

Stirling Council

Agenda Item No. 3

Stirling Council

Date of Meeting: 17 February 2022

Not Exempt

Housing Revenue Account Rental Strategy 2022/23

Purpose & Summary

This report seeks approval for a rent increase for Council house rents, garages and pitch sites for 2022/23.

Recommendations

Council is asked to:

1. approve an increase of 1.1% for house rents in 2022/23;
2. approve an increase of 1.1% for garages and pitch sites in 2022/23; and
3. approve the Housing Revenue Account budget for 2022/23, as detailed in Appendix 2.

Resource Implications

The recommended rent increase for 2022/2023 will contribute towards the funding of the proposed Housing Revenue Account Capital Programme for 2022/23. The investment will fund a rise in costs to the Housing Revenue Account and will allow for continued investment in measures which improve the energy efficiency of the Council's housing stock. Investment in renewables is required to ensure compliance with the Energy Efficiency Standards for Social Housing (EESH-2020) and the new Energy Efficiency Standards for Social Housing (EESH-2032), where specific targets require to be met by December 2032. This investment will further reduce the carbon emissions from the Council's social housing stock.

Legal & Risk Implications

There is a legal requirement of the Council arising from the Housing (Scotland) Act 2001 to consult Council tenants and have regard to their views when considering any proposal to increase rents. The Housing (Scotland) Act 2001 also requires that Stirling Council must give tenants at least 4 weeks notice of a rent increase. This report gives Members assurance that these statutory obligations will be met.

Should there be no rent increase there is a risk that the Housing Service will not raise enough income to cover known costs for the forthcoming financial year.

Background

- 1.1. As part of the 2014/15 rent setting process, the Council agreed to move away from 'inflation plus' and instead use a 'cost of service' approach. The current approach involves provision of a breakdown of known cost pressures and savings for the forthcoming financial year with consultation on the balance of cost savings versus rent increases, in order to produce a balanced budget.
- 1.2. A full consultation process for rent setting for 2022/2023 was agreed in October 2021 in consultation with the Housing Advisory Group (HAG). This process involved providing tenants with a newsletter containing information about the rent consultation, response questionnaire, reply paid envelope and information on the option to complete online via the Engage Stirling platform on the Council's website. The consultation began in late November and continued until 24 December 2021. Detailed results of the consultation are shown in Appendix 1.
- 1.3. This year's consultation with tenants was carried out on the basis of presenting three rent increase options: 1.1%, 1.5% or 1.7%.
- 1.4. The first rent increase option would raise an additional £232,000 in rental income to enable the Service to meet employee and inflation cost pressures; enable investment in 250 kitchens, 200 bathrooms, 200 central heating units, window replacements in 200 properties and to build or purchase approximately 70 properties. This option would also provide £0.9M of investment in renewables for 137 properties, including properties being constructed in 2022/23 and installations in council owned flatted properties within mixed tenure blocks. A full breakdown of the cost pressures is detailed later in the report.
- 1.5. The second rent increase option of 1.5% equates to an additional £300,000 in rental income and would allow the Service to meet employee and inflation costs, deliver all the investments above, plus additional improvements including investing £1.250M in 238 homes, providing renewable technology such as Solar Photovoltaic (PV) and Battery Storage.
- 1.6. The third rent increase option of 1.7% equates to an additional £350,000 in rental income and would allow the Service to meet employee and inflation costs, deliver all the investment options in the 1.1% rent increase, plus additional improvements including investing £2.0M in 372 homes, providing renewable technology such as Solar Photovoltaic (PV) and Battery Storage.
- 1.7. The results show support for a 1.1% rent rise to enable the Council to continue with the proposed investment programme for 2022/23.
- 1.8. The detailed budget for the Housing Revenue Account 2022/23 is shown in Appendix 2.

1. Considerations

- 1.1 The Council is legally required to consult tenants and have regard to their views when making decisions about proposed rent increases.
- 1.2 Tenants have previously requested that consultations are presented on the basis of 'pounds and pence' rather than percentage figures.
- 1.3 All tenants have been consulted on the proposed increase and the results are shown in paragraph 2.15 and Appendix 1.

- 1.4 The Council is asked to approve a rent increase of 1.1% for 2022/23 as supported by 66.48% of tenants who responded to the consultation. This represents an average rent of £77.59 (£0.84 increase) in 2022/23 over a 48-week rent period. The full rent structure is set out in Appendix 3 to this report.

Housing Revenue Account 2022/23

- 1.5 The Housing Revenue Account budget for 2022/23 is projected to spend to budget.
- 1.6 The level of retained balances was agreed in the Business Plan Review in 2014. The value of these balances is £0.986M.
- 1.7 The Housing Revenue Account budget for 2022/23 is detailed in Appendix 2. The majority of costs have been held at, or around, the value of the 2020/21 budget. The main exceptions to this are explained in paragraph 2.9.
- 1.8 The key assumptions used in setting the budget are set out below:
- 1.8.1 An increase of £156,000 in salaries and increased staff costs in relation to the assumed 1.75% pay rise and staff incremental pay progression;
 - 1.8.2 Increased inflation costs of £18,000; and
 - 1.8.3 Increased loan charges of £58,000. Loan charges are anticipated to increase as a result of further investment in the Solar PV and Battery Storage Installation Programme.
- 1.9 The net cost pressure to tenants is £232,000 which equates to a 1.1% increase in rent.
- 1.10 There is no national guidance for landlords and tenants on affordability and how to consult on proposed rent increases. It is for social landlords to develop their own consultation process. In response to requests by HAG, the housing service has used an affordability tool developed by the Scottish Federation of Housing Associations and Housemark. The findings of this tool confirmed that all three rent options can be considered as an affordable rent.
- 1.11 The rent consultation process for 2022/23 was agreed by the Housing Advisory Group at a special meeting on 1 October 2021. As in previous years, there has been full consultation with tenants and detailed discussions of the rent increase options and costs with the Housing Advisory Group and Registered Tenants' Organisations.
- 1.12 A rent consultation questionnaire was sent to all tenants through the winter edition of the "Open Door" Tenant Newsletter in late November, with a return date of 24 December 2021.
- 1.13 A total of 371 responses were received, 35 of which were received via the Engage Stirling platform. This equates to a response rate of 6.9%. This compares with 501 responses (9.3% response rate) for the 2021/22 consultation. The results are as follows:
- 1.13.1 66.48% supported the proposed 1.1% rent increase, 23.01% supported a 1.5% increase and 10.51% were in favour of a 1.7% increase. 19 respondents failed to answer this question.
 - 1.13.2 271 (74.66% of respondents) were of the view that the rent for their property represents 'very good' or 'fairly good' value for money.

- 1.14 A 1.1% rent rise will mean that the 'average' rent will increase by £0.84 per week over the 48-week rental period, from £76.75 in 2021/22 to £77.59 in 2022/23.
- 1.15 The table below shows the current rent charges and the proposed rent charges for 2022/23. A full breakdown is shown in Appendix 3.

| | 48 weeks | Increase | 52 weeks | Increase |
|----------------------------------|----------|----------|----------|----------|
| Current average rent for 2021/22 | £76.75 | n/a | £70.85 | n/a |
| 1.1% increase | £77.59 | £0.84 | £71.63 | £0.78 |
| 1.5% increase | £77.90 | £1.15 | £71.91 | £1.06 |
| 1.7% increase | £78.05 | £1.30 | £72.05 | £1.20 |

- 1.16 The average Scottish local authority housing rent in 2021/22 is £77.83 (over 52 weeks). Locally, Forth Housing Association had an average of £81.59 for 2020/21 and Rural Stirling Housing Association an average of £85.23.
- 1.17 Rent increases have been consistently lower than the average for Scotland and Stirling Council's average rent for 2021/22 ensured it remained the second lowest local authority average rent in Scotland. (See Appendix 4).
- 1.18 Stirling Council's rent increases for the last five years have been as follows:
 2017/18 – 0.3% (average increase £0.21 per week over 48 weeks)
 2018/19 – 1.6% (average increase of £1.11 per week over 48 weeks)
 2019/20 – 4.0% (average increase of £2.82 per week over 48 weeks)
 2020/21 – 3.2% (average increase of £2.35 per week over 48 weeks)
 2021/22 – 1.3% (average increase of £0.98 per week over 48 weeks)

2. Implications

Equalities Impact

- 3.1 The contents of this report were assessed under the Council's Equality Impact Assessment process. It was determined that an Equality Impact Assessment was not required as this report is of a technical nature.

Fairer Scotland Duty

- 3.2 The contents of this report were considered in terms of the Fairer Scotland Duty and were determined not to be of strategic importance.

Climate Change, Sustainability and Environmental Impact

- 3.3 Where energy efficiency measures are installed this will reduce the level of greenhouse gas emissions with energy generated via renewable sources where possible.

Other Policy Implications

- 3.4 Increasing the supply of affordable housing through the new build programme will assist those in housing need, support the local economy (including the creation of jobs in the construction industry) and reduce fuel poverty.

Consultations

- 3.5. This report is produced following consultation with all tenants, the Housing Advisory Group, the Tenants' Panel, Registered Tenants' Organisations and the Portfolio Holder and Deputy Portfolio Holders for Housing.

3. Background Papers

- 3.1 EqIA Relevance Check.
- 3.2 Rental Strategy 2021/22 – Special Council, 25 February 2021.
- 3.3 2022/23 Rent Consultation – Housing Advisory Group, 1 October 2021.
- 3.4 2022/23 Rent Consultation – Housing Advisory Group, 21 January 2022.
- 4.1 Housing Revenue Account Outturn Report – Environment & Housing Committee, 11 February 2021.

4. Appendices

- 4.1 Appendix 1 – Rent Consultation 2022/23 results.
- 4.2 Appendix 2 – HRA Budget 2022/23.
- 4.3 Appendix 3 – Proposed Rent Structure for 2022/23.
- 4.4 Appendix 4 – 2021/22 ALACHO Average Weekly Rents Comparison.

Author(s)

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Approved by

| Name | Designation | Date |
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| Stephen Clark | Chief Officer - Housing | 25 January 2022 |

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| Details of Convener(s), Vice Convener(s), Portfolio Holder and Depute Portfolio Holders (as appropriate) consulted on this report: | Cllr Thomson Cllr Gibson Cllr MacPherson |
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| Wards affected: | All wards |
| Key Priorities: | C - We will create more affordable & social housing in all Stirling's communities. We will lead by example as an organisation in setting exceptional standards in building , environmental and employer practice, tenant relations & homelessness prevention |
| Key Priority Considerations: | All |
| Stirling Plan Priority Outcomes: (Local Outcomes Improvement Plan) | Resilient - People are part of safe and caring communities within an attractive and sustainable environment |