

# **MANAGEMENT COMMITTEE MEETING**

**Monday 21<sup>st</sup> October 2024**

---

**AGENDA ITEM 12:**

**RENT INCREASE PROPOSAL FOR CONSULTATION 2024/2025**

**REPORT TO** : **MANAGEMENT COMMITTEE**

**AGENDA ITEM** : **12**

**TOPIC** : **RENT INCREASE PROPOSAL FOR CONSULTATION  
2025/2026**

**REPORT BY** : **FRASER STEWART - DIRECTOR**

**DATE OF MEETING** : **21<sup>ST</sup> OCTOBER 2024**

---

## **1. BACKGROUND**

- a) We plan to consult with our tenants on a proposed increase from 11<sup>th</sup> November 2024 through to 16<sup>th</sup> December 2024 with a final recommendation going to Management Committee at their meeting of 3rd February 2025. Further information on the methodology and procedures we will follow is given in Appendix 1.
- b) Consultation on rent increase is a statutory requirement. Beyond this we must have regard to the Scottish Social Housing Charter. This refers to landlords setting rents through consultation to strike a balance between service standards and costs and affordability to tenants; and a requirement for tenants to get clear information on how rental income is spent.
- c) The Association's starting point for annual rent increases and core business planning assumption is that rents increase by CPI +1% until 2036. This assumption has been tested and validated as sufficient and appropriate in an independent financial consultant's (HRC) audit. It takes account of recent huge inflationary increases that we have been unable to pass on to tenants through rent increases over the last 2 years. Therefore, our rents should increase by 2.7%
- d) Our rents should be affordable to those in low paid employment, comparable (to other local RSL providers) and viable. There are no strict definitions of these terms but, by accepted definitions (e.g., the percentage rent represents of net household income), our rents are, technically, "affordable". For example, a conservative calculation is up to 25% of net income (NFHA). A single person, in a full time job on the minimum wage would take home £20,388 (calculated from April 2025 including a 2% uplift) and so a rent of up to £5,097 would be "affordable". Our proposed average 2apt rent is £5,094. Notwithstanding this, in last year's consultation, of the 137 tenants who responded and were not in receipt of any benefits, 92% told us that they 'sometimes' or 'often' struggle to meet their monthly expenses. We therefore must remain mindful that any increase to rent, which is a significant household cost, will cause some degree of financial stress. How our rents compare to our peer group of the largest 14 Associations in Glasgow is given at Appendix 2.

- e) At the time of writing this report, none of the likely increases of our peer group and GWSF Associations are known.
- f) 71% of our tenants receive housing support through Housing Benefit or Universal Credit, which is typically paid directly to NGHHA. A small proportion of the remaining 29% are likely to receive their housing costs through Universal Credit, paid directly to themselves and to which they then pay NGHHA. This number is harder to quantify but is likely to be a limited number of households.
- g) Minimum wage levels were increased by 9.8% in April 2024 and are projected to rise by 3.9% in April 2025 (see <https://www.gov.uk/government/publications/the-national-minimum-wage-in-2024> ). Average weekly incomes growth to July 2024 was 5.1% (see <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/september2024> ). There has been real growth in median incomes since the pandemic (see <https://ifs.org.uk/publications/seven-key-facts-about-uk-living-standards> ) and the main reason for disposable incomes not increasing has been the very large rise in mortgage repayments (much higher than social, and even private rent increases, often topping 100%). Evidence is now pointing to low to middle waged workers getting higher percentage increases than higher paid workers (see <https://www.epi.org/publication/swa-wages-2023/> ). All of this suggests that wage growth of around 4% is a reasonable assumption for our tenant base 4% is what has been assumed as wages growth by the UK government for this year's pension uplift).
- h) How our rents in 2024/25 compare to other providers is detailed in the attached comparison of 3 apartment rents derived from the 23/24 ARC with the rent increase for 2024/25 added to generate 24/25 comparisons (see Appendix 2). This process cannot produce entirely accurate figures for other providers, but it does give reasonable best estimates for comparison purposes. We compare tolerably well to the peer group of the 14 largest Associations in Glasgow (6.6% above the average of the peer group), and the Scottish average for all RSLs (we are 7.1% below this average), for a measurably better product (in terms of extent of improvements, amenity and stock type) and service (we out-perform the vast majority of other RSLs in nearly all categories).
- i) Our business plan needs a CPI +1% increase for the foreseeable future. Nothing has happened in terms of costs that would suggest a lower increase is tenable. All of our costs tend to have increased, or are likely to increase, by more than inflation, and we will need several years of above inflation increases to recover our pre-pandemic financial position.

## 2. KEY ISSUES

- a) Over 71% of our tenants on Housing Benefit / Support will get any proposed increase met in full unless the increase takes the rent above the Local Housing Allowance (which it won't as the LHA is significantly higher than our rent) or the increase results in the benefit cap being breached. This would be highly unlikely, and we appear not to have any potential cases.
- b) There is now real growth in wages (for a second year) and there is evidence that pre pandemic real wages levels have been restored, for some at least.
- c) Our rents still represent good value. Generally, they are similar to other Associations, as the attached comparison of 3 apartment rents for 2023/24 at Appendix 2 shows.
- d) Our rents are much less than half that of the private rented sector which is our main "competitor", particularly for those not eligible for Housing Benefit/Housing Support through Universal Credit. Glasgow's average rent was £14,256 p.a. for a 2 bedroom flat in September 2023. (see <https://www.ons.gov.uk/visualisations/housingpriceslocal/S12000049/> ).

## 3. CONCLUSION

- a) These remain times of major financial hardship for our tenants, particularly those who are in relatively low paid employment. Any increase is going to be unwelcome for households not in receipt of benefit.
- b) From a tenant and public perception perspective, any increase above inflation in the context of an ongoing cost of living crisis is likely to be criticised.
- c) Our Business Plan relies upon a CPI +1% increase. The plan is efficient and, if anything, does not raise high enough cash reserves in some years.
- d) In our latest Tenant Satisfaction Survey, 94.2% considered our rents to very or fairly good value for money (compared to the Scottish average of 81.6%) with only 1.8% considering it poor or very poor value for money.

## 4. RECOMMENDATIONS

Committee are asked to consider the following proposals:

- a) Continue to seek to consult with as many of those on low incomes, but ineligible for Housing Benefit/Housing Support through Universal Credit, as we possibly can.
- b) For all stock: consult on an increase of 2.7%. On a typical 3 apartment rent of £106.45 per week this means an increase of £2.87 per week to £109.32

(equivalent to an annual increase of £149.24 to £5,684.64 p.a.). Apply the same increase to service charges that is agreed for rents after consultation with tenants.

- c) Consider reviewing inflation in our core costs up to September each year. These typically rise by significantly more than inflation and if that results in significant increases then that must be taken into consideration alongside CPI.
- d) Reviewing the affordability issue in detail, including taking account of the tenant data we have though the recent Socio-Economic study.

Committee should note that applying an increase below our CPI+1% Business Plan assumption will likely mean a further extension in the period over which we need to apply above inflation increases.

## APPENDIX 1

### RENT CONSULTATION PROCESS FOR 2025/26 RENT SETTING

#### 1. TIMESCALES

We will be consulting with tenants from date to 11<sup>th</sup> November 2024 to 16<sup>th</sup> December 2024 date. This is a 4 week consultation period.

The consultation report and recommendation will go to Committee for decision on 3<sup>rd</sup> February 2025. A project plan is tabled as follows:

<b>Consultation Plan</b>	
Consultation starts	11 <sup>th</sup> November 2024
Consultation ends	16 <sup>th</sup> December 2024
Management committee decision	3 <sup>rd</sup> February 2025
Decision communicated to tenants and notification of increase	No later than 31 <sup>st</sup> March 2025

#### 2. METHODOLOGY

All tenants will receive a copy of the Your Rent newsletter (expected delivery date is 11<sup>th</sup> November 2024) and all tenants will be invited to take part in the consultation with a paper survey included as part of the newsletter.

We will continue to specifically encourage consultation returns from tenants who are not in receipt of any government support to pay their rent. To increase feedback from this group the rent consultation campaign will be targeted accordingly.

- **Rent Consultation questionnaire (paper)**

The paper questionnaire is sent out to every tenant as an attachment to the Your Rent consultation newsletter. A stamped addressed envelope is included to encourage returns. Housing Management staff will input the responses into the online survey monkey questionnaire.

- **Rent Consultation questionnaire (online)**

We will send a text message link to the survey monkey to all tenants that we hold a mobile number for. Additionally we can target reminder text messages to those who are not in receipt of government support to pay their rent.

- **Direct Telephone questionnaire**

Housing Management staff will call tenants directly to ask them if they would like to take part in the rent consultation. Staff will input the responses directly into the survey monkey questionnaire.

- **Tenant Panel**

Tenant Panel will be consulted with on the proposal.

### **3. INCENTIVE**

We will offer an incentive to encourage responses to the consultation. The incentive will be in the form of a prize draw with five tenants winning £50.

### **4. CONTACTING TENANTS**

Tenants can complete the survey without giving us their contact details. This is the case for both independently filled in surveys and results collected by NGHHA staff.

If tenants wish to enter the prize draw they will need to give us contact details but we will not use them to contact them for any other purpose.

Tenants who leave their contact details specifically to be contacted about the proposal by a member of staff will not be contacted for any other reason. Tenants who wish to be contacted by a member of staff will be responded to by the Housing Management staff member who inputs their questionnaire (or an appropriate staff member identified by this officer).

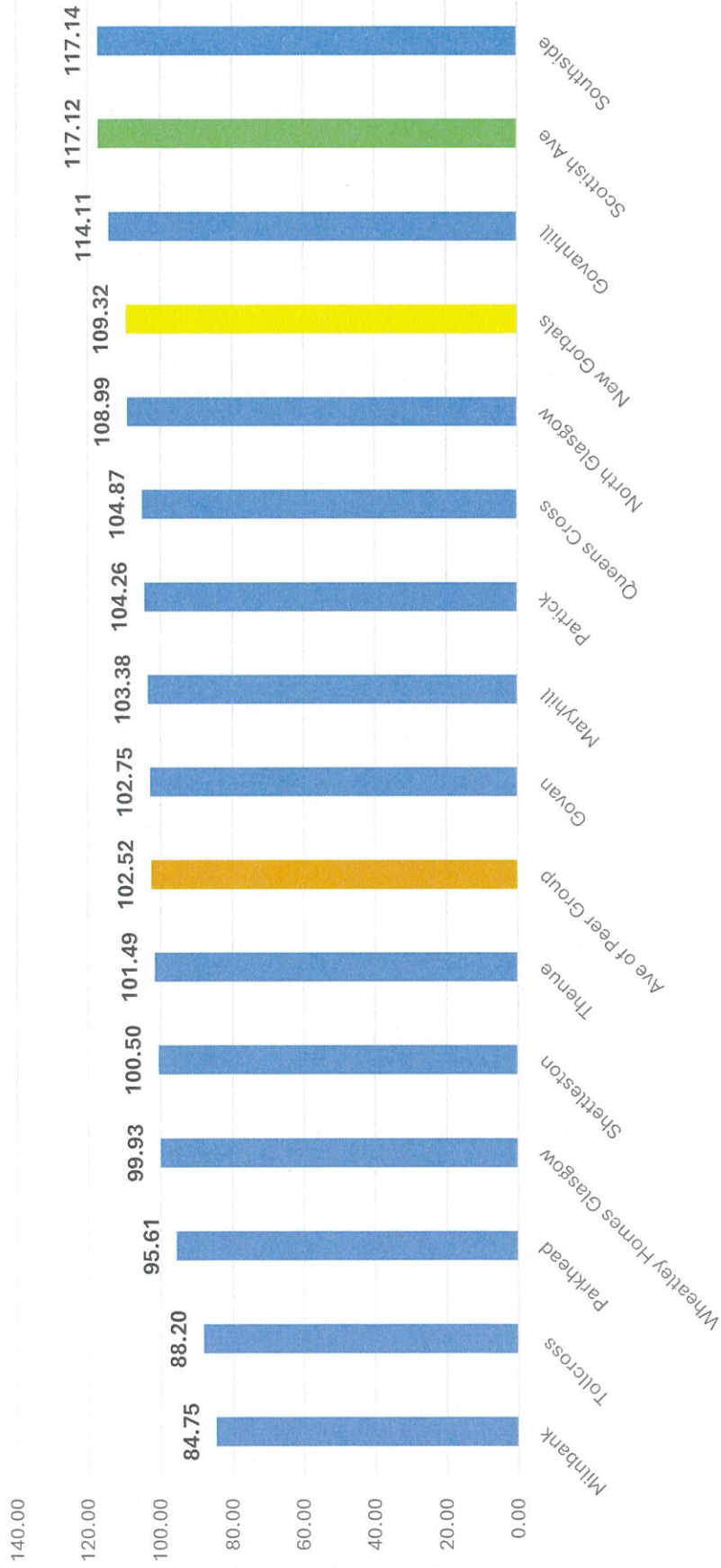
### **5. INFORMATION TO TENANTS**

All tenants will be sent a newsletter to advise them of the proposed increase and will then be written to directly to advise them of the agreed increase. The 'Your Rent' newsletter will arrive by 11<sup>th</sup> November 2024 and will;

- Advise the tenants of the Association's proposed rent increase for 2025/26,
- Explain why we are proposing an increase,
- Explain the consultation process,
- Invite tenants to participate in the consultation by returning the attached questionnaire,
- Explain the process for deciding what the increase will be,
- Compare our average rents (including service charges) with Govanhill Housing Association, Wheatley Group Glasgow, Southside Housing Association and the Scottish average for Registered Social Landlords,
- Provide information about the importance of paying rent,
- Give information about Welfare Rights Officers,
- Include a pre-paid envelope,

## Appendix 2

Rents 3 apt ave weekly rent 2025/26  
Peer Group - 1.7% CPI Applied  
NGHA - 1.7% CPI & 1% Applied





# **MANAGEMENT COMMITTEE MEETING**

**Monday 21<sup>st</sup> October 2024**

---

**AGENDA ITEM 14:**

**GCC ENGAGEMENT ON PARKING**