

EAST RENFREWSHIRE COUNCIL9 February 2017Report by Director of EnvironmentHOUSING REVENUE ACCOUNT BUDGET APPROVAL**PURPOSE OF REPORT**

1. To seek approval for the proposed Housing Revenue Account (HRA) budget for 2017/18.

RECOMMENDATION

2. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2017/18.

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 February 2015 the Council approved a rent increase of 4.9% for 2015/16, 2016/17 and 2017/18. 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.

National and Local Priorities for Housing

4. For the last few years, the key legislative challenge for the Council has been to meet the Scottish Housing Quality Standard (SHQS) by the required April 2015 deadline. This required a significant programme of investment in many Council properties through the capital programme. The need to meet the SHQS is ongoing and as such will continue to present the Council with the challenge of investing in our properties. More detail on this is contained in a separate report to Council on the planned capital programme.

5. Housing Services' vision is to be the best Scottish Council delivering housing and housing services for our customers. Our aim is to provide people with "homes not houses" and in order to achieve this we need to ensure that we invest in our homes and invest in the services that we deliver to our customers.

6. As was noted to Council in February 2015 it is important to recognise that a rent increase of 4.9% will still not be sufficient to meet all of the local priorities that have been identified. An increase well above 5% would have been necessary in order to achieve them all.

Determining Affordability

7. In order to determine affordability, a comparison with the rent levels of other social landlords, both nationally and locally, is helpful to gauge what can be defined as a reasonable rent charge.

8. The table below details approximate rent levels for social landlords operating in or next to the East Renfrewshire Council area. It should be noted that East Renfrewshire Council's rent charges are normally 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.

| Other Local Social Landlords* | 2016/17 Average Rent Charge |
|--------------------------------------|------------------------------------|
| All Social Landlords | £74.29 |
| All Scottish Councils | £70.13 |
| East Renfrewshire Council | £69.57 |
| Barrhead Housing Association | £80.78 |
| Arklet Housing Association | £118.72 |
| Link Housing Association | £80.45 |
| Renfrewshire Council | £75.34 |
| Glasgow Housing Association | £79.02 |
| River Clyde Homes (Inverclyde) | £87.61 |

**This is estimated from data produced by the SHR. Landlords will build, buy and sell properties which will amend the final figures.*

9. East Renfrewshire Council operates within the same labour, housing and wage market as these other providers.

10. These figures show that East Renfrewshire Council's rents are lower than other local/neighbouring social housing landlords' rents and are therefore more affordable. East Renfrewshire Council faces the same financial pressures as other, more expensive, social landlords.

11. Full details of the draft Housing Revenue Account for 2017/18 with the Housing Maintenance Team is shown in the Appendix to this report with further information provided below.

Customer Care and Service Provision

12. A number of improvement measures were introduced during 2016/17 including an automatic text messaging system for repair and maintenance work to ensure better communication with customers. A text reminder is now sent 48 hours before routine repairs resulting in a reduced number of 'no accesses' and delivering efficiencies for both staff and tenants.

13. To address demand for affordable housing across East Renfrewshire, Housing Services have embarked upon an ambitious Council house building programme, committing to 120 new houses over the next 5 years, with work beginning on site during early 2017.

14. The development of a choice based letting system is also ongoing, transforming how we allocate housing and giving customers more choice to meet their housing aspirations. This will be introduced in late 2017.

15. Housing Services continues to improve its performance in key Local Government Benchmarking figures.

| | 2013/14 Quartile | 2014/15 Quartile | 2015/16 Quartile | 2016/17 Predicted Quartile |
|--|---------------------|---------------------|---------------------|----------------------------------|
| % of stock meeting the SHQS | 1 | 1 | 1 | 1 |
| % of council dwellings that are energy efficient | 1 | 2 | 1 | 1 |
| Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year | 4 | 4 | 3 | 2 or 3 |
| % of rent due lost through properties being empty during the last year | 3 | 2 | 2 | 2 |
| Average length of time taken to complete non-emergency repairs | 2 | 2 | 1 | 1 |

REPORT

Specific Areas of Expenditure Increase

16. The rent increase for 2017/18 will provide a gross income of £520,000. However it is expected that this gross income will be reduced by £277,000 through the impact of Right to Buy and subsequent impact on loan charges. This results in an increased net income of £243,000 in 2017/18.

17. The end of Right to Buy in August 2016, saw a significant increase in applications therefore reducing stock, whilst ongoing investment in capital improvements has continued at the same level. Due to the volume of Right to Buy capital receipts the HRA will be able to reduce borrowing therefore the increase in loan charges is less than what it would otherwise have been.

18. In 2017/18 we expect to see an increase in bad debt of £111,000. With the impact of welfare reform and benefit caps a bad debt provision has been built at 75% – this is in line with the average percentage for all other Scottish HRAs, but may not be required in future years.

Staffing

19. Direct payroll costs have increased in 2017/18, reflecting the investment in five new modern apprentices, pay increases expected at around 1% and the impact of incremental pay scales.

FINANCE AND EFFICIENCY

20. The key driver of expenditure within the Housing Service relates to repairs.

21. Significant investment was undertaken in 2016/17 to modernise tools and buy scaffold to ensure we deliver a fit for purpose service, whilst complying with health and safety requirements. Investment in digital technologies to achieve efficiencies was also key such as using tablets to produce electrical test certificates – a legal requirement – has resulted in a 20% time saving on a previously paper intensive task. Similarly continued investment to upgrade the remaining vehicle fleet to lower carbon emissions vans has resulted in a financial saving of £15K per annum.

CONSULTATION

22. Every two years the service undertakes a large scale survey of its customers. In addition this information is supplemented by smaller scale surveys that are undertaken on an ongoing basis. The results of these surveys are used as part of a continuous self-improvement process to ensure that the service delivered meets the needs of our customers.

23. Also, a draft HRA budget was presented at the last meeting of the Residents and Tenants Organisation forum. A programme of future consultations is currently in preparation for the 2017/18 year. Housing Services are keen to ensure a wide range of customers have the opportunity to influence the delivery of the service.

PARTNERSHIP WORKING

24. In order to ensure the HRA is efficient and delivers value for money, a partnership approach is in place with colleagues from Accountancy to develop the HRA Business Plan.

IMPLICATIONS OF THE PROPOSALS

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

CONCLUSIONS

26. The financial environment in which Housing Services operates continues to be very challenging. The ongoing impact of Welfare Reform means that these challenges are likely to be exacerbated by the imposition of the reduced Benefit Cap (from November 2016), and the financial impact of the Local Housing Allowance (LHA) cap, due to take effect in 2019.

27. However we are delivering services that perform largely above the Scottish average whilst charging a rent that is below the Scottish average. The budget proposed is the minimum required to continue this level of performance.

RECOMMENDATIONS

28. The Council is asked to approve the proposed Housing Revenue Account budget for 2017/18.

Director of Environment

Further information can be obtained from: Phil Daws, Head of Environment (Strategic Service), 0141 577 3186 or phil.daws@eastrenfrewshire.gov.uk

January 2017

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EAST RENFREWSHIRE COUNCIL
ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.2017 TO 31.3.2018
HOUSING REVENUE ACCOUNT

| HRA - Overall Summary | 2016/17 | 2017/18 |
|------------------------------|------------------|----------|
| | Revised Estimate | Estimate |
| | £ | £ |

| 1. Payroll Costs | | | |
|-------------------------|--------------------------|------------------|------------------|
| (a) | APTC Basic | 1,971,900 | 2,030,300 |
| (b) | Overtime T1.5 | 19,000 | 19,000 |
| (c) | Overtime - Contractual | 4,900 | 5,000 |
| (d) | National Insurance | 186,000 | 189,300 |
| (e) | Superannuation | 343,600 | 357,400 |
| (f) | Craft Basic | 938,600 | 981,500 |
| (g) | Craft Overtime - T1.5 | 31,500 | 31,500 |
| (h) | Craft National Insurance | 88,500 | 98,900 |
| (i) | Craft Superannuation | 154,100 | 175,300 |
| (j) | Other Expenses | 36,800 | 18,400 |
| | | 3,774,900 | 3,906,600 |

| 2. Property Costs | | | |
|--------------------------|---------------------------------------|------------------|------------------|
| (a) | Decants | 5,000 | 5,000 |
| (b) | Private Contractors HRA Miscellaneous | 17,700 | 39,600 |
| (c) | R & M - Weather Contingency | 40,000 | 0 |
| (d) | Upkeep of Ground | 50,000 | 50,000 |
| (e) | Mixed Tenure Contribution | 100,000 | 100,000 |
| (f) | Gas Maintenance Contract | 349,600 | 349,600 |
| (g) | Asbestos | 70,000 | 70,000 |
| (h) | Legionella | 35,000 | 35,000 |
| (i) | Insurance Premium | 200,000 | 200,000 |
| (j) | Insurance - Provision for Excess | 46,200 | 50,000 |
| (k) | Council Tax | 25,400 | 17,700 |
| (l) | Rent & Rates | 20,400 | 14,400 |
| (m) | Fixtures & Fittings | 1,800 | 4,800 |
| (n) | Fire Protection | 17,000 | 14,000 |
| (o) | Laundry Equipment Maintenance | 14,000 | 18,900 |
| (p) | Community Alarms | 13,000 | 19,000 |
| (q) | Lift Maintenance | 23,000 | 18,000 |
| (r) | Cleaning | 33,200 | 33,200 |
| (s) | Electricity | 67,300 | 59,700 |
| (t) | Gas | 83,300 | 83,200 |
| (u) | Property Recharge | 56,000 | 56,000 |
| | | 1,267,900 | 1,238,100 |

| 3. Transport Costs | | | |
|---------------------------|-----------------------|----------------|----------------|
| (a) | Fixed Maintenance | 80,500 | 69,500 |
| (b) | Additional Work | 15,000 | 18,000 |
| (c) | Overage Vehicles | 0 | 12,900 |
| (d) | Insurance Repairs | 2,900 | 0 |
| (e) | Tyres | 5,000 | 5,000 |
| (f) | Hires | 8,000 | 13,000 |
| (g) | Diesel | 46,800 | 41,800 |
| (h) | Other Transport Costs | 7,700 | 7,700 |
| | | 165,900 | 167,900 |

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|------------------------------|------------------|----------|
| | Revised Estimate | Estimate |
| | £ | £ |

| | | |
|--|-------------------|-------------------|
| 4. Supplies & Services | | |
| (a) Materials - Stock and Non-Stock | 530,000 | 590,000 |
| (b) Sub Contractors | 613,500 | 683,700 |
| (c) Agency Labour | 40,000 | 50,000 |
| (d) Skip, Hoist and Scaffolding | 39,000 | 39,000 |
| (e) Purchase Small Tools and Protective Clothing | 52,300 | 53,300 |
| (f) Purchase Office Equip | 0 | 15,000 |
| (g) Equipment & Computer Development | 143,000 | 104,000 |
| (h) Printing, Stationery, Telephones, Postages | 58,100 | 43,100 |
| (i) Advertising/Publicity | 1,000 | 0 |
| (j) Training | 27,500 | 27,500 |
| (k) Publications & Subscriptions | 6,700 | 14,700 |
| (l) Insurance - Public Liability Claims | 50,000 | 40,000 |
| (m) Departmental Directorate & Support Costs | 118,000 | 118,000 |
| (n) Customer First | 82,100 | 82,600 |
| (o) Court Expenses | 10,200 | 15,200 |
| (p) Other Accounts of the Authority | 130,100 | 130,100 |
| (o) Voids Rent Loss Provision | 200,000 | 200,000 |
| (p) Rent Remissions | 0 | 9,000 |
| (q) Irrecoverables | 140,000 | 118,300 |
| | 2,241,500 | 2,333,500 |
| 5. Transfer Payments | | |
| (a) Bad Debt Provision | 0 | 250,900 |
| (b) Superannuation Additional Allowances | 17,000 | 17,000 |
| (c) Assistance to Tenants Associations | 23,800 | 23,800 |
| (d) Specific Debts Written Off | 0 | 8,300 |
| | 40,800 | 300,000 |
| 6. Support Services | | |
| (a) Central Administration - Central Support | 794,100 | 836,000 |
| | 794,100 | 836,000 |
| 7. Depreciation & Impairment Losses | | |
| (a) Principal | 2,898,700 | 3,106,500 |
| (b) Interest | 1,480,000 | 1,350,300 |
| (c) Expenses | 33,900 | 800 |
| | 4,412,600 | 4,457,600 |
| GROSS EXPENDITURE | 12,697,700 | 13,239,700 |

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|------------------------------|------------------|----------|
| | Revised Estimate | Estimate |
| | £ | £ |

| 8. Income - Sales, Fees and Charges | | | |
|--|-------------------------------------|-----------------|-----------------|
| (a) | Repairs Recharged to Tenants | (28,800) | (13,800) |
| (b) | Repairs Recharged to Owner/Occupier | 0 | (40,000) |
| (c) | Sheltered Housing Charges (Wardens) | (42,000) | (44,000) |
| | | (70,800) | (97,800) |

| 9. Income - Rental Income | | | |
|----------------------------------|---|---------------------|---------------------|
| (a) | Rents - Houses (incl. Homeless Persons) | (10,769,900) | (11,012,700) |
| (b) | Service Charges - Heating Charges | (100,400) | (117,000) |
| (c) | Rents - Lock Ups | (23,000) | (23,000) |
| (d) | Rents - Garage Sites | (6,000) | (6,000) |
| (e) | Rents - Shops | (180,000) | (190,000) |
| | | (11,079,300) | (11,348,700) |

| 10. Income - Comm Ops Contract Income | | | |
|--|-----------------|--------------------|--------------------|
| (a) | Non-HRA Income | (265,000) | (265,000) |
| (b) | Housing Capital | (870,000) | (990,000) |
| | | (1,135,000) | (1,255,000) |

| 11. Income - Other | | | |
|---------------------------|---|------------------|------------------|
| (a) | Recharge to Other Accounts of the Authority | (142,000) | (142,000) |
| (b) | Recharge To Capital | (94,800) | (76,800) |
| (c) | Recharge To Other Housing | (151,200) | (168,200) |
| (d) | Recharge to Council House Sales | (7,300) | (7,300) |
| (e) | Interest on Revenue deposits | (17,300) | (17,300) |
| (f) | Contribution from Bad Debt provision | 0 | (126,600) |
| | | (412,600) | (538,200) |

| | | |
|---------------------|---------------------|---------------------|
| TOTAL INCOME | (12,697,700) | (13,239,700) |
|---------------------|---------------------|---------------------|

| | | |
|-----------------------------------|----------|----------|
| NET EXPENDITURE / (INCOME) | 0 | 0 |
|-----------------------------------|----------|----------|

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