

2024-2025

RENT REVIEW CONSULTATION



Introduction

The annual rent consultation exercise aims to set affordable rents, and this is balanced against our business objectives of investing the monies received from the rent you pay to deliver quality modern services, maintain attractive homes, retain well trained staff and create a vibrant community.

Traditionally, the rent conclusion process is assumed to be a one-off event carried out every year, where all the above-mentioned factors are considered and then a percentage increase suggested. However, in reality, the ability to offer meaningful alternatives for rent increase options is constrained by various factors which are noted below and for which the Management Committee need to consider when setting rents.

When you are considering this matter, please bear in mind that we cannot separate affordability from the broader context of the necessity to invest in homes, services, and communities. Your views, particularly on affordability, are part of the consideration which the Management Committee need to consider before making a final decision.



Factors considered by the Committee when reviewing the rent

The following internal decisions have shaped the Management Committee's decision to consult tenants on a **5.7% rent increase**.

- Rental increases have cumulative effect over the income we receive in the current and future years. The last five years have been extremely challenging for our communities through the pandemic and cost of living crisis and during this period we have implemented rent increases below inflation which has effectively meant that the increase in rental income each year has been outstripped by the increase in costs. Over the past four years, there has been a cumulative 7.4% reduction in rent when adjusted for inflation (using each October's CPI) which generally means that if we had applied an inflationary rent increase each year in line with our business plan then your rent would have already been 6.3% higher than it currently is (approximately £5-7 per week on average).

- This theme of reduced rent increases has been evident across the Housing Association sector for the last few years and every organisation is now seeking to reverse this trend so that the long-term financial future of associations is not placed in jeopardy. Looking across the other housing associations we can evidence that the 5.7% increase being proposed by Elderpark is generally below the average being applied by other organisations.



Factors considered by the Committee when reviewing the rent...Continued

- The Association recognises the importance of maintaining cash reserves to proactively plan for potential risks and ensure that we have sufficient cash to invest in the maintenance of your homes. This includes considering the risks which could occur in the wider environment with things like increased interest rates, inflationary pressures, construction and maintenance costs together with many more. To do this we produce annual, five yearly and thirty-year budgets which consider the likely income and costs for each year and any rent increase applied has to ensure that there is enough money to cover the costs of the current and future years.
- The Association is actively exploring opportunities for expansion and housing development, with plans to build 43 dwellings in Nimmo Drive. This strategic initiative aims to address housing shortages and respond to the homeless crisis, labelled an “Emergency” by Glasgow City Council. To fund such projects, it’s essential to maintain cash reserves, especially given the rising average construction costs in building a home which have increased from around £150,000 in 2019 to **£250,000** by 2024.
- The association has seen significant increases in costs over the last few years with this being impacted most severely in relation to our maintenance and home improvement programmes. To put it into context the association invests around 40% of our rental income annually in maintaining and improving homes and we have seen costs rise in this area by around 20% and as the largest proportion of our work we require to ensure that we have enough rental income to ensure we can maintain and improve the homes you live in to the standard that you deserve.
- The increase in tenant expectations for improved services can generally come with potential associated costs. For example, in a reactive repair consultation in October 2023, 68% of tenants expressed a desire to retain a 2-hour timescale for emergency repairs, and 65% preferred retaining the Urgent (2 day) priority. This is an excellent service and one we appreciate is important to our tenants however providing a service of this quality means that there are generally additional costs associated with it.



Factors considered by the Committee when reviewing the rent...Continued

- Tenants have repeatedly stated they are supportive of community regeneration initiatives. This investment has financial considerations, and we allocate some of the rental income to deliver on projects within your community which will have longer term benefits. A significant majority of tenants (63.3%) in a recent consultation expressed willingness to allocate a portion of their rents to fund regeneration efforts and these costs are contained within our budgets.



- Finally, the Management Committee and Senior Management Team spent considerable time looking at what was the lowest feasible rent increase option which would not potentially have a long-term negative effect on the association's financial future. While it is understood that no increase is desired the primary obligation on the Management Committee is to ensure there is sufficient money to ensure that we can meet our obligations to maintain your homes and provide services which are needed across our communities.

Affordability

The Committee has thoroughly examined the affordability of the proposed rent increase, employing a toolkit that assesses the impact on various household compositions in relation to different income levels and rents across diverse property types. The Committee has chosen to adopt the historical benchmark set by the Scottish Federation of Housing Associations (SFHA), which stipulates that no more than 25% of net income should be allocated to rent.

Upon applying this benchmark, it was observed that our rents are comparatively less affordable for certain demographics. Notably, young single individuals are affected due to their lower incomes, influenced in part by minimum wage restrictions. Additionally, larger family houses experience higher rent levels, reflecting the elevated construction costs associated with such properties. This is a common theme across all housing associations in Scotland.



Summary

Elderpark is a local community-based housing association and our purpose is to provide excellent homes and quality services within the local community. The association has been a vital part of the local area over the last five decades and to ensure our continuation we need to make long term decisions. The proposed rent increase is as low as possible but retains our financial health to support short, medium longer-term investment in our homes and services including revolutionising how we deliver affordably, carbon free options to heat our homes.