



LORETTO HOUSING ASSOCIATION

BOARD MEETING

Tuesday 10 January 2023 at 14:00

By videoconference

AGENDA

1. Apologies for absence
2. Declarations of interest
3. 2023 rent setting – tenant feedback and next steps
4. AOCB

Report

To: Loretto Housing Board

By: Laura Henderson, Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: 2023 Rent setting – tenant feedback and next steps

Date of Meeting: 10 January 2023

1. Purpose

1.1 This report:

- provides the Board with feedback from our extensive tenant engagement on our 2023 rent setting proposals;
- provides an update on the wider sector position in terms of consulting tenants on their rent increases for 2023/24; and
- sets out and seeks approval of the 2023/24 rent increases and the next steps, process and timeline for consulting our tenants.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for the Group rent setting framework. Individual RSL Boards approve their rent increases within this framework. The Group Board agreed rent setting parameters at their meeting on 26 October 2022.

2.2 Following this a briefing note was issued to the Board providing an update on the legislative position, planned approach to tenant consultation and the next steps. The Board subsequently considered the feedback from our tenants at that point and agreed to the proposed increase for consultation at our meeting on 28 November 2022, subject to the confirmation of any rent cap for 23/24.

2.3 At its meeting on 14 December 2022, the Group Board considered the feedback from tenants during the independently facilitated focus groups and individual interviews. The Group Board approved the options for consultation subject to formal agreement by this Board and confirmation by the Scottish Government there would be no rent cap for social landlords.

3. Background

- 3.1 The Board agreed our rent setting proposals for 2023 at its last meeting, taking into account financial viability, affordability and comparability. The Board noted that an additional Board meeting would be convened once the Scottish government had confirmed the rent cap position for 2023/24.
- 3.2 It has now been confirmed that the powers created by the Cost of Living (Tenant Protection) Act 2022 in relation to social sector rents will expire from March 2023, and there will be no rent cap or freeze in place for social landlords from that date.
- 3.3 Following this confirmation, in advance of this meeting the draft rent consultation brochure was circulated to the Board for feedback and agreed by the Chair. The booklet being issued remains subject to Board approval at this meeting to formally initiate tenant consultation and the associated timescales.

4. Discussion

Tenant engagement

- 4.1 Engagement and consultation are key elements of our rent setting framework. The complexity of this was increased by the economic climate for us and our tenants, the legislative context of a rent cap and the associated potential for confusion regarding rents for 2023.
- 4.2 Based on this we agreed to seek as wide a range of independently facilitated tenant feedback as possible to inform our rent setting consultation. This comprised our planned pulse survey (conducted one to one in customers' homes) including questions on our rent proposals as well as focus groups. It is important to note that both were undertaken by independent customer insight and research firm BMG. BMG also selected those to be interviewed.

Individual tenant survey interviews

- 4.3 BMG interviewed tenants over November, prior to confirmation that there would be no Scottish Government rent cap. These were all undertaken in person, in customers' homes and in a consistent way. In total BMG talked to 250 of our tenants (2351 customers across the Group).
- 4.4 The interviews included setting the context for our rent setting, in particular the challenging financial climate, the impact this is having on the costs of delivering services and investment and that we are also mindful of the impact it will be also having on our tenants. This is in keeping with what we would provide at focus groups and in our rent consultation brochures.
- 4.5 Based on feedback and advice from BMG, we did not go through multiple options with tenants in the individual interviews. Their advice was to make it a straightforward choice between a base option and a higher option which would provide an enhanced range of services and investment.
- 4.6 On this basis customer feedback was sought in three key areas:

1a) For Loretto, tenants' view on the lowest increase of 3.9% relative to the 6.5% necessary to retain current service and investment levels

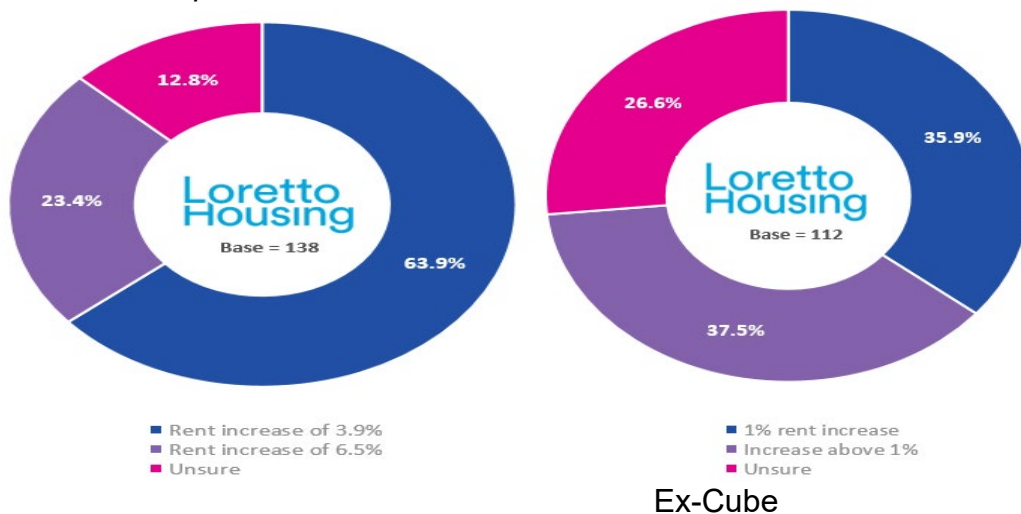
1b) For ex-Cube this was the partnership commitment vs a higher option to deliver additional investment

2) Customer views on a rent freeze relative to the impact it would have on services and investment

3) Key services customers want us to prioritise if difficult financial decisions need to be made.

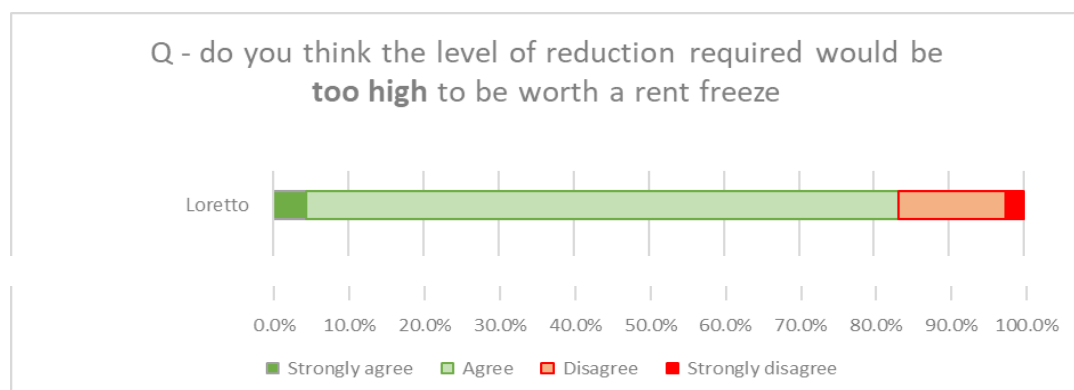
4.7 The results of the interviews were as follows:

Preferred rent option



* *Unsure is where the customer either did not wish to commit to a preference on either option*

4.8 In relation to the rent freeze, there were a number of customers who elected not to express a firm view (i.e. opting for the neither agree nor disagree option). Excluding those individuals*, the feedback from the interviewees was as follows:



*89/250 neither agreed nor disagreed

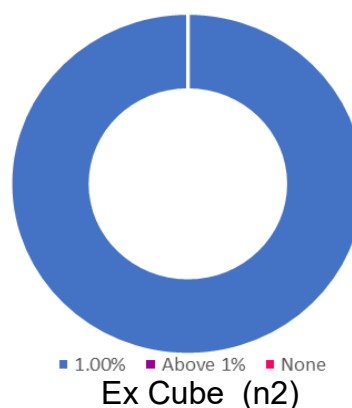
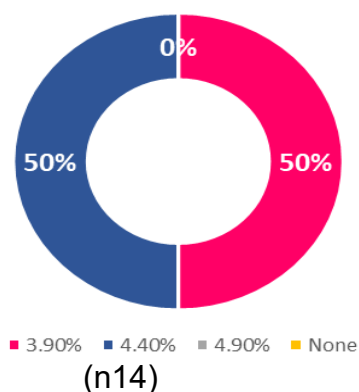
4.9 The feedback clearly demonstrates that tenants are prepared to support a rent increase and a large proportion, approximately one quarter, are prepared to pay a higher option to reduce the impact on services and investment. The results also firmly confirm that the majority of tenants interviewed did not support a rent freeze.

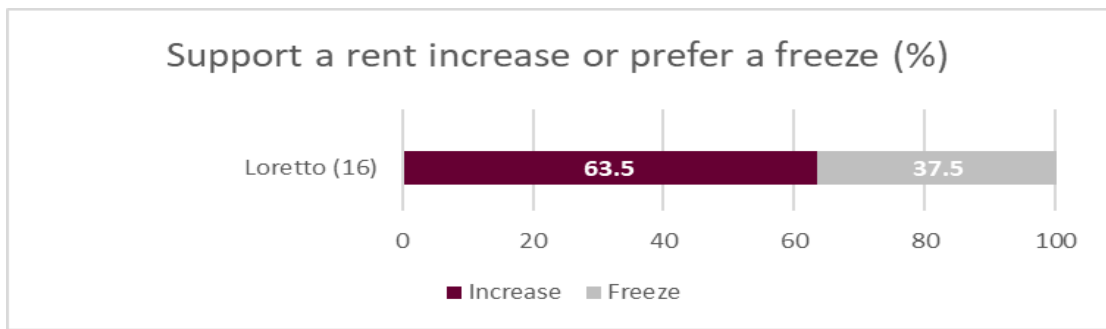
4.10 When we asked customers what services they wished us to prioritise the results were consistent across all RSLs: repairs; frontline staff (Housing

Officers); the CFC; and 'major investment'. The same consistency applied to services that tenants considered less of a priority, such as: advice services; neighbourhood activities; employment/training programmes. The feedback from BMG was that although such services are high impact for those who receive them as they are not universally accessed, they are comparatively less of a priority for customers.

Focus groups

- 4.11 The focus groups provide an opportunity to have a more in-depth discussion with tenants and were within a group dynamic. Focus group attendance exceeded expectations, with 16 attending a total of 3 focus groups.
- 4.12 The focus groups followed the previously agreed structure as follows:
- Introduction from senior staff member covering how rent was spent in 2021/22 and what it delivered, how we compare to other landlords and the key challenges informing our rent proposals;
 - BMG facilitated discussion on the three options (base and two 0.5% increments) and seeking attendees' preference;
 - Feedback sought from attendees on what services/investment they most value and want us to continue to prioritise;
 - Setting out the impact a rent freeze would have, why we do not think it would be right to propose one but seeking attendees' views on whether they would support a freeze.
- 4.13 It is important to note that during all discussions on the options and rent freeze no staff members were present and all the discussion and voting was facilitated independently by BMG. The results were as follows:





- 4.14 The focus group results are consistent with the results of the individual interviews. A clear majority supported one of the rent increase options and did not support a rent freeze.
- 4.15 The feedback from BMG was that there were some consistent themes from across the focus groups:
- Tenants recognised the challenges we are facing and that the proposals were all significantly below inflation;
 - The vast majority of tenants value the services they receive and recognised that a rent increase was necessary to retain them;
 - There was concern about the wider impact of the cost of living crisis on affordability for the wider tenant base
- 4.16 In terms of tenant priorities, the results were again consistent across our customers and with the feedback from the interviews as follows:
- Repairs service
 - Customer First Centre (“CFC”)
 - Staff community presence (Housing Officers)
- 4.17 These priorities also reflect the common themes of our first pulse survey. The focus groups allowed BMG the time to explore the priorities in further detail. A recurring theme for the CFC is that as it is very often the first point of contact it is very important.

Summary

- 4.18 The interviews and focus groups have over 260 tenants provide feedback on our rent setting proposals. They clearly show that the majority of tenants are prepared to support a rent increase to protect services and investment and do not support a rent freeze.

National position

- 4.19 The Scottish Federation of Housing Associations (“SFHA”) have coordinated a Statement of Intent (“SOI”) to Scottish Ministers which has the support of a large number of RSLs.

- 4.20 The SOI states “*the average rent increase will be around 6.1% across the country*”. We understand this is the average of the highest options RSLs are consulting on. This is materially higher than our proposed options.

RSL rent increases for tenant consultation

- 4.21 At our November meeting, the Board confirmed the following rent increase options which it is proposed are now affirmed for tenant consultation:

	Options
Loretto Housing	3.9%, 4.4% and 4.9%
Ex Cube	1%, 1.5% and 2%

- 4.22 These were reflected in the main draft consultation booklet circulated to the Board for feedback and agreement. The proposed key steps and timelines for the consultation are now as follows:

Step	Timescale
Formally approve commencing consultation.	today
Consultation period - operated independently by Civica Election Services	Approximately 23 January – 6 February
Board receives consultation results and approves rent increases	10th Feb
Group Board agrees all rent increases	22 nd February
Rent increase letters issued	23 rd Feb onwards

- 4.23 The timescales and consultation period are necessarily truncated. It is intended that the consultation will run for 14 days. The first day of the consultation will be as soon as we can practically have the brochure issued to tenants. The process for this is underway but is subject to a lead time of up to ten days for printing and mailing to tenants.

- 4.24 We will again use Civica election services to independently facilitate the consultation and provide us with independently verified results. As part of this we will also introduce the ability to respond to Civica by text or phone, as has successfully worked for stock transfer ballots. We will encourage tenants to use these methods, in particular given ongoing industrial action at Royal Mail.

- 4.25 This timeline is very tight and this does mean that the rent setting paper will require to be issued at shorter notice to the February meeting to allow the consultation to conclude and us to receive the results from Civica.

5. Customer Engagement

- 5.1 The combination of the individual interviews and focus groups has seen the highest ever number of customers involved in shaping our rent setting proposals. They have shown, as set out in the report, strong support for our proposals and the majority did not support a rent freeze.

6. Environmental and sustainability implications

- 6.1 There are no environmental or sustainability implications associated with this report.

7. Digital transformation alignment

- 7.1 Tenants will be able to participate in the consultation through a wide range of means, both in person and digital. Responses will also be able to be emailed to the independent provider Civica. We will use a wide variety of digital and social media approaches to publicise the consultation.

8. Financial and value for money implications

- 8.1 Our proposed rent increases strike a balance between affordability for our tenants during a period of pressure on household budgets, the preservation of appropriate levels of investment in our homes, services to tenants and the financial viability of the business.
- 8.2 To achieve this rent proposal additional cost efficiencies have been required as well as a decision taken on deferment of £0.1m from 23/24 of core investment spend out beyond 2025/26.

9. Legal, regulatory and charitable implications

- 9.1 Consultation with tenants on any increases in rent or service charges is a requirement of the Housing (Scotland) Act 2001. The tenant engagement to date and approach set out in this paper will meet our requirement to consult under the Act.

10. Risk Appetite and assessment

- 10.1 Our risk appetite in relation to business planning assumptions such as rent increases is open. This is defined as *“willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward”*.
- 10.2 In relation to the statutory requirement in consulting and engaging tenants on any rent increase, our risk appetite is averse, that is *“avoidance of risk and uncertainty is a key organisational objective”*.
- 10.3 The operating context is such that we needed to manage the risk associated with not meaningfully consulting with tenants and the practical restrictions on how we conduct the process. We have mitigated this risk to the extent possible with our approach.

11. Equalities implications

- 11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

- 12.1 Our engagement has given us a very strong sense of tenants' views on our rent setting proposals and priorities more widely. Over 260 customers having been involved in interviews and focus groups we can be confident that our proposals have been shaped by tenants ahead of a full tenant consultation.

12.2 The independently facilitated engagement has clearly identified that the majority are in favour of a rent increase to preserve services and investment as much as possible and do not support a rent freeze.

13. Recommendations

13.1 The Board is asked to:

- 1) Approve the options for consultation by for Loretto and ex-Cube customers as set out in paragraph 4.21; and
- 2) Approve the keys steps and timeline for consultation with tenants as set out in paragraph 4.22.

LIST OF APPENDICES:

None