

EAST RENFREWSHIRE COUNCIL9 March 2016Report by Director of EnvironmentHOUSING REVENUE ACCOUNT BUDGET APPROVAL**PURPOSE OF REPORT**

1. To seek approval for the proposed Housing Revenue Account (HRA) budget for 2016/17.

RECOMMENDATION

2. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2016/17.

BACKGROUND AND REPORT

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) which required to be achieved by April 2015. 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.

Customer Care and Service Provision

7. Improvement measures that were introduced in 2015/16 included the introduction of a new workforce planning officer to ensure better communication with customers when undertaking repairs and additional resources dedicated to the customer care aspect of managing contractors. Both of these measures have proved extremely successful in improving the quality of services delivered to tenants and residents.

8. Sheltered accommodation is provided to around 10% of Council tenants. In 2015 the Council retained its previously awarded high gradings from the Care Inspectorate with ratings of “very good” being awarded in relation to the quality of care and support, quality of staffing and quality of management. The Council continuously benchmarks the quality and cost of its service provision with providers operating within the authority and with neighbouring Councils.

9. Through a variety of back office system improvements an additional technical resource was made available for the purpose of post repair inspection. This meant that the service was able to undertake over 900 random post repair inspections.

10. Housing Services continue to improve in performance for the key Local Government Benchmarking figures.

	2013/14 Quartile	2014/15 Quartile	2015/16 Predicted Quartile
% of stock meeting the SHQS	1	1	1
% of council dwellings that are energy efficient	1	2	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
% of rent due lost through properties being empty during the last year	3	2	2
Average length of time taken to complete non-emergency repairs	2	2	1

11. 2015 saw the tenth anniversary of the Council's decision in 2005 to retain its stock. The anniversary was celebrated through the staging of exhibitions in Barrhead Health Centre and Rouken Glen Park detailing over 100 years of housing in East Renfrewshire.

12. 2015/16 also saw the building of the first council homes since the creation of East Renfrewshire Council with the development of seven properties in Eaglesham.

Determining Affordability

13. As has been noted in previous years in determining 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.

14. 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*	2015/16 Average Rent Charge
All Scottish Councils	£68.15
East Renfrewshire Council	£66.32
Barrhead Housing Association	£79.20
Arklet Housing Association	£118.25
Link Housing Association	£79.26
Renfrewshire Council	£73.86
Glasgow Housing Association	£77.65
River Clyde Homes (Inverclyde)	£87.00

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

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

16. Full details of the draft Housing Revenue Account for 2016/17 with the Housing Maintenance Team is shown in the Appendix to this report with further information provided below.

Specific Areas of Expenditure Increase

17. The rent increase for 2016/17 will provide for an additional income of £374,900 in 2016/17. The detail of where most of this additional income will be spent is outlined below.

18. The financial environment for both the service and for our customers remains extremely challenging. National changes in the way that capital spending overheads are accounted for has resulted in an increased annual revenue cost of around £130,000 that requires to be borne by the HRA. Whilst in the long term this is a beneficial development as it reduces capital borrowing it does increase revenue expenditure. Similarly government introduced changes in national insurance contributions have increased staffing costs by around £70K.

Staffing

19. In addition to the national insurance issue detailed above direct payroll costs have increased. This relates partially to the annual pay award of 1.5% and also due to the two new posts referred to that were introduced in relation to repairs, customer care and managing the customer care aspects of the capital programme.

Response and planned maintenance

20. Response and planned maintenance will see an increase in expenditure of over £150K. This will be invested in:

- The continuation of the current gutter cleaning programme.
- Repairs and renewal of footpaths, steps and fencing.
- Installation of fans to reduce occurrences of reported condensation problems.
- Facia and guttering repairs to properties not on the current capital roofing programme.
- Reducing the waiting times for inspections or appointments.

21. An increase in expenditure of £200K on sub-contractors is also planned to permit the Council:

- To subcontract works where the in house maintenance team lack the necessary trade skills (Roofing, Glazing, Door Entry etc).
- To appoint a backup contractor to assist in responding to periods of high demand or inclement weather.

FINANCE AND EFFICIENCY

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

23. Significant investment was undertaken throughout the year in the various software systems that the services use, permitting a more effective utilisation of technology to achieve efficiencies (for example, the introduction of mobile working provides real time repair status updates from our operatives to our planners and back office systems). Similarly investment in new, cheaper to run vehicles for the maintenance team has resulted in lower carbon emissions and a financial saving of £15K per annum.

CONSULTATION AND PARTNERSHIP WORKING

24. 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.

25. In addition 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 2016/17 year. Housing Services are keen to ensure a wide range of customers have the opportunity to influence the delivery of the service.

IMPLICATIONS OF THE PROPOSALS

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

CONCLUSIONS

27. The financial environment in which Housing Services operates continues to be very challenging. However it is 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 2016/17.

Director of Environment

Further details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186 or phil.daws@eastrenfrewshire.gov.uk

March 2016

KEY WORDS

A report seeking agreement to increase Council house rents by 4.9% for 2015/16, 2016/17, 2017/18.

Key words: Council, house, rents, increase, finance, business plan, tenants, SHQS.

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HOUSING

HRA

	Budget 2015/16 £'000	Budget 2016/17 £'000
<u>Expenditure</u>		
Staff Costs	3,552	3,775
Property Costs	1,353	1,238
Transport Costs	181	166
Supplies & Services	2,211	2,271
Transfer Payments	33	41
Support Services	788	794
Depreciation & Impairment Losses	4,205	4,413
Total Expenditure	12,323	12,698
<u>Income</u>		
Rents - Houses	10,372	10,770
Other Govt Grant	0	0
Recharge Income (Internal)	1,581	1,548
Fees Charges etc	370	380
Other Income	0	0
Total Income	12,323	12,698
Net Expenditure	0	0

<u>Budgeted Personnel 2015/16</u>			
	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time Equivalent</u>
Chief Officers	0	0	0.0
Teachers	0	0	0.0
APT & C	63	21	75.9
Craft	41	0	41.0
Total	104	21	116.9

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2015/16	2016/17
Combined Housing Estimate £	Combined Housing Estimate £

Supplies and Services			
a	Materials - Stock	282,200	290,000
b	Materials - Non-Stock	260,400	240,000
c	Sub Contractors	316,100	483,500
d	Sub Contractor - Standby	85,000	130,000
e	Agency Labour	0	40,000
f	Skip Hire	40,000	22,000
g	Hoist Hire	35,000	9,000
h	Hire of Scaffolding	22,400	8,000
i	Uniforms/Protect Cloth	7,300	7,300
j	Purchase Small Tools	21,800	45,000
k	Purchase Office Equip	2,300	0
l	Equipment & Computer Development	158,500	143,000
m	Garden Competition	500	0
n	Printing, Stationery, Telephones & Postages	75,000	58,100
o	Advertising/Publicity	1,000	1,000
p	Training	27,500	27,500
q	Departmental Directorate & Support Costs	117,500	118,000
r	Insurance - Public Liability Claims	90,000	80,000
s	Publications & Subscriptions	12,000	6,700
t	Customer First	82,100	82,100
u	Court Expenses	8,200	10,200
v	Contribution to HRA Reserves	87,100	0
w	Other Accounts of the Authority	109,300	130,100
x	Voids Rent Loss Provision	230,100	200,000
y	Irrecoverables	140,000	140,000
		2,211,300	2,271,500

Transfer Payments			
a	Superannuation Additional Allowances	15,900	17,000
b	Assistance to Tenants Associations	16,800	23,800
		32,700	40,800

Support Services			
a	Central Support Charges	788,300	794,100
		788,300	794,100

Depreciation & Impairment Losses			
a	Principal	2,675,600	2,916,400
b	Interest	1,491,000	1,453,900
c	Expenses	38,300	42,300
		4,204,900	4,412,600

Total Actual Gross Expenditure	14,520,100	15,153,800
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<i>Less amount carried out by internal Housing Maintenance Team</i>	(2,197,300)	(2,456,100)
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Net Costs	12,322,800	12,697,700
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2015/16	2016/17
Combined Housing Estimate £	Combined Housing Estimate £

Income	
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Rents	
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a	Rents - Houses (incl. Homeless Persons)	10,372,100	10,769,900
		10,372,100	10,769,900

Recharge Accounts	
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a	Non Housing Revenue	227,800	265,000
b	Housing Capital	966,000	870,000
c	Housing Revenue	2,197,300	2,456,100
d	Recharge to Other Accounts of the Authority	130,000	142,000
e	Recharge To Capital	76,800	94,800
f	Recharge To Other Housing	151,200	151,200
g	Recharge to Council House Sales	7,300	7,300
h	Interest on Revenue deposits	21,300	17,300
		3,777,700	4,003,700

<i>Less income from internal Housing Maintenance Team</i>	(2,197,300)	(2,456,100)
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Net Recharge Income	1,580,400	1,547,600
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Income - Fees and Charges etc	
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a	Repairs Recharged to Tenants	18,800	28,800
b	Sheltered Housing Charges (Wardens)	40,000	42,000
c	Sheltered Housing Charges (Heating)	94,400	100,400
d	Rents - Lock Ups	30,000	23,000
e	Rents - Garage Sites	7,100	6,000
f	Rents - Shops	180,000	180,000
		370,300	380,200

Total Actual Income	14,520,100	15,153,800
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<i>Less income from internal Housing Maintenance Team</i>	(2,197,300)	(2,456,100)
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Net Income	12,322,800	12,697,700
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HRA Net Expenditure	0	0
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