

Item: 11

Education, Leisure and Housing Committee: 7 February 2024.

Council House Rents.

Report by Corporate Director for Education, Leisure and Housing.

1. Purpose of Report

To consider Council House rent levels from April 2024, following consultation.

2. Recommendations

The Committee is invited to note:

2.1.

That a consultation, undertaken in December 2023, in relation to the annual increase for Council house rent levels to take effect from 1 April 2024, proposed the following two options:

- A rental increase, in line with the Consumer Price Index (CPI), which as at September 2023 was 6.7%; or
- A rental increase of 7.2%, being CPI plus 0.5%.

2.2.

The results of the consultation on the annual increase for Council house rent levels, as detailed in section 5 of this report.

It is recommended:

2.3.

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 should increase by 6.7% with effect from 1 April 2024.

3. Background

3.1.

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.

3.2.

Additional analysis must also be undertaken 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. Reports in respect of the Housing Revenue Account Business Plan, which includes financial assumptions for the coming years, as well as a draft revenue budget for 2024/25 in respect of the Housing Revenue Account, are being presented to this meeting.

3.3.

The Housing Revenue Account is subject to rising costs and, during financial year 2023/24, the cost of maintaining and improving properties has continued to rise. The Housing Revenue Account Business Plan evidences a need to seek rental increases which are higher than the Consumer Prices Index (CPI) in order to ensure that over a 30-year term, additional funds are made available to meet the costs of the standards required to be achieved, as well as an ongoing build programme. However, the cost of living is having a significant impact on households and therefore there is a need to keep rents affordable.

4. Proposed Rental Increase

4.1.

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 two options, to take effect from 1 April 2024, namely:

- A rental increase, in line with the Consumer Price Index (CPI) which was 6.7% at September 2023; or
- A 7.2% increase being CPI plus 0.5%. (CPI + 0.5%).

4.2.

The average Council house rent in Orkney in financial year 2023/24 is £88.25. This compares to an average Council house rent of £81.03 in Scotland.

4.3.

Orkney currently has the sixth 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.
2023/24.	6th highest rent.
2022/23.	7th highest rent.
2021/22.	4th highest rent.
2020/21.	9th highest rent.

4.4.

In financial year 2023/24, 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.

4.5.

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 2023/24 will start on 1 April 2024 allowing a 28-day notification period should the Council adopt the proposed rental increase on 5 March 2024.

5. Tenant Consultation

5.1.

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”.

5.2.

Tenant consultation in respect of the proposed annual increase to Council house rent levels was undertaken during December 2023. 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 2023 Consumer Price Index was 6.7%. However, two options were proposed, to take effect from 1 April 2024 being an increase limited to CPI only at 6.7% or a 7.2% increase (CPI + 0.5%).

5.4.

Each property is assigned an individual points value based on its features. Tenants have consequently been advised of the two potential rental charges which would apply to their property from April 2024.

5.5.

A total of 898 surveys were sent out to tenants and 90 surveys were returned, equating to a 10% return rate, which is higher than last year's response of 9.27%. 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. 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.
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%.

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%.

5.6.

For the eighth year as part of this process tenants were also asked if they thought the Council should continue to develop new build housing. 90 tenants responded with the vast majority supporting continued housing development as shown in the table below:

Year.	Return Rate.	Agreed.	Neither.	Disagreed.
2024/25.	10%.	57%.	26%.	11%.
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%.

5.7.

Detailed feedback from the rent review will be published in the Spring 2024 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 2023/24 is £4,342,800. Tenants were advised of two options in respect of a proposed 6.7% or 7.2% rental increase. Based on findings from Indigo House which has analysed the rent at individual property levels, considered any void periods and potential bad debt the rental income budget for 2024/25 will be set at £4,499,000.

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 2023 the outstanding loan debt stood at £8,990,133.

7.6.

The Housing Revenue Account (HRA) Business Plan is the topic of a separate report to this meeting. The HRA Business Plan evidences a need to seek rental increases above the level of CPI in order to increase the availability of funds over the 30-year term and therefore increase the ability for the HRA to deliver against its broad range of requirements.

8. Legal Aspects

8.1.

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

8.2.

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.

8.3.

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.

9. Contact Officers

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