

EAST RENFREWSHIRE COUNCIL28 February 2019Report by Director of EnvironmentHOUSING REVENUE ACCOUNT BUDGET 2019/20**PURPOSE OF REPORT**

1. To seek approval for the proposed Housing Revenue Account (HRA) budget for 2019/20.

RECOMMENDATION

2. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2019/20.

BACKGROUND

3. Ordinarily the presentation of the HRA budget is accompanied by a proposal to approve a rent increase. However, Members will recall that in March 2018 the Council approved a rent increase of 3.9% for 2018/19 and 2019/20. For this reason it is not necessary to seek approval for a rent increase. However, approval is still required for the proposed HRA budget for the forthcoming financial year.

4. The key legislative challenge for the Council in recent years was to meet the Scottish Housing Quality Standard (SHQS). Significant investment was required to meet this standard, which was met in April 2015. However, the Council has a duty to maintain this standard thereafter and this has a significant impact in determining investment decisions.

5. The Energy Efficiency Standard for Social Housing (ESSH) introduced in March 2014 by the Scottish Government 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 required and will continue to require significant investment until the period 2020 and to be maintained thereafter. For example, investment of over £6 million will be required for new central heating systems and energy wall insulation over the next 5 years.

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

7. The last few years have seen considerable improvements in the service. For example, rent arrears have reduced 9.4% in 2013/14 to 5% in 2017/18. However, it should be noted that the roll out of Universal Credit will place a significant challenge on the ability to recover rent and reduce arrears further. Also, the average time to complete non-emergency repairs has decreased from 8.4 days in 2013/14 to 4.8 days in 2017/18.

8. A recent satisfaction survey has found that tenants are happy with the quality of their home but would like to see improvements in external areas such as guttering, fencing, painting and gardens.

9. In addition to investing in current properties, the Council are keen to build new homes for local residents. In 2018 three new build sites of 45 homes began construction with the first homes being occupied in February 2019. In 2019 all 45 homes will be complete with further sites commencing during the year.

REPORT

10. The proposed budget for 2019/20 is attached.

11. The proposed rent increase will provide for an additional income of £360,000 in 2018/19.

12. The Councils attention is drawn towards the following main issues;

Staffing

13. Direct payroll costs have increased in line with the agreed pay award. However the current redesign of Housing Services aims to decrease future staffing costs through improved structures and more efficient IT systems.

Sub-Contractors

14. Housing Services will require to increase the use of sub-contractors for 2019/20. This ensures service delivery and key repair and improvement works can be maintained during the service redesign.

Loan charges

15. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. The business plan indicates that in 2019/20 and 20/21 this ratio will rise to just over 40% in these two years, exceeding previously held prudential ratio targets. However, this will then drop back below 40% thereafter.

Modernisation

16. Our current IT systems do not allow Housing Services to deliver services efficiently. The service is currently undertaking a procurement process to purchase a new housing management system which will be funded from capital investment.

Estate Investment

17. The legislative requirement for the Council in recent years was to meet the Scottish Housing Quality Standard (SHQS). However the SHQS primarily focuses on internal elements. This ensured that resources were invested into meeting this standard and not in other external elements that tenants would like to see improved. The tenant satisfaction survey undertaken in the summer of 2018 demonstrated that tenants would like to see improvements in gutters and pipework, gardens and fences, common closes and areas and paths.

18. The ability to deliver these improvements can be limited due to the mixed tenure nature of many areas. Resident owners and private landlords are often unable or willing to contribute towards external improvement works.

19. To deliver these improvements an additional £200,000 (from HRA resources) will be added to the Mixed Tenure Scheme. The MTS is designed to tackle external estate issues in mixed tenure communities. It is also partly funded by the General Fund.

FINANCE AND EFFICIENCY

20. The key driver of expenditure within Housing Services relates to repairs. In recent years Housing Services have undertaken a significant review and upgrade of in-house IT systems to increase productivity and efficiency. However, the work to improve efficiency in service delivery and improve digital services is ongoing.

21. Housing Services will also ensure any additional funding streams are utilised. This has been particularly useful to achieving the investment required for EESSH. In the last year Housing Services have been able to fund approximately £188,000 of improvement works from Scottish Government and Energy Company Obligation (ECO) funded grants.

22. Housing Services are looking to deliver further improvements through the provision of modern services and digital improvements, in line with the Council's Modern Ambitious Programme.

23. The ongoing redesign of services has focused on ensuring the staffing structure is aligned to ensure services are customer focused but also delivered in an efficient manner.

CONSULTATION AND 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. As a rent rise has already been agreed, there is no requirement to consult with tenants on this matter. However there is a duty to consult on the HRA budget and how priorities are identified.

26. During the summer of 2018, Housing Services undertook a tenant survey. This survey identified that tenants are happy with the quality of their home but would like to see improvements in external areas such as guttering, fencing, painting and gardens. In addition the survey identified that the service needs to improve communication with tenants and improve the ways in which they access the service. The current redesign of Housing Service will be focused on meeting those needs and delivering not only an efficient but also customer driven service.

27. Housing Services are currently reviewing "The Registered Tenants Forum" to ensure the views of tenants can influence design making. The group consisting of Tenants and Residents Groups and interested tenants are working with the Tenants Information Service to ensure they can assess and contribute to the priorities of the HRA.

IMPLICATIONS OF THE PROPOSALS

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

CONCLUSIONS

29. The financial environment in which Housing Services operates continues to be very challenging. The introduction of Universal Credit presents a significant risk to rent collection and the ability to deliver services.

30. However the proposed HRA budget 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 ESSH. The HRA budget also allows investment in areas such as external works that have been limited in previous years.

31. Housing Services are currently undertaking a full service review. This review is designed to deliver digital, efficient and customer focused services and will address some concerns raised by customers through our satisfaction surveys.

RECOMMENDATIONS

32. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2019/20.

Director of Environment

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

February 2019

EAST RENFREWSHIRE COUNCIL HRA ESTIMATE 2019/20

HRA - Overall Summary	2018/19	2019/20
	Estimate £	Estimate £

Payroll Costs			
(a)	APTC Basic	2,059,700	2,173,500
(b)	Overtime T1.5	19,000	19,000
(c)	Overtime - Contractual	5,100	5,100
(d)	National Insurance	194,100	204,100
(e)	Superannuation	364,600	384,600
(f)	Craft Basic	1,015,100	1,056,000
(g)	Craft Overtime - T1.5	31,500	31,500
(h)	Craft National Insurance	98,500	112,000
(i)	Craft Superannuation	181,300	189,700
(j)	Other Expenses	18,400	18,400
(k)	Apprentice Levy	16,000	15,900
(l)	Agency Staff	160,900	160,900
		4,164,200	4,370,700

Property Costs			
(a)	Rates	6,400	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)	Security General	0	0
(h)	Upkeep of Ground	50,000	50,000
(i)	Mixed Tenure Contribution	100,000	300,000
(j)	Fire Protection	12,000	12,000
(k)	Laundry Equipment Maintenance	22,900	22,900
(l)	Lift Maintenance	18,000	18,000
(m)	Decants	5,000	5,000
(n)	Private Contractors HRA Miscellaneous	38,300	38,300
(o)	Gas Maintenance Contract	370,000	370,000
(p)	Asbestos	70,000	70,000
(q)	Legionella	35,000	35,000
(r)	Community Alarms	19,000	19,000
(s)	Cleaning	34,000	34,700
(t)	Electricity	61,400	88,100
(u)	Gas	77,200	69,000
(v)	Property Recharge	53,300	53,300
		1,264,700	1,484,000

Transport Costs			
(a)	Fixed Maintenance	40,100	40,700
(b)	Additional Work	12,000	12,200
(c)	Overage Vehicles	28,900	29,300
(d)	Insurance Repairs	0	0
(d)	Tyres	3,000	3,000
(e)	Hires	13,000	13,200
(f)	Fuel Charges	39,800	40,400
(g)	Garaging Charges	5,000	5,100
(h)	Other Transport Costs	3,600	3,700
		145,400	147,600

Supplies & Services			
(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	670,200	837,900
(m)	Agency Labour	0	0
(n)	Water Supplied	1,400	1,400
(o)	Printing, Stationery, Telephones, Postages	43,100	43,100
(p)	Training	19,000	29,000
(q)	Departmental Directorate & Support Costs	171,400	171,400
(r)	Customer First	84,300	85,000
(s)	Insurance - Public Liability Claims	30,800	30,800
(t)	Publications & Subscriptions	24,200	24,200
(u)	Court Expenses	13,200	13,200
(v)	Other Accounts of the Authority	152,100	152,100
(w)	Voids Rent Loss Provision	200,000	220,000
(x)	Rent Remissions	10,000	10,000
(y)	Irrecoverables	160,000	160,000
(z)	Replacement Furniture	5,000	5,000
		2,319,800	2,518,200

Transfer Payments			
(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
		330,600	330,600

Support Services			
(a)	Central Administration - Central Support	912,300	977,400
		912,300	977,400

Depreciation & Impairment Losses			
(a)	Principal	3,150,300	3,216,900
(b)	Interest	1,486,900	1,316,600
(c)	Expenses	0	55,200
		4,637,200	4,588,700

GROSS EXPENDITURE**13,774,200****14,417,200**

Income - Sales, Fees and Charges			
(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)
		(109,800)	(109,800)

Income - Rental Income			
(a)	Rents - Houses (incl. Homeless Persons)	(11,509,800)	(12,102,800)
(b)	Service Charges - Heating Charges	(112,000)	(112,000)
(c)	Rents - Lock Ups	(23,000)	(23,000)
(d)	Rents - Garage Sites	(6,000)	(6,000)
(e)	Rents - Shops	(190,000)	(190,000)
		(11,840,800)	(12,433,800)

Income - Comm Ops Contract Income			
(a)	Non-HRA Income	(225,000)	(225,000)
(b)	Housing Capital	(990,000)	(990,000)
		(1,215,000)	(1,215,000)

Income - Other			
(a)	Recharge to Other Accounts of the Authority	(166,300)	(216,300)
(b)	Recharge To Capital	(86,800)	(86,800)
(c)	Recharge To Other Housing	(168,200)	(168,200)

(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)
		(608,600)	(658,600)

TOTAL INCOME**(13,774,200)****(14,417,200)****NET EXPENDITURE / (INCOME)****0****0**