

CONSULTATION NOTICE

A. Proposed Rent Restructure

B. Annual Rent Increase

A. Proposed Rent Restructure

We have consulted with a sample number of 56 tenants who had previously expressed an interest in the rent restructure and invited them to give us feedback on our proposals. 83% were in favour during the preliminary consultation. This helped the Board decide what proposal to put out to full consultation with all our tenants. We'd now appreciate your help with this. Completed Feedback sheets should be returned for 23rd December (Feedback sheet and Prepaid Envelope enclosed)

Reason for the review:

Tenant feedback has raised concerns that:

- there is insufficient difference between rents for our smaller and larger homes.
- rents for our smaller flats are too high compared to those for our other properties and those charged by other landlords.

Constraints on the review:

We need to:

- collect the same overall rental income
- ensure rents for all our homes remain affordable
- bring lower rents for older unimproved trickle transfer homes into line with higher rents for equivalent new builds after proposed improvements
- balance competing needs:
 - most tenants are satisfied with their rent at present
 - Pain v Gain or Winners v Losers
 - 63% flats v 37% houses
 - 41% 1 bedroom v 42% 2 bedrooms v only 17% larger

Options considered:

We've looked at:

- **Freezing** rents for some homes. However, with low inflation this would take a very long time to have any impact, and it creates other imbalances. This option was rejected.
- **Phasing** in more significant increases. Again this creates other problems, but will be necessary for Trickle Transfer properties.
- Significantly increasing charges for specialist leased or shared supported accommodation to pay for significant rent reductions to smaller flats. However, this does not address other issues. This was further investigated as **Option A**.
- Revising our points assessment system for rent setting- increasing the range of features for which points are added or deducted, as well as increasing the number of points added or deducted for each feature. However this cannot on its own achieve significant reductions for some

tenants without passing on unacceptably high increases to others. This was further investigated as **Option B**.

- Combining the best features of the above as **Option C**.

Option proposed:

On balance, we have concluded that **only Option C can tackle the issues raised within the constraints outlined** - by combining the best features of the other options considered. We are therefore proposing:

- A **10% increase to charges for specialist leased and shared supported accommodation**. (*31 properties leased to East Lothian Council for temporary accommodation for homeless applicants, 1 property leased to Aberlour Childcare Trust for a Respite Centre, and 6 properties shared by up to 14 occupants supported by specialist agencies. Current charges for these properties do not reflect the additional costs associated with them, and the increases proposed should not cause affordability issues for agencies or occupants.*)
Without such an increase for these properties, significant increases would be needed to rents for our larger general needs homes to offset any rent reductions proposed for smaller flats.
- An interim **10% rent increase for trickle transfer properties**. (*The need for further increases to achieve parity with equivalent new build rents after improvement would need to be separately assessed in consultation with these tenants. Further increases are required these will need to be phased in over subsequent years.*)
- A equivalent of a **10% rent reduction for all one bedroom flats** by restructuring the points system as outlined below
- **Revision to the points system** we use to assess rent for individual properties.

Key changes proposed for our rent setting policy system are:

- To start with points based on A. Property Size and B. Property Type then add or deduct points from C and D and multiply the final total by 0.69pence. (**Please see attached Rent assessment sheet and see if you can work out the rent for your property**)
- **Changes to the Additions column**
 - **Additions:**
 - Remove the £0.69 weekly additional charge for flats with **controlled entry** systems. (No flats with shared access lack this facility.)
 - Introduce a new £0.69 weekly additional charge for the few **flats with back doors** of their own, as well as their own front doors. (16 flats have this facility.)
 - Increase the charge for the **first additional single bedroom** from £1.38 to £2.07 weekly additional charge. (The charge for further additional single bedrooms would remain at £1.38 weekly additional charge.)
 - Reduce the charge for smaller **en-suite shower-rooms**- from £4.14 to £2.76 weekly additional charge. (*5 homes have these.*) Second

bathrooms or larger en-suite shower-rooms would remain at £4.14 weekly additional charge. (6 homes have these)

- Increase the charge for a **private garden**- from £0.69 to £1.38 weekly additional charge. (71 homes have private gardens)
- Introduce a new £1.38 weekly additional charge for **conservatories**. (16 homes in early partnership developments benefit from this energy saving facility. They are currently charged £0.69 for this as an unspecified additional feature, and this would be replaced by the new proposed specific charge.)
- Increase the charge for a **private driveway/ parking space**-from £0.69 to £1.38 weekly additional charge. (71 homes have this facility.)

• **Changes to the Deductions column:**

○ **Deductions**

- Introduce a new £0.69 weekly reduction for the few houses with no **rear doors**. (3 houses lack this facility)
- Increase the maximum reduction for those flats which do not have a **separate kitchen and living area**- from £1.38 to £2.07 weekly reduction. There would be lower reductions of £0.69 and £1.38 weekly for flats which have some but not full separation. (There is already a £1.38 weekly additional charge for those flats which have their own front door to the street rather than being entered from a shared close.)
- Increase the reduction for those flats which do not have access to any **on site car parking facility**- from £0.69 to £1.38 weekly reduction. (22 flats do not have any access to on site parking.)
- Increase the reduction for those homes which lack a **shower**- from £0.69 to £1.38 weekly reduction. (178 homes lack this facility.)
- Increase the reduction for flats lacking any access to a **shared amenity area**- from £0.69 to £1.38 weekly reduction. (14 homes lack this facility.)
- Introduce a new £1.38 weekly reduction for homes which do not have **internal storage** cupboards. (19 homes lack this facility.)

Example – 2 bedroom 4 person house with driveway, extra WC and no shower

	Points	
A. Property Size	100	4 person 3 apt
B. Property Type	+4	Semi House
C. Additions	+4	Driveway and extra w.c.
D. Deductions	-2	No shower
Total	106	
106 X 0.69p = weekly rent	£73.14	

We believe that together these proposed changes would:

- Allow us to offer **significant rent reductions for smaller flats**
- Produce a **broader range of rent charges which better reflect the facilities of individual properties.**
- Allow us to **limit any rent increases for our general needs properties, particularly for those which are larger or offer more facilities.**

What do you think?

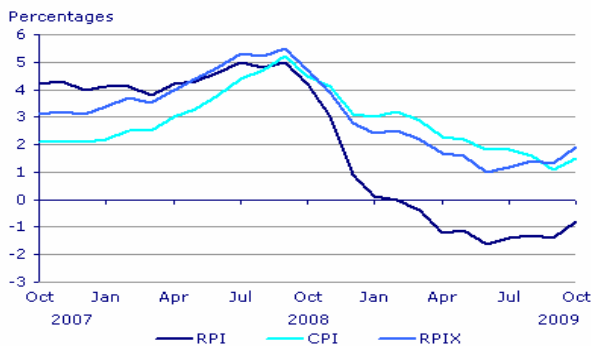
- **Do you agree with the changes proposed?**
- **Are they fair?**
- **Are there other amenities you think should be pointed?**
- **Do you agree our rents would be fairer under this proposal?**
- **Do you have any other comments?**

B. Annual Rent Increase

Changes to our Rent Policy

Our current rent policy states that rents will be increased by the minimum required to ensure that costs are covered, taking into account the Company's expenditure over the previous year, and any anticipated changes in costs over the coming year. Increases are expected to be limited to RPI +1%, unless in exceptional circumstances.

As the Government has moved away from the use of RPI (Retail Prices Index) as an indicator of inflation and now uses CPI (Consumer Prices Index) we propose to amend our Rent Policy to reflect this and use a number of different indicators to set annual increases by, including financial forecasts.



On this basis and financial advice from our Finance Agents Scott-Moncrieff regarding anticipated changes over the coming year we believe it is prudent to propose a 2% increase all rents. From the attached **Winners & Loser** sheet you will see **106** tenants' rents will still be **lower** after the restructure and 2% increase.

Your views are important to us. Please complete our **Feedback Response sheet** and return it in the Prepaid Envelope, **to arrive no later than Wednesday 23rd December 2009.** Thank You.

Hilary Mark, Customer Services Manager, December 2009

A. Property Size – Points		
Number of bed spaces		Base points
1 Person		86
2 person		89
3 person		97
4 person (2 bed)		100
4 person (3 bed)		101
5 person		102
6 person		104

B. Property type Additions		points
House	Detached	+6
	Semi-detached	+4
	End terraced	+4
	Mid-terraced	+3
Flat	Individual entrance	+2
	Common stair shared secure entry	0
	Front and back door	+1

C. Additions		points
Flats with front & rear doors	+1	
Dining Kitchen, Separate Dining Area / Room	+1	
Additional w.c.	+2	
En suite shower room (or additional bathroom)	small	+4
	large	+6
In curtilage driveway	+2	
Ex-curtilage personal parking space	+1	
Garage	+4	
Sunroom	+2	
Additional features or exceptional development costs	Up to +10	
Total	+	

D. Deductions		points
No Double glazing	-2	
No separate kitchen	Up to -3	
Partial double glazing	-1	
No central heating*	-3	
Partial central heating only	-1	
No on site parking	-2	
No shower	-2	
House without garden	-2	
Flat with no access to communal amenity area	-2	
No storage facilities	-2	
Total	-	

To assess your weekly rent you will need to add points from :
A. Property Size and B. Property Type then add from C or deduct points from D and multiply the final total by 0.69pence

For example :-

Example 1 - 1 bedroom flat with shared entrance, no shower but with ex curtilege parking personal space

	Points	
A. Property Size	89	
B. Property Type	0	
C. Additions	+1	Ex-curtilege personal parking
D. Deductions	-2	No shower
Total	88	
88 X 0.69p = weekly rent	£60.72	

Example 2 – 2 bedroom 4 person house with driveway, extra WC and no shower

	Points	
A. Property Size	100	
B. Property Type	+4	
C. Additions	+4	Driveway and extra w.c.
D. Deductions	-2	No shower
Total	106	
106 X 0.69p = weekly rent	£73.14	