartment house</b>	£41.99	£112.81	£69.95	£70.82	317
<b>5 apartment house</b>	£47.24	£102.20	£75.44	£54.96	76

\* charges based on 48 week rent year

May 2010 – this information does not include HC owned properties used as temporary accommodation