

EAST RENFREWSHIRE COUNCIL3 March 2022Report by Director of EnvironmentHOUSING REVENUE ACCOUNT BUDGET 2022/23**PURPOSE OF REPORT**

1. To seek approval for the proposed Housing Revenue Account (HRA) budget for 2022/23.

**RECOMMENDATION**

2. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2022/23.

**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 2021 the Council approved a rent increase of 1% for 2021/22 and 2022/23. 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. Members will also recall that in 2020/21 COVID 19 had increased both void rent loss and increased rent arrears resulting in a forecast overspend for 2020/21. Whilst void rent loss is reducing, the pandemic is presenting many financial challenges for many council tenants and rent arrears continue to be a challenge. Whilst a 1% rent increase is not sufficient to meet the needs of the service, Housing Services have identified financial reserves to address any shortfall in income.

5. When determining the needs of the Housing Revenue Account, the service must first ensure that all statutory standards are met. All social landlords in Scotland must ensure they meet the standards set out in the Scottish Social Housing Charter which sets out what services should be delivered to tenants in the following areas:

- The customer/landlord relationship
- Housing quality and maintenance
- Neighbourhood and community
- Access to housing and support
- Getting good value from rents and service charges

6. When assessing Housing quality & maintenance there are two key legislation requirements that drive investments and spend:

- 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 and continues to have a significant impact in determining investment decisions.

- The Energy Efficiency Standard for Social Housing (EESH) introduced in March 2014 by the Scottish Government required all Scottish social landlords to substantially improve the energy efficiency rating of their houses over and above that required by the SHQS by 2020. In addition, this standard has now been increased and a new standard known as EESH2 sets increased energy efficiency targets to be met in 2025 & 2032. Whilst these targets have a major financial burden for the service, it is hoped that they will make homes more energy efficient and thereby reduce fuel poverty.

7. 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.

## **REPORT**

8. The proposed budget for 2022/23 is attached and will provide an additional rental income of £384,000 in 2022/23.

9. The Council's attention is drawn towards the following main issues:

### Staffing

10. Direct payroll costs have been amended in line with the agreed pay award. However following a review of all roles and service delivery, overall staffing costs remain similar to previous years.

11. Due to the specialism of some works, the size of the Housing Maintenance Team was reduced but they remain our key contractor. Whilst some works are better completed by specialist contractors, the COVID 19 pandemic has shown the benefit of having a hardworking and responsive in-house labour team.

### Property Costs

12. Over the past two years COVID 19 has changed the way in which services have been delivered. This has required increased costs and investment in cleaning, PPE and utilities. Cleaning costs have increased by £6k per year and utility costs for communal areas have increased by £20k.

13. The Housing Revenue Account contributes 50% towards the mixed tenure scheme. This service undertakes estate improvement in areas that include council homes, private tenancies and owner occupiers.

### Supplies & Services

14. Housing Services require to increase the budget in relation to sub-contractors. This is due to the increasing and fluctuating costs within the wider construction industry in particular works outwith the scope of the in-house labour team. In the last 12 months, tender returns for construction work has increased by 5%. In addition, some contractors are now reporting cost increases of between 15-18%. Housing Services work closely with Procurement colleagues to ensure best value is achieved.

15. In recent years void rent loss was an issue for Housing Services. However ongoing improvement works are estimated to reduce void rent loss in 2021/22 and the 2022/23 budget has been set to anticipate a further reduction.

Loan charges

16. The Council operates under prudential borrowing guidelines. Due to previous debt inherited at the time of reorganisation, the debt owed by the service remains around 30% increasing to almost 35% around 2025/26. Thereafter debt levels are expected to reduce to approximately 20%.

Modernisation

17. Over the last 2 years the Housing Service has invested significantly in new technology. This new technology is a significant undertaking both in terms of financial and staffing resources. The new IT system is expected to launch in 2022/23 and will provide officers with the tools to support and advise tenants, reduce unnecessary paperwork and will allow tenants to access many services online. For example, Housing Officers have to spend up to 50% of their day in the office undertaking paperwork. The new technology will reduce this significantly allowing Housing Officers to spend only 10-20% of their week at the office and the remaining time in the community assisting tenants. In addition tenants will have access to tools that allow them to access their rent account, report and track repairs and access information on improvements to their homes.

Income

18. Throughout the last two financial years, rent arrears have continued to increase as a result of a large migration of tenants from direct Housing Benefit payments to Universal Credit, and significant restrictions on legal powers of recovery. Both issues are underpinned by COVID 19 and the significant financial difficulties placed on tenants. Housing Services are supporting tenants to address this but the issue places a limit on income recovery.

**FINANCE AND EFFICIENCY**

19. 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.

20. Almost one third of the stock is more than 75 years old, with a further third aged between 50 and 75 years. East Renfrewshire Council also has a higher percentage of tenemental stock in comparison to other councils and Housing Associations. The cost to maintain these homes to the required current and future standards will be challenging.

21. Due to the increasing costs within the construction industry both with suppliers and sub-contractors, Housing Services are working closely with colleagues from the Council's procurement team to ensure that value for money is achieved at all times.

22. Housing Services will also ensure any additional funding streams are utilised. This has been particularly useful to achieving the investment required for EESSH.

**CONSULTATION AND PARTNERSHIP WORKING**

23. The Housing (Scotland) Act 2001 requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases.

24. 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.

25. Housing Services facilitate a Customer Engagement Working Group consisting of representatives of tenant groups and individual tenants. Throughout the pandemic and fluctuating restrictions, Housing Services have sought to consult in various online methods and in person, when restrictions permitted. However some representatives are not able to participate online. As restrictions on indoor meetings have been lifted, the group will review the HRA budget in advance of Council approval.

### **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. The introduction of Universal Credit and COVID 19 continues to present a significant risk to rent collection and the ability to deliver services. In addition the cost of materials procured directly by Housing Services or indirectly through contractors, continues to increase steadily and places a significant pressure on this area of expenditure.

28. However by utilising reserves, 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 EESSH.

### **RECOMMENDATION**

29. It is recommended that the Council approve the proposed Housing Revenue Account budget for 2022/23.

Director of Environment

Further details can be obtained from Phil Daws, Head of Environment (Strategic Services), [phil.daws@eastrenfrewshire.gov.uk](mailto:phil.daws@eastrenfrewshire.gov.uk)

February 2022

**EAST RENFREWSHIRE COUNCIL**  
**ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.2022 TO 31.3.2023**  
**HOUSING REVENUE ACCOUNT**

<b>HRA - Overall Summary</b>		<b>2021/22</b>	<b>2022/23</b>
		<b>Estimate £</b>	<b>Estimate £</b>

<b>Payroll Costs</b>			
(a)	APTC Basic	2,692,200	2,823,700
(b)	Overtime T1.5	19,000	19,000
(c)	Overtime - Contractual	5,100	5,100
(d)	National Insurance	253,000	283,100
(e)	Superannuation	484,900	534,000
(f)	Craft Basic	1,128,600	843,800
(g)	Craft Overtime - T1.5	31,500	31,500
(h)	Craft National Insurance	109,500	89,700
(i)	Craft Superannuation	213,500	162,800
(j)	Other Expenses	18,400	8,400
(k)	Apprentice Levy	19,500	18,200
(l)	Agency Staff	100,000	100,000
		<b>5,075,200</b>	<b>4,919,300</b>

<b>Property Costs</b>			
(a)	Rates	6,600	6,700
(b)	Council Tax	24,000	24,000
(c)	Rents	9,400	9,400
(d)	Insurance Premium	215,200	225,900
(e)	Insurance - Provision for Excess	40,600	42,600
(f)	Fixtures & Fittings	4,800	4,800
(g)	Security General	0	1,000
(h)	Upkeep of Ground	50,000	50,000
(i)	Mixed Tenure Contribution	250,000	250,000
(j)	Fire Protection	15,000	15,000
(k)	Laundry Equipment Maintenance	22,900	22,900
(l)	Lift Maintenance	20,700	20,700
(m)	Decants	5,000	5,000
(n)	Private Contractors HRA Miscellaneous	10,300	15,000
(o)	Gas Maintenance Contract	400,000	400,000
(p)	Asbestos	70,000	70,000
(q)	Legionella	35,000	35,000
(r)	Community Alarms	19,000	19,000
(s)	Cleaning	34,700	40,000
(t)	Electricity	96,000	105,500

(u)	Gas	82,300	90,500
(v)	Property Recharge	53,300	53,300
(w)	External improvements	171,400	0
(x)	Metered Water Charges	600	600
(y)	Council House Deed Plans	500	500
(z)	Balgraystone costs	203,000	0
		<b>1,840,300</b>	<b>1,507,400</b>

Transport Costs			
(a)	Fixed Maintenance	10,700	11,000
(b)	Additional Work	12,200	12,500
(c)	Overage Vehicles	29,300	30,100
(d)	Tyres	3,000	3,100
(e)	Hires	43,200	44,400
(f)	Fuel Charges	40,400	41,500
(g)	Garaging Charges	5,100	5,200
(h)	Other Transport Costs	3,700	3,800
		<b>147,600</b>	<b>151,600</b>

Supplies & Services			
(a)	Purchase Office Equip	5,800	15,000
(b)	Purchase Small Tools	25,000	15,000
(c)	Materials - Non-Stock	260,000	150,000
(d)	Hoist Hire	7,000	2,000
(e)	Skip Hire	17,000	10,000
(f)	Shredding Charges	500	500
(g)	Equipment & Computer Development	116,400	100,000
(h)	Materials - Stock	360,000	250,000
(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	1,055,800
(n)	Water Supplied	1,400	1,400
(o)	Printing, Stationery, Telephones, Postages	15,100	5,000
(p)	Training	29,000	14,000
(q)	Departmental Directorate & Support Costs	187,400	187,400
(r)	Customer First	85,000	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	186,100	390,000
(w)	Voids Rent Loss Provision	300,000	240,000
(x)	Rent Remissions	10,000	10,000
(y)	Irrecoverables	160,000	160,000

(z)	Replacement Furniture	5,000	10,000
(aa)	Covid 19 Costs	10,000	10,000
(ab)	Girobank Charges	2,000	2,000
		<b>2,709,900</b>	<b>2,802,400</b>

<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>Support Services</b>			
(a)	Central Administration - Central Support	1,002,300	916,000
		<b>1,002,300</b>	<b>916,000</b>

<b>Depreciation &amp; Impairment Losses</b>			
(a)	Principal	2,854,000	2,854,000
(b)	Interest	1,383,700	1,383,700
(c)	Expenses	51,300	51,300
		<b>4,289,000</b>	<b>4,289,000</b>

**GROSS EXPENDITURE**

<b>15,394,900</b>	<b>14,916,400</b>
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<b>Income - Sales, Fees and Charges</b>			
(a)	Repairs Recharged to Tenants	(13,800)	(5,000)
(b)	Repairs Recharged to Owner/Occupier	(50,000)	(50,000)
(c)	Sheltered Housing Charges (Wardens)	(46,000)	(54,000)
		<b>(109,800)</b>	<b>(109,000)</b>

<b>Income - Rental Income</b>			
(a)	Rents - Houses (incl. Homeless Persons)	(12,706,800)	(13,084,500)
(b)	Service Charges - Heating Charges	(130,000)	(132,000)
(c)	Rents - Lock Ups	(23,000)	(23,000)
(d)	Rents - Garage Sites	(6,000)	(6,000)
(e)	Rents - Shops	(190,000)	(195,000)
		<b>(13,055,800)</b>	<b>(13,440,500)</b>

<b>Income - Comm Ops Contract Income</b>			
(a)	Non-HRA Income	(50,000)	(50,000)
(b)	Housing Capital	(990,000)	(500,000)
		<b>(1,040,000)</b>	<b>(550,000)</b>

<b>Income - Other</b>			
(a)	Recharge to Other Accounts of the Authority	(302,200)	(303,200)
(b)	Recharge To Capital	(86,800)	(86,800)
(c)	Recharge To Other Housing	(6,600)	(6,600)
(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>(582,900)</b>	<b>(582,900)</b>

**TOTAL INCOME**

<b>(14,788,500)</b>	<b>(14,683,400)</b>
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**NET EXPENDITURE (INCOME)**

<b>606,400</b>	<b>233,000</b>
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