

EAST RENFREWSHIRE COUNCIL27 February 2025Report by Director of EnvironmentHOUSING REVENUE ACCOUNT: RENT SETTING 2025/26**PURPOSE OF REPORT**

1. To make recommendations to the Council in relation to the proposed rent and service charge increase for council housing for 2025/26.

**RECOMMENDATIONS**

2. The Council is asked to approve the recommendation that a 4.9% rent increase be applied for 2025/26.

**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.

**REPORT**National and local priorities for Housing

6. The Council has two key legislative challenges which impact how rental income is utilised. The Scottish Housing Quality Standard (SHQS) was achieved in 2015 but requires significant investment to maintain. 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.
7. In June 2019, the Government introduced new targets through EESH2; with two key milestones to be achieved by 2025 and 2032. However in 2023, the Scottish Government decided to review the EESH, with a view to strengthen and realign the standard with the net-zero carbon emission target. A consultation to seek views on the new standard that will be introduced – Social Housing Net Zero Standard (SHNZS), closed in March 2024. The outcome of the consultation is expected to be published later in 2025.

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.

9. As the largest social landlord in East Renfrewshire, current and long term financial decisions are key to ensure good quality homes. The annual decision taken on rent setting is essential to ensure current and longer term investment decisions are supported by the appropriate income.

10. Additionally, Housing Services are a significant contributor towards the Community Planning Partnerships new plan for East Renfrewshire - “A Place To Grow”. As the largest social housing provider in East Renfrewshire, through good quality affordable housing, Housing Services can provide homes that meet the needs of our children and young people, contribute towards thriving communities and ensure our homes meet the varying needs of local residents.

### Rent Increase

11. 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 4.9% does not breach this level.

12. It is also useful to compare past and current rent levels with other social landlords. The table below details approximate weekly 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.

| Landlord  | 2023/24 Average Rent Charge | 2024/25 Estimated Average Rent Charge |
|---|-----------------------------|---------------------------------------|
| <b>East Renfrewshire Council*</b>                     | <b>£85.70</b>               | <b>£91.43</b>                         |
| All Scottish Landlords including Housing Associations | £91.81                      | £97.32                                |
| Link Housing Association                              | £107.65                     | £115.72                               |
| Barrhead Housing Association                          | £96.46                      | £100.84                               |
| Hanover Housing Association                           | £130.76                     | £139.51                               |

*\*please note an error was identified in the information previously published as the average rent was shown over 48 weeks. A correction has been submitted to the Scottish Housing Regulator.*

13. 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. Confirmed benchmarking figures for 2024/25 will not be published until September 2025.

### Staffing

14. The increasing staffing costs are a result of the average 3.6% pay award increase for 2024/25 and Council wide budgetary assumptions for 2025/26. The staffing costs have also been increased to address the increase in employer National Insurance contributions.

15. In recent years, Housing Services have found it challenging to recruit suitable trades' operatives and as such have required to rely on the support of contractors. With an ageing workforce, it is essential that the service plans for future workforce needs. Therefore Housing Services will recruit 3 trade apprentice in 2025/26.

16. The increase in staffing costs have been partially off-set by reduced pension contributions for 2024/25 and 2025/26.

#### Loan Charges

17. Loan charges have been calculated in line with the policy set out in section 3.4 of the Treasury Management Strategy report submitted as a separate or previous item to this Council meeting. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. Loan repayments for 2025/26 remain under this ratio at approximately 34%.

#### Contribution from Reserves

18. Members will note that for 2024/25 it was predicted that up to £775k of reserves would be required. Through the use of the pension windfall income, this is expected to reduce to £100k. For 2025/26, with the assistance of temporary resource and the review of the repayment methodology and terms, a significantly smaller draw down is required of £250k.

#### Estate Investments

19. The revenue and capital decisions taken by Housing Services are driven by statutory requirements. However this leaves little investment room for issues that are important to tenants, especially estate improvements. For 2025/26, the rent increase has permitted a £300k increase on sub-contractor spend to improve the local area. In addition to this revenue fund, £250k of reserves will be used to support Capital Funded From Revenue(CFFR) to support a programme of £500k of capital improvements investments to local estates as detailed in the Housing Capital Programme submitted as a separate or previous item to this Council meeting. Examples of desired estate improvements can include fencing, paving, bin stores, slabs, etc.

20. Full details of the draft Housing Revenue Account for 2025/26 are shown in the appendix 1.

### **FINANCE AND EFFICIENCY**

#### HRA Business Plan

21. Members will note that a paper was presented to Cabinet on 7 November 2024 discussing the review of the Housing Revenue Account (HRA) business plan. The paper noted the high loan charges for 2024/25 & 2025/26 as a result of historic debt. However, the paper also noted that from 2026/27 loan charges will drop but that any additional income derived from this drop should be used to return reserves levels to an appropriate level and fund capital works thereby limiting excessive future borrowing.

22. As noted in paragraph 7, the Scottish Government are expected to announce a new Social Housing Net Zero Standard (SHNZS) later in 2025. This is expected to require extensive investment and as such it is vital to ensure the business plan has the capacity to meet these costs.

### Tenant Support Fund

23. In recent years, Housing Services have been able to support tenants in arrears and facing financial hardship utilising COVID grant and LACER funding. These programmes have shown that with support, some tenants are able to tackle their arrears through affordable repayment plans and thereafter maintain a clear rent account.

24. Whilst these external funds are no longer available Housing Services still wish to continue to support tenants in hardship and reduce arrears. An allocation of £50k will be used to fund a pilot to determine the impact of an ongoing tenant support fund. To qualify tenants will have to meet the following criteria:

- the tenant's income and access to sources of financial support have been maximised (such as Housing Benefit/Universal Credit housing costs, hardship Discretionary Housing Payment, etc.), and
- the tenant is in agreement with the financial assistance (example adhering to a payment plan or engaging with money advice or support services), and
- the tenant is experiencing hardship or financial difficulties, and/or
- the tenant has vulnerabilities or other debts which could place them at risk of tenancy failure and homelessness.

25. A 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. A review of the IT systems and processes to deliver the repairs service is underway. This project aims to reduce inefficient paper based process and allow the repairs service to be delivered in a more efficient modernised manner.

### **CONSULTATION**

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

27. To undertake the consultation, Housing Services:

- wrote directly to all ERC tenants with a survey form;
- the survey was promoted on the Council's social media platforms; and
- there were drop-ins held in Barrhead, Newton Mearns, Thornliebank & Clarkston.

28. Housing Services received 101 completed surveys (3.16% of the total issued) and the results are as follows:

| <b>Proposed % increase</b> | <b>No of returns</b> | <b>% of tenants response</b> |
|----------------------------|----------------------|------------------------------|
| 4.9%                       | 76                   | 75%                          |
| 5.9%                       | 17                   | 17%                          |
| No preference              | 8                    | 8%                           |

### **IMPLICATIONS OF THE PROPOSALS**

29. The feedback indicates a range of views on the options provided but with a preference for 4.9% increase for rent and sheltered housing service charges.

30. 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.

31. This report does not have any implications in terms of property, staffing, legal, equalities and sustainability at this point in time. A review of IT systems and processes for the Repairs Service is underway, and this long term project may have future implications for IT.

## **CONCLUSIONS**

32. It is proposed that council house rents increase by 4.9% 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.

33. This proposal of 4.9% 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.

## **RECOMMENDATIONS**

34. The Council is asked to approve the recommendation that a 4.9% rent increase be applied for 2025/26.

**Caitriona McAuley**  
**Director of Environment**

Further details can be obtained from Mark Rodgers, Head of Housing & Property on [mark.rodgers@eastrenfrewshire.gov.uk](mailto:mark.rodgers@eastrenfrewshire.gov.uk)

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| <u>Appendix 1</u>  |                        |                                  |                  |
|--|------------------------|----------------------------------|------------------|
| <b>EAST RENFREWSHIRE HOUSING REVENUE ACCOUNT</b>                 |                        |                                  |                  |
| <b>ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.25 TO 31.3.26</b> |                        |                                  |                  |
| <b>HRA – OVERALL SUMMARY</b>                                     |                        | <b>2024/25</b>                   | <b>2025/26</b>   |
|  |                        | <b>Budget</b>                    | <b>Estimate</b>  |
|  |                        | <b>£</b>                         | <b>£</b>         |
| <b>1</b>   | <b>Payroll costs</b>   |                                  |                  |
|  | a                      | Basic Pay LGE                    | 4,265,600        |
|  | b                      | Overtime                         | 55,600           |
|  | c                      | National Insurance               | 419,400          |
|  | d                      | Superannuation                   | 735,300          |
|  | e                      | Other expenses                   | 8,400            |
|  | f                      | Apprentice Levy                  | 21,100           |
|  | g                      | Agency staff                     | 100,000          |
|  |                        |                                  | <b>5,605,400</b> |
|  |                        |                                  | <b>5,713,700</b> |
| <b>2</b>   | <b>Property costs</b>  |                                  |                  |
|  | a                      | Rates                            | 6,700            |
|  | b                      | Council Tax                      | 24,000           |
|  | c                      | Rents                            | 14,000           |
|  | d                      | Insurance premium                | 234,500          |
|  | e                      | Insurance – provision for excess | 47,800           |
|  | f                      | Repairs & Maintenance            | 1,000            |
|  | g                      | Upkeep of ground                 | 40,000           |
|  | h                      | Mixed Tenure contribution        | 222,500          |
|  | i                      | Fire protection                  | 16,000           |
|  | j                      | Laundry equipment maintenance    | 20,000           |
|  | k                      | Lift maintenance                 | 30,700           |
|  | l                      | Decants                          | 8,000            |
|  | m                      | Private contractors HRA Misc     | 50,000           |
|  | n                      | Gas maintenance contract         | 340,000          |
|  | o                      | Asbestos                         | 55,800           |
|  | p                      | Legionella                       | 23,300           |
|  | q                      | Community alarms                 | 19,000           |
|  | r                      | Cleaning                         | 46,800           |
|  | s                      | Electricity                      | 160,500          |
|  | t                      | Gas                              | 218,800          |
|  | u                      | Property recharge                | 65,700           |
|  | v                      | Council House Deed Plans         | 500              |
|  | w                      | Security General                 | 2,000            |
|  |                        |                                  | <b>1,647,600</b> |
|  |                        |                                  | <b>1,677,600</b> |
| <b>3</b>   | <b>Transport costs</b> |                                  |                  |
|  | a                      | Fixed maintenance                | 50,100           |
|  | b                      | Additional work                  | 24,900           |
|  | c                      | Overage vehicles                 | 25,000           |
|  | d                      | Tyres                            | 3,400            |
|  | e                      | Hires                            | 6,500            |
|  |                        |                                  | 16,600           |

|          |    |  |                  |                  |
|----------|----|--|------------------|------------------|
|          | f  | Fuel charges                               | 45,900           | 47,000           |
|          | g  | Garaging charges                           | 5,800            | 3,000            |
|          | h  | Other transport costs                      | 5,200            | 5,300            |
|          |    |  | <b>166,800</b>   | <b>153,300</b>   |
| <b>4</b> |    | <b>Supplies &amp; services</b>             |                  |                  |
|          | a  | Purchase & hire of equipment               | 23,000           | 43,000           |
|          | b  | Purchase, maintenance & hire of tools      | 21,500           | 21,500           |
|          | c  | Materials – non stock                      | 100,000          | 75,000           |
|          | d  | IT Equipment & computer development        | 80,000           | 92,500           |
|          | e  | Materials – stock                          | 250,000          | 300,000          |
|          | f  | Uniforms & protective clothing             | 8,600            | 18,600           |
|          | g  | Winter maintenance council buildings       | 500              | 500              |
|          | h  | Sub-contractors                            | 1,000,000        | 1,302,300        |
|          | i  | Printing, stationery, printing, postages   | 6,500            | 2,500            |
|          | j  | Training                                   | 14,000           | 20,000           |
|          | k  | Dept, Directorate and support costs        | 187,400          | 187,400          |
|          | l  | Accommodation Direct Recharge              | 178,500          | 176,400          |
|          | m  | Customer First                             | 242,700          | 196,200          |
|          | n  | Insurance – public liability claims        | 34,600           | 34,600           |
|          | o  | Publications & subscriptions               | 20,000           | 27,000           |
|          | p  | Court expenses                             | 13,200           | 8,200            |
|          | q  | Other accounts of the authority            | 191,100          | 191,100          |
|          | r  | Void rent loss provision                   | 175,000          | 230,000          |
|          | s  | Rent remissions                            | 10,000           | 10,000           |
|          | t  | Irrecoverables                             | 160,000          | 100,000          |
|          | u  | Replacement furniture                      | 5,000            | 5,000            |
|          | v  | Girobank Charges                           | 3,000            | 3,000            |
|          | w  | Purchase Refuse Containers                 | 5,000            | 1,000            |
|          | x  | Recruitment Advertising                    | 5,000            | 5,000            |
|          | y  | Telephone / Mobile costs                   | 27,000           | 26,000           |
|          | z  | Consultants                                | 5,000            | 5,000            |
|          | aa | Misc Supplies And Services                 | 2,800            | 2,800            |
|          | ab | CFFR General                               | 0                | 250,00           |
|          |    |  | <b>2,769,400</b> | <b>3,334,600</b> |
| <b>5</b> |    | <b>Transfer Payments</b>                   |                  |                  |
|          | 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           | 15,800           |
|          | d  | Specific debts written off                 | 20,000           | 20,000           |
|          | e  | Tenant Support Fund                        | 0                | 50,000           |
|          | f  | Bad debt provision                         | 215,900          | 165,900          |
|          |    |  | <b>292,600</b>   | <b>277,600</b>   |
| <b>6</b> |    | <b>Support services</b>                    |                  |                  |
|          | a  | Central administration – central support   | 914,600          | 960,600          |
|          |    |  | <b>914,600</b>   | <b>960,600</b>   |
| <b>7</b> |    | <b>Depreciation &amp; impairment costs</b> |                  |                  |
|          | a  | Principal                                  | 3,567,000        | 3,490,000        |



|                                 |   |  |                   |                   |
|---------------------------------|---|--|-------------------|-------------------|
|                                 | b   | Interest                                     | 2,033,000         | 2,104,000         |
|                                 | c   | Expenses                                     | 71,000            | 71,000            |
|                                 |   |  | <b>5,671,000</b>  | <b>5,665,000</b>  |
| <b>GROSS EXPENDITURE</b>        |   |  | <b>17,067,400</b> | <b>17,782,400</b> |
| <b>8</b>                        | <b>Income – sales, fees &amp; charges</b> |  |                   |                   |
|                                 | a   | Repairs recharged to tenants                 | -7,500            | -7,500            |
|                                 | b   | Repairs recharged to owner occupier          | -55,000           | -55,000           |
|                                 | c   | Sheltered housing charges - wardens          | -75,000           | -76,700           |
| <b>9</b>                        | <b>Income – rental income</b>             |  |                   |                   |
|                                 | a   | Rents – houses ( Including Homeless persons) | -15,000,000       | -16,212,000       |
|                                 | b   | Service charges                              | -212,300          | -217,200          |
|                                 | c   | Rents – lock ups                             | -23,300           | -24,400           |
|                                 | d   | Rents – garage sites                         | -6,400            | -6,700            |
|                                 | e   | Rents - shops                                | -215,000          | -215,000          |
| <b>10</b>                       | <b>Income – Other</b>                     |  |                   |                   |
|                                 | a   | Non HRA income                               | -35,000           | -5,000            |
|                                 | b   | Housing capital                              | -250,000          | -300,000          |
|                                 | c   | Recharge to other accounts of the authority  | -302,200          | -302,200          |
|                                 | d   | Recharge to capital                          | -86,800           | -86,800           |
|                                 | e   | Recharge to other Housing                    | -6,600            | -6,600            |
|                                 | f   | Interest on Revenue deposits                 | -17,300           | -17,300           |
|                                 | g   | Contribution from reserves                   | -775,000          | -250,000          |
| <b>TOTAL INCOME</b>             |   |  | <b>17,067,400</b> | <b>17,782,400</b> |
| <b>NET EXPENDITURE (INCOME)</b> |   |  | <b>-</b>          | <b>-</b>          |

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