

EAST RENFREWSHIRE COUNCIL

1 March 2023

Report by Director of Environment

HOUSING REVENUE ACCOUNT: RENT SETTING 2023/24

PURPOSE OF REPORT

1. To make recommendations to the Council in relation to the proposed rent and service charge increase for council housing for 2023/24

RECOMMENDATIONS

2. The Council is asked to approve the recommendations that a:
- a) 5% rent increase be applied from April 2023;
 - b) 5% increase be applied to the sheltered housing warden charge;
 - c) 25% increase be applied to communal heating and laundry charges;
 - d) Up to £824k from HRA reserves be available to support 2023/24 revenues; and
 - e) A further report be brought to Cabinet following a review of the business plan.

BACKGROUND

3. When determining the level of rent increase the Council requires to deliver its landlord service, it is necessary to establish what the relevant legislative requirements will be for the future. In addition, it is necessary to identify any local priorities the Council may have. These requirements and priorities then need to be costed.
4. Once this information is available, an exercise is then undertaken to ensure that the Council achieves an acceptable balance between meeting these requirements and priorities, and agreeing rent levels that are sustainable, affordable and acceptable to tenants. It should be noted that the impact of inflation and interest rates has been a significant factor this year.
5. It is recognised that this is a challenging process as aspirations in relation to improved service delivery can often be curtailed due to the need to keep rents at an acceptable level.

REPORT

National and local priorities for Housing

6. One of the key legislative challenges for the Council in past years has been to meet the Scottish Housing Quality Standard (SHQS). To achieve this standard required significant investment. The standard was met in April 2015. However, the Council has an ongoing duty to maintain this standard. This remains a significant issue in determining investment decisions.

7. The Energy Efficiency Standard for Social Housing (ESSH) was introduced by the Scottish Government in March 2014 and requires all Scottish social landlords to substantially improve the energy efficiency rating of their houses over and above that required by the SHQS. This has previously required, and will continue to require, significant investment. The first milestone of the ESSH was December 2020. Despite the challenges presented as a result of COVID 19 restrictions, 98% of the Council housing stock has been brought up to meet this standard through various investment programmes.

8. There are two new key milestones known as ESSH2. For the first it is expected that no social housing should be below Energy Performance Certificate (EPC) C by 2025; and the second is that, by the end of December 2032, that no social housing should be below Energy Performance Certificate (EPC) D. It will be very challenging to achieve these targets (2025 and 2032), especially as much of the easier to achieve and therefore more affordable energy efficiency work will have been carried out by that date. All social landlords are experiencing significant challenges currently as a result of construction and maintenance inflation and rising energy bills. These are adding pressures to the need for investment to be affordable.

9. In recognition of this, the Scottish Government and the Scottish Housing Regulator have put ESSH2 Milestones on hold and commenced a review process. The aim of the review is to ensure that investment is targeted towards effective long-term solutions that will deliver net zero and support the eradication of fuel poverty.

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

Rent Increase

11. When setting a rent level, it is essential to assess if the proposed increase is affordable. As part of the rent setting process the Housing Services Business Plan was reviewed to undertake an affordability assessment of income for those in employment and those in receipt of benefits. Available guidance states that housing costs should be no greater than 25-35% of a household’s total income and the proposed rent increase of 5% does not breach this level.

12. Members will be aware that the Cost of Living (Tenant Protection) (Scotland) Act 2022 introduced a temporary rent cap and a temporary moratorium on evictions until at least 31 March 2023. However the Scottish Government has made clear that, post 21st March 2023, it will retain and use the provisions in the Act only where they remain necessary and proportionate in connection with the cost of living crisis.

13. With regards to the social housing sector, regulations have been laid before the Scottish Parliament to bring the cap on rent increases in the social sector to an end to allow landlords to implement changes from the end of March 2023. However Statements of Intent have now been agreed through COSLA, confirming local authorities’ commitment to keeping rent increases in April 2023 to an average of no more than £5 a week, and by the Scottish Federation of Housing Associations, who report that their members are consulting with tenants on a set of increases in April 2023 that will average 6.1%.

14. The proposed increase of 5% for East Renfrewshire Council broadly meets the COSLA statement of intent. However there are a small number of properties where a 5% increase would have resulted in a rent rise of more than £5 a week. These properties will have their increase capped at a £5 a week. The average increase is £4.50 per week.

15. It is also useful to compare rent levels with other social landlords. The table below details approximate rent levels for other social landlords operating in East Renfrewshire. It should be noted that East Renfrewshire Council's rent charges are 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 and relate to 2021/22 published data.

Landlord	2021/22 Average Rent Charge	2022/23 Estimated Average Rent Charge
East Renfrewshire Council	£84.26	£85.10
All Scottish Landlords including Housing Associations	£85.36	£87.92
Link Housing Association	£87.14	£89.75
Barrhead Housing Association	£88.06	£91.32
Hanover Housing Association	£140.40	£144.33

16. As a social landlord, East Renfrewshire Council operates within the same labour, housing and wage markets as all other landlords in the area. The current and predicted average rent charges above show that East Renfrewshire Council's rents are lower than other local social housing landlords' rents.

17. In recent years, Housing Services have been able to improve homes by undertaking improvement works as detailed below and by building new homes for rent. These improvements lower the cost for our tenants of heating their homes. Some examples of typical savings are below.

Improvement Area	Annual Saving	No of tenants homes improved since April 2021
Loft insulation	£135 - £250	16
Central heating	£50 - £315	285
Cavity wall insulation	£85-£280	60
External Wall Render & Roof	£105 - £375	60
Window replacement	£75	250

Sheltered Housing Service Charges.

18. Residents in sheltered housing pay additional charges associated with the additional services provided by their on-site warden.

Warden Service

19. The warden charge brings in an average income of around £8.4k per year, per complex. This is then divided by the number of properties within each complex. For example, Bellfield Court has 24 properties, the annual charge divided by the number of properties has a weekly warden charge of £7.14. Hawthorn Court, Busby has 37 properties, as the annual charge is divided by a larger number of properties, the weekly warden charge is £4.64.

20. The warden charge generates an annual income of £54k per year. The staffing cost to the HRA of providing the service is just over £400k per year. The proposed 5% increase on this charge will generate an additional £2.7k of income.

Heating Charges

21. The complexes on the former Eastwood side of the authority have communal heating systems and tenants pay this via a weekly heating and laundry charge of £14 per week. This generates an income of £133k. However the annual charge to deliver this service is estimated to be £185k per year for 2023/24. As the gas supply is charged directly to the Council, the residents do not benefit from the UK Government energy support scheme, nor does the Council. The proposed increase of 25% on this charge will generate income of £166k per year. This does not apply to complexes in Lavern Valley as they have individual gas meters and pay costs directly to the energy companies.

22. Full details of the draft Housing Revenue Account for 2023/24 are shown in appendix 1, with further information provided below.

Staffing

23. The increasing staffing costs are a result of the average 5% pay award increase for 2022/23 and a budgeted increase for 2023/24.

Cost Pressures

24. The cost of gas and electricity has increased significantly in 2022/23 and these costs are likely to remain at this level for 2023/24.

25. Inflation has put significant pressure on the service in areas such as materials and sub-contractors.

Loan Charges

26. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. However over the next two financial years the ratio will peak at 37.9%. This has been factored into the business plan and can be attributed in part due to historical debts inherited at the time of re-organisation alongside new borrowing required to invest in existing and new stock.

27. Loan charges were reported at the start of the year at £4,289k. This was incorrect and mid-year was updated and reported at £4,702k, an increase of £413K. The latest revenue report which will be presented at Cabinet on March 2nd 2023, shows that most of this increase can be covered by an increase in income with the remainder funded through use of reserves. A further rise to £5,310k in loan charges is forecast for 2023/24.

Contribution from Reserves

28. These pressures on the business plan for 2023/24 could require the service to draw up to £824k from reserves. Although slippage in the capital programme and additional income may help reduce the call on reserves. This could potentially reduce reserves to £482k at the end of 2023/24. The business plan will be reviewed in the first quarter of the new financial year to consider the following options:

- Review of historic debt and repayment terms
- Review of capital receipt process
- Reduction in services and non-essential spend
- Higher rent increases for 2024/25 & 2025/26

FINANCE AND EFFICIENCY

29. The key driver of expenditure within Housing Services relates to repairs and the service continues to ensure value for money is delivered by effective procurement mechanisms. Void rent loss continues to improve year on year, delivering key savings for the service.

30. Members should note that COVID 19, the moratorium on evictions and the current cost of living crisis has increased rent arrears. Housing Services have a new arrears strategy in place to assist tenants in financial crisis but ensure effective rent collection in light of these new challenges.

CONSULTATION

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

32. To undertake the consultation, Housing Services:

- Wrote directly to all ERC tenants (just under 3000 tenants) with a survey form and postage paid return envelope
- Placed a survey form on Citizen Space, the Council's on line survey platform, which was promoted on the Council's social media platforms

33. Housing Services received 156 completed surveys (8% of the total sent out) and the results are as follows:

Proposed % increase	No of returns	% of tenants response
5%	84	55%
6%	39	25%
7%	31	20%

34. In addition Housing Services wrote to the 244 sheltered tenants on the proposal to increase service charges and received 37 responses

Agree	No of returns	% of tenants response
Yes	28	76%
No	9	24%

IMPLICATIONS OF THE PROPOSALS

35. The feedback indicates a range of views on the options provided but with a preference for 5% rent increase and support for the increase service charges for sheltered housing.

36. Housing Services have a 30 years Housing Business Plan and sufficient reserves in place to address the 23/24 deficit proposed at paragraph 28 whilst still maintaining investment.

37. The proposed increase is deemed to be affordable, is comparable in relation to other landlords and is essential to provide needed investment to maintain and improve the service delivered to East Renfrewshire tenants.

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

CONCLUSIONS

39. It is proposed that council house rents should increase by 5% with effect from April 2021. It should be noted that this increase will also apply to lock ups and garage sites held in the Housing Revenue Account.

40. This proposal of 5% 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 whilst still being affordable in 2023/24. However pressure from historical debt will require continued draw down from reserves. A further review will be undertaken and reported to cabinet at a later date.

RECOMMENDATIONS

41. The Council is asked to approve the recommendations that a:

- a) 5% rent increase be applied from April 2023;
- b) 5% increase be applied to the sheltered housing warden charge;
- c) 25% increase be applied to communal heating and laundry charges;
- d) Up to £824k from HRA reserves be available to support 2023/24 revenues; and
- e) A further report be brought to cabinet following a review of the business plan.

Director of Environment

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

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February 2023

Appendix 1

**EAST RENFREWSHIRE HOUSING REVENUE ACCOUNT
ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.23 TO 31.3.24**

		2022/23	2023/24
		Budget	Estimate
		£	£
HRA – OVERALL SUMMARY			
1	Payroll costs		
a	APTC basic	2,823,700	2,527,300
b	Overtime	24,100	17,000
c	National Insurance	283,100	269,600
d	Superannuation	534,000	465,400
e	Craft – basic	843,800	1,417,300
f	Craft – overtime	31,500	38,600
g	Craft National Insurance	89,700	148,500
h	Craft Superannuation	162,800	277,500
i	Other expenses	8,400	8,400
j	Apprentice Levy	18,200	19,600
k	Agency staff	100,000	100,000
		4,919,300	5,289,200
2	Property costs		
a	Rates	6,700	6,700
b	Metered Water Charges	600	1,200
c	Council Tax	24,000	24,000
d	Rents	9,400	14,000
e	Insurance premium	225,900	234,500
f	Insurance – provision for excess	42,600	47,800
g	Fixtures & fittings	4,800	4,800
h	Upkeep of ground	50,000	50,000
i	Mixed Tenure contribution	250,000	222,500
j	Fire protection	15,000	16,000
k	Redecoration	-	1,000
l	Laundry equipment maintenance	22,900	20,000
m	Lift maintenance	20,700	30,700
n	Decants	5,000	8,000
o	Private contractors HRA Misc	15,000	50,000
p	Gas maintenance contract	400,000	350,000
q	Asbestos	70,000	62,500
r	Legionella	35,000	30,000
s	Community alarms	19,000	21,000
t	Cleaning	40,000	46,800
u	Electricity	105,500	105,500
v	Gas	90,500	90,500
w	Property recharge	53,300	56,200
x	Council House Deed Plans	500	500
Y	Security General	1000	
		1,507,400	1,494,200
3	Transport costs		

	a	Fixed maintenance	11,000	50,100
	b	Additional work	12,500	24,900
	c	Overage vehicles	30,100	25,000
	d	Tyres	3,100	3,400
	e	Hires	44,400	6,500
	f	Fuel charges	41,500	45,900
	g	Garaging charges	5,200	5,800
	h	Other transport costs	3,800	5,200
			151,600	166,800
4	Supplies & services			
	a	Purchase equipment	15,000	5,000
	b	Purchase small tools	15,000	21,500
	c	Materials – non stock	150,000	100,000
	d	Hoist hire	2,000	2,000
	e	Skip hire	10,000	10,000
	f	Shredding charges	500	500
	g	IT Equipment & computer development	100,000	38,900
	h	Materials – stock	250,000	250,000
	i	Uniforms & protective clothing	8,600	8,600
	j	Winter maintenance council buildings	500	500
	k	Hire of scaffolding	12,000	6,000
	l	Sub-contractors	1,055,800	1,100,000
	m	Water supplied	1,400	500
	n	Printing, stationery, printing, postages	5,000	6,500
	o	Training	14,000	14,000
	p	Dept, Directorate and support costs	187,400	187,400
	q	Accommodation Direct Recharge	-	173,800
	r	Customer First	85,000	239,600
	s	Insurance – public liability claims	30,800	34,600
	t	Publications & subscriptions	24,200	20,000
	u	Court expenses	13,200	13,200
	v	Other accounts of the authority	390,000	191,100
	w	Void rent loss provision	240,000	205,000
	x	Rent remissions	10,000	10,000
	y	Irrecoverables	160,000	160,000
	z	Replacement furniture	10,000	5,000
	aa	Covid 19 Costs	10,000	-
	ab	Girobank Charges	2,000	3,000
	ac	Purchase Refuse Containers	-	5,000
	af	Recruitment Advertising	-	5,000
	ag	Telephone / Mobile costs	-	27,000
	ah	Consultants	-	5,000
	ai	Misc Supplies And Services	-	5,000
	aj	ICT Direct Recharge		66,600
			2,802,400	2,920,300
5	Transfer Payments			
	a	Superannuation additional allowances	20,900	20,900
	b	“One off” HRA Pre Disposal costs	10,000	5,000
	c	Assistance to Tenants Associations	23,800	30,800
	d	Specific debts written off	10,000	20,000

	e	Bad debt provision	265,900	265,900
			330,600	342,600
6	Support services			
	a	Central administration – central support	916,000	905,600
			916,000	905,600
7	Depreciation & impairment costs			
	a	Principal	2,854,000	3,357,000
	b	Interest	1,383,700	1,880,000
	c	Expenses	51,300	73,000
			4,289,000	5,310,000
GROSS EXPENDITURE			14,916,400	16,428,700
8	Income – sales, fees & charges			
	a	Repairs recharged to tenants	-5,000	-5,000
	b	Repairs recharged to owner occupier	-50,000	-50,000
	c	Sheltered housing charges - wardens	-54,000	-56,700
9	Income – rental income			
	a	Rents – houses (Including Homeless persons)	-13,084,500	-14,135,000
	b	Service charges – heating charges	-132,000	-201,100
	c	Rents – lock ups	-23,000	-23,000
	d	Rents – garage sites	-6,000	-6,000
	e	Rents - shops	-195,000	-215,000
10	Income – Comm Ops Contract Income			
	a	Non HRA income	-50,000	
	b	Housing capital	-500,000	-500,000
11	Income - other			
	a	Recharge to other accounts of the authority	-303,200	-302,200
	b	Recharge to capital	-86,800	-86,800
	c	Recharge to other Housing	-6,600	-6,600
	d	Interest on Revenue deposits	-17,300	-17,300
	e	Contribution from bad debt	-170,000	-
	f	Contribution from reserves	-233,000	-824,000
TOTAL INCOME			14,916,400	16,428,700
NET EXPENDITURE (INCOME)			-	-

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