

October 2023

Dear Tenant

## Rent Level Consultation 2024/25

We know the decisions we make about your rent and how we spend the money we collect is extremely important, particularly during these challenging financial times. Striking a balance between keeping rents affordable and being able to maintain services for our tenants is important for the council and more vital than ever before.

***Please spare a few minutes to share your views by reading the enclosed factsheet and completing and returning its questionnaire in the prepaid envelope provided by Friday 15<sup>th</sup> December 2023.***

Each year, we write out to all our tenants, provide a questionnaire, and ask tenants to fill it in to let us know their views. The money you pay in rent goes towards the cost of providing you with the services you receive as a council tenant. The main items of expenditure are loan charges, repairs and maintenance, operating costs, and employee costs. How each £1 of rent money is spent and what these costs cover is shown in the chart below: (based on the 2022-23 average weekly rent of £72.79)

### How each £1 of rent money is spent:

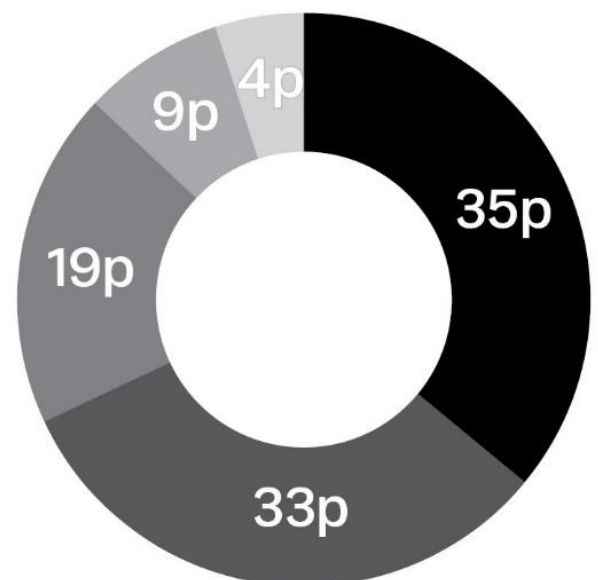
**Void and Bad Debts:** Money that cannot be recovered such as rent loss due to houses being vacant or chasing debt that is uneconomical to recover = **4p per £1**

**Employee Costs:** Salaries and associated costs of those delivering landlord services to tenants = **9p per £1**

**Operating Costs:** IT systems and equipment, office accommodation costs, tenant participation and running costs of the service = **19p per £1**

**Repairs and Maintenance:** All costs associated with maintaining and improving our properties = **33p per £1**

**Loan Charges:** These are payments the council makes to the *Public Works Loan Board* for the finance it has borrowed to deliver its capital investment plans, mainly for the modernising of existing homes and the building of new council houses = **35p per £1**



### East Lothian Council rent

Your rent money keeps the housing service running and allows us to improve and invest in your houses and deliver housing services. We want to make sure that rent charges remain affordable for tenants, but we also need to deliver a level of service that meets national standards.

## **We are currently considering the following three options for a 2024/25 rent increase:**

### **Option 1**

A **5% rent increase** will mean that the average rent will rise by an average of £3.82 each week (please note that this is against the average rent figure but should give you an idea of the approximate level of increase you can expect). This would allow our current investment programme to be delivered but with no flexibility should there be further increases in cost.

We are aware that we have new guidance coming from the Scottish Government before the end of the year which is likely to result in increased spend to ensure our stock meets the new energy efficiency standard. This requirement may result in us having to reduce investment in other areas such as kitchens and bathrooms.

We are also seeing construction costs continue to increase which is having an impact on our maintenance and new build programmes. The 5% has been modelled on existing costs so if costs were to increase further, the number of kitchen and bathroom replacements and new builds would have to reduce.

We have seen a significant increase in the need for adaptations to our existing housing. This increase in demand as well as the increase in cost has resulted in a waiting list of tenants requiring adaptations as we do not have sufficient funds to meet all demand this financial year.

The pay award for council staff is still to be agreed. Any increase beyond our assumptions may result in a reduction of services to our tenants.

### **Option 2**

A **6% increase** will mean that your rents will rise by an average of £4.59 per week (again using the average rent figure). This increase would generate a further £367,000 of revenue which could help provide some flexibility to allow us to meet the new energy efficiency standard. It will also provide some additional capacity to enable us to plan and deliver more adaptations to meet the needs of our tenants. However, it is likely that we may still need to reduce and reprioritise our investment programmes to ensure they are financially deliverable.

### **Option 3**

A **7% increase** will mean that your rents will rise by an average of £5.35 per week (using the average rent figure). This would generate a further £733,000 of revenue which would allow us to maintain our current investment plans as well as provide additional funding to help meet some of the wider demands such as adaptations, extensions, energy efficiency as well as maintain service levels.

## Housing Revenue Account

The money you pay in rent goes into the Housing Revenue Account to pay for delivering the housing service and towards paying loan charges (the borrowing is used to help deliver the modernisation and new build programmes). The Scottish Government provides guidance on what we can spend Housing Revenue Account (HRA) money on. There is legislation in place to make sure that money from rents is used to provide services that will benefit existing and future tenants. To pay for the significant investment required to improve existing houses and provide more new council homes, we must also borrow money and make repayments over several years.

The Housing Capital Improvement Programme sets out how much money the council plans to spend on improving existing council homes and providing new ones. Our spending commitment for 2023-24 is shown below:

<b>Housing Capital Investment Programme</b>	<b>£s</b>
Modernisation (existing houses including extensions)	13,208,629
New Council Housing	19,037,000
Fees	1,438,000
Mortgage to Rent*	280,000
<b>Total</b>	<b>33,963,629</b>

*\*The **Mortgage to Rent Scheme** is run by the Scottish Government.*

*It aims to assist those whose homes are at risk of being repossessed to stay in their homes.*

The modernisation budget will ensure all our stock meets national standards as well as delivering new adaptations, new kitchens, new bathrooms, roofing works and a new window and door programme. The new build budget should deliver 240 new build completions with a further 41 site starts.

## Have your say

We value your views on the council's Rent Level Consultation and proposed rent increase. This consultation is an important opportunity for you to have a say on our proposals and plans for continued improvements in 2024-25 and we would urge you to take part. The council consults with tenants, tenants and residents' groups, and East Lothian Tenants and Residents Panel (ELTRP) on any proposals to increase rents.

At the end of this consultation, we will use the results to prepare a report for a special budget meeting of East Lothian Council in February 2024. At this meeting, councillors will decide the level of rent and service charge change for council tenants in the year 2024-25. We will then write to tell you what your rent and service charge will be. You should receive a letter at least four weeks before Monday 1<sup>st</sup> April 2024, which is the date that your payment will be adjusted, subject to the decision at the budget meeting.

Yours sincerely,

**Wendy McGuire, Head of Housing**

The questionnaire is also available to complete online at:  
[East Lothian Council - Citizen Space \(eastlothianconsultations.co.uk\)](http://eastlothianconsultations.co.uk)