

## **Item: 17**

**Education, Leisure and Housing Committee: 8 February 2023.**

**Council House Rents.**

**Report by Corporate Director for Education, Leisure and Housing.**

### **1. Purpose of Report**

To consider Council House rent levels from April 2023, following consultation.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That a consultation, undertaken in December 2022, in relation to the annual increase for Council House rent levels to take effect from 1 April 2023, proposed the following three options, which are all below the Consumer Price Index (CPI) of 10.1% at September 2022:

- Rental freeze.
- 3% increase.
- 5% increase (capped at £5 per week).

#### **2.2.**

The results of the consultation on the proposed annual increase for Council house rent levels, as detailed in section 4 of this report.

**It is recommended:**

#### **2.3.**

That, with effect from 1 April 2023, Council house rents should increase by 3%, in recognition that the cost of living is having a significant impact on households.

### **3. Background**

#### **3.1.**

A long-term financial model has been developed which looks at the Housing Revenue Account over a 40-year period. Projections require to be regularly reviewed in light of actual spending against budget and changes to other key variables, including the rate of inflation. Rental income is a key part of this process.

### **3.2.**

Additional analysis must also be completed in respect of works required to ensure all properties meet the Energy Efficiency Standard for Social Housing 2 by 2032, as well as the impact of the House Build programme. A separate report is being presented to this meeting regarding the revenue budget for the Housing Revenue Account. Work continues in respect of developing a Business Plan for the Housing Revenue Account which includes financial assumptions for the coming years.

### **3.3.**

The Housing Revenue Account is subject to rising costs and, during financial year 2022/23, the cost of maintaining and improving properties has risen quite significantly.

## **4. Proposed Rental Increase**

### **4.1.**

Nationally the Scottish Government held discussions involving representatives from the Convention of Scottish Local Authorities and key housing bodies, including the Association of Local Authority Chief Housing Officers and the Scottish Federation of Housing Associations, following which a paper was taken to the Leaders' Meeting of the Convention of Scottish Local Authorities. Accordingly, an agreement was reached that, following consultation, rents could potentially be increased by £5 per week.

### **4.2.**

Following the Leaders' Meeting of the Convention of Scottish Local Authorities, internal discussions locally considered the level of rent rise required, in order to maintain affordable rent levels for tenants. It was decided to consult on a range of options, to take effect from 1 April 2022, namely a rental freeze, 3% increase and 5% increase (capped at £5 per week), all being below the Consumer Price Index (CPI) which was 10.1% at September 2022.

### **4.3.**

The average Council house rent in Orkney in financial year 2022/23 is £83.39. This compares to an average Council house rent of £81.04 in Scotland.

### **4.4.**

Orkney currently has the seventh highest rent in Scotland. However, there are two other Councils with rents which are broadly the same as Orkney's. The previous four financial years are in the table below for comparison.

Year.	Ranking within Scotland.
2022/23.	7th highest rent.
2021/22.	4th highest rent.
2020/21.	9th highest rent.
2019/20.	9th highest rent.

#### **4.5.**

In financial year 2022/23, five Scottish local authorities with social rented housing froze their rent levels while the remainder (21) all raised theirs. The average across local authorities was 1.68%, in line with the 2.6% increase approved by the Council.

#### **4.6.**

Following any Council decision to increase rent levels, a 28-day prior notification of rent increases and charges must be sent to all tenants. The Council charges rent over 48 weeks of the year with four weeks being referred to as “free weeks” – one at the beginning of the financial year, two over the festive break and one at the end of the financial year. The first chargeable rent week for financial year 2022/23 will start on 3 April 2023 allowing a 28-day notification period should the Council adopt the proposed rental increase on 7 March 2023.

## **5. Tenant Consultation**

#### **5.1.**

The Scottish Social Housing Charter states that “social landlords set rents and service charges in consultation with their tenants and other customers so that a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them”.

#### **5.2.**

Tenant consultation in respect of the proposed annual increase to Council house rent levels was undertaken during December 2022. This involved a letter and survey being sent to all tenants. The survey was also publicised by press release. The Council is required to consult with tenants and take account of their views.

#### **5.3.**

Tenants were advised that the September 2022 Consumer Price Index was 10.1%, however three options were proposed, to take effect from 3 April 2023 being a rental freeze, 3% increase and 5% increase (capped at £5 per week), in order to keep rents affordable.

#### **5.4.**

Each property is assigned an individual points value based on its features. Tenants have consequently been advised of the proposed charge which would apply to their property from April 2023.

## 5.5.

A total of 906 surveys were sent out to tenants and 84 surveys were returned, equating to a 9.27% return rate, which is lower than last year's response of 12.51%. A different approach was taken with the consultation this year in that three options were given to tenants rather than one option. Not all surveys were completed in full for each question and therefore 100% was not reached in each question. Feedback from the survey indicates a high percentage seeking a zero increase. The full results are shown in the tables below with data from the previous four financial years for comparison.

Year.	Return Rate.	Rise.	Agreed.	Neither.	Disagreed.
2023/24.	9.27%.	Rent freeze.	77%.	4%.	4%.
		3% increase.	13%.	43%.	9%.
		5% increase.	13%.	44%.	8%.

Year.	Return Rate.	Agreed.	Neither.	Disagreed.
2022/23.	12.51%.	28.83%.	26.13%.	45.05%.
2021/22.	14.25%.	37.82%.	16.80%.	45.38%.
2020/21.	13.07%.	36.75%.	27.35%.	35.90%.
2019/20.	14.75%.	32.03%.	25.78%.	42.19%.

## 5.6.

As in previous years, tenants were also asked if they thought the Council should continue to develop new build housing. 80 tenants responded with the vast majority supporting continued housing development as shown in the table below:

Year.	Return Rate.	Agreed.	Neither.	Disagreed.
2023/24.	8.83%.	69%.	10%.	25%.
2022/23.	12.51%.	75.68%.	15.32%.	9.01%.
2021/22.	13.89%.	71.55%.	15.52%.	12.93%.
2020/21.	12.63%.	63.72%.	26.55%.	9.73%.
2019/20.	14.98%.	68.46%.	22.31%.	9.23%.

## **5.7.**

Detailed feedback from the rent review will be published in the Spring 2023 edition of Housing News to inform tenants of the responses to and results of the consultation.

## **6. Corporate Governance**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **7. Financial Implications**

### **7.1.**

Local Authorities which own and lease residential property are required to maintain a separate Housing Revenue Account.

### **7.2.**

Income to this account comes principally from tenants' rents, Housing Benefit subsidy, Universal Credit housing costs and interest on any balances.

### **7.3.**

Rental income requires to be set at a level which ensures an adequate income to cover supervision and management expenses and the cost of repairs and maintenance.

### **7.4.**

The budget for Housing Revenue Account rental income for 2022/23 is £4,186,000. Tenants were advised of three options in respect of a proposed rent freeze, 3% or 5% rental increase (capped at £5 per week). The resultant proposed rental increases would generate additional income of £161,000 for 3% and £260,000 for 5% (capped at £5 per week).

### **7.5.**

The principal driver for the level of rental increases in recent years has been the additional requirements and costs associated with the Scottish Housing Quality standard, the first Energy Efficiency Standard for Social Housing and now the second Energy Efficiency Standard for Social Housing. In addition, the affordability of the House Build Programme has put further pressure on the sustainability of the Housing Revenue Account. As at 31 March 2022 the outstanding loan debt stood at £10,094,315.

## **7.6.**

With the average rental levels rising significantly in recent years the proposal seeks to balance the need to ensure that the rent levels charged ensure the ongoing sustainability of the Housing Revenue Account with the need to apply rent levels which are fair and affordable to the tenants.

## **8. Legal Aspects**

### **8.1.**

In terms of section 210 of the Housing (Scotland) Act 1987 a Council, may charge such reasonable rents as they may determine for the tenancy or occupation of houses provided by them. A council shall from time to time review such rents and make such charges either of rents generally or of particular rents as circumstances may require. In determining standard rents to which their housing revenue account relates, a council shall take no account of the personal circumstances of the tenants. The rent is increased by notice to the tenant in terms of section 212 which must be given at least four weeks before the increase takes effect.

### **8.2.**

Similar provisions are contained within the terms of section 25 of the Housing (Scotland) Act 2001 in connection with Scottish secure tenancies as regards notice, but with a specific duty to consult those of its tenants who would be affected by the proposal and have regard to the views expressed by those tenants.

### **8.3.**

As with all consultations, the Council cannot reach a determinative view until the Council is satisfied that:

- Consultation must be at a time when proposals are still at a formative stage.
- Sufficient reasons must be given for any proposal to enable intelligent consideration and response.
- Adequate time must be given for such consideration and response.
- The product of consultation must be conscientiously taken into account in finalising any proposals.

### **8.4.**

When taking the product of consultation conscientiously into account in finalising proposals, the decision report must include relevant representations made to the authority. It is essential that the Authority takes representations conscientiously into account and avoid any appearance of bias.

## **9. Contact Officers**

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