



Contents

	Page
Introduction	3
Section 1: Analysis of Survey of Tenants and Prospective Tenants	5
Section 2: Midlothian Tenant Panel, Drop in Events and Group feedback	11
Section 3: Rent Consultation Written Feedback	14
Conclusion	23

Introduction

As part of Midlothian Council's commitment to involving tenants and other service users in the management of housing services it undertook consultation on the future rent setting strategy before making a recommendation on proposed rent charges during the period 2016/17 to 2018/19.

When making decisions about the future rent strategy, the Council needs to ensure that it adequately forecasts the cost of managing and maintaining its housing stock and meets standards including maintaining stock to the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing. It also needs to decide whether to build a further phase of new council housing beyond the Phase 2 programme which is currently underway. In addition, it needs to take into account the following good practice guidance from the Scottish Housing Regulator in relation to rent setting, which advises that Registered Social Landlords should:

- Demonstrate transparency on costs and a vigorous pursuit of value for money;
- Have a mature dialogue with tenants about costs versus service levels;
- Give tenants genuine options and choices during rent consultations;
- Consider future affordability when determining annual rent increases;
- Consider tenants' ability to pay their rent over the longer term;
- Be clear on what is affordable for tenants; and
- Be clear on how tenants views are taken into account.

What was the Council's Approach to Consultation?

During the summer of 2015, officers planned to consider the appropriate methods to undertake consultation on the future rent setting strategy. Following a review of good practice, the following methods were agreed:

- Development of an easy to read and attractive newsletter which provided information on rent and affordability to give tenants and other service users an improved understanding to inform their decision making on rent setting options.

- Development of a Survey which asked key questions about the future rent setting strategy, including providing four options and outcomes for tenants and prospective tenants to select.
- Rent setting strategy as a discussion topic at Midlothian Council's Tenants Day on 26th June.
- Arranging 6 rent consultation drop in events across Midlothian during September.
- Consulting with members of the recently established Midlothian Tenant Panel and other tenant and resident groups.
- Providing tenants and prospective tenants (housing applicants) with a range of ways of providing feedback, including face to face, telephone, online, text messaging and post.
- The consultation arrangements for the Rent Setting Strategy ran concurrently with consultation on the Council's Housing Allocation Policy.

This report contains key information derived from the consultation exercise, including:

- Analysis of Survey Data and the preferred option for rent increases during the next three years.
- Feedback from tenants groups and meetings.
- Officers responses to comments received during the consultation process.

Section 1: Analysis of Survey of Tenants and Prospective Tenants

A total of 11,334 Survey returns were sent out 22nd September 2015 with the deadline for responses being the 23rd October 2015. Table 1, below, shows that 13% of tenants and 9% of prospective tenants (housing list applicants) responded to the Survey, with a total of 1,268 Surveys completed. The majority of Surveys were completed via postal returns while 12 respondents completed their Survey online. This is a significant improvement compared to the previous consultation undertaken in 2010.

During that consultation period Midlothian Council received 417 returns – therefore in 2015, a 204% increase in Survey returns has been achieved. This level of response compares well to other Registered Social Landlords (RSLs).

Table 1: Response Rate to Rent Setting Survey

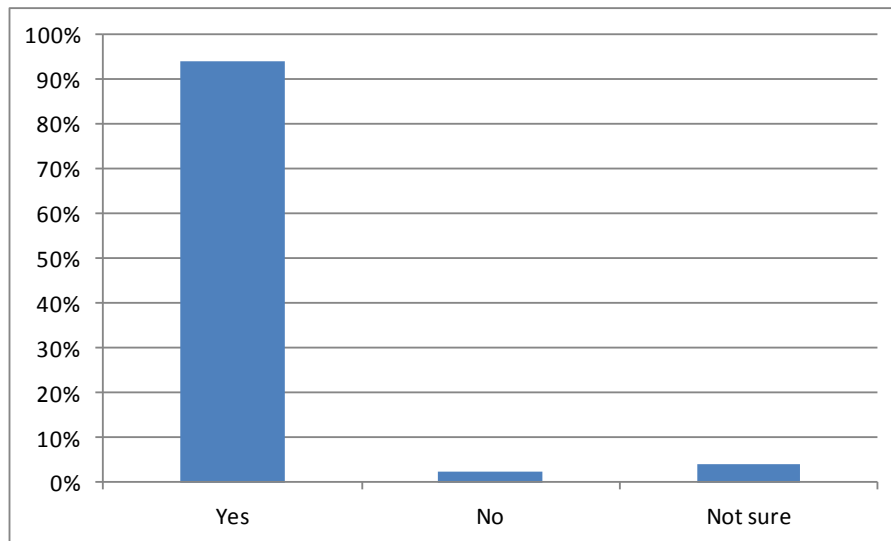
Respondent Type	Total Number	Number of Respondents	Percentage Response
Tenant	6,602	836	13%
Applicant	4,732	432	9%
Total	11,334	1,268	11%

Views about New Build

Tenants and Prospective Tenants were asked some questions relating to the Council's new build programme which is closely linked to the future rent setting options.

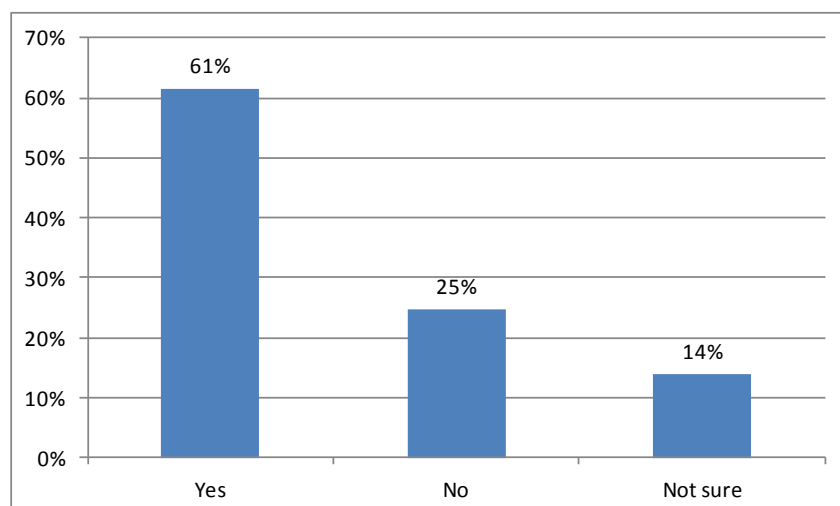
Chart 1, indicates the response to the question “Do you agree with the Council’s commitment to building new council housing to help reduce the number of applicants on the waiting list”? It shows that the vast majority of respondents were supportive of additional investment in new council housing – with 94% of respondents supporting this. Of tenants who responded, 92% supported new council housing, compared to 97% of applicants on the waiting list.

Chart 1: Support for new council housing



Midlothian Council places a 25% premium on new build rents for the first 10 years of let to support the funding for this investment. Those surveyed were asked if they thought new build homes should have higher rents than older properties. Chart 2, indicates that 61% of respondents thought new build rents should be higher. A quarter (25%) did not think rents should be higher. A significant proportion (14%) felt unsure about what their view was in relation to this question. Applicants on the Housing List were less supportive of higher new build rent levels with 54% stating they agreed with this compared to 65% of current tenants.

Chart 2: Premium on new build rent levels



Options for Future Rent Increase

Tenants and prospective tenants were then asked to select their preferred option for annual rent increases for the next three years. They were also advised what impact each option would have for future investment in new build council housing in Midlothian. The following options were:

- Option 1: 4% - which would not provide for additional council housing.
- Option 2: 4.5% - which would result in 100 additional council homes.
- Option 3: 5% - which would result in 240 additional council homes.
- Option 4: 6% - which would result in 400 additional council homes.

Table 2 shows the preferences of respondents. It is evident that Option 4 was the most popular choice, with 353 respondents (31%) selecting this option. Option 2 was the second highest Option, with 313 respondents (27%) choosing this Option. Option 3 was chosen by 309 respondents (also 27%). The least popular choice was Option 1, with 179 respondents (15%) choosing this. Consequently, 85% of respondents chose an option which provides for additional investment in council housing.

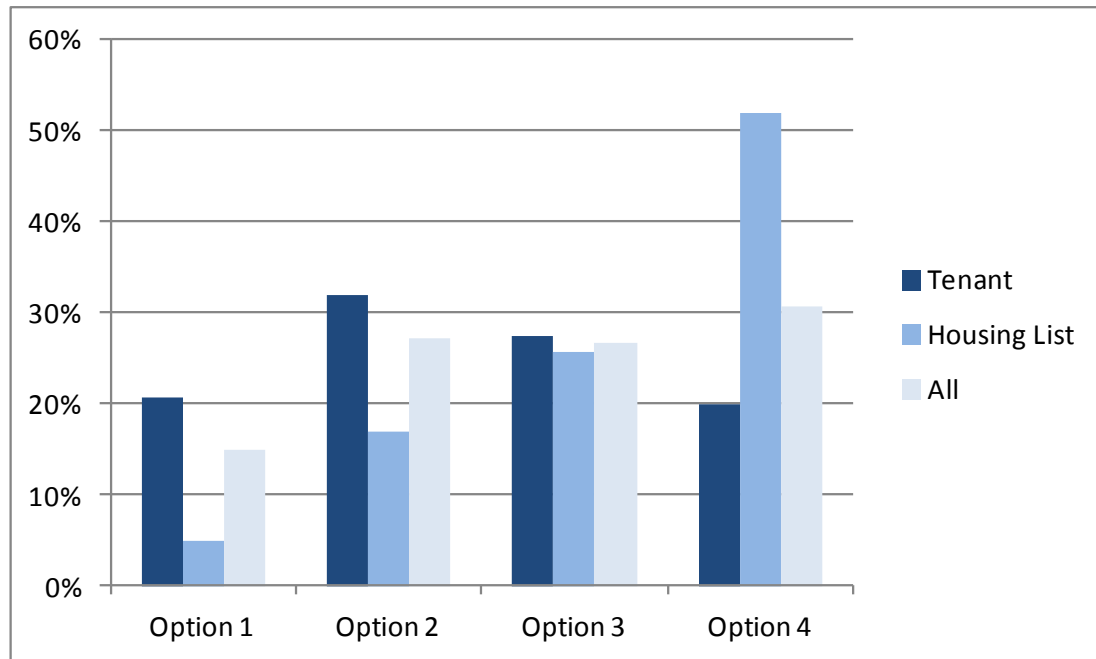
Table 2: Preferred Rent Option 2016/17 – 2018/19

Rent Option	Option 1 4%	Option 2 4.5%	Option 3 5%	Option 4 6%
Number	179	313	309	353
%	15%	27%	27%	31%

However, there are significant differences between the views of current and prospective tenants. Chart 3 shows that Option 4 was the least popular option for tenants who responded (21% of tenants) while it was the most popular choice for prospective tenants (52%). This could be attributed to prospective tenants feeling they would benefit directly from new homes being built as it would improve their chances of being allocated a home. However, a significant proportion of current tenants also recognised that additional housing was important and accepted that this

would require rent increases. The most commonly selected option by tenants was Option 2, with 32% of tenants selecting this, followed by Option 3, with 27% of tenants selecting this. Option 3 was the second most commonly selected option by prospective tenants (26%).

Chart 3: Preferred Rent Option, by Respondent Type



It is recognised that a significant number of Midlothian Council tenants receive support for paying their housing costs through housing benefit (52% of tenants). Table 3 shows the preferred rent options for tenants who receive either full housing benefit, partial housing benefit or no housing benefit. It indicates that the most commonly selected option for all categories remained as Option 2. It is also evident that tenants who did not receive any Housing Benefit were the least likely to select Option 4 (17% of tenants compared to 25% of tenants who received Full Housing Benefit).

Table 3: Preferred Rent Option by Housing Benefit Status

	Option 1	Option 2	Option 3	Option 4
Full HB	21%	27%	27%	25%
Partial HB	18%	31%	29%	21%
No HB	22%	35%	27%	17%

How do results compare with 2010?

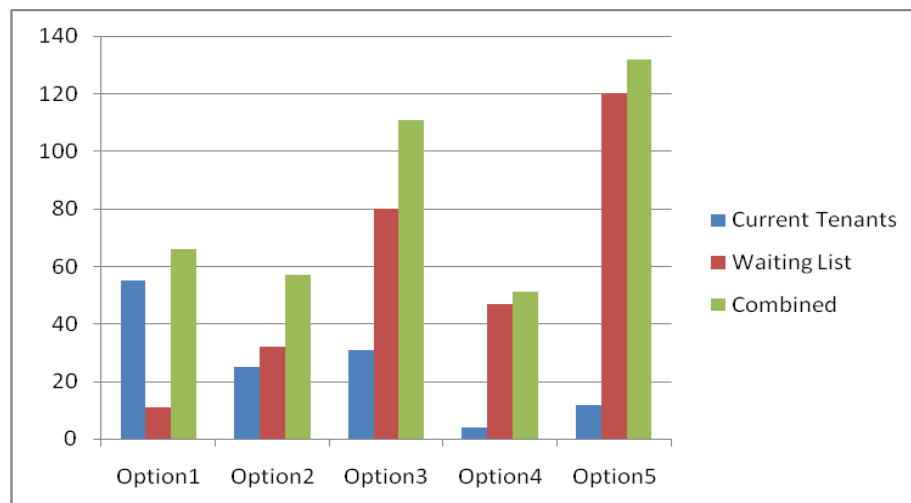
The Chart below shows the preferences for options put to current and prospective tenants in 2010, which would also determine if a further Phase of council house building would proceed. The Options were:

- Option 1: 4% increase
- Option 2: 4.5% increase
- Option 3: 5% increase
- Option 4: 6% increase
- Option 5: 7% increase

Chart 4 shows that in 2010, Option 1 was most strongly supported by tenants whilst Option 5 was the most popular choice among prospective tenants. In 2015, more tenants were supportive of higher rent increases. One or more of the following reasons could account for this shift:

- An increased proportion of council tenants feel it is important that the shortage of affordable housing needs to be addressed.
- An increased proportion of council tenants feel confident about their ability to pay for increased rental costs.
- The improved level of information provided to tenants during the consultation process has influenced their decision making.
- An increased proportion of tenants have felt the benefits of their household or friends or family accessing new housing.

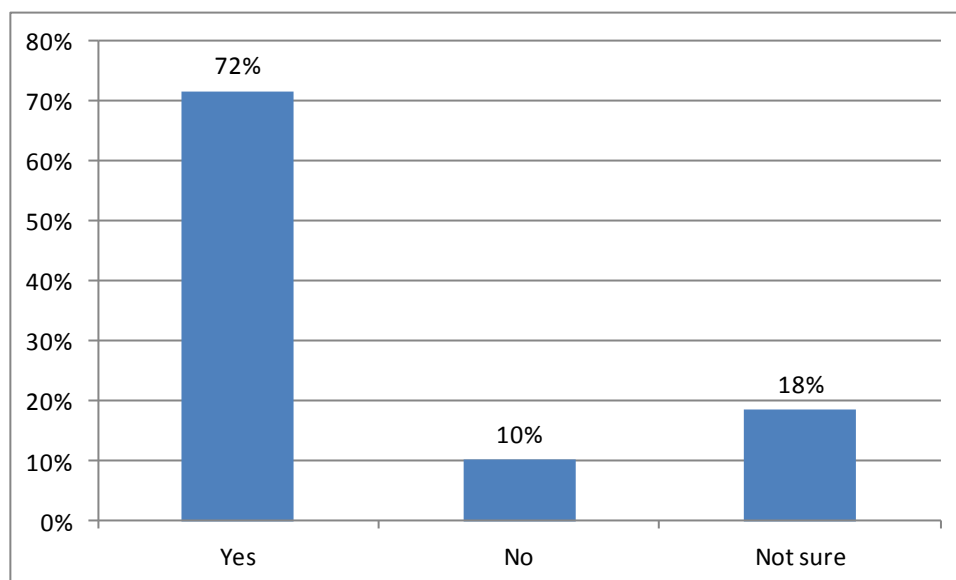
Chart 4: Rent Consultation Survey Results 2010



Satisfaction with Consultation

Chart 5 below shows the outcome to the question “Are you happy with the level of consultation and information that we provide you with about proposed rent increases?” It shows that the majority of respondents were happy with the opportunities they were given to involve themselves in the decision making process. It was evident that satisfaction with opportunities to participate was higher among tenants than prospective tenants, with 75% of tenants stating “yes” compared to 65% of prospective tenants. However, a significant number of prospective tenants (24%) stated “Not Sure”. This may be due to the fact that Housing List applicants have not been consulted on annual rent increases since 2010, and many applicants would not have been on the Housing List at that time.

Chart 5: Satisfaction with being consulted



Section 2: Feedback from Midlothian Tenant Panel, Drop in Events and other Groups

Midlothian Council has recently established the Midlothian Tenant Panel in order that interested tenants can become more involved in scrutinising and engaging with the Housing Service. In addition, local tenants and residents groups were welcome to meet with Officers during the consultation period. Of the Groups, only the Cowan Court Tenants Group provided comments to Officers in relation to the rent setting strategy.

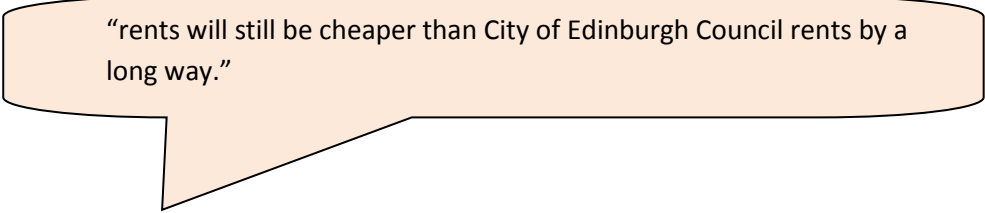
All 5 members of the tenant panel met with Housing staff prior to the consultation period on the rent increase. The main points of feedback included:

- All Panel members were interested in giving their views in relation to the annual rent increase.
- All Panel members felt the Newsletter approach to providing information about the rent setting strategy was good, feeling it was informative and well designed.
- One Panel member suggested that more information about charging for sending providing comments via text messaging could be provided in future.
- There was mixed views about drop in events for consultation, with one tenant suggesting there would be little interest in attending except among older people.
- All members felt comfortable with the proposed Options and all of them suggested that they would vote for a higher increase to facilitate more new building.

Some quotes from tenant panel members in relation to the rent setting strategy:

"I would not grudge it [a 5% increase]. The money has to come from somewhere and the increase would be negligible in the grand scheme of things. I think that would be fair."

"I think that Midlothian rents are actually quite good when you compare it to others. My daughter is staying in a new council house within the Taylor Wimpey estate in Bonnyrigg and it is beautiful. It even has space to easily adapt a wet floor shower room downstairs."



“rents will still be cheaper than City of Edinburgh Council rents by a long way.”

Cowan Court Tenants Group

The Cowan Court Tenants Group met on 18th October and the Rent Setting Strategy was discussed at the meeting. The following comments were made:

- One tenant queried the cost of consultation on the rent charges. It was explained by a member of housing staff that it was important that the council consulted as widely as possible and provided with good quality information materials in order that the level of engagement would be higher than was the case in 2010.
- One tenant was confused about the use of percentages and felt that “the man in the street might struggle to understand to what extent a percentage increase might affect him.” It was suggested that a monetary figure could be used in future to try to aid understanding. For example, stating a proposed increase would mean an average of £2 onto a weekly rent. It was explained that with a variety of rents charged according to age of the property, house type and size, therefore the average increase could vary significantly.

Drop In Events

Tenants and Prospective Tenants were welcome to attend one of 6 Drop in Events in Midlothian to talk to staff about the consultation materials, ask questions, and provide feedback in an informal environment.

Drop in Events were held in the following locations:

- Loanhead Library, Monday 28/9/2015, 15:00–18:00
- Lasswade Leisure Centre, Bonnyrigg, Tuesday 29/9/2015, 12:30 –15:00
- Penicuik Library, Tuesday 29/9/2015, 15:30–18:00
- Gorebridge Library, Wednesday 30/9/2015, 10:00 –13:00
- Newtongrange Church, Tuesday 6/10/2015, 13.00 –16.00
- Woodburn Miners Club, Wednesday 7/10/2015, 16:00 –19:00

Drop in events attracted only a small number of attendees, although each event had at least one member of the public attending to speak to Housing Staff. A total of 15 attendees came to Drop in Events. Most attendees were Housing List applicants whose principal concerns were new build council housing being built in their community and the allocation of housing rather than the rent charges for housing.

Midlothian Tenants Day

Rent Setting and value for money was a discussion topic at Midlothian Council's Annual Tenant Day in June 2015. Several tenants were concerned about further rent increases coming after a 5 year period of 6% per annum increases. One tenant commented that he felt that the Scottish Government should provide funding for new building as opposed to tenants who were often on a low income having to contribute towards this. In addition, following feedback from attendees at this Event, Officers reconsidered plans to consult on 5 Options for future rent increases; having subsequently reconsidered the appropriateness of consulting on a 7% increase as this level of increase for 3 years was considered to be too high.

Section 3: Rent Consultation Written Feedback

As part of the consultation process for the rent setting strategy, applicants were able to provide written feedback in addition to their Survey comments. Of the 1,268 completed survey forms a total of 183 comments were provided. Many of the comments were similar in nature and some comments did not specifically relate to rent setting. Of the responses:

- 50 Responses were positive
- 64 Responses provided negative views about the rent setting options
- 69 Responses were neutral or not specifically related to the rent setting strategy. These included suggested improvements for the proposals.

This Section reviews the types of comments and suggestions provided and, where applicable, provides a response or recommendation in relation to the comment.

.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
New Build Rent Costs - Positive	1. I like the new build property and have no complaints.	Noted.
	2. I am glad that Midlothian Council are cheaper than other landlords as I am able to work now.	Noted.
	3. I am happy to pay higher rent as long as my property benefits from investment.	Noted.
	4. Housing association rents are too high so I want a council house.	Noted.
	5. Increase rent in order to build more 1 bedroom properties.	Noted. The Council is building a significant proportion of 1 bedroom properties in its Phase 2 development programme to meet demand for smaller properties. The same would be expected if a 3 rd phase was agreed.
	6. Rents seem reasonable.	Noted.
	7. Rent is good value and it seems fair that new build tenants should pay extra to get those houses.	Noted.
	8. Very happy with improvements for rent being charged.	Noted.
	9. A 6% increase would be excellent for funding new homes.	Noted.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
New Build Rent Costs - Positive	10. Offer good tenants a new build house – a 25% premium for new build houses is fair.	Noted.
	11. I would pay a higher rent for Midlothian Council as it is still cheaper than my private rented house.	Noted.
	12. Rents are fair but there is not enough council housing.	Noted. It is a priority for the Council and Community Planning Partners to provide an increased supply affordable housing in Midlothian.
	13. Some new build tenants benefit from solar panels and get lower energy bills so should be able to afford more expensive rents.	Noted. It is recognised that new build tenants benefit from lower energy bills due to living in more energy efficient housing.
	14. Happy with the information provided however I have never been consulted with before.	All tenants received a Tenant Satisfaction Survey in 2014 and all tenants are provided with information via Newsletter about ways that they can become engage with the Housing Service in tenant participation activities.
	15. I think Midlothian Council charge a fair and sustainable rent to their tenants	Noted.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	16. Cut back on use of private lets to save money.	The use of private rented properties to provide temporary accommodation via Orchard and Shipman is not funded out of council tenant's rents.
	17. Feels that using contractors to undertake repairs is not cost effective.	Tendering is undertaken in using external contractors to ensure that this is a cost effective solution for delivering repairs and maintenance.
	18. Rents should reflect higher quality housing, with driveways etc.	Land costs are high so providing driveways would lead to new housing being more expensive and many tenants do not own a car. New build houses do have a range of amenities that are not usually found in older properties, such as two toilets in houses, fitted wardrobes, solar panels etc.
	19. Rent too expensive for older properties, only new houses should have rent increased.	In order that the rent strategy remains affordable and the Council can continue to invest in properties, (such as through kitchen replacement, window replacement programmes) the minimum rent increase for all properties is required to be at least 4%. No increase above this level for all properties would result in no new council homes being built.
	20. Feels that garage sites rents should not increase by the same rate as houses.	Service charges related to the HRA generally increase by the same level to reflect the investment required from the HRA to manage and maintain areas, such as garage sites.
	21. This feels like blackmail. If rents are up for new builds there should be a discount for older properties.	New build rents are higher to ensure that new build tenants who have benefited from investment pay more towards this investment.
	22. As a pensioner I feel I pay too much and would want a smaller house to free up larger homes for families.	The Incentive Scheme would assist to downsize. Tenants are welcome to apply for a smaller home and can also make use of www.homeswapper.co.uk to arrange a mutual exchange.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	23. Pressure the government for funding not rent payers.	Midlothian Council, along with other affordable housing providers, does receive funding support from the Scottish Government. In 2015/16 £3.4M was allocated to Midlothian but rent increases are still required to fund the cost of development.
	24. I think the rent should be the same for the same size of property.	Our rent strategy takes account of the value of the property to build and maintain. For example, a 2 bedroom flat would generally require a lower maintenance cost than a 2 bedroom bungalow.
	25. I would not have taken a new build property if I knew it was a higher rent – all tenants should pay Scottish average.	Rent charges are clearly stated on an offer letter to a prospective tenant before they sign for the tenancy. Also, older Midlothian Council properties are lower than the Scottish average and after 10 years of letting new build properties will start to taper towards being the same charge as older council properties. Few tenants refuse a new build house as this is often preferred to older housing and energy costs are generally significantly cheaper. If a prospective tenant is offered a new build property and refused it due to concern about the rent level they would not be penalised for this.
	26. I am comfortable with the rent increase options being proposed but I feel I live in a poorer quality property while some applicants who do not pay rent get new build houses.	Midlothian Council, in accordance with legislation, does not take income into account when allocating housing. All tenants are required to pay rent and some may be eligible for housing benefit.
	27. It is unfair to increase rents to fund new building.	Option 1 would not provide funding for new building. All tenants and prospective tenants were

Appendix 1

		able to note if this was their preference.
Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	28. Rent should keep pace with pensioner's income.	Pensioner's incomes widely vary according to individual circumstances. Pensioners on a low income would receive support through Housing Benefit in order to afford the cost of rent.
	29. Rent should not increase every year.	For the Housing Revenue Account to maintain housing standards, repairs and new building over the long term, rental charges must increase each year.
	30. Rent should not rise more than inflation.	See answer to comment 29 above.
	31. Wage increases should be taken into account when setting rents.	Individual incomes vary according to employment circumstances. It was felt that an analysis of the affordability of council house rents for someone earning the living wage and the current minimum wage demonstrated that Midlothian council house rents remain affordable.
	32. Rent is too high – if it was lower then people could afford to work.	Individual incomes vary according to employment circumstances. It was felt that an analysis of the affordability of council house rents for someone earning the living wage and the current minimum wage demonstrated that Midlothian council house rents remain affordable.
	33. I have been a tenant for 50 years and feel I have paid enough rent. The Council should buy caravans to house homeless people and refugees.	Caravans are not a suitable form of long term accommodation for households. All tenants rent is pooled in order to pay for services they receive and investment in their own home and others.

Appendix 1

	34. Concerned that the council will build onto the greenbelt area.	The Council's Planning service are responsible for consenting to where housing is permitted for development. The majority of sites for new housing have been on Council owned brownfield sites used for a previous purpose, such as a school or library.
--	--	--

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	35. I feel that new build rents aren't worth the money as the new houses are not good quality.	<p>Tenants living in new build housing generally give high levels of satisfaction scores with the quality of their homes.</p> <p>Rent charges are clearly stated on an offer letter to a prospective tenant before they sign for the tenancy. Also, older Midlothian Council properties are lower than the Scottish average and after 10 years of letting new build properties will start to taper towards being the same charge as older council properties.</p> <p>Few tenants refuse a new build house as this is often preferred to older housing and energy costs are generally significantly cheaper. If a prospective tenant is offered a new build property and refused it due to concern about the rent level they would not be penalised for this.</p>
	36. Rents should only increase with inflation with new housing built from land sales.	It is not clear what land sales are being referred to. Most new council housing sites were built on land owned by the Council so land is required to build on rather than to sell.

Appendix 1

		For the Housing Revenue Account to maintain housing standards, repairs and new building over the long term, rental charges must increase each year.
	37. Rent should be calculated by cost per square metre on floorspace.	Leasing based on square metre is common for commercial premises but would be unusual for social rented housing in Scotland where the number of occupants, based on apartment size determines the rent charge. It is not felt that changing to charging in terms of square metre would be beneficial for tenants in terms of value for money.
	38. Means test new tenants.	It would be illegal for Midlothian Council to take income into account when making decisions about allocating to tenants.
	39. Would it not be better use of money to buy back ex council homes?	Whilst it might be initially cheaper to purchase ex council houses, it is a cheaper longer term investment to build new housing which will require lower maintenance costs compared to a 50 year old house.
	40. Other councils sometimes freeze their rents, why not Midlothian Council?	Very few councils have frozen their rent charges in recent years, with many raising rents by similar levels to Midlothian Council in order to fund new council housing. Midlothian Council rents remain lower than the Scottish average for Councils and substantially lower than other RSLs with stock in Midlothian.

Response Category	Individual Response	Council Response/Recommendation
-------------------	---------------------	---------------------------------

Appendix 1

Rent Setting - Neutral	41. Would prefer direct contact to discuss the rent setting strategy.	Officers were happy to discuss comments directly with tenants and other service users and were present at 6 Drop in Events in different areas in Midlothian to meet people face to face to discuss their views and answer any questions.
	42. Nobody needs new houses.	With just over 4,700 housing list applicants on the Council's Housing List, and projections for housing need indicating an increasing number of new affordable homes are required the Council consider it is important that a new supply of affordable housing is very important. Most survey respondents agreed with this too.
	43. Temporary property rents are more expensive than mainstream housing. Why is this?	Temporary properties are funded differently due to costs of providing the homeless and housing support service attracting an additional service charge. In addition, many temporary properties were purchased (mainly ex council houses bought back by the council) which require a higher rent charge to finance the cost of loan charges for these properties.
	44. Set rents at the same level of private lets to provide significant modernisation and new investment.	Whilst this would provide a vastly increased income for new development, charging at this level would mean that the Council would no longer be providing affordable housing and this suggestion would be opposed by the majority of tenants and prospective tenants who value the affordability of the rental charge.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Neutral	45. Include basic contents insurance for new build tenants paying 25% more.	The rent premium charge would have to increase by more than 25% to fund this. The Council does offer a contents insurance scheme to tenants.
	46. Not tenant's fault that they get a new house and have to pay a higher rent, they should have a choice of old or new.	Rent charges are clearly stated on an offer letter to a prospective tenant before they sign for the tenancy. Also, older Midlothian Council properties are lower than the Scottish average and after 10 years of letting new build properties will start to taper towards being the same charge as older council properties. Few tenants refuse a new build house as this is often preferred to older housing and energy costs are generally significantly cheaper. If a prospective tenant is offered a new build property and refused it due to concern about the rent level they would not be penalised for this.
	47. I am still on the waiting list and do not know the rent levels.	Information on the average rent levels were provided in the Newsletter which was sent along with the Survey Form.
	48. I am comfortable with the rent increase options being proposed but I feel I live in a poorer quality property while some applicants who do not pay rent get new build houses.	Midlothian Council, in accordance with legislation, does not take income into account when allocating housing. All tenants are required to pay rent and some may be eligible for housing benefit to support the payment of rent.
	49. Rents are fair but Midlothian Council are soft on those with arrears.	Midlothian Council compares well to other landlords in terms of the proportion of tenants in arrears.

Conclusion

The main points following the consultation period on rent setting are as follows:

- Midlothian Tenants and Prospective Tenants (housing applicants) appear to prefer a Survey approach to rent setting as opposed to public meetings. In addition, the style of presentation and inclusion of a freepost envelope appears to have significantly increased the number of responses received.
- A strong majority of tenants and prospective tenants recognise there is a shortage of affordable housing in Midlothian and supports continued investment in council housing.
- While tenants and prospective tenants views differ in terms of future rent options, it was notable that the lowest rent increase option (option 1: 4%) was not the most commonly selected rent increase option by tenants. Prospective tenants were most supportive of significant increases to support a higher level of new build completions. Taking account of the views of both groups would require the Council to consider either Option 2 or Option 3.
- Option 3 would provide a compromise between investment in new housing and recognising the views of tenants in particular who are concerned about the affordability of their rent. A total of 48% of tenants who responded chose a rent increase of either 5% or 6%, while 78% of prospective tenants chose a rent increase of 5% or 6%.
- Some tenants were concerned that 4% was the lowest rent increase option over the long term and suggestions were made that savings could be made to lower this level of increase.
- However, many tenants also recognised that Midlothian Council rents remain lower than some neighbouring Councils and local housing associations.
- Providing ways for enabling tenants and prospective tenants to get involved in decision making in relation to rent setting both prior and post consultation should be considered to increase the level of satisfaction with tenant participation in Midlothian.