

EAST RENFREWSHIRE COUNCIL25 February 2021Report by Director of EnvironmentHOUSING REVENUE ACCOUNT: RENT SETTING 2021/22 & 2022/23**PURPOSE OF REPORT**

1. To make recommendations to the Council in relation to the proposed rent increase for council housing for 2021/22 and 2022/23.

RECOMMENDATIONS

2. The Council is asked to approve the recommendation that a 1% rent increase be applied from April 2021 and that a further increase of 1 % be applied in April 2022.

BACKGROUND

3. When determining the level of rent increase the Council requires in order 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 in order to ensure that the Council achieves an acceptable balance between meeting these requirements and priorities, and estimating rent levels that are sustainable, affordable and acceptable to tenants. It should be noted that the impact of COVID 19 on tenants and rent arrears 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.

REPORTNational and local priorities for Housing

6. One of the key legislative challenges for the Council in past years was 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 (EESH) 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, by 2020. This has previously required and will continue to require significant investment. The first milestone of the EESH was December 2020. Despite the challenges presented as a result of COVID 19 restrictions, 91% of the Council housing stock has been

brought up to meet this standard through various investment programmes. The remaining nine percent of the housing stock are on programmed works to be completed by the end of 2020/21 financial year, with a small amount exempt in line with Energy Efficiency Standard for Social Housing regulations.

8. Both of these 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.

9. The last few years have seen the service improve its performance in a number of areas. For example, current rent arrears initially reduced from 6.7% in 2016/17 to 5.8% in 2018/19. However the ongoing roll out of Universal Credit has seen them rise to 6.5% in 2019/20 but they remain below the Scottish Council average of 7%. Similarly, the average time to complete non-emergency repairs places the service in the top quartile of Scottish Councils with 5.4 days in 2019/20.

10. The biennial 2018 Tenant Satisfaction Survey results demonstrated sustained levels of satisfaction with Housing Services. East Renfrewshire Council Housing Service performs above the Scottish Council average in 5 of the 8 indicator categories. The 2020 survey was postponed due to COVID 19.

11. Whilst ongoing investment in tenants’ homes is a key priority, the ongoing COVID 19 restrictions have limited the works able to be undertaken in 2020/21. Tenants who were due to have improvements works have been notified of the delays and prioritised for 2021/22 when restrictions permit.

12. In addition to investing in the current properties, the Housing Service is keen to continue to provide new homes for local residents. In 2019/20 Housing Services purchased 14 homes from the open market. Furthermore to date some 45 new council homes have been built with a further 116 units currently under construction.

Determining affordability

13. When setting a rent level it is essential to assess if any proposed increase is affordable. As part of an independent review of the Housing Services Business Plan an affordability assessment of income for those in employment and those in receipt of benefits was undertaken in 2020. 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 1% does not breach this level.

14. Housing Services have seen a significant increase in rent arrears during the COVID 19 pandemic as households face financial challenges. The proposed 1% rent increase is not sufficient to address all of the services key priorities. However a higher increase could be financially challenging for a number of households. Housing Services have identified financial reserves to cover any income gap that arises from a 1% rent increase. However reserves could not have accommodated a 0% increase

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 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 2020/21.

	2019/20 Average Rent Charge	Estimated 2020/21 Average Rent Charge
East Renfrewshire Council	£79.62	£82.32
All Scottish Landlords including Housing Associations	£81.46	£83.48
Link Housing Association	£86.97	£89.14
Barrhead Housing Association	£89.46	£90.80
Cube Housing Association	£90.81	£93.89
Hanover Housing Association	£117.50	£121.02

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 and therefore are more affordable.

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. Some of the proposed expenditure related to the rent increase will result in savings to households as a result of increased energy efficiency. Some examples of typical savings are below. Council should note that due to ongoing COVID 19 restrictions, some works have not been able to progress as planned in 2020/21.

Improvement Area	Annual Saving	Cost	No of tenants homes improved since 2018
Loft insulation	£135 - £250	£62,100	108
Central heating	£50 - £315	£2,290,750	935
Cavity wall insulation	£85-£280	£101,250	135
External wall render	£105 - £375	£462,000	66
Window replacement	£75	£448,800	187

18. Full details of the draft Housing Revenue Account for 2021/22 are shown in appendix 1, with further information provided below.

Staffing

19. Whilst the pay rise for 2021/22 has not yet been agreed, an adjustment to staffing costs of 2% has been made. In addition the ongoing redesign of Housing Services has resulted in a reduction in the requirement for agency staff and an increase in permanent craft operatives.

20. Similarly the redesign has reduced the recharge to the General Fund (Other Housing) for staffing costs. The majority of the staffing costs for General Fund duties are charged directly to the General Fund.

Loan Charges

21. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. However within the next 5 years the ratio of payments to turnover may breach 40% for two financial years. This is due to historical costs inherited at the time of re-organisation. However the business plan has been independently assessed as robust to meet these costs without the need to reduce current and future investment plans.

Additional Investment

22. Housing Services seeks the view of tenants not only through the rent setting consultation but also the biennial tenant survey and day to day engagement with tenants. Tenants naturally are keen to see more investment on the external aesthetics of their home such as painting and fencing. However, with the requirements to meet the SHQS and EESSH, it is not always possible to meet these requests. As part of the consultation for the rent increase in 2020/21, a budget of £171k was agreed to undertake paving, fencing, guttering and external painting requests. However the due to COVID 19 restrictions this budget has not been spent. This budget will be carried forward to 2021/22 to progress these works.

Balgraystone, Barrhead South

23. The Housing Revenue Account (HRA) owns a large area of land at Balgraystone, Barrhead South which is part of the Barrhead South Regeneration Master Plan. Housing Services have begun construction on 47 new council homes on part of this site. However the remaining HRA land will be sold to fund the new build programme. The HRA has advanced costs of £203k for infrastructure such as drainage and road construction and costs to market the land for sale.

Non HRA Income

24. The Non HRA income for 2021/22 has reduced by £175k. Housing services staff previously undertook electrical testing in non-domestic Council properties and was compensated by income of £175,000 from the General Fund. This service will now be tendered to the market allowing Housing Services to focus on services to Council tenants and the income will no longer be reflected in the Housing Revenue Account. The costs of £175,000 will be reflected elsewhere in the accounts of the authority.

FINANCE AND EFFICIENCY

25. 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. A key area for future improvement identified in 2019/20 was reducing void rent loss. Whilst improvements have been made to the void service, the restrictions on house moves from April to June 2020 has increased the void rent loss for 2020/21.

26. Housing Services are currently undertaking a significant redesign which includes implementation of new digital technologies to ensure customers can use self-serve tools and will allow officers to spend greater time in the community delivering customer focused services. This constitutes a substantial investment in the service which will reap rewards in subsequent years.

27. Members should note that COVID 19 has increased both void rent loss and increased rent arrears resulting in a forecast overspend for 2020/21. In addition the need to minimise the rent increase but still maintain investment has created a projected deficit for 2021/22 of £606,000. However members should note that Housing Services have a robust 30 years Housing Business Plan and sufficient reserves in place to address this deficit whilst still maintaining investment.

CONSULTATION

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

29. Although the capacity for consultation on a rent increase was affected by the impact of COVID 19 a consultation exercise was still required.

30. 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
- Advised all tenants on the consultation through the tenant newsletter

31. Housing Services received 233 completed surveys (8% of the total sent out) and the results are as follows:

Proposed % increase	No of returns	% of tenants response
1%	136	58%
2%	90	39%
Spoilt or invalid return	7	3%

32. Tenants were asked to indicate their preferred areas of investment in the Housing Service.

Preferred investment- multiple options permitted	No of returns	% of tenants response
Improve Repairs service	125	54%
Invest in front line staff	19	8%
External Property improvements	84	36%

IMPLICATIONS OF THE PROPOSALS

33. The feedback indicates a range of views on the options provided but with a preference for 1% with over 58% of responders favouring this option.

34. Housing Services have a robust 30 years Housing Business Plan and sufficient reserves in place to address this deficit whilst still maintaining investment.

35. 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.

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

CONCLUSIONS

37. It is proposed that Council house rents should increase by 1% 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.

38. This proposal of 1% 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.

RECOMMENDATIONS

39. The Council is asked to approve the recommendation that a 1% rent increase be applied from April 2021 and that a further increase of 1 % be applied in April 2022.

Director of Environment

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February 2021

<u>Appendix 1</u>				
EAST RENFREWSHIRE HOUSING REVENUE ACCOUNT				
ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.21 TO 31.3.22				
			2020/21	2021/22
	HRA – OVERALL SUMMARY		Estimate	Estimate
			£	£
1	Payroll costs			
	a	APTC basic	2,228,600	2,686,900
	b	Overtime T 1.5	51,100	19,000
	c	Overtime – contractual		5,100
	d	National Insurance	218,200	252,500
	e	Superannuation	409,200	487,600
	f	Craft – basic	782,300	1,131,600
	g	Craft – overtime T 1.5	42,600	31,500
	h	Craft National Insurance	78,500	109,300
	i	Craft Superannuation	142,100	213,500
	j	Other expenses	9,650	18,400
	k	Apprentice Levy	15,600	19,500
	l	Agency staff	364,000	100,000
2	Property costs			
	a	Rates	4,300	6,600
	b	Council Tax	24,000	24,000
	c	Rents	10,400	9,400
	d	Insurance premium	204,000	215,200
	e	Insurance – provision for excess	50,000	40,600
	f	Fixtures & fittings	4,800	4,800
	g	Upkeep of ground	50,000	50,000
	h	Mixed Tenure contribution	250,000	250,000
	i	Fire protection	16,000	15,000
	j	Laundry equipment maintenance	22,900	22,900
	k	Lift maintenance	28,500	20,700
	l	Decants	5,000	5,000
	m	Private contractors HRA Misc	18,000	10,300
	n	Gas maintenance contract	400,000	400,000
	o	Asbestos	70,000	70,000
	p	Legionella	35,000	35,000
	q	Community alarms	24,445	19,000
	r	Cleaning	36,250	34,700
	s	Electricity	93,500	96,000
	t	Gas	73,200	82,300
	u	Property recharge	53,300	53,300
	v	External improvements	-	171,400
	w	Metered Water Charges	800	600
	x	Council House Deed Plans	600	500
	y	Balgraystone costs		203,000

3	Transport costs		
a	Fixed maintenance	6,000	10,700
b	Additional work	5,200	12,200
c	Over age vehicles	29,300	29,300
d	Tyres	-	3,000
e	Hires	72,900	43,200
f	Fuel charges	20,400	40,400
g	Garaging charges	5,100	5,100
h	Other transport costs	5,000	3,700
4	Supplies & services		
a	Purchase office equipment	14,300	5,800
b	Purchase small tools	25,600	25,000
c	Materials – non stock	260,000	260,000
d	Hoist hire	7,000	7,000
e	Skip hire	17,000	17,000
f	Shredding charges	500	500
g	Equipment & computer development	80,700	116,400
h	Materials – stock	360,000	360,000
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	1,101,050	837,900
m	Water supplied	1,400	1,400
n	Printing, stationery, printing, postages	29,400	15,100
o	Training	29,000	29,000
p	Dept, Directorate and support costs	256,400	187,400
q	Customer First	-	85,000
r	Insurance – public liability claims	12,500	30,800
s	Publications & subscriptions	24,200	24,200
t	Court expenses	13,200	13,200
u	Other accounts of the authority	186,100	186,100
v	Void rent loss provision	402,000	300,000
w	Rent remissions	13,200	10,000
x	Irrecoverables	160,000	160,000
y	Replacement furniture	5,000	5,000
z	Covid 19 Costs	29,000	10,000
aa	Girobank Charges	2,100	2,000
5	Transfer Payments		
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

6	Support services			
	a	Central administration – central support	981,400	1,002,300
7	Depreciation & impairment costs			
	a	Principal	2,938,000	2,854,000
	b	Interest	1,242,300	1,383,700
	c	Expenses	64,700	51,300
		GROSS EXPENDITURE	14,572,795	15,394,600
8	Income – sales, fees & charges			
	a	Repairs recharged to tenants	- 13,800	- 13,800
	b	Repairs recharged to owner occupier	- 22,100	- 50,000
	c	Sheltered housing charges - wardens	- 46,000	- 46,000
9	Income – rental income			
	a	Rents – houses (Including Homeless persons)	- 12,131,917	- 12,706,800
	b	Service charges – heating charges	- 130,000	- 130,000
	c	Rents – lock ups	- 23,000	- 23,000
	d	Rents – garage sites	- 6,000	- 6,000
	e	Rents - shops	- 190,000	- 190,000
10	Income – Comm Ops Contract Income			
	a	Non HRA income	- 175,000	- 50,000
	b	Housing capital	- 990,000	- 990,000
11	Income - other			
	a	Recharge to other accounts of the authority	- 216,300	- 302,200
	b	Recharge to capital	- 86,800	- 86,800
	c	Recharge to other Housing	- 118,200	- 6,600
	d	Recharge to Council House sales	-	-
	e	Interest on Revenue deposits	- 17,300	- 17,300
	f	Contribution from bad debt provision	- 170,000	- 170,000
		TOTAL INCOME	- 14,336,417	- 14,788,500
		NET EXPENDITURE (INCOME)	236,377	606,100

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