

HAVE YOUR SAY

Rent Increase
April 2023

This leaflet gives you
information about the rent
increase due in April 2023.

The rent increase is one of the most important decisions
OTHA makes each year. It affects every tenant and all
of our services. **We need your help to get it right.**

This leaflet or any information requested can be made
available in large print or another format if required.



When Will Decisions Be Made?

OTHA's Management Committee meets on 13 February 2023 to decide what the rent increase will be. The budget for the coming year is agreed at the same meeting. The budget covers our income and what we will spend in the year.

Tenants are given notice of the increase by the end of February and the increase will start from **1 April 2023**.

Rent

The rent for each property is set by our Rent Policy. The Rent Policy awards points for the features of the property such as the number of rooms, the property type, for example.

Services

Service charges are only made where tenants benefit from a service. They cover things like environmental maintenance (landscaping) and fire safety equipment, like sprinkler systems or fire extinguishers. We aim to recover the full cost of providing the service from all the tenants who benefit.

Who Will Be Affected?

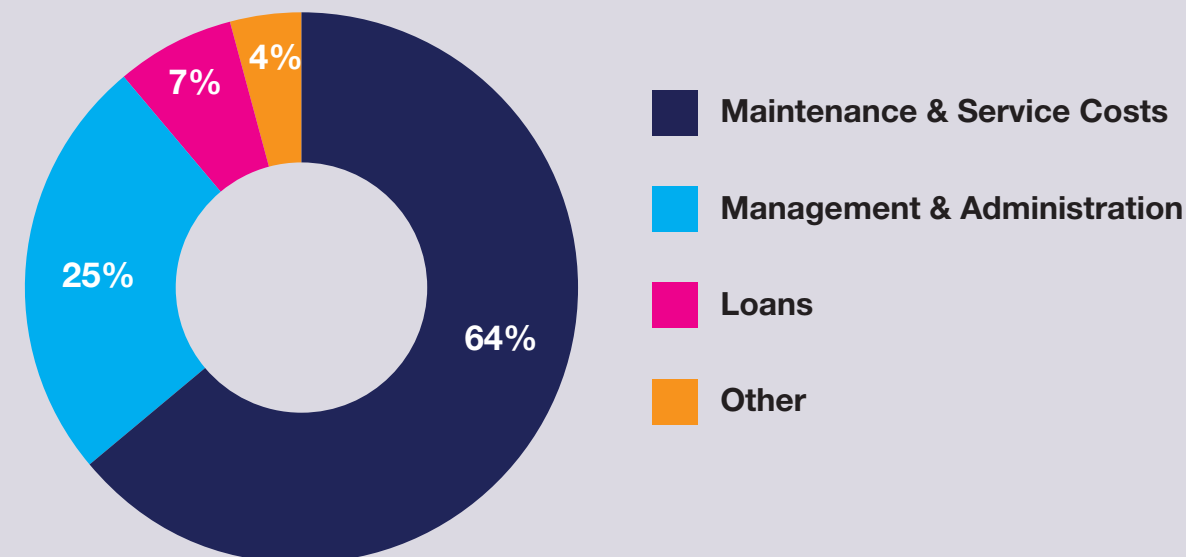
Nearly all tenants are affected by the rent and service charge increase. If you receive Housing Benefit you may not notice changes to your rent charges as your benefit may be increased to cover the change.

If you receive Universal Credit, you need to tell the DWP of the change in your rent. If you don't do this, the housing amount included in your payment will not be increased even though your rent does.

What We Look at when Setting Rents

We have to make sure our income will cover what we need to spend to maintain your home and provide the services to you. We look at what we have spent in the past, what costs are likely to increase, what savings we can make and how much this will leave us with.

This is done over 30 years so that we do not run out of money when we need to spend on big items like new roofs.



The following has been taken into account in the first draft of our 2023-24 budget;

- **Development** – the Association plans to finalise the Strone Farm Development during 2023/24 with an anticipated start date of September 2023.
- **Planned investment in our properties** – e.g. replacement windows, electrical rewiring, kitchens, external and internal doors and other parts of the buildings. £2.5 million is expected to be spent on replacements, which will be funded from our reserves. £173k is expected to be spent on other cyclical work, for example, electrical testing, gutter cleaning, estate improvements. The budget is based on estimated costs, these will be updated as and when contract tenders are received.
- **Staff costs** – salaries, pensions, tax and NI, transport costs, etc. These have decreased by 15%, linked mainly to one off costs in 2022/23 and funded projects coming to an end on 31 March 2022.
- **Reactive and routine repairs** – repairs to our properties and common parts. Costs have increased across the board as we experience significant problems with several of our contractors being unable to deliver the level of service we require. The 2023/24 budget includes a 20% buffer on reactive costs to cover any further potential contractor issues and the risks that come with these uncertainties.
- **Bank loans** – bank loan interest has increased by 130% linked to additional loan funding drawn down during 2022/23 and 2023/24 at a variable rate estimated at over 6.5%.
- **Overheads** – the cost of running the office like heating, rates, printing, stationary, & phones. Overheads have increased by 12% which is based on estimated cost with Inflation of 12% (RPI) added to be prudent.
- The lower than inflation rent increase of 6% that is being considered has only been possible due to the change in life cycles of our components (kitchens, bathrooms and roofs) to bring them into line with the stock condition survey and industry/sector norms.



How Do Our Rents Compare With Other Landlords?

The table below shows data from the Scottish Housing Regulator at 31 March 2022 for the different local landlords who only have stock within Inverclyde. It gives details of the increase applied on 1 April 2022.

At this point in the year, most housing associations are still considering their rent increase and carrying out a similar consultation exercise.

The second table shows the average of weekly rent & service charges for tenants of the local landlords based on the apartment size of their home and the average across all of Scotland.

	Oak Tree HA	Cloch HA	Larkfield HA	River Clyde Homes
Total number homes	1834	1435	379	6088
Actual % rent increase 2022/23	3.0%	2.5%	2.6%	3.8%

Average weekly rent	Oak Tree HA	Cloch HA	Larkfield HA	River Clyde Homes	Scottish Average
1 apt	£65.91	£82.15	n/a	£80.06	£75.95
2 apt	£81.38	£88.61	£63.76	£88.87	£81.32
3 apt	£89.53	£96.01	£88.40	£94.14	£84.18
4 apt	£99.29	£107.07	£102.09	£100.96	£91.48
5 apt +	£111.50	£118.42	£115.59	£109.20	£100.74

These rents are an average of all the properties of that size and there will be variations. Rents are set on the basis of the attributes or features of a property. For example the rent for a 2 bedroom newbuild house with a garden is higher than a 2 bedroom tenemental flat.

OTHA rents in March 2022 compared well against the local landlords.

The rate of inflation (RPI) in October 2022 was 14.2% and CPI was 11.1% (CPI excludes costs associated with Housing, e.g. mortgage costs, council tax, housing depreciation and building insurance).

There is no doubt there are challenging times ahead with rising fuel costs and increases in the cost of living. As a provider of social housing, we are keenly aware that our customer's incomes are not rising at the rate of inflation but their costs are rising sharply. Unfortunately, as a business, we are also affected by rising costs.

How Affordable Are Our Rents?



Last year we carried out our independent tenant satisfaction survey and this was reported in December 2021. Oak Tree tenants were asked if the rent they paid to the Association represented good value for money. 78% of tenants (nearly 8 out of 10) agreed that their rent was very or fairly good value for money. This is slightly lower than our last survey in 2018 when 80% was reported.

The Impact of Covid 19 and the war in Ukraine

Covid 19 continues to have an impact. In addition, the war in Ukraine has impacted economies globally. The result has been higher fuel and material costs and labour shortages that have affected all aspects of our service.

We have resumed all our frontline services with the office now fully open to the public again.

Our planned and cyclical maintenance programme was severely disrupted in 2020/21 and again in 2021/22. We were unable to carry out most of the planned and cyclical works, despite our best efforts. Work is now back on track. However, we are seeing a significant rise in rates from tender returns.

The anticipated average annual cost for delivering the planned and cyclical maintenance programme over the next five years is £2.884 million. The shortages of certain building materials and labour across the construction industry is a problem that is now affecting all housing providers in the UK.

Our Proposal For Next Year

OTHA is proposing a rent increase of 6% for 2023/24.



Service Charges

Services are charged to tenants on the basis of the cost charged to the Association. Some of our supported developments have individual service charges for specialist items and we recover the direct cost of providing these items.

We also provide a landscaping and environmental maintenance service to most of our tenants and owners. Our current contract ends in March 2023 and we are actively looking at alternatives. We may tender a new contract in a similar way to previous years but we are also looking at different ways of providing this service. There will need to be an increase as the costs of providing this type of service have increased.

More information will be provided in the letter issued at the end of February 2023.



How You Can Have Your Say

We want feedback on our proposals for the rent and service charge increase from as many tenants as possible to help the Management Committee make their decision.

We are pleased to be able to hold meetings in our new office premises and we have a programme of meetings planned. If there is a demand, we are considering running a bus which could collect tenants at designated pick up points.

Please let us know if you would like more details and we will see what we can do.

- **By survey** – Complete & return the survey enclosed. We are also sending electronic versions of this survey by text or by email
- **In writing** – Put your views in a letter to Hazel Aitken, the Housing Manager at OTHA or email us at info@oaktreeha.org.uk
- **By phone or in the office** – pass on your comments to any member of staff.
- **Come to one of our meetings** which are being held in our offices on:-
 - Tuesday 10 January 2023 at 6.00pm
 - Wednesday 11 January 2023 at 2.00pm
 - Friday 13 January 2022 at 11.00 am



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