

EAST RENFREWSHIRE COUNCIL

12 February 2015

Report by Director of Environment

HOUSING REVENUE ACCOUNT: RENT SETTING 2015/16-2017/18

PURPOSE OF REPORT

1. To outline spending pressures and make recommendations to the Council in relation to the rent increase for council housing for 2015/16, 2016/17 and 2017/18.

RECOMMENDATION

2. The Council is asked to approve the recommendation that a 4.9% rent increase be applied from April 2015 and that further increases of 4.9% be applied in April 2016 and April 2017.

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 an 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, 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.

National and local priorities for Housing

6. The key legislative challenge for the Council in recent years has been to meet the Scottish Housing Quality Standard (SHQS) which requires to be achieved by April 2015.

7. The move towards the achievement of the SHQS has been welcomed by Council tenants as it ensures that all Council tenants live in properties that meet minimum standards. This required a significant programme of investment in many Council properties. Much of this was funded through the Council's housing capital programme. However, increased investment has seen a need for increased borrowing. For example East Renfrewshire Council has seen its borrowing costs increase by £367,800 in 2015/16.

8. The consequences of this investment in recent years are numerous properties benefitting externally from new roofs, fresh render, insulation, and door entry systems and

internally through the installation of modern windows, kitchens, bathrooms, wiring and heating systems.

9. This legislative challenge was 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.

10. 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 SHQS by 2020. This will require considerable additional investment over the period 2016/17 to 2019/2020. Right to Buy house sale receipts will cease from August 2016. This investment will therefore require additional borrowing which will need to be funded from rents.

11. The last few years have seen considerable improvements in the service provided by Housing Services. For example Housing Services have reduced the percentage of rent lost due to empty homes from 1.8% in 2012/13 to 1.3% in 2013/14. Mid-year figures for 2014/15 indicate show that this figure has decreased further to 0.8%. Similarly the average time to complete non-emergency repairs has decreased from 13.5 days in 2012/13 to 8.5 days in 2013/14.

12. This improved level of service has fed through into improved levels of tenant satisfaction. The 2014 Tenant Satisfaction Survey results have shown a significant increase in satisfaction with Housing Services. Overall satisfaction has increased by 12%. East Renfrewshire Council Housing Services now performs above Scottish Councils’ average in 6 of the 8 indicator categories. The service performed lower than the average in the remaining 2 areas, but only by 1%.

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

Indicator	2012 (ERC Housing Services Tenant Survey)	2014 (ERC Housing Services Tenant Survey)	Average Scottish Councils 2014 (Source ARC*)
Standard of home	73%	84%	64%
Quality of home	74%	90%	79%

14. The Satisfaction Survey found that tenants are happy with the quality of their home but would like to see improvements in areas such as windows, guttering and external repairs including fencing, painting and gardens.

15. This outcome is not surprising. Over 70% of council stock is over fifty years old, with 28% or approximately 840 properties being more than 70 years old and therefore the external components require to be renewed. As such investment is needed to repair the external structure (roofs and walls) and renew ageing fencing, paving, and damp proof courses. Many of our buildings have also not had external paintwork for many years. This work is essential if Housing Services are to fulfil its aim to provide people with “homes not houses” and to ensure the long term life of our properties.

16. It is important to recognise that the proposed rent increase of 4.9% will still not be sufficient to meet all of the local priorities that are listed above. An increase well above 5% would be necessary in order to achieve them all.

Determining affordability

17. In determining affordability a 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 next to the East Renfrewshire Council area. 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.

Local Council	2014/15 Average Rent Charge
East Renfrewshire Council	£63.21
Barrhead Housing Association	£78.25
Arklet Housing Association	£100.31
Link Housing Association	£79.68
Renfrewshire Council	£71.28
Glasgow Housing Association	£74.18
River Clyde Homes (Inverclyde)	£86.16

18. East Renfrewshire Council operates within the same labour, housing and wage market as these other providers. These figures show that East Renfrewshire Council's rents are lower than other local/neighbouring social housing landlords' rents and are therefore more affordable. East Renfrewshire Council faces the same financial pressures (if not greater, given the decision not to transfer the stock) as other, more expensive, social landlords. On that basis the lower rent charged by East Renfrewshire Council is worthy of note.

The proposed increase and its impact

19. 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 4.9 % would be required for 2015/16 and for the following two years. This increase is essential to provide the additional income required to maintain service levels, continue the investment required to meet the SHQS and to improve property condition

20. In previous years the Council has considered rent increases on an annual basis. A three year increase is being proposed in order to provide financial certainty for the service and to permit effective long term financial planning. A three year proposal will also provide financial certainty to tenants in that it will permit households to be able to anticipate future expenditure. In an uncertain economic climate this will be welcomed.

21. The table below details how East Renfrewshire Council rents will compare in three years' time with comparator landlords. It is not known how much these comparator

landlords will increase their rents by. For this reason a figure of 3.6% has been chosen. 3.6% was the average rent increase for Scotland in 2014/15.

Landlord	Increase	Rent
East Renfrewshire Council	4.9% (next 3 year)	£72.96
Arklet Housing Association	3.6% (next 3 year)	£111.53
Link Housing Association	3.6% (next 3 year)	£88.58
Barrhead Housing Association	3.6% (next 3 year)	£87.00
Renfrewshire Council	3.6% (next 3 year)	£79.25
Glasgow Housing Association	3.6% (next 3 year)	£82.48
River Clyde Homes (Inverclyde)	3.6% (next 3 year)	£95.79
All Scottish Landlords	3.6% (next 3 year)	£78.61 (Average rent)

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

23. It is important to note that some of the 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 detailed below.

Improvement Area	Annual Saving	Monthly saving
Loft Insulation	£140	£11.60
Central Heating (A rated boiler)	£200	£16.60
Cavity Wall Insulation	£95	£7.90
Window replacement	£80 - £100	£7.50 (average)
External wall render	£70 - £100	£7.00 (average)

24. Full details of the draft Housing Revenue Account for 2015/16 with the Housing Maintenance Team is shown in the Appendix to this report with further information provided below.

Specific areas of expenditure increase

25. The proposed rent increase will provide for an additional income of £480,000 in 2015/16. The detail of where most of this additional income will be spent is outlined below

Staffing

26. Direct payroll costs have increased but this has been offset by an equal amount through a reduction in central support charges and central administration rent collection.

Repayment of Loan Charges

27. An increase of 4.9% will realise an additional income of £480,000. The loan charges have increased in 2015/16 by an estimated £370,000 reflecting higher capital investment necessary to meet the SHQS.

Modernising the Service

28. Increased provision of £87,500 exists to permit the service to continue to utilise technology to modernise service delivery.

FINANCE AND EFFICIENCY

29. The key driver of expenditure within the Housing Service relates to repairs. As reported to the Council in the past, 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 16th January 2014 to purchase "Servitor Mobile" for the implementation of mobile working for the housing responsive repairs service. This system went live at the beginning of February 2015. As detailed above provision has been made for further technological investment to permit customer focused and cost effective service delivery.

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.

32. Housing Services also convened a Focus group of tenants invited at random to discuss the proposals. 50% of those in attendance supported the proposed increase of 4.9% p.a. for three years, whilst 20% were supportive of a 5.9% increase. 30% voted in favour of a 3.6% increase. Thus seven out of ten attending the focus group were in favour of a rent increase of at least 4.9%

33. In addition discussions took place with representatives from the Registered Tenants Forum outcome. Concerns were raised and Registered Tenant Associations were requested to discuss the issue at their subsequent meeting. Two Registered Tenants Associations formally opposed the rent increase at their subsequent meetings.

IMPLICATIONS OF THE PROPOSALS

34. It has been recognised that in the current economic climate, especially taking into account the continued 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.

35. 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.

36. Without an increase of 4.9% 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 East Renfrewshire Council tenants.

37. 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 whilst continuing to provide a high level of service to our customers and meeting the local priorities of 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 4.9% with effect from April 2015. It should be noted that this increase will apply to all lock ups and garage sites held on the Housing Revenue Account.

40. This proposal ensures that the income from rents is at a level which is sufficient to meet the needs of tenants and the demands of the service, the emerging local priorities of our tenants and the challenges associated with continuing to meet the SHQS, maintain an aging stock portfolio, and make initial provision for improving energy efficiency/reducing fuel poverty required by EESSH.

RECOMMENDATIONS

41. The Council is asked to approve the recommendation that a 4.9% rent increase be applied from April 2015 and that further increases of 4.9% be applied in April 2016 and April 2017.

Director of Environment

Further details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186 or phil.daws@eastrenfrewshire.gov.uk

February 2015

KEY WORDS

A report seeking agreement to increase Council house rents by 4.9% for 2015/16, 2016/17, 2017/18.

Key words: Council, house, rents, increase, finance, business plan, tenants, SHQS

EAST RENFREWSHIRE COUNCIL
 COMBINED HRA ESTIMATES - 2015/16

		2014/15	2015/16
		Combined Housing Estimate £	Combined Housing Estimate £
Payroll Costs			
(a)	APTC Basic	1,656,100	1,828,800
(b)	15% Enhancement	8,100	8,800
(c)	Standby/ Call out	5,900	5,900
(d)	Overtime T1.5	9,400	8,800
(e)	Overtime - Contractual	4,800	4,800
(f)	Overtime Plain Time	10,200	10,200
(g)	National Insurance	122,100	132,900
(h)	Superannuation	286,800	319,800
(i)	Craft Basic	942,500	932,000
(j)	Overtime - T1.5	33,800	31,500
(k)	National Insurance	71,100	68,300
(l)	Superannuation	151,600	149,300
(m)	Other Expenses	15,800	50,900
		3,318,200	3,552,000

Property Costs			
(a)	R & M - Response	1,691,900	1,703,700
(b)	R & M - Planned Maintenance	1,231,100	1,231,100
(c)	Insurance Premium	200,000	200,000
(d)	Insurance - Provision for Excess	57,200	57,200
(e)	Other HRA Property Costs	40,100	40,100
(f)	Council Tax	23,400	23,400
(g)	Rates	7,400	7,400
(h)	Rents - SH	12,600	13,000
(i)	Fixtures & Fittings - SH	1,800	1,800
(j)	Fire Protection - SH	14,000	17,000
(k)	General Repairs - SH	14,000	14,000
(l)	Community Alarms - SH	17,000	13,000
(m)	Lift Maintenance - SH	11,000	23,000
(n)	Cleaning	30,200	33,200
(o)	Electricity - SH	31,200	37,800
(p)	Gas - SH	93,300	78,300
(q)	Property Recharge	56,000	56,000
(r)	Health and Safety	900	0
(s)	Other Property Costs	1,000	0
		3,534,100	3,550,000

Less amount carried out by internal Housing Maintenance Team (2,109,700) (2,197,300)

Net Property Costs	1,424,400	1,352,700
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**EAST RENFREWSHIRE COUNCIL
COMBINED HRA ESTIMATES - 2015/16**

2014/15	2015/16
Combined Housing Estimate £	Combined Housing Estimate £

Transport Costs			
(a)	Fixed Maintenance	85,500	85,500
(b)	Additional Work	15,000	15,000
(c)	Insurance Repairs	2,900	2,900
(d)	Tyres	5,000	5,000
(e)	Hires	8,000	8,000
(f)	Diesel	51,800	51,800
(g)	Other Transport Costs	12,700	12,700
		180,900	180,900

Supplies and Services			
(a)	Materials - Stock	332,200	282,200
(b)	Materials - Non-Stock	190,400	260,400
(c)	Sub Contractors	76,900	316,100
(d)	City Build - Standby	85,000	85,000
(e)	Agency Labour	42,900	0
(f)	Skip Hire	40,000	40,000
(g)	Hoist Hire	35,000	35,000
(h)	Hire of Scaffolding	22,400	22,400
(i)	Uniforms/Protect Cloth	6,500	6,500
(j)	Purchase Small Tools	7,000	21,800
(k)	Purchase Office Equip	2,300	2,300
(l)	Equipment & Computer Development	71,000	158,500
(m)	Uniforms & Protective Clothing	800	800
(n)	Garden Competition	500	500
(o)	Printing & Stationery	25,400	29,500
(p)	Photocopying	700	700
(q)	Stationery	3,600	3,600
(r)	Telephones	16,500	17,200
(s)	Postages	16,800	24,000
(t)	Advertising/Publicity	1,000	1,000
(u)	Training	26,300	27,500
(v)	Departmental Directorate & Support Costs	117,500	117,500
(w)	Insurance - Public Liability Claims	90,000	90,000
(x)	Publications & Subscriptions	12,000	12,000
(y)	Customer First	80,900	82,100
(z)	Court Expenses	800	8,200
(aa)	Contribution to HRA Reserves	87,100	87,100
(ab)	Central Admin - Rent Collection	203,800	0
(ac)	Other Accounts of the Authority	105,300	109,300
(ad)	Voids Rent Loss Provision	230,100	230,100
(ae)	Irrecoverables	140,000	140,000
		2,070,700	2,211,300

**EAST RENFREWSHIRE COUNCIL
COMBINED HRA ESTIMATES - 2015/16**

		2014/15	2015/16
		Combined Housing Estimate £	Combined Housing Estimate £
Transfer Payments			
(a)	Superannuation Additional Allowances	15,900	15,900
(b)	Assistance to Tenants Associations	16,800	16,800
		32,700	32,700
Support Services			
(a)	Central Support Charges	838,500	788,300
		838,500	788,300
Depreciation & Impairment Losses			
(a)	Principal	2,359,800	2,675,600
(b)	Interest	1,439,000	1,491,000
(c)	Expenses	38,300	38,300
		3,837,100	4,204,900
Total Actual Gross Expenditure		13,812,200	14,520,100
<i>Less amount carried out by internal Housing Maintenance Team</i>		<i>(2,109,700)</i>	<i>(2,197,300)</i>
Net Costs		11,702,500	12,322,800
Income			
Rents			
(a)	Rents - Houses (incl. Homeless Persons)	9,891,600	10,372,100
		9,891,600	10,372,100
Recharge Accounts			
(a)	Non Housing Revenue	202,800	227,800
(b)	Housing Capital	870,000	966,000
(c)	Housing Revenue	2,109,700	2,197,300
(d)	Recharge to Other Accounts of the Authority	130,000	130,000
(e)	Recharge To Capital	76,800	76,800
(f)	Recharge To Other Housing	151,200	151,200
(g)	Recharge to Council House Sales	7,300	7,300
(h)	Interest on Revenue deposits	21,300	21,300
		3,569,100	3,777,700
<i>Less income from internal Housing Maintenance Team</i>		<i>(2,109,700)</i>	<i>(2,197,300)</i>
Net Recharge Income		1,459,400	1,580,400
Income - Fees and Charges etc			
(a)	Repairs Recharged to Tenants	0	18,800
(b)	Sheltered Housing Charges (Wardens)	40,000	40,000
(c)	Sheltered Housing Charges (Heating)	94,400	94,400
(d)	Rents - Lock Ups	30,000	30,000
(e)	Rents - Garage Sites	7,100	7,100
(f)	Rents - Shops	180,000	180,000
		351,500	370,300
Total Actual Income		13,812,200	14,520,100
<i>Less income from internal Housing Maintenance Team</i>		<i>(2,109,700)</i>	<i>(2,197,300)</i>
Net Income		11,702,500	12,322,800
HRA Net Expenditure		0	0

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