

## **Item: 6**

**Education, Leisure and Housing Committee: 3 February 2021.**

**Council House Rents.**

**Report by Executive Director of Education, Leisure and Housing.**

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

To consider Council House rent levels from April 2021, following consultation.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That a consultation, undertaken in December 2020, in relation to the annual increase for Council House rent levels to take effect from 1 April 2021, proposed an increase of 1.5% plus the Consumer Price Index as of September 2020, namely 0.5%, resulting in a proposed increase of 2.0%.

#### **2.2.**

The results of the consultation on the 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 2021, Council house rents should increase by 2.0%.

### **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 still required to ensure all properties meet the Energy Efficiency Standard for Social Housing 2 by 2032, as well as maintaining the Scottish Housing Quality Standard, the first phase of the Energy Efficiency Standard for Social Housing and the impact of the House Build programme. Refinement of the assumptions on the costs of carrying out this

work is fed into the financial model as a matter of course. Work is well underway in respect of a written Business Plan which will include financial assumptions for the coming years.

### **3.3.**

Following discussions between Housing and Finance Services on the level of rent rise required to meet the spending requirements of the Housing Revenue Account, which is subject to rising costs, the proposed rental increase to take effect from 5 April 2021 requires to be 2.0%. The previous two financial years have been limited to the Consumer Price Index.

### **3.4.**

The average Council house rent in Orkney in financial year 2020/21 is £81.29. This compares to an average Council house rent of £78.58 in Scotland.

### **3.5.**

Orkney currently has the ninth highest rent in Scotland. The previous five financial years are in the table below for comparison.

| Year         | Ranking within Scotland |
|--------------|-------------------------|
| 2019 to 2020 | 9th highest rent        |
| 2018 to 2019 | 6th highest rent        |
| 2017 to 2018 | 7th highest rent        |
| 2016 to 2017 | 7th highest rent        |
| 2015 to 2015 | 5th highest rent        |

### **3.6.**

In financial year 2020/21, all Scottish local authorities with social rented housing raised their rent levels. The average across local authorities was 2.91%, in line with the 1.8% 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 2021/22 will start on 5 April 2021 allowing a 28-day notification period should the Council adopt the proposed rental increase on 2 March 2021.

## 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 2020. 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 rental increase would be 1.5% plus the September 2020 Consumer Price Index which was 0.5%, resulting in a proposed rental increase of 2.0%.

### 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 2021.

### 4.5.

A total of 885 surveys were sent out to tenants and 119 surveys were returned, equating to a 14.25% return rate, which is marginally higher than last year's response of 13.07%. Feedback from the survey indicates a higher proportion of tenants disagreeing with the proposal. The results are shown in the table below with data from the previous six financial years for comparison.

| Year.        | Return Rate. | Agreed. | Neither. | Disagreed. |
|--------------|--------------|---------|----------|------------|
| 2021 to 2022 | 14.25%       | 37.82%  | 16.80%   | 45.38%     |
| 2020 to 2021 | 13.07%       | 36.75%  | 27.35%   | 35.90%     |
| 2019 to 2020 | 14.75%       | 32.03%  | 25.78%   | 42.19%     |
| 2018 to 2019 | 16.65%       | 25.18%  | 27.34%   | 47.48%     |
| 2017 to 2018 | 17.01%       | 32.39%  | 29.57%   | 38.04%     |
| 2016 to 2017 | 17.72%       | 34.46%  | 23.65%   | 41.89%     |

#### **4.6.**

For the fifth year as part of this process tenants were also asked if they thought the Council should continue to develop new build housing. 116 tenants responded with the vast majority supporting continued housing development as shown in the table below:

| Year         | Return Rate | Agreed | Neither | Disagreed |
|--------------|-------------|--------|---------|-----------|
| 2021 to 2022 | 13.89%      | 71.55% | 15.52%  | 12.93%    |
| 2020 to 2021 | 12.63%      | 63.72% | 26.55%  | 9.73%     |
| 2019 to 2020 | 14.98%      | 68.46% | 22.31%  | 9.23%     |
| 2018 to 2019 | 16.05%      | 68.66% | 23.13%  | 8.21%     |
| 2017 to 2018 | 16.41%      | 70.80% | 20.44%  | 8.76%     |

#### **4.7.**

Detailed feedback from the rent review will be published in the Spring 2021 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 2020/21 is £3,849,800. Tenants were advised that the proposed rental increase would be in line with an increase of 1.5% plus the September Consumer Price Index figure of 0.5%. The resultant proposed rental increase would generate additional income of £77,000.

## **6.5.**

The principal driver for the over-inflationary rental increases of recent years has been the additional requirements and costs associated with the Scottish Housing Quality standard and now the 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 2020 the outstanding loan debt stood at £11,015,932.

## **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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