

FALKIRK COUNCIL

Subject : HOUSING REVENUE ACCOUNT & COUNCIL HOUSE
RENTS 2009/10 – 2011/12
Meeting : POLICY & RESOURCES COMMITTEE
Date: 11 February 2009
Author : JOINT REPORT BY DIRECTORS OF FINANCE AND
CORPORATE & NEIGHBOURHOOD SERVICES

1. INTRODUCTION

- 1.1 There is a statutory requirement on local authorities to review the level of council house rents. This report presents for Members' consideration, a draft Housing Revenue Account (HRA) for the financial year 2009/2010 and makes recommendations on the level of council house and garage rents. In February 2008, the indicative rent increases for 2009/10 and 2010/11 were £1.44 and £1.49 respectively.

2. BACKGROUND

- 2.1 Falkirk Council is landlord to approximately 16,100 tenants (2009/10 mid-year estimate). The Scottish Government has intimated that the cost of providing council housing requires to be self-financing from house rents and other income, although a small amount of grant is received for hostels. In reviewing council house rents, Members should also be aware that approximately c9,000 tenants are in receipt of housing benefit and under housing benefit regulations are fully protected from any rent increase.

3. PERFORMANCE

- 3.1 The current average rent stands at £48.33 per week and Appendix 1 illustrates a breakdown of what tenants are paying for. Members will note that 69% of the current rent is directed at repaying borrowing costs and paying for the cost of day to day maintenance and improvements, while the remainder is towards the administrative costs of running the housing service.
- 3.2 Appendix 2 illustrates the main performance indicators for council housing extracted from the Scottish Government website published in August 2008, comparing the Council's performance against the other 25 local authority landlords. The main points arising from this comparison are that presently Falkirk Council has:-
- the 5th highest repairs & improvement expenditure per house
 - the 13th highest administration costs
 - the 10th lowest rent of 26 councils

4. SCOTTISH HOUSING QUALITY STANDARD

- 4.1 Members will be aware that the Council continues to invest in the housing stock through the HRA Capital Programme and Repairs and Maintenance contracts to ensure it meets the Scottish Housing Quality Standard (SHQS) by 2015. The SHQS remains an integral part of the Local Housing Strategy process and both capital and revenue funding is required to ensure the SHQS is achieved.

5. HOUSING REVENUE ACCOUNT

- 5.1 Taking the above factors into account, expenditure on the draft Housing Revenue Account for 2009/2010 is some £48.3m, with income of £47.1m, requiring an increase of £1.2m or 3% in rent income and a summary of the main elements of expenditure is shown at Appendix 3.

The main influences in preparing the Budget are summarised below:-

- (i) Employee Expenses (+£205,000)
Employee expenses are expected to increase by £205,000 mainly in respect of pay inflation and pensions increases.
- (ii) Property Costs (+£652,000)
Property costs are set to increase by 3.1% reflecting a real terms increase in revenue investment in the housing stock to accommodate increasing responsibilities in relation to health and safety requirements.
- (iii) Supplies & Services (-£12,000)
Supplies & services have reduced by £12,000, including an increased allowance for voids costs in line with the proposed house rent increase, but reduced by void rents savings of £100,000 [see (viii) below]
- (iv) Capital Charges (-£429,000)
There will be reduced loans and leasing charges of £429,000 for 2009/10. Increased prudential borrowing to replace reduced capital receipts from house sales has been offset by a significant drop in the cost of borrowing, although this in turn has been partly offset by a reduction in interest earned on surplus balances.
- (v) Council House Sales
The number of houses available for letting is also a significant factor behind the need to revise rent levels. Sales in the current year are projected at 200. It is estimated that a further 180 will be sold next year. The rental impact of sales is a loss of income of c£0.4m.

(vi) Commercial Income (+£374,000)

Town Centre developments will result in the loss of commercial rental income. In 2009/10, the estimated loss is £374,000 mainly from Grangemouth Town Centre. Further losses of c£283,000 have been allowed for in the indicative 2010/11 budget in anticipation of lost income in Grangemouth.

(vii) Surplus Account

As at 31st March 2008, the surplus on the Housing Revenue Account was £7.2m and is expected to be £5.9m by 31st March 2009, as a result of the decision taken in February 2008 to deploy c£1.4m of reserves. Consequently, in our view, it would be prudent to utilise approximately £1.4m per annum of reserves, over the next two years, thereby protecting tenants from the full impact of rent increases while still ensuring we continue to increase our investment in the housing stock and meet the requirements of the Scottish Housing Quality Standard.

(viii) The Scottish Government's Concordat with Local Government sets out an expectation of efficiency savings of 2% per annum. Although not directly affected by this, as the Housing Revenue Account is funded by house rents, the opportunity has been taken to identify efficiency savings of £500k. This consists of £100k from workforce planning, £100k from void rents, and £300k from property repairs as mentioned in the Repairs & Maintenance Best Value Review report of the Housing and Social Services Committee of 2 September, 2008.

6. COUNCIL HOUSE RENTS

6.1 Based on the foregoing, the draft Housing Revenue Account Budget requires a shortfall of approximately £2.6m to be met from council house rents and the use of reserves. After applying reserves of £1.4m, there is a shortfall of £1.2m which requires an average rent increase of £74.88 p.a. or £1.44 per week (+ 3.0%) on the existing budgeted rent.

6.2 Appendix 4 analyses the main reasons for the proposed rent increase. Appendix 5 illustrates for Members the existing and proposed charges by apartment size.

7. OTHER RENT CHARGES

7.1 It is proposed that the current average lock-up rent (£4.10 per week) be increased in line with the average increase in council house rents to approximately £4.22 per week. The stock of lock-up garages total is approximately 2,800 and this charge will generate net income of £480,000.

7.2 It is also recommended that the rent of garage sites be increased by £1 to £41 per annum which will yield around £34,000 from approximately 850 sites.

- 7.3 It is recommended that the Castings Hostel rents be increased in line with the average increase in council house rents from £124.55 to £128.29 per room per week.
- 7.4 It is also recommended that the homeless properties income generated from rent and service charges be increased in line with the average increase in council house rents to £148.72 average per property per week.

8. FINANCIAL YEARS 2010/11 AND 2011/12

- 8.1 To assist Members in the strategic planning process, Appendix 3 also gives an **indication** of the likely Revenue Budget and rent increases required for the two financial years beyond 2009/10. Summary figures are detailed below taking account of the additional borrowing required to fund new home building [see paragraph 4.2], and close to the indicative figures shown in the Housing and Social Services Committee report of 2 September 2008. It should be noted that these indicative rents are subject to the uncertainties of rates of inflation, number of houses sold and the future effect of the Housing Investment Programme.

<u>Financial Year</u>	<u>Indicative Budget</u>	<u>Indicative Rent Increase</u>
	£'000	
2010/11	49,142	£1.82 p.w. (3.7%)
2011/12	50,149	£2.13 p.w. (4.1%)

9. CONCLUSIONS

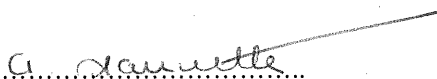
- 9.1 Increasing rent levels is the only way Falkirk Council, as landlord, can continue to have sustained investment programmes to improve the housing stock. The rent increase of £1.44 referred to above, along with the use of £1.4m from reserves, allows for additional investment to assist in meeting the requirements of the Scottish Housing Quality Standard. However, as stated above, approximately 9,000 of the authority's 16,200 tenants will be fully protected from any rent increase through an equivalent increase in housing benefit. The report also provides an indication of future budget levels and rent increases for 2010/11 and 2011/12 to assist Members in the strategic planning process.

10. RECOMMENDATIONS


Members are invited to approve the Draft Housing Revenue Account for 2009/10, and the following recommendations:-

- 10.1 An average house rent increase of £74.88 per annum be applied from 1st April 2009. This is equivalent to £1.44 per week or £3.12 per fortnightly rent charge period. The new average fortnightly charge, based on the 24 fortnightly periods with no rent being charged during the fortnightly periods commencing 29 June 2009 and 14 December 2009, would therefore be £107.83.

- 10.2 No tenant to face an increase of more than £119.52 per annum (equivalent to £2.30 per week or £4.98 per fortnightly rent period).
- 10.3 Utilisation of £1.4m from the Housing Revenue Account reserves.
- 10.4 Lock-up garage rentals be increased by an average of 12 pence per week with effect from 1st April 2009.
- 10.5 Garage site rentals be increased by £1 to £41 per annum with effect from 1st April 2009.
- 10.6 Castings Hostel rentals be increased to a charge of £128.29 per room per week.
- 10.7 Homeless property rentals, to be increased to an average of £148.72 per week.
- 10.8 Note the indicative budgets and rent increases for 2010/11 and 2011/12 as representing the best information available at this time.



 Director of Finance



 Director of Corporate & Neighbourhood Services

Date : 3 February 2009

LIST OF BACKGROUND PAPERS

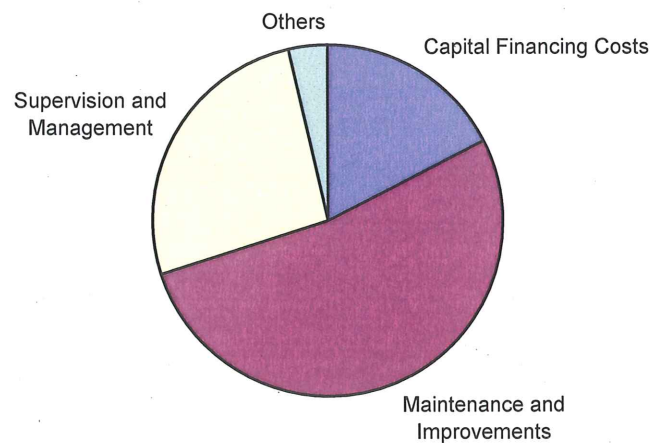
- 1. * Revenue Budget Working Papers

* Item not for publication on the grounds that it involves the disclosure of exempt information as defined in Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

Any person wishing to inspect the above background papers should telephone Falkirk (01324) 506300 and ask for Mr. A. Jannetta.

WHAT TENANT PAYS FOR

	£ per week	%
Capital Financing Costs	9.21	17
Maintenance and Improvements	27.90	52
Supervision and Management	14.84	28
Others	1.55	3
Total Expenditure	<u>53.50</u>	<u>100</u>
<u>Less :</u> Income	5.17	
Average Weekly Rent	<u><u>48.33</u></u>	

Analysis of Total Expenditure

PERFORMANCE INDICATORS

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APPENDIX 2

AVERAGE RENTS			
Place	Authority	2008/09 £	
1 Edinburgh		64.44	
2 Highland		56.66	
3 Renfrewshire		55.53	
4 Shetland		54.93	
5 Aberdeen City		54.23	
6 East Dunbartonshire		52.91	
7 Dundee		52.33	
7 West Lothian		52.33	
9 Stirling		50.71	
10 North Ayrshire		50.59	
11 South Lanarkshire		49.96	
12 South Ayrshire		49.07	
13 Aberdeenshire		49.06	
14 North Lanarkshire		48.88	
15 East Ayrshire		48.63	
16 Fife		48.42	
17 Falkirk		48.33	
18 East Renfrewshire		48.00	
19 West Dunbartonshire		47.67	
20 Clackmannanshire		47.58	
21 Orkney		46.49	
22 Perth & Kinross		46.00	
23 Angus		44.02	
24 Midlothian		42.96	
25 East Lothian		40.88	
26 Moray		39.40	
SCOTLAND		50.51	

REPAIRS & IMPROVEMENTS			
Place	Authority	2008/09 £	
1 Aberdeen City		1,474	
2 North Ayrshire		1,364	
3 Renfrewshire		1,323	
4 Shetland		1,290	
5 Falkirk		1,274	
6 North Lanarkshire		1,249	
7 Dundee		1,227	
8 South Ayrshire		1,163	
9 Stirling		1,134	
10 Highland		1,108	
11 Midlothian		1,073	
12 East Renfrewshire		1,047	
13 West Lothian		1,028	
14 Fife		1,022	
15 East Ayrshire		1,002	
16 South Lanarkshire		999	
17 Aberdeenshire		965	
18 East Dunbartonshire		947	
19 East Lothian		882	
20 Edinburgh		862	
21 Clackmannanshire		859	
22 West Dunbartonshire		844	
23 Moray		815	
24 Perth & Kinross		778	
25 Orkney		718	
26 Angus		697	
SCOTLAND		1093	

SUPERVISION AND MANAGEMENT			
Place	Authority	2008/09 £	
1 Dundee		883	
2 Aberdeenshire		871	
3 East Dunbartonshire		868	
4 Stirling		866	
5 Angus		861	
6 Orkney		840	
7 West Lothian		809	
8 Clackmannanshire		805	
9 Highland		789	
10 Edinburgh		774	
11 South Lanarkshire		769	
12 South Ayrshire		756	
13 Falkirk		753	
14 East Lothian		740	
15 Perth & Kinross		737	
16 Moray		657	
17 North Lanarkshire		593	
19 Midlothian		579	
18 West Dunbartonshire		579	
20 East Ayrshire		559	
21 Fife		534	
22 North Ayrshire		517	
23 East Renfrewshire		514	
24 Renfrewshire		492	
25 Aberdeen City		473	
26 Shetland		293	
SCOTLAND		673	

Source: Scottish Government Website - published 19 August 08

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HRA2008-09>

APPENDIX 3

FALKIRK COUNCIL
2009/10 HOUSING REVENUE ACCOUNT

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Employee Expenses	6,618	6,823	7,117	7,412
Property Expenses	20,737	21,389	21,473	21,674
Transport Expenses	41	43	44	45
Capital Funded from Current Revenue	2,355	2,155	1,955	1,755
Supplies & Services	3,368	3,356	3,580	3,419
Third Party Payments	504	504	504	504
Support Services	4,054	4,209	4,380	4,559
Capital Charges	10,250	9,821	10,089	10,781
	<u>47,927</u>	<u>48,300</u>	<u>49,142</u>	<u>50,149</u>
Financed By:				
House Rents	39,243	40,540	41,305	42,392
Other Income	6,088	5,138	4,919	5,007
Use of Reserves	1,410	1,410	1,410	1,000
	<u>46,741</u>	<u>47,088</u>	<u>47,634</u>	<u>48,399</u>
Shortfall to be financed by rent increase	1,186	1,212	1,508	1,750
Estimated Housing Stock	16,235	16,131	15,960	15,802
Required Annual Rent Increase	£72.80	£74.88	£94.64	£110.76
Weekly Rent increase (£)	£1.40	£1.44	£1.82	£2.13
Weekly Rent increase (%)	3.0%	3.0%	3.7%	4.1%
Weekly Rent	£48.33	£49.77	£51.59	£53.72

Note

Figures for years 2010/11 to 2011/12 are indicative only

	£m	£m	£m	£m
HRA Balances	£5.9	£4.5	£3.1	£2.1
	(projected)			

Council House Rents**Main Reasons for Rent Increases**

	£ Per Week
1 Reduction in Numbers of Houses Sold	(0.13)
2 Staffing (incl. Increments)	0.05
3 Rent Loss from Town Centre Developments	0.45
4 Other Income	0.70
5 Property Costs	(0.17)
6 Supplies and Services	(0.05)
7 Capital Charges inc CFCR	(0.75)
8 Inflation	1.34
Proposed Increase	1.44

PROPOSED RENT INCREASE (Standard Lets)
FINANCIAL YEAR - 2009/10
RENT PERIOD COMMENCING 6TH APRIL 2009

Average Increase	£1.44 Per Week	£3.12 Per Fortnightly Rent Period	£74.88 Per Year
Maximum Increase	£2.30 Per Week	£4.98 Per Fortnightly Rent Period	£119.52 Per Year

(Annual Amounts equal Fortnightly Amounts times 24)

<u>Average Weekly Rent</u>		<u>Average Fortnightly Period Rent</u> (24 Periods per year)	
<u>No of Apartments</u>	<u>Existing Budgeted Rent</u> £	<u>Average Weekly Increase</u> £	<u>Proposed Budgeted Rent</u> £
1	34.09	1.02	35.11
2	40.09	1.20	41.29
3	47.40	1.43	48.83
4	53.66	1.62	55.28
5	59.08	1.84	60.92
All	48.33	1.44	49.77
		<u>Average Period Increase</u> £	<u>Proposed Budgeted Rent</u> £
		2.21	76.07
		2.60	89.46
		3.10	105.80
		3.51	119.77
		3.98	131.99
		3.12	107.83

NOTE : RENT IS CHARGED OVER 24 FORTNIGHTS & NO RENT WILL BE PAYABLE DURING THE FOLLOWING PERIODS :-

FORTNIGHT - 7 : WEEKS 13 & 14	COMMENCING 29TH JUNE 2009	ENDING 12TH JULY 2009
FORTNIGHT - 19 : WEEKS 37 & 38	COMMENCING 14TH DECEMBER 2009	ENDING 27TH DECEMBER 2009