

We are currently considering the 2020/2021 annual rent review and we would like to hear your views on our proposals. Please return the attached response form to confirm your preference for the annual rent increase.

The information in this paper only applies to your rent charges.

### Background

Our core aims include:

- Maintaining and enhancing homes for our current and future customers;
- Ensuring the group remains financially secure and delivers excellent customer focused services;
- Providing as many new quality and affordable homes as possible.

In order to achieve these aims we need to:

- Regularly review our rent levels to make sure they are affordable to tenants and represent value for money;
- Make sure existing houses are kept in a good state of repair and planned upgrades and improvements are carried out;
- Make sure we continue to provide the range of services currently available for existing tenants and work to enhance them in the future;
- Provide good information and help to tenants when needed, including advice about such things as arrears and Welfare Reform;
- Borrow money to build new houses and be able to repay the money and lenders' interest on money already borrowed;
- Pay staff and contractors so that the business continues to run.

Your rent money is used to pay for all of the above to happen.

Our Corporate plan is based on financial planning assumptions and includes the April 2020 rent increase at 2.5%. This is on the basis that we expect costs that we have to pay to provide our services will rise next year on average by 2.5%, this includes costs such as materials for repairs, office running costs etc. We have also taken into account efficiencies that we will be making in how we operate which will help reduce this increase to a minimum. Therefore to maintain our ability to deliver all of our services and so that we remain financially sound for 2020/21 it is assumed that rents would need to rise by 2.5% in order for us to continue to meet our aims.

### Focus Group Feedback

We conducted focus groups with tenants throughout September and early October, including an online Facebook discussion group. Our Facebook group saw interaction with over 80 tenants. By volume of tenants involved this is the largest pre-consultation exercise conducted.

From the tenants responses, we are clear that tenants preference is that any rent increase is kept to an absolute minimum, although there is some appreciation that rent increases are required to support us in delivering our services.

From the focus groups, we found that tenants would ideally like to see longer term rent settlements. 90% of tenants agreed that they would like to see rent agreements for 3 years or more. When we asked if tenants would prefer a consistent increase of 2.5% per annum; or to always provide the lowest increase with the risk that the increase in one year could be above 2.5%, respondents were in favour of the consistent 2.5% year on year increase by a ratio of 2 to 1. It is clear from those who took part that there is a preference to see longer term and consistent rent increase agreements.

We are operating in uncertain economic times and we need to consider customer preferences as well as potential business planning risks for longer term rent settlements. However we are able to provide a two year rent settlement for consideration as part of this rent review.

## Rent Increase Options

**Option A is for a rental increase of 2%.** This is 0.5% lower than what our 30 years business plan assumes.

Increase the rent by 2% in 2020/21 only; 0.5% lower than is assumed in our business plan.

So a monthly average rent of £345.00 would rise to £351.90.

We would attempt to:

- Continue with the planned maintenance and improvement programme over the next 5 years.
- Continue with the development programme over the next 5 years.
- Maintain the current level of housing management services to tenants over the next 5 years.

This lower than planned increase will have consequences every year, over the next 30 years and we will need to make efficiencies to the value of around £100,000 for the year 2020/21 (this equates to £5.7million of a loss of planned income over 30 years as the cumulative impact of one year's rent loss is felt in each subsequent year).

It cannot be guaranteed that the same level of services and planned activity could be continued. Therefore, we may need to set up a process of consultation with tenants to determine where reductions to services may be required.

**Option B is for a rental increase of 2.5%.**

This is what our 30 year business plan assumes.

So a monthly average rent of £345.00 would rise to £353.63.

The organisation would be able to continue with all of the activity planned over the 30 years business plan such as:

- Planned maintenance and improvement.
- Deliver general housing management services.
- Planned development programme to increase the supply of affordable housing for those with housing needs by 2,000 homes over the next 5 years.
- We would continue to strive to improve services to tenants and to make efficiencies in service delivery where possible.

**Option C is for a rental increase of 3.0%.** This is 0.5% above our planned business plan rise of 2.5%.

So a monthly average rent of £345.00 would rise to £355.35.

We would be able to continue with all of the activity planned in Option D plus:

- We would set aside £100,000 of the rental income which equates to the extra 0.5% to enhance and improve current services to tenants.
- We would set up a process of consultation with tenants to establish the improvements required across developments and to agree those which would be taken forward within 2020/21.
- This option would generate future gains across the life of the business plan equating to £5.7 million enabling further new homes development or provision of enhanced services to our tenants.

**Option D is for a 2.5% rental increase in each of the next two years, so 2.5% in 2020/21 and also 2.5% in 2021/2022.**

This provides rental increases at the rate assumed in our business plan, providing us with some degree of financial certainty over the 2 year period. It also means that tenants would be protected from any potential rent rise of more than 2.5 % in 2021/2022.

If this option were approved there would be no rent review carried out in 2020. The next review of rents would be in 2021 to decide rents for 2022/23.

## What Now?

The rent increase is important to you and to us and we need to hear your views before we make a decision about the rent increase for next year. Please take time to fill out the feedback form so that we have as many views as possible.

You will be given more information on the consultation feedback and we will let you know about the Board decision and the reasoning by the end of February 2020.