

REPORT TO: Cabinet

MEETING DATE: 8 November 2022

BY: Executive Director for Place

SUBJECT: Rent Consultation 2023/24

1 PURPOSE

- 1.1 To seek Cabinet approval to consult with Council tenants on a range of options in respect of a potential rent increase for 2023/24.
- 1.2 To explain the context, legal position and rationale for this approach.

2 RECOMMENDATIONS

- 2.1 That Cabinet approves a consultation exercise with Council tenants on a range of potential rent increase options.
- 2.2 That Cabinet notes the context, legal position and rationale for this approach.
- 2.3 That Cabinet notes the modelling impacts as set out in paragraph 3.11.
- 2.4 That Cabinet notes that meaningful consideration of the consultation results are a key element in setting rents for 2023/24 and beyond.

3 BACKGROUND

- 3.1 The Council has a statutory obligation under the Housing (Scotland) Act 2001 to consult with all tenants when making any proposals to increase rents. In doing so the Council must:
 - Consult all tenants affected by the proposal(s), and
 - Have regard to the views expressed during the consultation exercise.
- 3.2 Council has previously agreed to freeze Council rents for 2021/22 and 2022/23 in recognition of the challenging circumstances being faced by tenants as a result of COVID-19.

- 3.3 As well as approving a rent freeze for 2022/23 on 1 March 2022, the Council also approved an indicative rent increase of 5% for 2023/24 and for three years beyond that.
- 3.4 Elected members will be fully aware of the volatile national context in respect of cost-of-living increase that is placing huge stresses on household finances notably around energy costs and the price of food.
- 3.5 In response the Scottish Government passed the Cost of Living (Tenant Protection) (Scotland) Bill on 6th October 2022 to provide further protection for all tenants irrespective of tenure during the current cost of living crisis.
- 3.6 This Bill prevents all landlords from increasing their rent between now and the 31 March 2023 and amongst other elements restricting evictions except in very specific circumstances. The bill does however recognise the challenges in the social rented sector and the Scottish Government has agreed to set out a clear path to the decisions required to give the sector confidence and the certainty needed going forward. They have committed to setting out a decision by the 14th January 2023 at the latest as to whether they intend to raise, cap or expire the restrictions in the social rented sector.
- 3.7 As things stand at the moment, the Council can increase rents from the 3rd April 2023. Consequently, the Scottish Housing Regulator is encouraging all Local Authorities to consult with tenants to ensure we understand what is important to them and what they can afford.
- 3.8 It is important to note rent levels across the social housing sector are not consistent and the impact on any change in rent will result in different outcomes for each authority. East Lothian Council continues to be amongst the lowest rents in Scotland and have the lowest social rents within the South East of Scotland (SESPlan) area. The City of Edinburgh Council rents are on average 42.4% higher than East Lothian Council, Midlothian are 17.6% higher with West Lothian and Fife 12% higher. The Council's rents are also significantly lower than the RSL sector operating in East Lothian.
- 3.9 Whilst understanding the cost pressures facing our tenants, the Council is also facing significant pressures with increasing costs around borrowing, materials and labour for our new build programme, repairs and maintenance programmes and improving our tenant's homes. Changing legislation is also resulting in new costs for investing in existing homes to meet increasing standards for energy efficiency and to help achieve the ambitions to decarbonise heating.
- 3.10 It is therefore appropriate to share these pressures and obtain views from our tenants to help us carefully consider the implications, finding a balance between the impacts of rising costs on the delivery of our capital programmes with the financial hardship that is a reality for many of our tenants.

- 3.11 It is important to note the cumulative impact of the previous years' freezes on the financial position of the housing revenue account, which is compounded by increasing costs and rising interest rates. Further rent freezes will affect future years' affordability and wider capital investment. In this context, the Council has decided to consult tenants on a range of options and give tenants the opportunity to indicate their preference, taking into account the impact these choices might have on the Council's Housing Revenue Account (the Council rent income and expenditure budget). The options are:

Option 1 – 0% rent increase

Based on budget planning, a further rent freeze in year one followed by a 5% increase in years two to five will be unaffordable unless savings are identified in other areas such as reducing service levels or significantly reducing the ambition of the Council's modernisation and new build programme.

Option 2 – 3% rent increase

Based on budget planning, a 3% rise in year one followed by a 5% increase in years two to five would require a reduction in the scale of the capital programme over the next 5 years with an ongoing impact on future investment in the Council's housing stock.

Option 3 – 5%

The indicative budget approved by Council in February 2022 for 2023/24 is based on a 5% increase. This would result in some reduction to the modernisation and new build programme as a result of increasing costs arising from inflation and interest rates, but would mainly allow current levels of service and investment in our stock and new build programme to be maintained.

- 3.12 The rent consultation will seek tenant views on these options and once the consultation is concluded, the results will be shared with Council to help inform the decision-making process on any change to rents.
- 3.13 The consultation will run from 8 November 2022 to 16 December 2022 with the results presented to Council in February 2023.

4 POLICY IMPLICATIONS

- 4.1 The consultation results will inform the Council's decision-making process in terms of any rent increase in 2023/24 and beyond.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The proposals will have a potential significant impact on both services and investment plans and therefore directly affect tenants. A full integrated impact assessment on equality groups will be undertaken as part of the consultation exercise.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – Depending on the consultation results, wider contextual ongoing financial challenges, Scottish Government decision-making, ongoing monitoring and budget development will all be factors in determining the actual rent increase (or freeze).
- 6.2 Personnel – None.
- 6.3 Other – None.

7 BACKGROUND PAPERS

- 7.1 East Lothian Council Report – Budget Development including setting of Council Tax and Council Housing Rent for 2022-23 – March 2022

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DATE	27 October 2022