

REPORT TO: Cabinet

MEETING DATE: 12 September 2023

BY: Executive Director for Place

SUBJECT: Rent Consultation 2024/25

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 2024/25.
- 1.2 To set out the continued changes impacting on the Council's investment programme
- 1.3 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 2024/25 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 The Council approved a 5% rent increase on 28 February 2023 for the period 2023/24 with an indicative rent increase of 5% each year for a further four years beyond that.
- 3.3 Elected members are fully aware of the ongoing 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.
- 3.4 In response the Scottish Government introduced the Cost of Living (Tenant Protection) (Scotland) Act on 6th October 2022 to provide further protection for all tenants irrespective of tenure during the current cost of living crisis.
- 3.5 This Act amongst other measures prevented social landlords from increasing their rent up to the 31 March 2023. COSLA and the Scottish Federation of Housing Associations published statements setting intentions for rent in 2023/24. The social rent cap has since expired on 26 February 2023, however social landlords have agreed with the Scottish Government to keep future rent increases below inflation. Local authorities, through COSLA, are also committed to keeping Local Authority rent increases in 2023/24 to an average of no more than £5 a week.
- 3.6 It is important to note that rent levels across the social housing sector are not consistent and the impact of any change in rent will result in different outcomes for each authority. East Lothian Council continues to have amongst the lowest rents in Scotland and has the lowest local authority rents within the South East of Scotland (SESPLAN) area. The Council's rents are also considerably lower than those housing associations operating in East Lothian. ELC also has the lowest average rent of its local authority peer group (stock holding local authorities with less than 10k units). Around 60% of tenants receive some help with their rent each year.
- 3.7 Whilst understanding the cost pressures facing our tenants, the Council have also continued to experience further cost pressures since the budget was set for 2023/24 with increasing costs such as:
- Borrowing, with increasing interest rates
 - Materials and labour for repairing, maintaining and improving tenants' homes;
 - Pressure for pay increases for staff and other staff costs; and
 - Energy costs for offices, costs for other office supplies, and vehicle fleet costs.
 - New costs for investing in existing homes to meet increasing standards for energy efficiency and to help achieve the Scottish Governments ambitions to decarbonise heating.
- 3.8 It is therefore appropriate to share these pressures and obtain views from our tenants to help us 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.

- 3.9 With the future housing budget in mind, and the significant housing pressures East Lothian faces in relation to the need and demand for all types of affordable housing as well as meeting new legislative requirements, the time has come to look at our rent charges again. It is in this context that the Council has decided to consult 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 (HRA) and the future investment and supply of Council homes.
- 3.10 Our investment plans are shaped by the following key factors; tenant priorities, need and demand, changing demographics resulting in the need to deliver more accessible housing, council commitments, statutory compliance and government targets as well as lifecycle and health and safety to ensure we continue to meet SHQS. The lower the rent increase the longer it will take us to deliver all the investment already committed. It will also delay any future increase in delivering new supply
- 3.11 Within this context we are considering three options of a rent increase in 2024/25, ranging from 5% to 7%; The options are:

Option 1 – 5% rent increase

Based on budget planning, a 5% increase in 2024/25 will meet current levels of service and investment in stock and new supply. However this just meets the HRA financial strategy and provides no flexibility for any further cost pressures such as further increases in interest rates, higher than budgeted pay awards, further cost increases in materials, further legislative requirements. Any further increases will require a higher rent increase to meet the levels of investment set out in the budget. This would also limit any possibility to secure opportunities for new supply.

Option 2 – 6% rent increase

Based on budget planning, a 6% increase in 2024/25 would allow for current levels of service and investment to be maintained, although is still extremely tight particularly in years 2026/27.

Option 3 – 7% rent increase

Based on budget planning, a 7% increase in 2024/25, would allow for current levels of service and investment to be maintained, reaching a peak in 2026/27.

- 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 early November 2022 to mid-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.
- 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 2023

AUTHOR'S NAME	Wendy McGuire
DESIGNATION	Head of Housing
CONTACT INFO	James Coutts 07770 653162
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