

EAST RENFREWSHIRE COUNCIL

13 February 2014

Report by Director of Environment

HOUSING REVENUE ACCOUNT: RENT SETTING 2014/15

**PURPOSE OF REPORT**

1. To outline spending pressures and make recommendations to the Council in relation to the rent increase for 2014/15.

**RECOMMENDATION**

2. The Council is asked to approve the recommendation that a 5.0% rent increase be applied from April 2014.

**BACKGROUND AND REPORT**

The process of rent setting

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

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

5. It is recognised that this is a difficult process as aspirations in relation to improved service delivery can often be curtailed due to the need to keep rents at an acceptable level.

National and local priorities for Housing

6. The key legislative challenge for the Council during 2014/15, in common with most social landlords, relates to working towards meeting the Scottish Housing Quality Standard (SHQS) which requires to be achieved by 2015.

7. Meeting the SHQS target will be challenging but is achievable. A delivery plan has been prepared detailing what work is required to be undertaken in each property. The achievement of the SHQS will be welcome to Council tenants as it will ensure that all Council tenants live in properties that meet minimum standards. As this is the last full financial year before the SHQS requires to be met, this is the last opportunity the Council will have to establish that it has the necessary finances to meet the standard.

8. This legislative challenge is 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.

9. As detailed to the Council in last year’s report, the Council also has a number of local priorities for Housing Services. These include:

- Modernising and improving the productivity and reliability of the repairs service through improved technology (mobile working)
- Maintaining financial provision for repairs in order that the amount of repairs that can be undertaken does not decrease
- Continuing the development an “asset management approach” to assets
- Improving the physical appearance of estates (closes, gardens, communal areas)
- Tackling anti social behaviour

10. These local priorities have been developed over the last few years following feedback received from Elected Members, customers, tenant groups, complaints received, Elected Member feedback, comments from the Scottish Housing Regulator and day to day contact with customers.

11. One of the priorities relates to the physical appearance of estates. Housing Services have successfully co-ordinated with assistance from regeneration and economic development staff the Council’s wider Mixed Tenure Scheme.

12. There is a common misconception that the Council has “Council” estates. What are often perceived as Council estates are in fact mixed tenure estates (private landlords, owner occupiers and Council owned) and have been so since the introduction of Right to Buy Legislation. Management and maintenance issues with these estates have worsened over the years.

13. The main management and maintenance issues arising relate to the maintenance of common areas such as cutting trees/hedges and grass, removing rubbish, painting, fencing, vandalism, close cleaning and painting, minor repairs and weeds etc. In the past these issues have generally been attended to and paid from the Housing Revenue Account.

14. These environmental issues taken together can have a hugely significant effect upon residents. The unwillingness or inability of some owners and some tenants to participate in the maintenance and improvement of common areas seriously affects the quality of life on some mixed tenure estates.

15. The creation of the mixed tenure scheme has resulted in significant benefits such as an improvement to environmental attractiveness, investment in mixed tenure properties, creation of local employment and residents’ satisfaction. It is anticipated that around 2000 households have benefited from the creation of the scheme in its first year of operation.

16. Feedback from existing customers and potential future customers suggest that the continuation of such investment is essential to maintain the desirability of the Council as a means of delivering affordable housing.

17. It is important to recognise that a proposed rent increase of 5% will still not be sufficient to meet all of the local priorities that are listed above. An increase of an amount greater than 5% would be necessary in order to achieve them all. Were additional resources available the service would be keen to:

- Increase the lettable standard of void properties including decoration
- Undertake additional external projects such as erection of fencing, improvements to driveways etc
- Enhanced presence of housing officers
- Achieve increased customer care, especially for older and vulnerable tenants

#### Establishing an appropriate rent

18. Housing Services 30 year business plan continues to be adversely affected by the downturn within the wider UK financial climate, chiefly as a result of the decline in capital receipts through the sale of Council properties through right to buy. In 2005 the Housing Revenue Account received around £2,000,000 in income each year through capital receipts. In recent years this figure has reduced to less than £500,000. This dramatic decrease has a significant impact on the income of Housing Services.

19. At the same time as experiencing this decline in income, demands upon the service have continued to increase. The requirement to meet the SHQS, as noted above, is a significant factor in dictating levels of expenditure.

#### Determining affordability

20. In determining affordability 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. The table below details approximate rent levels for social landlords operating in or around the East Renfrewshire Council area.

	<b>Average weekly rent for 2013/14</b>
Glasgow Housing Association	£71.53
Renfrewshire Council	£68.77
Arklet HA	£90.05
Barrhead HA	£74.76
Link HA	£79.49
<b>ERC Rent</b>	<b>£60.27</b>

21. These figures suggest that East Renfrewshire Council rents are “more affordable” in comparison with other providers. It is important to note that East Renfrewshire Council operates within the same labour and wage market as these other providers. This would suggest that East Renfrewshire Council faces the same financial pressures that other, more expensive social landlords face. On that basis the lower rent charged by East Renfrewshire Council is worthy of note.

#### The proposed increase and its impact

22. Based upon the financial information gathered and in order to provide the appropriate resources to meet some of the local priorities identified, it has been calculated that a rent increase of 5.0 % would be required for 2014/15.

23. This will provide the necessary resources to continue the investment in the capital programme required to meet the SHQS.

24. For the reasons outlined above a rent increase of 5.0 % is proposed. It is important to note that the view of the Council is that any increase is regrettable especially given the fact that many households are experiencing static or decreasing incomes given the current economic slowdown.

25. Full detail of the draft Housing Revenue Account for 2014/15 with the Housing Maintenance Team is shown in the appendix to this report with further information provided below.

#### Specific areas of expenditure increase

##### Staffing

26. Provision has been made to cover the costs of a pay award confirmed to be 1%.

##### Estate management

27. Provision of £100,000 has been made for the second successive year in order to contribute to the Council Mixed Tenure scheme noted above.

##### Repayment of Loan Charges

28. An increase of 5% will realise an additional income of £430,000. The loan charges have increased in 2014/15 by an estimated £337,000 reflecting higher capital investment necessary to meet the SHQS.

## **FINANCE AND EFFICIENCY**

29. The key driver of expenditure within the Housing Service relates to repairs. As reported to the Council in the last two years, the Housing Service, through the Public Sector Excellence Group, is in the process of reviewing housing repair systems and processes with a view to making changes which will improve productivity and efficiency and remove the service's reliance on extensive manual interventions and activities.

30. This process continues, with the Cabinet having agreed on 16<sup>th</sup> January 2014 to purchase "Servitor Mobile" for the implementation of mobile working for the housing responsive repairs service. Regrettably progress has been slowed in 2013 with the nationwide obstacles surrounding the Public Sector Network(PSN) issues that have affected all local authorities.

## **CONSULTATION AND PARTNERSHIP WORKING**

31. Housing Services consulted all its tenants through an article in the newsletter that is sent directly to all Council tenants. This newsletter explained the proposed increase and sought the views of tenants on the matter. There were no objections raised by individual tenants in relation to the increase following the issue of the newsletter.

32. In addition discussions took place with representatives from existing Tenant and Resident Associations through the Housing Services Liaison Group (HSLG). Representatives of the HSLG expressed their opposition to the increase.

## **IMPLICATIONS OF THE PROPOSALS**

33. It has been recognised that in the current economic climate, especially taking into account recently introduced welfare reform changes, any rent increase needs to be kept to an absolute minimum. All options have been explored and every effort has been made to keep the proposed rent increase as low as possible.

34. The proposed increase is deemed to be affordable, is competitive in relation to other providers of socially rented accommodation and will provide Housing Services with much needed investment to maintain the quality of service provided to East Renfrewshire tenants.

35. Without an increase of 5% and without compromising the need to meet the SHQS, significant cuts in service provision would be required. It is felt that such cuts would not be consistent with the expectations and aspirations of Council tenants.

36. As such the proposed rent increase is considered to be the lowest increase necessary to allow Housing Services to continue to invest in its housing stock to meet the SHQS by 2015, whilst continuing to provide a high level of service to our customers and meeting the local priorities of tenants.

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

## **CONCLUSIONS**

38. It is proposed that Council house rents should increase by 5.0% with effect from April 2014. It should be noted that this increase will apply to all lock ups and garage sites held on the Housing Revenue Account.

39. This proposal ensures that the income from rents is at a level which is sufficient to meet the needs of the demands of the service, the emerging local priorities of our tenants and the challenges associated with meeting the SHQS by 2015.

## **RECOMMENDATIONS**

40. The Council is asked to approve the recommendation that a 5.0% rent increase be applied from April 2014.

Director of Environment

Further details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186 or [phil.daws@eastrenfrewshire.gov.uk](mailto:phil.daws@eastrenfrewshire.gov.uk)

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## **KEY WORDS**

A report seeking agreement to increase Council house rents by 5.0% for 2014/15.

Key words: Council, house, rents, increase, finance



**EAST RENFREWSHIRE COUNCIL**  
**COMBINED HRA ESTIMATES - 2014/15**

		2013/14	2014/15
Description		Combined Housing Estimate £	Combined Housing Estimate £
<b>Financing Costs</b>			
(a)	Loan Charges and Interest	132,000	132,000
(b)	Principal	1,988,800	2,228,900
(c)	Interest	1,328,900	1,426,500
(d)	Expenses	24,100	24,100
		<b>3,473,800</b>	<b>3,811,500</b>
<b>Total Actual Gross Expenditure</b>		<b>13,436,900</b>	<b>13,811,200</b>
<i>Less amount carried out by internal Housing Maintenance Team</i>		<i>(2,190,700)</i>	<i>(2,109,700)</i>
<b>Net Costs</b>		<b>11,246,200</b>	<b>11,701,500</b>
<b>Income</b>			
<b>Rents</b>			
(a)	Rents - Houses (incl. Homeless Persons)	9,461,300	9,891,600
		<b>9,461,300</b>	<b>9,891,600</b>
<b>Recharge Accounts</b>			
(a)	HMT Non HRA Income	1,040,800	1,072,800
(b)	HMT Income from HRA	2,190,700	2,109,700
(c)	Recharge to Other Accounts of the Authority	130,000	130,000
(d)	HRA Recharges to Capital & Other Housing	234,300	235,300
(e)	Interest on Revenue deposits	16,300	21,300
		<b>3,612,100</b>	<b>3,569,100</b>
<i>Less income from internal Housing Maintenance Team</i>		<i>(2,190,700)</i>	<i>(2,109,700)</i>
<b>Net Recharge Income</b>		<b>1,421,400</b>	<b>1,459,400</b>
<b>Income - Fees and Charges etc</b>			
(a)	Repairs Recharged to Tenants	4,000	4,000
(b)	Sheltered Housing Charges (Wardens & Heating Charges)	119,400	129,400
(c)	Rents - Lock Ups, Garage Sites & Shops	238,100	217,100
		<b>361,500</b>	<b>350,500</b>
<b>Income - Other</b>			
(a)	Miscellaneous Income	2,000	0
		<b>2,000</b>	<b>0</b>
<b>Total Actual Income</b>		<b>13,436,900</b>	<b>13,811,200</b>
<i>Less income from internal Housing Maintenance Team</i>		<i>(2,190,700)</i>	<i>(2,109,700)</i>
<b>Net Income</b>		<b>11,246,200</b>	<b>11,701,500</b>
<b>HRA Net Expenditure</b>		<b>0</b>	<b>0</b>