



Item: 10

Education, Leisure and Housing Committee: 5 February 2025.

Council House Rents.

Report by Corporate Director for Education, Leisure and Housing.

1. Overview

- 1.1. A long-term financial model has been developed which looks at the Housing Revenue Account over a 30-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.
- 1.2. Additional analysis must also be completed in respect of works required to ensure all properties meet the Energy Efficiency Standard for Social Housing 2 (EESH2) by 2032, as well as the impact of the House Build programme. Currently, the outcome of the Scottish Government's review of EESH2 is still awaited.
- 1.3. The Housing Revenue Account is subject to rising costs and, during financial year 2024/25, the cost of maintaining and improving properties has continued to rise. The HRA Business Plan evidences a need to seek rental increases which are higher than CPI in order to ensure that over a 30-year term, additional funds are made available to fund the standards required to be achieved and ongoing building. However the cost of living is having a significant impact on households and therefore there is a need to keep rents affordable.
- 1.4. A consultation was undertaken in December 2024, in relation to the annual increase for Council house rent levels to take effect from 1 April 2025, with proposals for a 3-year term as follows:
 - 2025/26 – 4% increase.
 - 2026/27 – 4% increase.
 - 2027/28 – 2.5% increase.
- 1.5. The results of the consultation on the 3-year proposal for Council house rent levels are detailed in section 4 of this report.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
- i. Agree that, in recognition that the cost of living is continuing to have a significant impact on households and therefore there is a need to keep rents affordable, Council house rents for the undernoted 3-year period increase with effect from 1 April annually as follows:
 - 2025/26 – 4% increase.
 - 2026/27 – 4% increase.
 - 2027/28 – 2.5% increase.

3. Proposed Rental Increase

- 3.1. Locally, following internal discussions on the level of rent rise required, and in order to maintain affordable rent levels for tenants, it was decided to consult on a 3-year period, to take effect from 1 April 2025, with proposed rent increases as follows:
- 2025/26 – 4% increase.
 - 2026/27 – 4% increase.
 - 2027/28 – 2.5% increase.
- 3.2. The above rent levels assume that the Consumer Price Index will remain in the general region of 2%. In September 2024, the Consumer Price Index was 1.7%.
- 3.3. The average Council house rent in Orkney in financial year 2024/25 is £94.69. This compares to an average Council house rent of £90.42 in Scotland.
- 3.4. Orkney currently has the eighth highest rent in Scotland. However, there are three 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.
2024/25.	Eighth highest rent.
2023/24.	Sixth highest rent.
2022/23.	Seventh highest rent.
2021/22.	Fourth highest rent.

- 3.5. In financial year 2024/25, one Scottish local authority with social rented housing froze their rent levels while the remainder (28) all raised theirs. The average across local authorities was 3.89%, in line with the 3% increase approved by the Council.
- 3.6. 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. As the first chargeable rent week for financial year 2025/26 will start on 7 April 2025, in order to allow the 28-day notification period, a Special General Meeting has been scheduled for 24 February 2025 to consider the recommendation from this Committee.

4. Tenant Consultation

- 4.1. The Housing (Scotland) Act 1987 places a duty on local authorities to consult with their tenants about any proposed rent increase, and to take these views into account when considering increases to the rent. 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”.
- 4.2. Tenant consultation covering a rental increase over a 3-year period was undertaken during December 2024. 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.
- 4.3. Tenants were advised that the proposed rent levels assume that the Consumer Price Index (CPI) will remain in the general region of 2%. In September 2024, CPI was 1.7%. Should there be any significant variation in CPI over the 3-year term, tenants will be contacted.
- 4.4. Each property is assigned an individual points value based on its features. Tenants have consequently been advised of the potential rental charges which would apply to their property from 1 April 2025.
- 4.5. A total of 896 surveys were sent out to tenants and 67 surveys were returned, equating to a 7% return rate, which is lower than last year’s response of 10%. The same approach was taken with the consultation as last year in that more than one option was given to tenants. Not all surveys were completed in full for each question and therefore 100% was not reached in each question.

- 4.6. The full results are shown in the table below with data from the previous four financial years for comparison.

Year.	Return Rate.	Rise.	Agreed.	Neither Agreed nor Disagreed.	Disagreed.
2025/26.	7%.	2025/26 – 4%.	34%.	40%.	24%.
		2026/27 – 4%.	33%.	37%.	28%.
		2027/28 – 2.5%.	45%.	25%.	28%.
2024/25.	10%.	6.7%.	33%.	16%.	38%.
		7.2%.	17%.	13%.	58%.
2023/24.	9.27%.	Rent freeze.	77%.	4%.	4%.
		3% increase.	13%.	43%.	9%.
		5% increase.	13%.	44%.	8%.
2022/23.	12.51%.	2.6%.	28.83%.	26.13%.	45.05%.

- 4.7. Detailed feedback from the rent review will be published in the Spring 2025 edition of Housing News to inform tenants of the responses to and results of the consultation.

5. Financial Implications

- 5.1. Local Authorities which own, and lease, residential property are required to maintain a separate Housing Revenue Account.
- 5.2. Income to this account comes principally from tenants' rents, Housing Benefit subsidy, Universal Credit housing costs and interest on any balances.
- 5.3. The Housing Revenue Account's 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.
- 5.4. 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. At 31 March 2024 the outstanding loan debt stood at £8,508,420.

6. Legal Implications

- 6.1. This report contains recommendations that will allow the Council to comply with legal requirements relating to the Housing Revenue Account.
- 6.2. 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.
- 6.3. 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.

For Further Information please contact:

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Implications of Report

1. **Financial:** Detailed at section 5 above.
2. **Legal:** Detailed at section 6 above.
3. **Corporate Governance:** Not applicable.
4. **Human Resources** – None directly related to the recommendations in this report.
5. **Equalities** – An Equality Impact Assessment is not required.
6. **Island Communities Impact** – An Island Communities Impact Assessment is not required. for financial monitoring.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.

8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** – None directly related to the recommendations in this report.
10. **Risk** - None directly related to the recommendations in this report.
11. **Procurement** – None directly related to the recommendations in this report.
12. **Health and Safety** – None directly related to the recommendations in this report.
13. **Property and Assets** – None directly related to the recommendations in this report.
14. **Information Technology** – None directly related to the recommendations in this report.
15. **Cost of Living** – There is recognition that this continues to have significant impact and therefore rents need to remain affordable.

List of Background Papers

None.