

EAST RENFREWSHIRE COUNCIL27 FEBRUARY 2020Report by Director of EnvironmentHOUSING REVENUE ACCOUNT: RENT SETTING 2020/21**PURPOSE OF REPORT**

1. To make recommendations to the Council in relation to the proposed rent increase for council housing for 2020/21.

**RECOMMENDATIONS**

2. The Council is asked to approve the recommendation that a 3.4% rent increase be applied for the financial year 2020/21 from April 2020.

**BACKGROUND**

3. When determining the level of rent increase the Council requires in order to deliver its landlord service, it is necessary to determine what the relevant legislative requirements will be for the future. In addition, it is necessary to identify any local priorities the Council may have. Once these requirements and priorities have been determined and costed, it is then necessary to assess what the financial impact of meeting some or all of these will be.

4. Once this information is available, an exercise is then undertaken in order to ensure that the Council achieves an acceptable balance between meeting these requirements and priorities, and estimating rent levels that are sustainable, affordable and acceptable to tenants.

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. One of the key legislative challenges for the Council in recent years has been to meet the Scottish Housing Quality Standard (SHQS). To achieve this standard required significant investment. The standard was met in April 2015. However, the Council has an ongoing duty to maintain this standard. This has a significant impact in determining investment decisions.

7. The Energy Efficiency Standard for Social Housing (EESH) was 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, by 2020. This has previously required and will continue to require significant investment.

8. Both of 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. The last few years have seen the service improve its performance. For example, current rent arrears have reduced from 6.7% in 2016/17 to 5.8% in 2018/19 whilst managing the impact of Universal Credit. Similarly, the average time to complete non-emergency repairs places the service in the top quartile of Scottish Councils with 5.2 days in 2018/19.

10. The 2018 Tenant Satisfaction Survey results have shown sustained levels of satisfaction with Housing Services. East Renfrewshire Council Housing Service performs above the Scottish Council average in 5 of the 8 indicator categories.

11. The proposed rent increase of 3.4% will assist the Housing Service to meet some of the issues that tenants have raised as priority. However to achieve all of the local priorities a larger increase would be required.

12. In addition to investing in the current properties, the Housing Service is keen to continue to provide new homes for local residents. To date some 59 new council homes have been provided. At the meeting held on 25 January 2018 the Cabinet approved an expansion of the new Council housebuilding programme from 120 to 240 units.

#### Determining affordability

13. When setting a rent level it is essential to assess if any proposed increase is affordable. To determine affordability an assessment of income for those in employment and those in receipt of benefits was undertaken. 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 3.4% does not breach this level.

14. 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 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.

	<b>2018/19 Average rent charge</b>	<b>Predicted 2019/20 average rent charge</b>
<b>East Renfrewshire Council</b>	<b>£76.50</b>	<b>£79.48</b>
All Scottish Landlords including Housing Associations	£79.08	£83.58
Link Housing Association	£84.85	£87.39
Barrhead Housing Association	£86.22	£89.15
Cube Housing Association	£87.50	£90.38
Hanover Housing Association	£115.05	£119.07
Arklet Housing Association	£105.66	£109.14

15. 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 the East Renfrewshire Council's rents are lower than other local social housing landlords' rents and therefore are more affordable.

### The proposed rent increase and its impact

16. Housing Services undertook a financial assessment to ensure that the Council could meet the priorities identified. It was assessed that a minimum rent increase of 3.4% would be required in 2020/21. The proposed increase is required to provide the additional income required to maintain service levels, continue the investment required to maintain SHQS and meet EESSH. It is also essential to ensure that the non-statutory issues such as fencing, painting and paving are undertaken.

17. In the last two years, Housing Services have been able to improve homes by undertaking improvement works as below and building new homes for rent. Some of the proposed expenditure related to the rent increase will result in savings to households as a result of increased energy efficiency. Some examples of typical savings are below.

<b>Improvement Area</b>	<b>Annual Saving</b>	<b>Cost</b>	<b>No of tenants homes improved since 2018</b>
Loft insulation	£140	£48,600	108
Central heating	£200	£1,468,750	625
Cavity wall insulation	£95	£75,600	135
External wall render	£85	£475,000	50
Window replacement	£75	£202,674	105

18. Full details of the draft Housing Revenue Account for 2020/21 are shown in appendix 1, with further information provided below

### Staffing

19. An adjustment to staffing costs has been made to meet the costs of the 3% pay rise for Council employees.

### Loan Charges

20. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. Following a review of the HRA Business Plan, the debt levels have been reviewed and re-profiled to ensure debt levels do not breach this limit.

### Additional Investment

21. Housing Services seeks the view of tenants not only through the rent setting consultation but also the biennial tenant survey and day to day engagement with tenants. Tenants wish more investment on the external aesthetics of their home. However, with the requirements to meet the SHQS and EESSH, it is not always possible to meet these requests. This rent setting exercise will release £171,000 of additional investment that will be spent on paving, fencing, guttering and external painting requests.

## **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. A key area for future improvement is void rent loss. The success of the new build programme and choice based letting has increased turnover and has therefore increased void rent loss. A full process review is underway to identify efficiency savings to ensure this income loss can be reduced.

23. Housing Services are currently undertaking a significant redesign which includes procurement of a new in-house IT system. A key driver of the redesign is to utilise better digital technologies that not only ensure customers can use self-serve tools but will allow officers to spend greater time in the community delivering customer focused services.

## CONSULTATION & PARTNERSHIP WORKING

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. Housing Services, in partnership with the Customer Engagement Working Group, reviewed the approach taken in 2017 to consultation on rent increases. The review considered the level of response received in 2017, discussed affordability issues and took into account the good practice briefing issued by the Scottish Housing Regulator in November 2016 around consultation on rent increases.

26. To undertake the consultation, Housing Services:

- Wrote directly to all ERC tenants ( just under 3000 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
- Placed physical information boards in Council offices
- Attended events throughout the authority
- Discussed the proposals at the Customer Engagement Working Group and attended RTO events
- Advised all tenants on the consultation through the tenant newsletter

27. Housing Services received 195 completed surveys (6.5% of the total sent out) and the results are as follows:

<b>% rent increase</b>	<b>No of returns</b>	<b>% of tenants response</b>
3.4	125	64.5
3.9	34	17.5
4.4	10	5
4.9	11	5.5
N/A, differing amounts	15	7.5

28. Tenants were asked to indicate their preferred areas of investment in the Housing Service

<b>Preferred Investment</b>	<b>No of returns</b>	<b>% of tenant response</b>
Improve Repairs service	81	41
Invest in front line staff	11	5.5
External Property improvements	51	26
Alternative or multiple choices	52	26.5

29. For the tenants who provided multiple answers or gave alternative responses, the focus remained on improvements to properties e.g investment in the external appearance of properties, gutter maintenance and renewal, and a request to build more houses.

30. The proposed increases were discussed with Sheltered Housing in East Renfrewshire (SHER) and sent to all tenant groups operating in ERC, and their members were encouraged to participate in the exercise.

### **IMPLICATIONS OF THE PROPOSALS**

31. The feedback indicates a range of views on the options provided but with a significant preference for 3.4% with over 60% of responders favouring this option.

32. A 3.4% increase in rent levels will provide an additional £487,000 of funding. Whilst a proportion of this will be required to meet increases in staffing and other costs due to market conditions, some will be utilised to further improve the repairs service and external property improvements as requested.

33. 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.

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

### **CONCLUSIONS**

35. It is proposed that Council house rents should increase by 3.4% with effect from April 2020. It should be noted that this increase will also apply to lock ups and garage sites held in the Housing Revenue Account.

36. This proposal of 3.4% 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. The increase also provides some scope to meet the emerging local priorities of our tenants.

### **RECOMMENDATIONS**

37. The Council is asked to approve the recommendation that a 3.4% rent increase be applied for the financial year 2020/21 from April 2020.

Director of Environment

Further details can be obtained from Phil Daws Head of Environment (Strategic Services) on 0141 577 3186.

Convener contact details

Councillor Danny Devlin  
(Convener for Housing and Maintenance Services)  
3107/8

Home: 0141 580 0288  
Office: 0141 577

February 2020

BLANK PAGE

## Appendix 1

**EAST RENFREWSHIRE COUNCIL - HOUSING REVENUE ACCOUNT  
ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.2020 TO 31.3.2021**

<b>HRA - Overall Summary</b>		<b>2019/20</b>	<b>2020/21</b>
		<b>Estimate</b>	<b>Estimate</b>
		<b>£</b>	<b>£</b>
<b>1.</b>	<b>Payroll Costs</b>		
(a)	APTC Basic	2,173,500	2,297,100
(b)	Overtime T1.5	19,000	19,000
(c)	Overtime - Contractual	5,100	5,100
(d)	National Insurance	204,100	225,000
(e)	Superannuation	384,600	408,800
(f)	Craft Basic	1,056,000	1,117,500
(g)	Craft Overtime - T1.5	31,500	31,500
(h)	Craft National Insurance	112,000	118,300
(i)	Craft Superannuation	189,700	210,800
(j)	Other Expenses	18,400	18,400
(k)	Apprentice Levy	15,900	16,500
(l)	Agency Staff	160,900	100,000
		<b>4,370,700</b>	<b>4,568,000</b>
<b>2.</b>	<b>Property Costs</b>		
(a)	Rates	6,500	6,500
(b)	Council Tax	24,000	24,000
(c)	Rents	9,400	9,400
(d)	Insurance Premium	204,000	204,000
(e)	Insurance - Provision for Excess	50,000	50,000
(f)	Fixtures & Fittings	4,800	4,800
(g)	Upkeep of Ground	50,000	50,000
(h)	Mixed Tenure Contribution	300,000	250,000
(i)	Fire Protection	12,000	12,000
(j)	Laundry Equipment Maintenance	22,900	22,900
(k)	Lift Maintenance	18,000	18,000
(l)	Decants	5,000	5,000
(m)	Private Contractors HRA Miscellaneous	38,300	10,300
(n)	Gas Maintenance Contract	370,000	400,000
(o)	Asbestos	70,000	70,000
(p)	Legionella	35,000	35,000
(q)	Community Alarms	19,000	19,000
(r)	Cleaning	34,700	34,700
(s)	Electricity	88,100	93,500
(t)	Gas	69,000	73,200
(u)	Property Recharge	53,300	53,300
(v)	External Improvements	0	171,400
		<b>1,484,000</b>	<b>1,617,000</b>

3.	<b>Transport Costs</b>			
	(a)	Fixed Maintenance	40,700	40,700
	(b)	Additional Work	12,200	12,200
	(c)	Overage Vehicles	29,300	29,300
	(d)	Tyres	3,000	3,000
	(e)	Hires	13,200	13,200
	(f)	Fuel Charges	40,400	40,400
	(g)	Garaging Charges	5,100	5,100
	(h)	Other Transport Costs	3,700	3,700
			<b>147,600</b>	<b>147,600</b>
4.	<b>Supplies &amp; Services</b>			
	(a)	Purchase Office Equip	5,800	5,800
	(b)	Purchase Small Tools	25,000	25,000
	(c)	Materials - Non-Stock	260,000	260,000
	(d)	Hoist Hire	7,000	7,000
	(e)	Skip Hire	17,000	17,000
	(f)	Shredding Charges	500	500
	(g)	Equipment & Computer Development	38,700	38,700
	(h)	Materials - Stock	360,000	360,000
	(i)	Uniforms & Protective Clothing	8,600	8,600
	(j)	Winter Maintenance Council Buildings	500	500
	(k)	Hire of Scaffolding	12,000	12,000
	(l)	Sub Contractors	837,900	837,900
	(m)	Water Supplied	1,400	1,400
	(n)	Printing, Stationery, Telephones, Postages	43,100	43,100
	(o)	Training	29,000	29,000
	(p)	Departmental Directorate & Support Costs	171,400	171,400
	(q)	Customer First	85,000	85,000
	(r)	Insurance - Public Liability Claims	30,800	30,800
	(s)	Publications & Subscriptions	24,200	24,200
	(t)	Court Expenses	13,200	13,200
	(u)	Other Accounts of the Authority	152,100	186,100
	(v)	Voids Rent Loss Provision	220,000	300,000
	(w)	Rent Remissions	10,000	10,000
	(x)	Irrecoverables	160,000	160,000
	(y)	Replacement Furniture	5,000	5,000
			<b>2,518,200</b>	<b>2,632,200</b>
5.	<b>Transfer Payments</b>			
	(a)	Superannuation Additional Allowances	20,900	20,900
	(b)	'One-Off' HRA Pre-disposal costs	10,000	10,000
	(c)	Assistance to Tenants Associations	23,800	23,800
	(d)	Specific Debts Written Off	10,000	10,000
	(e)	Bad Debt Provision	265,900	265,900
			<b>330,600</b>	<b>330,600</b>



<b>6.</b>	<b>Support Services</b>			
	(a)	Central Administration - Central Support	977,400	1,019,000
			<b>977,400</b>	<b>1,019,000</b>
<b>7.</b>	<b>Depreciation &amp; Impairment Losses</b>			
	(a)	Principal	3,216,900	3,192,600
	(b)	Interest	1,316,600	1,306,200
	(c)	Expenses	55,200	55,200
			<b>4,588,700</b>	<b>4,554,000</b>
		<b>GROSS EXPENDITURE</b>	<b>14,417,200</b>	<b>14,868,400</b>
<b>8.</b>	<b>Income - Sales, Fees and Charges</b>			
	(a)	Repairs Recharged to Tenants	(13,800)	(13,800)
	(b)	Repairs Recharged to Owner/Occupier	(50,000)	(50,000)
	(c)	Sheltered Housing Charges (Wardens)	(46,000)	(46,000)
			<b>(109,800)</b>	<b>(109,800)</b>
<b>9.</b>	<b>Income - Rental Income</b>			
	(a)	Rents - Houses (incl. Homeless Persons)	(12,102,800)	(12,586,000)
	(b)	Service Charges - Heating Charges	(112,000)	(130,000)
	(c)	Rents - Lock Ups	(23,000)	(23,000)
	(d)	Rents - Garage Sites	(6,000)	(6,000)
	(e)	Rents - Shops	(190,000)	(190,000)
			<b>(12,433,800)</b>	<b>(12,935,000)</b>
<b>10.</b>	<b>Income - Comm Ops Contract Income</b>			
	(a)	Non-HRA Income	(225,000)	(225,000)
	(b)	Housing Capital	(990,000)	(990,000)
			<b>(1,215,000)</b>	<b>(1,215,000)</b>
<b>11.</b>	<b>Income - Other</b>			
	(a)	Recharge to Other Accounts of the Authority	(216,300)	(216,300)
	(b)	Recharge To Capital	(86,800)	(86,800)
	(c)	Recharge To Other Housing	(168,200)	(118,200)
	(d)	Recharge to Council House Sales	0	0
	(e)	Interest on Revenue deposits	(17,300)	(17,300)
	(f)	Contribution from Bad Debt provision	(170,000)	(170,000)
			<b>(658,600)</b>	<b>(608,600)</b>
		<b>TOTAL INCOME</b>	<b>(14,417,200)</b>	<b>(14,868,400)</b>
		<b>NET EXPENDITURE / (INCOME)</b>	<b>0</b>	<b>0</b>

BLANK PAGE