



# Rent Increase Consultation 2018/19 (and possible future years)



# Objectives of the Rent Increase Consultation

Provide information to tenants on reason for rent increases

To provide an overview of planned investment

To allow tenants to express their views on rent increase options



# What are we doing this year?

- 1,000 homes receiving internal upgrades
- External Wall Insulation Whitletts, Tarbolton and Troon (Muirhead)
- Upgrade of sheltered housing common room Logan Drive, Troon
- Play area investment across South Ayrshire
- Works to our high flats in Ayr
- External maintenance work to 1600 homes
- Fixed electrical testing to 1600 homes
- Gas servicing to 7,000 homes
- Progressing new build Council housing



# Ensuring sufficient money exists to upkeep your home

30 year business plan

Anticipates 2% increase in costs and income each year

Risk 1 - Construction & general Inflation

Risk 2 - Interest Rate Changes

Risk 3 - Housing Benefit Legislation Changes

Business Plan currently viable with rent increases in line with inflation



# Council Rents in South Ayrshire



Remain below Scottish Average for all house sizes

Concerns over Housing Benefit Caps

- Government has set upper benefit limits by house size

- Further restrictions planned for single people Under 35

- 1 Bedroom New Build Rents exceed the upper limit

- Gap increasing between New build rents and rest of stock

Rent Increases

- Historically RPI + 1% - Business Plan now modelled on CPI

- 2% fixed rent increases in each of the last 3 years

- Need to consider affordability and upper benefit caps

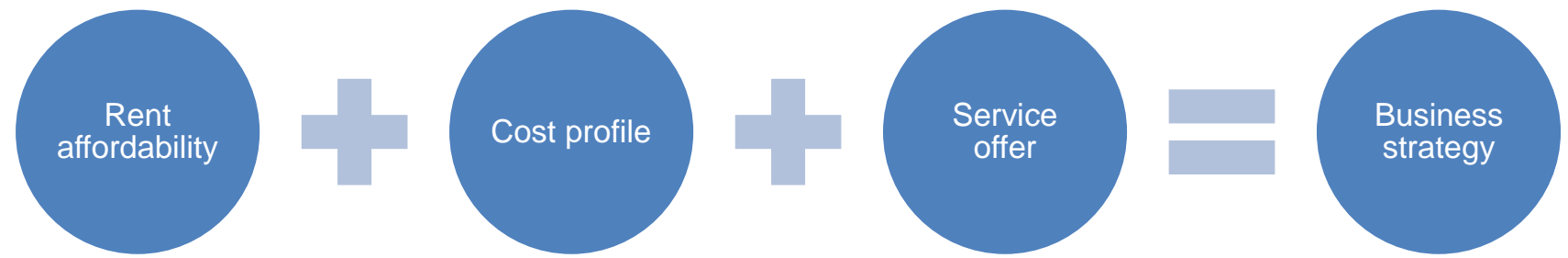


# The Biggest Risk...

...to a business plan cash position is to not balance rents & operating costs

**If rents are frozen and costs increase...**

- Positive cash positions can drop substantially
- Finances threatened more by other risks
- Lenders may be less confident in the plan
- Tenants cannot make same investment choices





# 2018/19 Rent Increases – Option 1

Mainstream Rents increase by 2.7% per year

1 bed new build reduce to Benefit cap levels of £80.55  
(calculated over 52 week period)

Other new build rents frozen

Potential for inflation to fluctuate further as we approach  
Brexit

Increases income in line with inflation

Ensures sufficient money for major projects

If our costs don't increase in line with inflation, there is  
less money available for tenant priorities



# 2018/19 Rent Increases – Option 2

Mainstream Rents increase by 3.7% per year (Inflation plus 1%)

1 bed new build reduce to Benefit cap levels of £80.55

(calculated over 52 week period)

Other new build rents frozen

Potential for inflation to fluctuate further as we approach Brexit

Increases income above inflation

Provides opportunity to increase borrowing for new projects

Could replace kitchens & boilers every 15 years rather than 20 years

Would allow an additional 270 new council houses to be built over 3 years





# 2018/19 Rent Increases – Option 3

Mainstream Rents increase by 2% per year for 3 years  
1 bed new build reduce to Benefit cap levels of £80.55  
(calculated over 52 week period)

Other new build rents frozen

Potential for inflation to fluctuate further as we approach Brexit

Meets long term Bank of England Inflation Rate

30 year plan remains viable if inflation doesn't increase sharply

Risks remain manageable



## 2018/19 Rent Increases – Option 4

Rents increase at 1% per year for 1 year

1 bed new build reduce to Benefit cap levels of £80.55 (Calculated over a 52 week period)

Other new build rents frozen

1 year settlement

Risk too great to offer this over a 3 year period

Recognition that administrative costs generally only increasing by 1%

Construction costs currently rising above inflation



# 2018/19 Rent Increases – Option 5

Rent freeze for 1 year

1 bed new build reduce to Benefit cap levels of £80.55  
(Calculated over 52 week period)

Short term rent freeze

Recognition other costs rising ie sewerage & water, Council tax, food, petrol etc

Salary increases typically 1%

Could not sustain for longer than 1 year

Reduces potential for tenant decisions over investment priorities

Potential for inflation to fluctuate further as we approach Brexit

Would require reserves (approx £300,000) to be used to meet anticipated cost increases



# Key Question 1

## Which of the 5 options would you prefer?

Option 1 – Rent increase of 2.7% + freeze for new builds for 3 years

Option 2 – Rent increase of 3.7% + freeze for new builds for 3 years

Option 3 – Rent increase of 2% + freeze for new builds for 3 years

Option 4 – Rent increase of 1% + freeze for new builds for 1 year

Option 5 – Rent freeze for all housing for 1 year



## Key Question 2

Which of the 5 options could you support? (tick all that apply)

Option 1 – Rent increase of 2.7% + freeze for new builds for 3 years

Option 2 – Rent increase of 3.7% + freeze for new builds for 3 years

Option 3 – Rent increase of 2% + freeze for new builds for 3 years

Option 4 – Rent increase of 1% + freeze for new builds for 1 year

Option 5 – Rent freeze for all housing for 1 year



# Use of Money in the bank

## Uncommitted Reserves of £6m

- Improve the environment around our homes (fencing, walls, gardens etc)
- Upgrade footpaths through removal of slabs
- Paint the outside of our houses (following cavity insulation removal)
- Put towards new build housing
- More External Insulation programmes
- Window replacement programme in least energy efficient homes
- Door entry systems
- Other internal housing improvements
- More disabled adaptations



# Key Question 3

What would you prefer us to spend your uncommitted housing money on? (tick all that apply)

- Improve the environment around our homes (fencing, walls, gardens etc)
- Upgrade footpaths through removal of slabs
- Paint the outside of our houses (following cavity insulation removal)
- Put towards new build housing
- More External Insulation programmes
- Window replacement programme in least energy efficient homes
- Door entry systems
- Other internal housing improvements
- More disabled adaptations



# Next Steps

Consultation Events in main towns  
Online survey – 1 vote per tenant  
Feedback to main tenant group





# Thank You

If you have any questions or queries please contact the Tenant Participation Team on 01292 612968, or email at [tp@south-ayrshire.gov.uk](mailto:tp@south-ayrshire.gov.uk)

To complete the survey and have your vote follow-  
<https://www.surveymonkey.co.uk/r/SACrentconsultation2017> link is also available on the website  
[www.south-ayrshire.gov.uk/consultations/](http://www.south-ayrshire.gov.uk/consultations/)

The voting will close on the 15<sup>th</sup> of November 2017.