

Rent Consultation 2018

It is that time of year again when we review your rent charge and would like your views on our proposals. A separate survey slip is enclosed for you to complete and return by **8th January 2018**. We will send you feedback on the responses we receive and notices confirming actual increases will be issued by no later than Wednesday 28th February 2018.



After consideration of the following information and the limited support in last year's survey feedback for a higher increase to allow accelerated or enhanced planned maintenance - the Board of Homes for Life are recommending a CPI only increase of 3.0%. For the 21 remaining ex ELC homes which haven't had a rent adjustment yet, there will be an additional 2% rent convergence premium. The 6 ex-ELC properties not affected by the rent convergence premium are identified on the survey form enclosed and on the back page.

Context & Timetable

The Board need to set their Budget for the year ahead by the end of March each year. This must be a prudent exercise - taking due account of all anticipated income and expenditure over the year ahead, including the need to maintain providing services and contribute to reserves for future needs. Instead of using one measure of inflation, we use a comprehensive approach, taking account of a number of different indicators to set annual increases - by looking at recent inflation, and financial forecasts for the coming year, as well, financial projections and business planning.

Economic Indicators

UK Headline Inflation- current and forecast

Although the Office of National Statistics, (ONS) now state the Consumer Prices Index including owner occupiers' housing costs (CPIH) is their key inflation indicator (since March 2017), the press still cover CPI as the key indicator of public interest.

However, **rather than simply react to past inflation, we must also consider the potential impact of future inflation over the year ahead.** HM Treasury's review of independent forecasts, confirms an **average CPI Forecast of 2.3% for the Year ahead, with a range of 2.7-3.2%.**

Homes for Life Budget

Key Components (of our budget)

Cash adjusted breakdown for 2016/17, as per Annual Report shows the relative scale of components of our income and expenditure:

Income:

- **Rents- c99% - our primary source of income, on which we are almost entirely dependent.**
- Interest earned on reserves- c1%

Expenditure:

- **Loans- and interest c30%**

Rent Consultation 2018

- Management Costs- c33.5%
- Repairs and maintenance- c20.9%.
- Other costs (including contribution to reserves) 15.6%

The overall impact of larger and lower % inflation increases to any element will differ according to its scale as a proportion of overall income or expenditure. For example, a 1% higher increase in maintenance costs would add only 0.2% to overall expenditure, whereas a 1% reduction on rental income would result in an overall reduction in income of almost 1%.

Over the next 5 years we need to spend around £3 million on planned maintenance - an average of almost £10,000 per home. Our planned programme through to 2021/22 includes replacement kitchens and gas boilers as well as first time shower installs - for all properties which have not already had these - as well as other energy efficiency measures, cyclical painting and electrical inspections.

To complete this, we will need to use almost all our accumulated reserves, as well as to borrow another £1 million. 3% is the absolute minimum rent increase which could deliver this programme - provided inflation does not exceed that.

Business Planning

Our revised 30-year projections assume that we would ensure rent increases keep pace with inflation. The model assumes that annual inflation would average 2.0% and that rent is increased by the same %. The underlying principle is to ensure that below inflation increases are not **routinely** put through, as this could have an adverse impact not only in the short term but also on accumulated reserves available for future planned maintenance and improvements. An increase of 3% is therefore consistent with current long term Business Planning assumptions.

Table showing comparative rent increases over last years for local RSLs

Local landlord	% Rent increase over last 8 yrs								Average increase over last 8 years
	2010	2011	2012	2013	2014	2015	2016	2017	
Homes for Life	2.0	3.3	4.7	2.5	2.5	2.0	1.0	2.0	2.2
East Lothian Council	3.0	4.5	4.3	4.3	4.3	5.0	5.0	5.0	4.4
ELHA	3.4	5.8	4.8	4.7	3.6	3.0	2.1	5.0	4.1
Castle Rock/Edinvar	5.0	5.1	5.6	3.6	4.2	2.3	1.0	2.0	3.6
Dunedin Canmore	4.9	4.9	4.9	4.3	3.5	2.5	2.0	2.4	3.7
Average for local RSLs	3.7	4.7	4.9	3.9	3.6	2.7	2.2	3.3	3.6

(Actual increases rounded to nearest decimal place. Source SHR published data.)

Over the last 8 years we have consistently put through increases below the average of other local landlords which means our average rents are now lower than other local RSLs (excluding ELC).

Rent Consultation 2018

Current 2017/18 Rents

Size of (self contained) homes	Number owned	Homes for Life Average Weekly Rent	Local RSL (ex ELC) Average Weekly Rent	Scottish RSL Average Weekly Rent
1 bed/2 apt	112	£72.68	£77.55	£71.67
2 bed/3 apt	116	£82.44	£86.98	£73.13
3 bed/4apt	47	£88.33	£95.79	£79.42

Affordability

We anticipate that most of our tenants will continue to suffer adverse impacts of the recession and related austerity cuts, wage freezes, and benefit caps - whether working, in receipt of benefits, or both. We have run our current rents through the SFHA Affordability checker. The shading is green if the rent is less than 25% of moderate income, amber at 25-30% and red at 30%+. **Where rent accounts for less than 25% of income this is regarded as affordable.**

Household Type	Number of bedrooms	% of moderate income spent on rent	Assumed Weekly Income left after rent per week
Single person	1	28.0%	£190.56
Couple	1	18.7%	£322.95
Pensioner couple	1	20.2%	£292.56
Single pensioner	1	27.6%	£194.75
Single parent +1 child	2	24.3%	£260.66
Small family + 2 children	2	16.3%	£429.93
Small family + 2 children	3	16.9%	£426.62
Small family + 3 children	3	14.8%	£499.97

East Lothian moderate income is based on the lower 30% or lower 25% of wages and then weighted by household size.

At our last large-scale satisfaction survey in 2016, 81.3% of tenants felt their rent provided value for money. This is a 5.9% reduction from the previous year's 87.2% - despite Homes for Life only putting through a 1% increase and now having lower average rents than other local RSLs. For last year's rent increase tenants were consulted on a range of proposed rent increases (2.0%; 2.5% and 3.0%) and advised that if they would like to see planned maintenance accelerated or enhanced this could only be achieved by putting through higher rent increases. However, the majority chose the lowest option offered.

Rent Consultation 2018

Rent increase at 3% - how much extra is this going to mean?

Size of (self contained) homes	Number Owned – self contained	Current Average Weekly Rent	New Average Weekly Rent	Average Increase on Weekly Rent
1 bed flat/2 apt	69	£74.13	£76.35 *	£2.22
1 bed house/2 apt	16	£74.68	£77.42	£2.75
2 bed flat /3 apt	61	£82.05	£84.51	£2.46
2 bed house/3apt	53	£85.97	£88.81	£2.84
3 bed house/4apt	46	£90.05	£92.90	£2.86

Ex-ELC Stock - Rent Convergence Premium

We have 27 ex- local authority homes bought from East Lothian Council which have historically very low rents. After tenant consultation, the Rent Restructure approved by the Board in January 2010 agreed an interim additional 10% rent increase for **Ex-ELC** homes, with further additional increases to be phased in over subsequent years. The objective is to eventually achieve parity with equivalent new build rents, taking account of the significant improvements Homes for Life have spent on the ex-ELC homes.

An additional increase of 2% is proposed for this year, taking the overall increase for ex-ELC homes to 5%. 6 homes whose rent has already been converged (–at School Road, Aberlady; Drylaw Terr., East Linton; Barnsness Terr., Innerwick and Council Houses, Kingston) will be subject to the same 3% increase as the rest of Homes for Life’s ownbuild.

Size of (self contained) homes	Current Difference to Average Weekly rent Own Build	Current Average Weekly Rent Ex ELC stock transfer	New Average Weekly Rent with 5% increase	Average Increase on Weekly Rent
1 bed house/2 apt	- £12.33	£67.36	£70.73	£3.37
2 bed house/3apt	- £19.74	£70.01	£73.51	£3.50
3 bed house/4apt	- £21.09	£71.22	£74.78*	£3.56

* Even after a 5 % rent increase the 3 bedroom ex East Lothian homes will still be paying less weekly rent than a 1 bedroom own build flat.

Even by implementing a 2% higher increase on the modernised ex East Lothian Council bungalows, the rent is still considerably lower than our own build equivalent and will take many years to converge between modernised older properties and our own build.

The 3 bedroom ex East Lothian Council homes will still be paying less weekly rent than a 1 bed own build flat.

Rent Consultation 2018

What we've done ...

We responded early to the recession and the likely impact of Welfare Reform and have kept rent increases to CPI or below inflation for the last 7 years averaging 2.2%. Rent increases throughout the Registered Social Landlord sector **continue to be based on headline RPI**, with many landlords implementing annual increases of RPI +1%. **Our rent increases over that period have consistently averaged lower than the other mainstream RSLs operating in East Lothian resulting in our tenant's rents now being lower than the average for other local social landlords.**

We understand that no one likes to have to pay more for anything, however we hope that by giving you as much information as possible, we have demonstrated that we have done our best for our tenants, and are continuing to contain this year's proposed rent increase.

We need to hear what you think – both good and bad! Please complete and return the short survey in the enclosed pre-paid envelope by 8th January 2018

The Prize draw is open to all tenants who return their completed form before 8th January 2018



Prize Draw:

1st Prize: £75 - if returned by 8th January

2nd Prize x 4 : £50 - if returned by 8th January

3rd prize x 4 : £25- if returned before 26th January 2018

Rent Consultation 2018

Benefits and Financial advice

We understand that people will often face difficulties with managing their money, debt or meeting their rent and other costs. There are a number of agencies in East Lothian who may be able to offer advice.

Citizen Advice Bureau in East Lothian provide clinics for benefits and debt advice across East Lothian. These sessions If you would like to make an appointment, **please phone 0131 665 1141.**

Advice Session	Issue	When	
Aldhammer House, High Street, Prestonpans	Benefits	Mon 10.00-13pm	Appoint
Bleachingfield, Dunbar	General	Tues 9.30 -12.00	Drop In
Coastal Community Centre, North Berwick	General	Wed 10.00-12.00	Drop In
George Johnstone Centre, Tranent	Benefits	Tues 10.00 – 13pm	Mixed
George Johnstone Centre, Tranent	Benefits	Friday 10.00-13.00	Appoint
Aldhammer House, Prestonpans	Debt	Friday -every 2 weeks 10.00-13.00	Appoint
Aldhammer House, Prestonpans	Benefits	Mon 10.00-13.00	Appoint
Musselburgh	Benefits	Tues 1.30-4pm	Appoint

East Lothian WELFARE RIGHTS TEAM - Free drop-in surgeries - phone 0131 653 5230

The Welfare Rights Team are based in John Muir House, Haddington. They have six surgeries covering **Musselburgh, Haddington, Prestonpans, Tranent, Dunbar and North Berwick.** They offer advice on benefits and will assist in form filling and tribunal representation up to the Upper Tribunal. They also provide advice over the telephone and will advocate on a customer's behalf and signpost where necessary to other agencies.

ONLINE, impartial money advice : <https://www.moneyadvice.service.org.uk/en>