

EAST RENFREWSHIRE COUNCIL1 March 2018Report by Director of EnvironmentHOUSING REVENUE ACCOUNT: RENT SETTING 2018/19 and 2019/20**PURPOSE OF REPORT**

1. To make recommendations to the Council in relation to the proposed rent increase for council housing for 2018/19 and 2019/20.

RECOMMENDATIONS

2. The Council is asked to approve the recommendation that a 3.9% rent increase be applied from April 2018 and that a further increase of 3.9 % be applied in April 2019.

BACKGROUND

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

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.

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.

REPORTNational and local priorities for Housing

6. The key legislative challenge for the Council in recent years was to meet the Scottish Housing Quality Standard (SHQS). To achieve this standard required significant investment. This standard was met in April 2015. However the Council has a duty to maintain this standard thereafter. This has a significant impact in determining investment decisions.

7. The Energy Efficiency Standard for Social Housing (ESSH) introduced in March 2014 by the Scottish Government 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 required and will continue to require significant investment until the period 2020 and to be maintained thereafter. For example, investment will be required for new central heating systems and energy wall insulation of over £5m over the next 5 years.

8. Both these legislative 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.

9. The last few years have seen considerable improvements in the service. For example, rent arrears have reduced from 9.4% in 2013/14 to 6.7% in 2016/17. Mid-year figures for 2017/18 indicate a further decrease to 5%. Similarly, the average time to complete non-emergency repairs has decreased from 8.4 days in 2013/14 to 5.4 days in 2016/17 and is the 2nd quickest response time amongst all other Scottish Councils.

10. The 2016 Tenant Satisfaction Survey results have shown sustained levels of satisfaction with Housing Services. East Renfrewshire Council Housing Services performs above The Scottish Councils’ average in 7 of the 8 indicator categories.

11. Two of these indicators that can be seen as of particular importance in relation to property condition are detailed below.

Indicator	2014 (ERC Housing Services Tenant Survey)	2016 (ERC Housing Services Tenant Survey)	Average Scottish Councils 2016/17 (Source ARC*)
Standard of home when moving in	84%	86%	85%
Quality of home	90%	85%	81%

12. The satisfaction survey has found that tenants are happy with the quality of their home but would like to see improvements in external areas such as guttering, fencing, painting and gardens. It is understood that this accounts for the small decrease in satisfaction noted in 2016.

13. The proposed rent increase of 3.9% will assist the Housing Service to meet some of the issues that tenants have raised as a priority. However to achieve all of the local priorities, an increase well above 5% would be required.

14. In addition to investing in the current properties, the Council is keen to build new homes for local residents. At the meeting held on 25 January 2018, the Cabinet approved an expansion of the new Council housebuilding programme from 120 to 240 units.

Determining affordability

15. When setting a rent level, it is essential to assess if any proposed increase is affordable. To determine affordability, an assessment of income for those in work and those in receipt of benefits was undertaken. UK government guidance states that housing costs

should be no greater than 30% of a household's total income. The table below demonstrates that the rent rise proposed is affordable.

Status	Type of Income	Income	30% household costs	ERC rent levels after two year 3.9% rent increase
Single Person	In work*	£421.00	£126	£70.18 – 1 bedroom
	In receipt of benefits**	£257.69	£77.30	
Single Parent or Couple with Children	In work*	£421.00	£126	£92.27 – 2 bedroom or larger
	In receipt of benefits**	£384.62	£115.39	

*average income based on local income data

**includes housing costs and details the maximum benefits the household can claim

16. 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 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.

	2016/17 Average Rent Charge	Predicted 2017/18 Average Rent Charge
East Renfrewshire Council	£69.47	£72.80
All Scottish Landlords including Housing Associations	£74.44	£76.14
Link Housing Association	£80.28	£82.45
Barrhead Housing Association	£81.98	£83.62
Cube Housing Association	£82.69	£84.67
Hanover Housing Association	£102.21	£104.77
Arklet Housing Association	£104.61	£105.66

17. As a social landlord, East Renfrewshire Council operates within the same labour, housing and wage markets as all other landlords in the area. The 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.

The proposed increase and its impact

18. Housing Services undertook a financial assessment to ensure the Council can meet the priorities identified. It was assessed that a rent increase of 3.9% would be required in 2018/19 and for 2019/20. This increase is essential to provide the additional income required to maintain service levels, continue the investment required to maintain the SHQS and meet EESSH. It is also essential to ensure that the non-statutory issues such as fencing, painting and paving are also undertaken.

19. In previous years, the Council had considered rent increases on an annual basis. However in 2015, the Council approved a three year increase. This provided financial certainty for the service and longer term planning. A two year increase for 2018/19 and 2019/20 would provide the same financial security to deliver ongoing improvements.

20. The table below details how East Renfrewshire Council rents will compare in two years' time with comparator landlords. It is not known how much these landlords will increase their rents by. For this reason, their rents have been increased at the rate the landlords opted for in 2016/17.

Landlord	Increase	Rent
East Renfrewshire Council	3.9% (next 2 years)	£78.59
Link Housing Association	1% (next 2 years)	£107.78
Barrhead Housing Association	2% (next 2 years)	£87.00
Cube Housing Association	2.4% (next 2 years)	£88.78
Hanover Housing Association	2.5% (next 2 years)	£110.07
Arklet Housing Association	2.7% (next 2 years)	£86.96
All Scottish Landlords	2.3% (next 2 years)	£80.15

21. As the table shows, even with the proposed two year increase, East Renfrewshire Council's rents will be lower than the Scottish average and lower than that of all comparator landlords.

22. In the last three years, Housing Services have been able to improve tenant's homes by undertaking improvement works

Improvement Area	Cost	No of homes improved since 2015
Roof and/or Render	£2,150,000	189
Estate works (paths, fencing etc)	£359,304	700

23. 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.

Improvement Area	Annual Saving	Cost	No of tenant homes improved since 2015
Loft Insulation	£140	£90,900	202
Central Heating (A rated boiler)	£200	£2,116,500	830
Cavity Wall Insulation	£95	£271,700	418
External Wall Render	£70 - £100	£620,000	62
Window replacement	£80-£100	£565,559	293

24. Full details of the draft Housing Revenue Account for 2018/19 is shown in the Appendix to this report with further information provided below.

25. The proposed rent increase will provide for an additional income of £458,000 in 2018/19. The detail of where most of this additional income will be spent is outlined below.

Staffing

26. A direct provision has been made for agency costs within staffing which were previously attributed to “supplies and services”.

Loan charges

27. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. The business plan indicates that in 2019/20 and 20/21 this ratio will rise to just over 40% in these two years. However this will then drop back below 40% thereafter. Detail of the business plan was presented to Cabinet in January 2018.

Modernisation

28. A key risk area for the coming years is the introduction of Universal Credit. This could result in an increase of rent arrears and reduce the income received. To mitigate this issue, Housing Services are implementing new technology that will ensure households at risk of arrears can be assisted and supported before the arrears become unmanageable and therefore reduce the officer time required in dealing with arrears.

FINANCE AND EFFICIENCY

29. The key driver of expenditure within Housing Services relates to repairs. In recent years Housing Services have undertaken a significant review and upgrade of its in-house IT systems to increase productivity and efficiency. For example, the repair appointment system has been updated to make better use of the workforce and be more customer focused. The work to improve efficiency in service delivery and improve digital services is ongoing.

30. Housing Services will also ensure any additional funding streams are utilised. This has been particularly useful to achieving the investment required for EESSH. In the last three years Housing Services have been able to fund approximately £750,000 of improvement works from Scottish Government and Energy Company Obligation (ECO) funded grants.

CONSULTATION AND PARTNERSHIP WORKING

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. Housing Services, in partnership with local Registered Tenant Organisations (RTO's), reviewed the existing approach to consultation on rent increases. The review considered the good practice briefing issued by the Scottish Housing Regulator in November 2016.

33. To undertake the consultation, Housing Services:

- Wrote directly to 500 randomly selected tenants and with a survey form
- Placed a survey form on Citizens space which was promoted on the Council's social media platforms
- Attended events throughout the authority
- Discussed the proposals at the RTO forum and attended RTO events on request
- Advised all tenants on the consultation through the tenant newsletter

34. Housing Services received 61 completed surveys and the results are as follows:

% rent increase	No of returns	% of tenants response
2.9%	36	59%
3.9%	20	33%
4.9%	1	2%
5.9%	3	5%

One tenant requested no rise is applied

Time Period	No of returns	% of tenants response
1 year	28	46%
2 year	29	48%

Four tenants opted not to respond to this question

35. With regards to RTO's, members from Mearns Village Community Association (MVCA) and Sheltered Housing in East Renfrewshire (SHER) completed individual surveys forms at organised events. No response to the consultation was received from Auchenback Tenants and Residents Association or Thornliebank and Giffnock Tenants and Residents Association.

IMPLICATIONS OF THE PROPOSALS

36. The feedback indicates a range of views. Whilst approximately 60% of tenants who responded to the consultation opted for a 2.9% increase, around 40% felt a higher rent increase greater than 2.9% was required.

37. As a landlord, it is essential to meet the statutory obligations. However, feedback from tenants both in the 2014 & 2016 tenant survey indicate that tenants are looking for additional improvements such as fencing, painting and paving. The proposed rent increase will permit an additional £300,000 of fencing, painting and paving to be undertaken over the next two years.

38. External labour and material costs are driven by market forces and outwith the control of the Council. A rise lower than the recommended 3.9% would not permit any significant service improvements to be delivered.

39. In the current economic climate, any rent increase should only be proposed if it is unavoidable. As a consequence, all options have been explored and every effort has been made to keep the proposed rent increased as low as possible.

40. The proposed increase is deemed to be affordable, is competitive in relation to other social landlords and will provide much needed investment to improve the service delivered to East Renfrewshire Council tenants.

41. In addition, the decision to propose a rent increase over a 2 year period will provide some financial assurance to deliver improvements that tenants have requested. In addition a 2 year settlement provides certainty of budgeting for tenants.

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

CONCLUSIONS

43. It is proposed that Council house rents should increase by 3.9% with effect from April 2018 and April 2019. It should be noted that this increase will also apply to all lock ups and garage sites held on the Housing Revenue Account.

44. This proposal of 3.9% in each of the next 2 years 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. However the increase also allows the council to address the emerging local priorities of our tenants.

RECOMMENDATIONS

45. The Council is asked to approve the recommendation that a 3.9% rent increase be applied from April 2018 and that a further increase of 3.9 % be applied in April 2019.

Director of Environment

Further details can be obtained from Phil Daws Head of Environment (Strategic Services) on 0141 577 3186.

February 2018

BLANK PAGE

EAST RENFREWSHIRE COUNCIL HRA ESTIMATE 2018/19

HRA - Overall Summary	2017/18	2018/19
	Estimate	Estimate
	£	£

Payroll Costs			
(a)	APTC Basic	2,030,300	2,027,300
(b)	Overtime T1.5	19,000	19,000
(c)	Overtime - Contractual	5,000	5,100
(d)	National Insurance	189,300	191,100
(e)	Superannuation	357,400	358,800
(f)	Craft Basic	981,500	1,004,300
(g)	Craft Overtime - T1.5	31,500	31,500
(h)	Craft National Insurance	98,900	97,500
(i)	Craft Superannuation	175,300	179,400
(j)	Other Expenses	18,400	18,400
(k)	Apprentice Levy	0	15,800
(l)	Agency Staff	50,000	160,900
		3,956,600	4,109,100

Property Costs			
(a)	Rates	6,200	6,400
(b)	Council Tax	17,700	24,000
(c)	Rents	7,900	9,400
(d)	Insurance Premium	200,000	204,000
(e)	Insurance - Provision for Excess	50,000	50,000
(f)	Fixtures & Fittings	4,800	4,800
(g)	Security General	300	0
(h)	Upkeep of Ground	50,000	50,000
(i)	Mixed Tenure Contribution	100,000	100,000
(j)	Fire Protection	14,000	12,000
(k)	Laundry Equipment Maintenance	18,900	22,900
(l)	Lift Maintenance	18,000	18,000
(m)	Decants	5,000	5,000
(n)	Private Contractors HRA Miscellaneous	39,600	38,300
(o)	Gas Maintenance Contract	349,600	370,000
(p)	Asbestos	70,000	70,000
(q)	Legionella	35,000	35,000
(r)	Community Alarms	19,000	19,000

(s)	Cleaning	33,200	34,000
(t)	Electricity	62,400	61,400
(u)	Gas	83,200	77,200
(v)	Property Recharge	53,300	53,300
		1,238,100	1,264,700

Transport Costs			
(a)	Fixed Maintenance	70,500	40,100
(b)	Additional Work	18,000	12,000
(c)	Overage Vehicles	12,900	28,900
(d)	Insurance Repairs	0	0
(e)	Tyres	5,000	3,000
(f)	Hires	13,000	13,000
(g)	Fuel Charges	41,800	39,800
(h)	Garaging Charges	0	5,000
(i)	Other Transport Costs	7,700	3,600
		168,900	145,400

Supplies & Services			
(a)	Purchase Office Equip	5,800	5,800
(b)	Purchase Small Tools	45,000	25,000
(c)	Materials - Non-Stock	240,000	260,000
(d)	Hoist Hire	9,000	7,000
(e)	Skip Hire	22,000	17,000
(f)	Shredding Charges	500	500
(g)	Equipment & Computer Development	103,550	63,600
(h)	Materials - Stock	350,000	360,000
(i)	Uniforms & Protective Clothing	8,300	8,600
(j)	Winter Maintenance Council Buildings	500	500
(k)	Hire of Scaffolding	8,000	12,000
(l)	Sub Contractors	683,700	696,000
(m)	Agency Labour	0	0
(n)	Water Supplied	1,200	1,400
(o)	Printing, Stationery, Telephones, Postages	43,100	43,100
(p)	Training	27,500	19,000
(q)	Departmental Directorate & Support Costs	118,000	171,400
(r)	Customer First	82,600	84,300
(s)	Insurance - Public Liability Claims	40,000	30,800
(t)	Publications & Subscriptions	14,700	24,200
(u)	Court Expenses	14,200	13,200

(v)	Other Accounts of the Authority	130,100	152,100
(w)	Voids Rent Loss Provision	200,000	200,000
(x)	Rent Remissions	9,000	10,000
(y)	Irrecoverables	118,300	160,000
(z)	Replacement Furniture	7,000	5,000
		2,282,050	2,370,500

Transfer Payments			
(a)	Superannuation Additional Allowances	17,000	20,900
(b)	'One-Off' HRA Pre-disposal costs	0	10,000
(c)	Assistance to Tenants Associations	23,800	23,800
(c)	Specific Debts Written Off	8,300	10,000
(d)	Bad Debt Provision	250,900	265,900
		300,000	330,600

Support Services			
(a)	Central Administration - Central Support	836,450	916,700
		836,450	916,700

Depreciation & Impairment Losses			
(a)	Principal	3,106,500	3,150,300
(b)	Interest	1,350,300	1,486,900
(c)	Expenses	800	0
		4,457,600	4,637,200

GROSS EXPENDITURE**13,239,700****13,774,200**

Income - Sales, Fees and Charges			
(a)	Repairs Recharged to Tenants	(13,800)	(13,800)
(b)	Repairs Recharged to Owner/Occupier	(40,000)	(50,000)
(c)	Sheltered Housing Charges (Wardens)	(44,000)	(46,000)
		(97,800)	(109,800)

Income - Rental Income			
(a)	Rents - Houses (incl. Homeless Persons)	(11,012,700)	(11,509,800)
(b)	Service Charges - Heating Charges	(117,000)	(112,000)
(c)	Rents - Lock Ups	(23,000)	(23,000)
(d)	Rents - Garage Sites	(6,000)	(6,000)
(e)	Rents - Shops	(190,000)	(190,000)
		(11,348,700)	(11,840,800)

Income - Comm Ops Contract Income

(a)	Non-HRA Income	(265,000)	(225,000)
(b)	Housing Capital	(990,000)	(990,000)
		(1,255,000)	(1,215,000)

Income - Other			
(a)	Recharge to Other Accounts of the Authority	(142,000)	(166,300)
(b)	Recharge To Capital	(76,800)	(86,800)
(c)	Recharge To Other Housing	(168,200)	(168,200)
(d)	Recharge to Council House Sales	(7,300)	0
(e)	Interest on Revenue deposits	(17,300)	(17,300)
(f)	Contribution from Bad Debt provision	(126,600)	(170,000)
		(538,200)	(608,600)

TOTAL INCOME**(13,239,700)****(13,774,200)****NET EXPENDITURE / (INCOME)****0****0**