

Council warned of effect of rent freeze on house building

Another rent freeze next year could mean that The City of Edinburgh Council's affordable housebuilding programme is halted, leaving less than half of the planned 10,000 new council homes being built, finance chiefs have warned.

Officers said without significant additional government funding to plug the gap that would be left by freezing tenants' rent for the third consecutive year in 2023/24, the authority could be forced to recede on its targets for new council housing and energy-saving retrofitting works.

Earlier this month the First Minister announced that rents for public and private rented properties will remain the same until next spring in response to the rising cost of living.

Council leader Cammy Day subsequently wrote to the Scottish Government requesting that it remains until rent controls are in place, with current estimates showing they will not be implemented until 2025 at the earliest.

The city's Housing Revenue Account (HRA), which is 95 per cent-funded by tenants' rent and is used to maintain existing local authority properties and build new affordable homes, would lose £121 million over the next 30 years in the event of another rent freeze next year, a report has calculated.

Officers added that the cost of delivering the current 10-year housing investment plan has increased by £600 million since last year as a result of rising construction costs and the war in Ukraine.

Finance officers said rents would have to be hiked by more than seven per cent for the following five years to 2029 in order to meet existing housebuilding and retrofitting commitments.

They added this could be avoided if an extra £61 million is allocated to the council by the Government each year until 2040.

Fears are that this extra cash is unlikely to be made available and the council's executive Director of Place, Paul Lawrence, admitted a 7.4 per cent rent increase in future years would be "extraordinarily challenging" for tenants.

If councillors vote for a rent freeze again when setting the budget in February, Mr Lawrence said "difficult choices" would have to be made to avoid falling into an in-year deficit.

Potential mitigations proposed include halting the local authority's new build programme, in which the council has pledged to deliver 10,000 new council homes by 2034.

Officers said all properties currently in the design and development stage would be taken forward but "no new homes would be brought into the programme".

This would mean just over 4,700 new affordable council houses – less than half the new builds initially planned – would be delivered.

In addition, the report states that to keep the HRA afloat in the event of freezing tenants' rents again, the budget for improving energy efficiency through retrofit upgrades of existing council houses would need to be cut in half.

Councillors on the Housing Committee discussed the implications of a third rent freeze on Thursday (September 29).

Mr Lawrence told members: "We've tried to sketch out what we've got to do, what the financial position is and then what the choices would look like."

Conservative councillor Graeme Bruce said: "If we're going to have a third rent freeze in effect, one; we're not going to be able to deliver energy efficiencies, two; we're not going to be able to deliver repairs to existing council stock and three; we're not going to be able to expand the housing stock to deal with all the extra housing we need.

"My concern is where is this all going to lead to?"

"How are council tenants going to deal with a 7.4 per cent increase over the next five years and what are we going to do to drive down the costs of repairs?"

Cllr Kate Campbell said she was "not ready to give up on the housebuilding programme".

She tabled an amendment calling for the commitment to the housebuilding programme to be reaffirmed, and for a report to be drafted looking into the council's housing funding allocations, which was passed by the committee.

Cllr Campbell said: "I understand why we're having the discussions we are having about a rent freeze because the cost of living crisis is at an impossible level but we also have to recognise what how desperately need social housing is in our city."

by Donald Turvill, Local Democracy Reporter

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