

Annual Rent Review

Report by Barry Moore, Chief Executive

1. INTRODUCTION

The purpose of this report is to advise Committee of the outcome of the annual rent review consultation exercise carried out in early January 2020 and assist members in making a decision in respect of the annual rent increase for the financial year 2020/21.

2. BACKGROUND

2.1 At the Management Committee meeting in November 2019 Committee considered annual rent increases of 2.5% (CPI + 1%) and 3.0% (CPI + 1.5%).

2.2 Committee decided to consult with tenants on a proposed rent increase of 2.5% (CPI +1%).

2.3 Tenants were given the opportunity to have their say either on-line or by returning the freepost postcard. The total number of responses received was 153 which accounts for 8.7% of the total number of tenants surveyed. The return rate was higher than the previous year when 118 (6.6%) were received.

2.4 The majority of responders (82) agreed to the rent increase. This was 54% of the responders. A sizeable minority of tenants 46% (71) responders disagreed to the increase and some gave their reasons for not agreeing. These responses are currently being analysed and will be responded to.

3. RISK IMPLICATIONS

3.1 Setting too low a rent increase, exposes the Association to the risk of having to apply excessively high rent increases in a future years in order to ensure that we deliver our Asset Management Strategy.

3.2 Setting too high a rise risks alienating tenants, and leading to an increase in rent arrears and bad debts. It would also risk negative reputational publicity and, quite rightly, questions from the Regulator. The Regulator, like Association, places great importance on keeping rents affordable for tenants. Indeed it can be said with a great degree of certainty that the Regulator's second main priority is rent affordability; second only to the health and safety of tenants.

3.3 The Association has a primary obligation to ensure that the quality and integrity of its assets is not compromised by lack of financial investment.

4. FINANCIAL IMPLICATIONS

4.1 Impact on the Association

The draft 30 Year Business Plan presented to the November meeting was based on a rent rise from April 2020 of CPI+1% (i.e. 2.5%), and annual rent rises of CPI+1% each year until 2022/23. Beyond that (i.e. from April 2023) rises of CPI only are projected.

4.1.1 A 2.5% rent increase from April 2020 would increase the Association's income by approximately £195,000.00.

4.1.2 An increase of 2.5% would not lead to any further properties being identified as unaffordable.

4.2 Impact on Tenants

The average monthly rent paid by Abertay tenants is £359. A rent increase of 2.5% would mean tenants paying on average an extra £8.98 per month.

5. EQUALITIES AND HUMAN RIGHTS IMPLICATIONS

Whilst there are no equality and human rights implications arising from this report, the equality and human rights of tenants is appreciated and respected at all times, ensuring compliance with protected characteristics enshrined in the Equality Act 2010.

6. COMPLIANCE WITH REGULATORY STANDARDS

Compliance with Standards 1, 2, 3, 4 and 5 are associated with this report

7. CONCLUSION

7.1 With regard to rent review there are two main factors to consider; both concern affordability. The affordability in respect of tenants being able to meet their main obligation to the Association – pay their rent. The affordability aspects of the Association meeting its main obligation to the tenants – maintain the homes that they live in. The balancing exercise is an exercise for the Association to carry out and then justify to the tenants.

8. RECOMMENDATIONS

Committee is asked to:

APPROVE: an annual rent increase of 2.5% (CPI + 1%) effective from 1 April 2020.