

Item: 10

Education, Leisure and Housing Committee: 16 February 2022.

Council House Rents.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider Council House rent levels from April 2022, following consultation.

2. Recommendations

The Committee is invited to note:

2.1.

That a consultation, undertaken in December 2021, in relation to the annual increase for Council House rent levels to take effect from 1 April 2022, proposed an increase of 2.6%, which is below the Consumer Price Index which was 3.1% at September 2021.

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 2022, Council house rents should increase by 2.6%.

3. Proposed Rental Increase

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. Reports are being presented to this cycle of meetings regarding the revenue budget for the Housing Revenue Account and financial plans to meet the Energy Efficiency Standard for Social Housing 2 by 2032. Refinement of the assumptions on the costs of carrying out this work is fed into the financial model as a matter of course. 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 2021/22 the cost of maintaining and improving properties has risen quite significantly. Following discussions between Housing and Finance Services on the level of rent rise required, in order to maintain affordable rent levels for tenants, it was decided to consult on a proposed rental increase, to take effect from 4 April 2022, of 2.6%, being below the Consumer Price Index (CPI) which was 3.1% at September 2021.

3.4.

The average Council house rent in Orkney in financial year 2021/22 is £82.80. This compares to an average Council house rent of £77.83 in Scotland.

3.5.

Orkney currently has the fourth 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. |
|----------|--------------------------|
| 2021/22. | 4th highest rent. |
| 2020/21. | 9th highest rent. |
| 2019/20. | 9th highest rent. |
| 2018/19. | 6th highest rent. |
| 2017/18. | 7th highest rent. |

3.6.

In financial year 2021/22, four Scottish local authorities with social rented housing froze their rent levels while the remainder (22) all raised theirs. The average across local authorities was 1.52%, in line with the 2.0% increase approved by the Council.

3.7.

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 4 April 2022 allowing a 28-day notification period should the Council adopt the proposed rental increase on 8 March 2022.

4. Tenant Consultation

4.1.

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”.

4.2.

Tenant consultation in respect of the proposed annual increase to Council house rent levels was undertaken during December 2021. 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 September 2021 Consumer Price Index was 3.1%, however the proposed rental increase was limited to 2.6% in order to keep rents affordable.

4.4.

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 2022.

4.5.

A total of 887 surveys were sent out to tenants and 111 surveys were returned, equating to a 12.51% return rate, which is lower than last year’s response of 14.25%. Feedback from the survey indicates a sustained proportion of tenants disagreeing and a reduced level agreeing with the proposal. The results are shown in the table below with data from the previous four financial years for comparison.

| 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%. |
| 2018/19. | 16.65%. | 25.18%. | 27.34%. | 47.48%. |

4.6.

For the sixth year as part of this process tenants were also asked if they thought the Council should continue to develop new build housing. 111 tenants responded with the vast majority supporting continued housing development as shown in the table below:

| Year. | Return Rate. | Agreed. | Neither. | Disagreed. |
|---------------|--------------|---------|----------|------------|
| 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%. |
| 2018 to 2019. | 16.05%. | 68.66%. | 23.13%. | 8.21%. |

4.7.

Detailed feedback from the rent review will be published in the Spring 2022 edition of Housing News to inform tenants of the responses to and results of the consultation.

5. 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.

6. Financial Implications

6.1.

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

6.2.

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

6.3.

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.

6.4.

The budget for Housing Revenue Account rental income for 2021/22 is £3,935,200. Tenants were advised that the proposed rental increase would be in line with an increase of 2.6%. The resultant proposed rental increase would generate additional income of £102,300.

6.5.

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 2021 the outstanding loan debt stood at £9,736,628.

6.6.

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.

7. Legal Aspects

7.1.

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.

7.2.

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.

7.3.

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.

7.4.

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.

8. Contact Officers

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