

EAST RENFREWSHIRE COUNCIL28 February 2024Report by Director of EnvironmentHOUSING REVENUE ACCOUNT: RENT SETTING 2024/25**PURPOSE OF REPORT**

1. To make recommendations to the Council in relation to the proposed rent and service charge increase for council housing for 2024/25

RECOMMENDATIONS

2. The Council is asked to approve the recommendations that a:
- a) 5.9% rent increase be applied from April 2024;
 - b) 5.9% increase be applied to the sheltered housing warden charge;
 - c) 5.9% increase be applied to communal heating and laundry charges; and
 - d) Up to £775k from HRA reserves be available to support 2024/25 revenues.

BACKGROUND

3. When determining the level of rent increase the Council requires to deliver its landlord service, it is necessary to establish what the relevant legislative requirements will be for the future. In addition, it is necessary to identify any local priorities the Council may have. These requirements and priorities then need to be costed.

4. Once this information is available, an exercise is then undertaken to ensure that the Council achieves an acceptable balance between meeting these requirements and priorities, and agreeing rent levels that are sustainable, affordable and acceptable to tenants. It should be noted that the impact of inflation and interest rates remains a significant factor.

5. It is recognised that this is a challenging process as aspirations in relation to improved service delivery can often be curtailed due to the need to keep rents at an acceptable level.

REPORTNational and local priorities for Housing

6. One of the key legislative challenges for the Council in past years has been to meet the Scottish Housing Quality Standard (SHQS). To achieve this standard required significant investment. In addition the Energy Efficiency Standard for Social Housing (EESH) was also introduced by the Scottish Government in March 2014 and requires all Scottish social landlords to substantially improve the energy efficiency rating of their houses over and above that required by the SHQS. The Council has an ongoing duty to maintain these standards which remains a significant issues in determining investment decisions.

7. In February 2023, the Government made a decision to review the EESSH, with a view to strengthen and realign the standard with Net Zero requirements. An update on this was published by the Scottish Government in November 2023. This is a consultation to seek views on a new Social Housing Net Zero Standard (SHNZS) in Scotland. The consultation is out until 12 March 2024. This creates uncertainty around planning major improvement works because the review could change the direction of works required to meet new and proposed energy efficiency standards.

8. These legislative challenges are in addition to the “routine” requirements of the service such as continuing to meet “Right to Repair” commitments, planned maintenance, managing the housing waiting list and enforcing tenancy conditions in relation to estate management and anti-social behaviour.

Rent Increase

9. When setting a rent level, it is essential to assess if the proposed increase is affordable. As part of the rent setting process the Housing Services Business Plan was reviewed to undertake an affordability assessment of income for those in employment and those in receipt of benefits. Available guidance states that housing costs should be no greater than 25-35% of a household’s total income and the proposed rent increase of 5.9% does not breach this level.

10. It is also useful to compare rent levels with other social landlords. The table below details approximate rent levels for other social landlords operating in East Renfrewshire. It should be noted that East Renfrewshire Council’s rent charges are calculated on a 48-week basis. For comparison purposes, all the figures presented below are adjusted to a 52-week basis to ensure the data is comparable and relate to 2022/23 published data.

Landlord	2022/23 Average Rent Charge	2023/24 Estimated Average Rent Charge
East Renfrewshire Council	£84.97	£88.19
All Scottish Landlords including Housing Associations	£87.59	£92.06
Link Housing Association	£93.92	£99.56
Barrhead Housing Association	£90.82	£95.36
Hanover Housing Association	£128.45	£133.46

11. As a social landlord, East Renfrewshire Council operates within the same labour, housing and wage markets as all other landlords in the area. The current and predicted average rent charges above show that East Renfrewshire Council’s rents are lower than other local social housing landlords’ rents. Indicative benchmarking figures for 2024/25 will not be published until September 2024.

Staffing

12. The increasing staffing costs are a result of the average 6% pay award increase for 2023/24 which was agreed December 2023 and Council wide budgetary assumptions for 2024/25.

Loan Charges

13. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40% and loan repayments for 2024/25 remain under this ratio at approximately 35%. However, loan charges remain a significant strain on the business plan due to historical debts inherited at the time of re-organisation alongside new borrowing required to invest in existing and new stock.

Sheltered Housing Service Charges.

14. Residents in sheltered housing pay additional charges associated with the additional services provided by their on-site warden and for complexes.

15. The warden charge generates an annual income of £75k per year. The staffing cost to the HRA of providing the service is just over £500k per year. The proposed 5.9% increase on this charge will support the additional staffing costs incurred as a result of the recent pay award.

16. The complexes on the former Eastwood side of the authority have communal heating systems and tenants pay this via a weekly heating and laundry charge. This generates an income of £212k per year. However the annual charge to deliver this service is estimated to be £238k per year for 2024/25. As the gas supply is charged directly to the Council, the residents do not benefit from the UK Government energy support scheme, nor does the Council.

Contribution from Reserves

17. These pressures on the business plan for 2024/25 could require the service to draw up to £775k from reserves. The capital programme has been reduced to essential services only to ensure loan repayments remain as low as possible. Due to work being undertaken on the HRA Business plan it is considered that this draw down upon reserves is prudent and affordable.

18. A payment into the reserves of approximately £450k is planned during 2024/25 and 2025/26 from the Strathclyde fund pension windfall. This will mitigate the planned drawdown from reserves.

19. Full details of the draft Housing Revenue Account for 2024/25 are shown in appendix 1.

HRA Business Plan

20. Members will note that a paper was presented to Cabinet 19th June 2023 discussing the interim review of the Housing Revenue Account (HRA) business plan and the measures available to manage the temporary deficit in the years 2024/25 and 2025/26 and the impact on reserves. However the higher than expected pay award has meant reserves are required to support the 2025/26 budget.

21. The business plan has been reviewed during 2023. The process is nearing completion and will be presented to Cabinet once the sale of the land at Barrhead South has been completed.

FINANCE AND EFFICIENCY

22. The key driver of expenditure within Housing Services relates to repairs and the service continues to ensure value for money is delivered by effective procurement mechanisms. Void rent loss continues to improve year on year, delivering key savings for the service.

23. Members should note that Cost of Living (Tenant Protection) (Scotland) Act 2022 moratorium on evictions and the current cost of living crisis has increased rent arrears. Housing Services have a new arrears strategy in place to assist tenants in financial crisis but ensure effective rent collection in light of these new challenges.

CONSULTATION

24. The Housing (Scotland) Act 2001 requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases.

25. To undertake the consultation, Housing Services:

- Wrote directly to all ERC tenants with a survey form and postage paid return envelope;
- Placed a survey form on Citizen Space, the Council's on line survey platform, which was promoted on the Council's social media platforms.

26. Housing Services received 141 completed surveys (5% of the total sent out) and the results are as follows:

Proposed % increase	No of returns	% of tenants response
5.9%	113	80%
6.9%	24	17%
7.9%	4	3%

IMPLICATIONS OF THE PROPOSALS

27. The feedback indicates a range of views on the options provided but with a preference for 5.9% increase for rent and sheltered housing service charges.

28. The proposed increase is deemed to be affordable, is comparable in relation to other landlords and is essential to provide needed investment to maintain and improve the service delivered to East Renfrewshire tenants.

29. This report does not have any implications in terms of property, staffing, legal, equalities, IT and sustainability at this point in time.

CONCLUSIONS

30. It is proposed that council house rents should increase by 5.9% with effect from April 2021. It should be noted that this increase will also apply to lock ups and garage sites held in the Housing Revenue Account.

31. This proposal of 5.9% ensures that the income from rents is at a level which is sufficient to meet the statutory requirements of the service, such as continuing to meet the SHQS and improving energy efficiency required by EESSH whilst still being affordable in 2023/24. However pressure from historical debt will require continued draw down from reserves.

RECOMMENDATIONS

32. The Council is asked to approve the recommendations that a:

- a) 5.9% rent increase be applied from April 2024;
- b) 5.9% increase be applied to the sheltered housing warden charge;
- c) 5.9% increase be applied to communal heating and laundry charges; and
- d) Up to £775k from HRA reserves be available to support 2024/25 revenues.

Director of Environment

Further information can be obtained from: Phil Daws, Head of Housing, Property and Climate Change

phil.daws@eastrenfrewshire.gov.uk 0141 577 3186

Convener contact details

Councillor Danny Devlin
(Convener for Housing and Maintenance Services)

Home: 0141 580 0288
Office: 0141 577 3107/8

February 2024

BLANK PAGE

Appendix 1

EAST RENFREWSHIRE HOUSING REVENUE ACCOUNT
ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.24 TO 31.3.25

HRA – OVERALL SUMMARY		2023/24	2024/25
		Budget	Estimate
		£	£
1	Payroll costs		
	a APTC basic	2,527,300	2,819,600
	b Overtime	17,000	17,000
	c National Insurance	269,600	280,100
	d Superannuation	465,400	493,300
	e Craft – basic	1,417,300	1,446,000
	f Craft – overtime	38,600	38,600
	g Craft National Insurance	148,500	139,300
	h Craft Superannuation	277,500	242,000
	i Other expenses	8,400	8,400
	j Apprentice Levy	19,600	21,100
	k Agency staff	100,000	100,000
		5,289,200	5,605,400
2	Property costs		
	a Rates	6,700	6,700
	b Metered Water Charges	1,200	0
	c Council Tax	24,000	24,000
	d Rents	14,000	14,000
	e Insurance premium	234,500	234,500
	f Insurance – provision for excess	47,800	47,800
	g Fixtures & fittings	4,800	0
	h Upkeep of ground	50,000	40,000
	i Mixed Tenure contribution	222,500	222,500
	j Fire protection	16,000	16,000
	k Redecoration	1,000	1,000
	l Laundry equipment maintenance	20,000	20,000
	m Lift maintenance	30,700	30,700
	n Decants	8,000	8,000
	o Private contractors HRA Misc	50,000	50,000
	p Gas maintenance contract	350,000	340,000
	q Asbestos	62,500	55,800
	r Legionella	30,000	23,300
	s Community alarms	21,000	19,000
	t Cleaning	46,800	46,800
	u Electricity	105,500	160,500
	v Gas	90,500	218,800
	w Property recharge	56,200	65,700
	x Council House Deed Plans	500	500
	Y Security General		2,000
		1,494,200	1,647,600

3	Transport costs			
	a	Fixed maintenance	50,100	50,100
	b	Additional work	24,900	24,900
	c	Overage vehicles	25,000	25,000
	d	Tyres	3,400	3,400
	e	Hires	6,500	6,500
	f	Fuel charges	45,900	45,900
	g	Garaging charges	5,800	5,800
	h	Other transport costs	5,200	5,200
			166,800	166,800
4	Supplies & services			
	a	Purchase equipment	5,000	5,000
	b	Purchase small tools	21,500	21,500
	c	Materials – non stock	100,000	100,000
	d	Hoist hire	2,000	2,000
	e	Skip hire	10,000	10,000
	f	Shredding charges	500	500
	g	IT Equipment & computer development	38,900	80,000
	h	Materials – stock	250,000	250,000
	i	Uniforms & protective clothing	8,600	8,600
	j	Winter maintenance council buildings	500	500
	k	Hire of scaffolding	6,000	6,000
	l	Sub-contractors	1,100,000	1,000,000
	m	Water supplied	500	500
	n	Printing, stationery, printing, postages	6,500	6,500
	o	Training	14,000	14,000
	p	Dept, Directorate and support costs	187,400	187,400
	q	Accommodation Direct Recharge	173,800	178,500
	r	Customer First	239,600	242,700
	s	Insurance – public liability claims	34,600	34,600
	t	Publications & subscriptions	20,000	20,000
	u	Court expenses	13,200	13,200
	v	Other accounts of the authority	191,100	191,100
	w	Void rent loss provision	205,000	175,000
	x	Rent remissions	10,000	10,000
	y	Irrecoverables	160,000	160,000
	z	Replacement furniture	5,000	5,000
	aa	Girobank Charges	3,000	3,000
	ab	Purchase Refuse Containers	5,000	5,000
	ac	Recruitment Advertising	5,000	5,000
	ad	Telephone / Mobile costs	27,000	27,000
	ae	Consultants	5,000	5,000
	af	Misc Supplies And Services	5,000	1,800
	ag	ICT Direct Recharge	66,600	0
			2,920,300	2,769,400
5	Transfer Payments			
	a	Superannuation additional allowances	20,900	20,900

	b	“One off” HRA Pre Disposal costs	5,000	5,000
	c	Assistance to Tenants Associations	30,800	30,800
	d	Specific debts written off	20,000	20,000
	e	Bad debt provision	265,900	215,900
			342,600	292,600
6		Support services		
	a	Central administration – central support	905,600	914,600
			905,600	914,600
7		Depreciation & impairment costs		
	a	Principal	3,357,000	3,567,000
	b	Interest	1,880,000	2,033,000
	c	Expenses	73,000	71,000
			5,310,000	5,671,000
		GROSS EXPENDITURE	16,428,700	17,067,400
8		Income – sales, fees & charges		
	a	Repairs recharged to tenants	-5,000	-7,500
	b	Repairs recharged to owner occupier	-50,000	-55,000
	c	Sheltered housing charges - wardens	-56,700	-75,000
9		Income – rental income		
	a	Rents – houses (Including Homeless persons)	-14,135,000	-15,000,000
	b	Service charges	-201,100	-212,300
	c	Rents – lock ups	-23,000	-23,300
	d	Rents – garage sites	-6,000	-6,400
	e	Rents - shops	-215,000	-215,000
10		Income – Comm Ops Contract Income		
	a	Non HRA income	0	-35,000
	b	Housing capital	-500,000	-250,000
11		Income - other		
	a	Recharge to other accounts of the authority	-302,200	-302,200
	b	Recharge to capital	-86,800	-86,800
	c	Recharge to other Housing	-6,600	-6,600
	d	Interest on Revenue deposits	-17,300	-17,300
	e	Contribution from reserves	-824,000	-775,000
		TOTAL INCOME	16,428,700	17,067,400
		NET EXPENDITURE (INCOME)	-	-

BLANK PAGE