

EAST RENFREWSHIRE COUNCIL

CABINET

13 November 2014

Report by Director of Environment

COUNCIL HOUSE RENT POLICY AND HARMONISATION

PURPOSE OF REPORT

1. To seek the approval of the Cabinet to changes to the previously agreed proposals and timescales for the introduction of rent harmonisation.

RECOMMENDATIONS

2. It is recommended that the Cabinet approve a delay in the introduction of rent harmonisation pending a re-assessment of whether harmonisation is deemed to appropriate

BACKGROUND

3. Council house rent structures relating to properties inherited from the former District Councils of Eastwood and Renfrew are different, with often wide variations in the rents paid by tenants occupying similar house types and sizes depending on where they lived. It was therefore previously agreed to develop a proposal to devise a rent harmonisation policy for the Council to address this issue.

4. Over a number of years discussions have taken place to address questions such as:

- Should rents be higher for properties with more rooms and if so how much higher
- Should rents for flats be lower than for houses and if so how much lower
- Should rents for the same property type be the same irrespective of which area of East Renfrewshire they were in.

5. During the time that these discussions have taken place a number of progress reports have been submitted to Cabinet.

6. Extensive financial modelling work has been undertaken in order to provide the actual detail of the policy.

7. The process was delayed due to the fact that harmonisation was to be implemented at the same time as the welfare reform changes would take effect. This would have the effect, for some households, of increases in rent at a time when their income would be decreasing through a reduction in Housing Benefit. Due to the uncertain impact of many of the welfare changes, measures to mitigate the effects are difficult to design and implement. For this reason some tenant representatives requested that the implementation be delayed by a year to permit further analysis to be undertaken with a view to considering what measures may be possible to mitigate the impact of any increase in rent as a result of rent harmonisation.

8. Another anomaly that became apparent was that a number of properties in areas of lower demand could experience increases in the rental charge. The likely impact of this could be, aside from issues of fairness, to reduce demand further thereby creating a problem in relation to void rent loss. A solution to this was required such as the possibility of lower rents for specific properties where issues of low demand exist.

REPORT

9. In view of the issues highlighted above, a re-assessment was undertaken as to whether harmonisation remained appropriate. The appropriateness of pressing ahead to harmonise rents can be questioned through a number of perspectives:

- The introduction of rent harmonisation is technically complicated and therefore its introduction would require resources to be spent administering the new system. Given that the current disparities in rent are not a source of concern for existing tenants (as evidenced by no complaints received on the matter) it would be unwise to spend staff resources on addressing what is a small scale problem.
- It has not been possible to obtain agreement amongst a diverse group of tenants as to what would be a fair proposal.
- The UK Government has brought forward proposals to change the nature of Housing Benefit as it is linked to the introduction of Universal Credit. These proposals could be affected following possible further devolution of powers to the Scottish Parliament which could have a significant impact upon whether Housing Benefit is retained. Around 65% of tenants are in receipt of some form of Housing Benefit. It is considered that with such uncertainty introducing measures to harmonise rents at this point in time would pose a **financial risk** given the proportion of HRA rental income dependent on benefits.
- Under Universal Credit, due to be phased in between October 2013 and October 2017, working-age tenants will receive a single monthly payment directly from the Department for Work and Pensions (DWP). This will include their support for housing costs. This represents a significant departure from the current arrangements, under which many social tenants have their Housing Benefit paid directly to their landlord and receive other benefits weekly or fortnightly. It is feared by some commentators that this requirement for tenants to manage their own housing costs may cause some financial difficulties. If this is introduced at the same time that some people see their rent increase due to harmonisation this could result in increased rent arrears.

10. In order to mitigate these risks it is proposed that any proposals to harmonise rents be deferred until the welfare benefit implications of devolution are known and until agreement can be obtained as to what would be seen as being a fair policy of harmonisation.

FINANCE AND EFFICIENCY

11. There are no costs associated with this proposal. Indeed a proposal to introduce rent harmonisation would have cost implications in relation to staffing, IT systems and possible increase of rent arrears.

CONSULTATION

12. Numerous consultation exercises have taken place over a number of years in relation to developing a scheme for rent harmonisation. The proposal to defer the scheme is partially due to the failure to obtain agreement on what would be a fair method of harmonisation.

PARTNERSHIP WORKING

13. The proposal has been developed in conjunction with colleagues from Legal Services, Revenue Services and Accountancy Services.

IMPLICATIONS OF THE PROPOSALS

14. There are no significant implications of these proposals that require Cabinet consideration in terms of staffing, property, legal, IT, equalities and sustainability.

CONCLUSIONS

15. Whilst it may be considered regrettable that a further delay is proposed for rent harmonisation, it is felt that the delay is in the best interest of tenants and reduces financial risks to the Housing Revenue Account.

RECOMMENDATIONS

16. It is recommended that the Cabinet approve a delay in the introduction of rent harmonisation pending a re-assessment of whether harmonisation is deemed to appropriate.

Director of Environment

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KEY WORDS

A report seeking the Cabinet's agreement to the terms of a new rents policy for East Renfrewshire Council's housing stock. Council housing, rents, housing policy, rent harmonisation, welfare reform