

The background of the slide features a large, light blue watermark of the Coat of Arms of the City of Edinburgh. The crest includes a crown with four thistles, a shield divided into four quarters (top-left: a saltire, top-right: a stag's head, bottom-left: a ship, bottom-right: an eagle), and a motto scroll at the bottom with the text 'ANE FOR A'.

Agenda Item 3

**Housing Revenue Account & Council
House Rents 2019/20 – 2023/24**

Falkirk Council

Title: **Housing Revenue Account & Council House Rents 2019/20 – 2023/24**

Meeting: **Falkirk Council**

Date: **23 January 2019**

Submitted By: **Director of Corporate & Housing Services**

1. Purpose of Report

- 1.1 The purpose of this report is to provide Members with options to consider in relation to council house rent and other rental charges for 2019/20. The report also sets out the financial implications of different rent options and Members are asked to approve the resultant Housing Revenue Account budget, based on the selected rental charge option.
- 1.2 The report also provides information on indicative rent levels for the years 2020/21 to 2023/24. Information on indicative rent levels has been extended from 3 years to 5 years in order to fully align with the Council's Medium Term Financial Plan (MTFP).

2. Recommendations

Council is asked to consider the rent increase options outlined in the report and:-

- 2.1 **Agree a level of rent increase for 2019/20 and the resultant rent charges as set out in Appendix 4.**
- 2.2 **Approve the Housing Revenue Account budget for 2019/20 as set out in Appendix 2, subject to any necessary adjustments.**
- 2.3 **Note the indicative budgets and rent levels for 2020/21 to 2023/24 as representing the best available information at this time.**

3. Background

- 3.1 Falkirk Council is landlord to over 16,000 tenants. The cost of providing council housing must be self-financing from house rents and other income. There is a statutory requirement to review the level of council house rents annually.

- 3.2 In reviewing council house rents, Members should also be aware that approximately 8,000 (50%) of council tenants are in receipt of Housing Benefit (HB) or Housing Element of Universal Credit (UC). This means that half of our tenants will be fully protected from any change in their rent. However, the underlying household income for working age claimants, or at least the elements that are from state benefits, will continue to be frozen at 2015/16 levels and this may impact on some tenants ability to maintain rent payments even with this protection.
- 3.3 We have around 1,900 tenants already on UC and that number will continue to grow quickly in 2019/20 and we anticipate c3,000 tenants to be in receipt of UC by the end of March 2020.
- 3.4 The Department of Work and Pensions have still to confirm the timetable for the migration of those customers currently in receipt of Housing Benefit to Universal Credit, but it is planned between 2019 and 2023. Increases in rent arrears, at least in the short-term, have been experienced in those areas where UC is most prevalent. The impacts on rental income within Falkirk will continue to be monitored and factored into future budgets.

4. Performance

- 4.1 The budgeted current average rent stands at £66.36 per week and Appendix 1 illustrates a breakdown of what tenants are paying for. Members will note that 72% 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 costs of managing tenancies.
- 4.2 The Scottish Government publishes a set of performance indicators for council housing, which allow comparison of the Council's performance against the other 25 local authority landlords. Based on a comparison of the most recently available figures i.e.: 2018/19 budgets, the main points arising are that Falkirk Council had:
- The 6th lowest rent
 - The 7th highest level of repairs and improvement expenditure per house
 - The 8th lowest supervision and management costs
- 4.3 Further detailed information on performance is available from the 2017 Landlord Report to Tenants, which is published on the Council's website.

5. Scottish Housing Quality Standard (SHQS)

- 5.1 The Council has in place a Housing Asset Management Plan, providing a strategic and planned approach to maintaining and improving our housing stock. The Plan sets the framework and basis for future capital and revenue investment in the housing stock and is based on stock condition survey data.

- 5.2 Capital and revenue funding therefore requires to be aligned with future investment requirements as set out in the Housing Asset Management Plan, to ensure that the Council's housing stock continues to be maintained in accordance with the SHQS. This approach is an integral part of the development of both the Housing Investment Programme and corresponding revenue budget decision-making.
- 5.3 In 2019/20 it is estimated that c£55m is required in both revenue and capital funding in order to maintain and improve our housing stock and associated estates. This investment covers both internal and external work to our housing stock, along with environmental improvements to our estates and other housing assets, including garage sites and lock-ups.

6. Housing Revenue Account

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

- (i) Employee Expenses (+£242,000)
Employee expenses are expected to increase by £242,000 (3.3%) mainly due to increments, pay inflation and increased employers pension contributions.
 - (ii) Property Costs (+£615,000)
Property costs are set to increase by £615,000 (2.5%) after allowing for the impacts of building and property related inflation.
 - (iii) Supplies & Services (+£36,000)
Supplies & Services have increased by £36,000 (1%) after allowing for a higher level of irrecoverable rents due to the effect of housing benefit changes and general inflationary increases.
 - (iv) Capital Charges (+£908,000)
Capital charges are anticipated to increase by £908,000 (7.7%) due to the financing costs to ensure our stock meets the Scottish Housing Quality Standard and deliver the programme of additional affordable housing, as per the Strategic Housing Investment Plan agreed by Executive in October 2018.
 - (v) Council House Stock
The number of houses available for letting is also a significant factor in determining rent levels. Provision for additional houses from new build and buy-backs have been included in the estimated stock figures for 2019/20 and future years.
- 6.2 Responsibility for a number of Adult Health and Social Care functions has been transferred from both the Council and Forth Valley Health Board to an Integration Joint Board (IJB). This involves £1.4m of resources for in scope services e.g.: housing aids and adaptations and garden aid. These resources are included in the budget at Appendix 2, however will continue to be ring-fenced and can only be used for the benefit of HRA tenants.

7. Financial Years 2020/21 to 2023/24

- 7.1 To assist Members in the strategic planning process, Appendix 2 also gives an indication of the likely Revenue Budget and rent levels required for the four financial years beyond 2019/20. It should be noted that these indicative rents are subject to the uncertainties of rates of inflation, interest rates and levels of rent arrears.

<u>Financial Year</u>	<u>Indicative Budget</u>	<u>Indicative Rent Increase</u>
	£'000	
2020/21	67,707	£2.05 p.w. (3.0%)
2021/22	70,490	£2.11 p.w. (3.0%)
2022/23	73,457	£2.18 p.w. (3.0%)
2023/24	76,242	£2.24 p.w. (3.0%)

- 7.2 The indicative budget and rent increases will form the basis of tenant consultation to be undertaken later in 2019. The outcomes of this consultation will be reflected in next year's HRA budget report.

8. Consultation

- 8.1 Social landlords have an obligation to consult tenants regarding proposals to change rents and have regard to their views in setting new rent levels. This year's consultation was undertaken during September/October 2018. A copy of the consultation leaflet issued to tenants is included in Appendix 3.
- 8.2 Tenants were specifically consulted on a range of potential rent increase options for 2019/20, with c16,500 consultation questionnaires issued. There were 1,032 responses, which represents a 6% response rate. The consultation feedback showed the following:

	Option 1 2.5%	Option 2 3.5%	Option 3 4.5%
Responses	409 (40%)	240 (23%)	105 (10%)

Note: 278 (27%) of respondents did not answer this question.

The majority of responses indicated a preference for a rent increase between 2.5% and 3.5%.

- 8.3 Responses to the recent consultation also indicated that:

- 70% described the value for money of the rent for their property as very good or fairly good, with 12% describing the value for money of their rent as fairly poor or very poor.
- 69% were either very satisfied or satisfied that their chosen rent option represented value for money
- 59% of respondents pay their rent in full i.e.: don't receive any housing benefit

- 76% were either very satisfied or satisfied with Falkirk Council as a landlord.

8.4 Consultation feedback also indicated that the main areas of tenant dissatisfaction related to property condition, particularly doors, windows and the internal property condition e.g.: kitchens.

9. Rent Charges Options

9.1 As the Housing Revenue Account must be self-financing from rents, the financial implications of each different rent option must either be met from changes in expenditure and/or utilisation of reserves.

9.2 In considering utilisation of reserves, Members must consider how and when these are used as they can only be used once. Use of reserves must also comply with the Council's reserves policy. The current projected level of reserves is £5.1m, which is considered to be prudent to meet future revenue and capital investment requirements. This level is in line with the Scottish average of c10% of annual income.

9.3 Long-term financial modelling has been carried out to consider the financial implications of future housing investment, whilst maintaining a viable HRA, coupled with affordable rent levels. This modelling indicates that a minimum average rent increase of 3% per annum in future years is considered necessary to deliver the levels of housing investment as set out in the separate Housing Investment Programme report. As such, an additional rent option of 3.0% has been included.

9.4 Given that over 70% of rental income funds property improvements and maintenance, the implications of the different rent options have been expressed in terms of changes to capital expenditure. The following table summarises the impacts of different rent options.

	Option 1 2.5%	Option 2 3.0%	Option 3 3.5%	Option 4 4.5%
Average Weekly Rent Increase	£1.66	£1.99	£2.32	£2.99
Average Weekly Rent	£68.01	£68.35	£68.68	£69.34
Rental Income Impact, compared to Appendix 2	-£281,000	£0	+£281,000	+£852,000
Capital Investment Impact	-£4m	£0	+£4m	+£12m

9.5 Other relevant factors to note in relation to rent levels, include:

- The Scottish average rent increase for 18/19 was 3.0%.
- Approximately 57% of Local Authority landlords set a rent increase of 3% and above for 18/19
- Based on 2018/19 estimates, Falkirk has the 6th lowest rent in Scotland
- One-off short-term capital programme changes have a limited impact on rent levels e.g.: £1m of capital expenditure, equates to £74,000 per annum for 20 years (£0.09 per week rent)

9.6 Appendix 4 outlines the house rental charges by house size, based on each rent increase option. In considering the rent increase options for houses, consideration is also required in relation to non-housing rental charges i.e.: lock-up rent charges; garage sites and Castings Hostel rents.

9.7 Members are asked to consider each rent option and determine the rent increase for 2019/20, taking into account the associated implications in terms of housing capital investment and/or reserves.

9.8 The Administration propose a rent increase for 2019/20 of 3.0% and the associated rent levels as outlined in Appendix 4. In proposing this level of increase, the Administration also propose approval of the 2019/20 Housing Revenue Account as set out in Appendix 2.

10. Implications

Financial

10.1 Expenditure on the draft Housing Revenue Account for 2019/20 is estimated to be c£65.3m, based on maintaining housing investment levels to ensure our stock meets housing standards and deliver a programme of additional affordable homes to help meet demand. A summary of the Housing Revenue Account is shown at Appendix 2.

10.2 A range of rent increase options are set out in para 9.3 above, together with the revenue impacts associated with different levels of housing investment, to ensure the Council's Housing Revenue Account (HRA) is fully funded from rental income.

Resources

10.3 The HRA budget set outs the estimated resources required to ensure that the Council continues to invest in its housing stock and deliver quality services to our tenants.

Legal

10.4 There are no legal implications anticipated.

Risk

- 10.5 As welfare reform changes are implemented and economic austerity continues, tenants will experience further financial pressures. This may make it more difficult to meet their rent liability, increasing the likelihood of possible increases in the level of arrears. Access to additional advice and support has been put in place to assist affected tenants through the change process.
- 10.6 In addition, rent recovery difficulties are likely to arise from the payment in arrears of Universal Credit. Consequently, increased pressure will be placed on the financial viability of the HRA and in particular reserves, rent levels and the affordability of future improvement and maintenance work going forward.

Equalities

- 10.7 There are no equalities implications anticipated.

Sustainability/Environmental Impact

- 10.8 There are no sustainability or environmental implications anticipated.

11. Conclusions

- 11.1 Increasing rents is the only way Falkirk Council, as landlord, can continue to have a sustained investment programme to improve its housing stock. Paragraph 9.4 highlights the financial implications of different rent options in terms of the impacts these options have on housing investment.
- 11.2 Members are asked to consider the rent options outlined in the report, within the context of the implications for housing improvement and investment, together with the tenant consultation outcomes.
- 11.3 The report also provides an indication of future budget levels and rent levels for 2020/21 to 2023/24 to assist Members in the strategic planning process.

Director of Corporate & Housing Services

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Date: 10 January 2019

Appendices

1. What Tenants Pay For – 2018/19 Revenue Budget Analysis
2. 2019/20 Housing Revenue Account

3. Rent Increase Consultation 2018 Leaflet
4. 2019/20 Rent Level Options

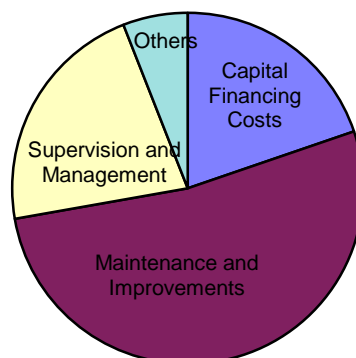
List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:
None

WHAT TENANTS PAY FOR
2018/19 REVENUE BUDGET

	£ per week	%
Capital Financing Costs	14.02	20
Maintenance and Improvements	37.24	52
Supervision and Management	15.49	22
Others	4.23	6
Total Expenditure	<u>70.98</u>	<u>100</u>
 <u>Less :</u> Income	 4.62	
Average Weekly Rent	<u>66.36</u>	

Analysis of Total Expenditure



FALKIRK COUNCIL
2019/20 HOUSING REVENUE ACCOUNT

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Employee Expenses	7,401	7,643	7,858	8,035	8,216	8,401
Property Expenses	24,266	24,881	25,513	26,163	26,832	27,520
Transport Expenses	17	17	17	17	17	18
Capital Funded from Current Revenue	8,959	9,680	9,362	8,983	7,777	6,549
Supplies & Services	3,644	3,680	3,717	3,761	3,807	3,854
Third Party Payments	1,923	1,923	1,923	1,923	1,923	1,923
Support Services	4,777	4,777	4,777	4,777	4,777	4,777
Capital Charges	11,788	12,696	14,540	16,831	20,108	23,200
	<u>62,775</u>	<u>65,297</u>	<u>67,707</u>	<u>70,490</u>	<u>73,457</u>	<u>76,242</u>
Financed By:						
House Rents	53,819	56,544	58,847	61,505	64,340	66,997
Other Income	7,018	7,056	7,094	7,140	7,186	7,235
Use of Reserves	-	-	-	-	-	-
	<u>60,837</u>	<u>63,600</u>	<u>65,941</u>	<u>68,645</u>	<u>71,526</u>	<u>74,232</u>
Rent increase	1,938	1,697	1,766	1,845	1,931	2,010
Estimated Housing Stock	16,159	16,386	16,557	16,801	17,064	17,250
Required Annual Rent Increase	£120.12	£103.48	£106.60	£109.72	£113.36	£116.48
Weekly Rent increase (£)	£2.31	£1.99	£2.05	£2.11	£2.18	£2.24
Weekly Rent increase (%)	3.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Weekly Rent	£66.36	£68.35	£70.40	£72.51	£74.69	£76.93

Note

Figures for years 2020/21 to 2023/24 are indicative only

	£m	£m	£m	£m	£m	£m
HRA Balances	£5.1	£5.1	£5.1	£5.1	£5.1	£5.1
	(projected)					

Use the space below to give us any other comments:

If you are interested in being part of a group that looks more closely at how your rent is spent and whether it represents value for money, please leave your details below.

Title:

First Name:

Last Name:

Address:

Post Code:

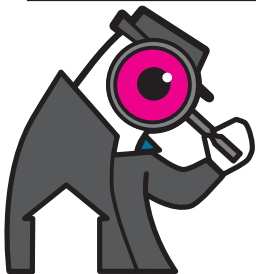
Telephone Number:

Email Address:

Thank you for your feedback. A future edition of the tenants' magazine, 'Tenant Talk', will outline the results of this survey and how much was donated to the Trussell Trust Foodbank.

For further information on this survey, you should contact:

Falkirk Council
Community Engagement Team
Corporate & Housing Services
The Forum
Callendar Business Park
Falkirk
FK1 1XR
Tel No: 01324 590796 or 01324 590858
Email: inspector.tenant@falkirk.gov.uk
Web: www.falkirk.gov.uk/inspectortenant



Have your say on how your Housing Service is run, or how it could be improved. To find out more, contact Inspector Tenant on 01324 590796, email inspector.tenant@falkirk.gov.uk or visit us at www.falkirk.gov.uk/inspectortenant for more information.

If you would like this information in another language, Braille, large print or audio tape please contact one of our Housing Services contacts.



Falkirk Council

www.falkirk.gov.uk/housing

Sept 2018

Have Your Say

Rent Increase 2019/20

Consultation



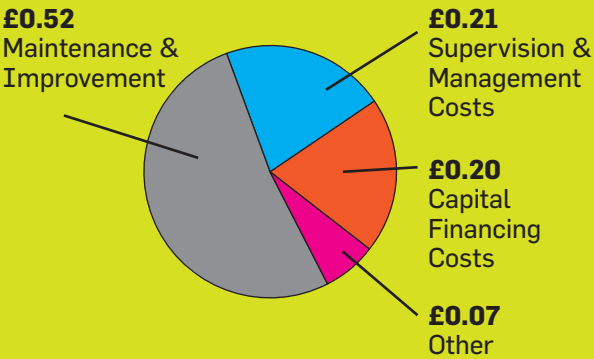
We want you to have your say on the level of Falkirk Council's proposed rent increase for 2019/20. As our tenant, your rent goes towards paying for a whole range of services that directly affect you. That's why your opinion is important to us.

Tell us what you think and your Housing Service will donate £1 to the Trussell Trust Foodbank (Falkirk Council area) for every survey returned. Simply complete the short survey and return it to us in the prepaid envelope provided by **Friday 26 October 2018**.

What does your rent pay for?

The chart below shows how the money you pay in rent is spent on the services you receive.

How each £1 of your rent was spent



The rent we receive allows us to maintain and improve the council's housing stock, with 72 pence in every pound collected spent on Repairs; Planned Investment e.g.: new kitchens; bathrooms; roofs and heating systems and also to increase the supply of additional affordable homes.

How does Falkirk Council compare?

Did you know, in comparison with the other 25 local authority landlords in Scotland:

- Falkirk Council's rents are amongst the lowest. The average local authority rent in Scotland for 2017/18 was £69.34 per week, compared to £64.06 per week in Falkirk, £5.28 per week lower. We are the 5th lowest amongst all local authority landlords
- Falkirk had the 4th highest level of repairs and improvement expenditure per house
- Falkirk's supervision and management costs were the 7th lowest in Scotland
- Falkirk plan to spend approximately £70m over the next 3 years upgrading the standard of c6,000 homes
- Falkirk plan to deliver a further 340 new homes over the next 3 years, together with buying back 240 additional homes. Increasing the number of additional affordable homes being provided by 580 in the next 3 years.

- 76% of tenants who responded to the last rent consultation said that their rent represented very or fairly good value for money, with a further 14% who said it was neither good nor poor value. 10% said it was very or fairly poor value for money.
- 97.4% of Falkirk Councils properties currently meet the Scottish Housing Quality Standard (SHQS).

If you would like to see how Falkirk Council's performance compares against other landlords, you can visit the Scottish Housing Regulator's website at <https://www.scottishhousingregulator.gov.uk>

Why does my rent have to increase each year?

We need to ensure that the rent we collect is enough to pay for the costs of maintaining and managing over 16,000 homes. Rent increases are necessary to meet increased running costs due to factors such as inflation and interest rates.

Additionally, increases in rent help to provide income to continue to invest in improving our homes to meet quality and energy efficiency standards and to build new homes.

Rent Consultation

You have a right to be consulted on any rent increases that Falkirk Council proposes. The results of the consultation will be presented to a future meeting of Falkirk Council, where the final decision on a rent increase for 2019/20 will be made.

Please fill in the short survey and return it to us by **Friday 26 October 2018** to make sure your voice is heard and your opinion counts. If you'd prefer, you can complete the survey online at www.falkirk.gov.uk/rentconsultation

1. Please select your preferred rent option (Please tick your preferred option)

The following table outlines 3 rent options, together with an indication of the average rent level; the level of housing investment expenditure and some examples of what the housing investment expenditure can provide for each option.

Option 2 (3.5% increase) will ensure that our properties will meet the Scottish Housing Quality Standard and importantly help support the delivery of approximately 100 additional affordable homes per annum to help meet demand.

The budgeted (2018/19) average weekly rental charge for a Falkirk Council property is £66.36.

Rent Increase	Option.1: Inflation Only 2.5% £1.66 per week	Option.2: Inflation plus 1% 3.5% £2.32 per week	Option.3: Inflation plus 2% 4.5% £2.99 per week
Average Rent Level	£68.02	£68.68	£69.35
Average Housing Investment per year	£44 million	£55 million	£67 million
Examples of what this Housing investment could provide.			
New Roofs & Roughcasting	800 houses	800 houses	800 houses
New Kitchens & Bathrooms	1,700 houses	1,700 houses	1,700 houses
New Heating Systems	700 houses	700 houses	700 houses
New Doors & Windows	1,500 houses	1,500 houses	1,500 houses
New Build Homes	29 houses	100 houses	160 houses
Buyback Properties	80 houses	80 houses	80 houses
Please tick your preferred option			

2. Taking into account the accommodation services Falkirk Council provides, which of the following best describes the value for money of the rent for your property? (Please tick your answer)

☐ Very Good ☐ Fairly Good ☐ Neither Good Nor Poor ☐ Fairly Poor ☐ Very Poor

3. How satisfied or dissatisfied are you that your chosen rent increase option will represent value for money? (Please tick your answer)

☐ Very Satisfied ☐ Satisfied ☐ Dissatisfied ☐ Very Dissatisfied ☐ Don't know

4. Do you receive Housing Benefit to help pay for your rent? (Please tick your answer)

☐ Yes, no rent to pay ☐ Yes, some rent to pay ☐ No, full rent to pay

5. Overall, how satisfied or dissatisfied are you with Falkirk Council as your landlord? (Please tick your answer)

☐ Very Satisfied ☐ Satisfied ☐ Dissatisfied ☐ Very Dissatisfied ☐ Don't know

RENT OPTIONS 2019/20

APPENDIX 4

		OPTION 1	OPTION 2	OPTION 3	OPTION 4
CURRENT AVERAGE RENT	£66.36	2.50%	3.00%	3.50%	4.50%
AVERAGE WEEKLY INCREASE		£1.66	£1.99	£2.32	£2.99
MAXIMUM INCREASE		£3.00	£3.60	£4.20	£5.40
WEEKLY RENT					
1 BEDROOM		£56.16	£56.44	£56.71	£57.26
2 BEDROOMS		£66.83	£67.15	£67.48	£68.13
3 BEDROOMS		£75.47	£75.84	£76.21	£76.95
4 BEDROOMS +		£86.40	£86.83	£87.25	£88.09
AVERAGE		£68.01	£68.35	£68.68	£69.34
NOTE:					
Rent is charged over 24 fortnights and no rent will be payable during the following periods:					
		FROM		TO	
Rent Weeks 13 and 14		24th June 2019		7th July 2019	
Rent Weeks 39 and 40		23th December 2019		5th January 2020	
Rent Week 53		30th March 2020		5th April 2020	

OTHER RENTAL CHARGES		OPTION 1	OPTION 2	OPTION 3	OPTION 4
	CURRENT	2.50%	3.00%	3.50%	4.50%
Lock-Up Garages (average, weekly)	£6.58	£6.75	£6.78	£6.81	£6.88
Garage Sites (fixed, annually)	£82.90	£84.97	£85.38	£85.80	£86.63
Castings Hostel (fixed, daily)	£24.32	£24.93	£25.05	£25.17	£25.41

ADMINISTRATION PROPOSAL

The Administration propose a rent increase for 2019/20 of 3.0%, as outlined in Option 2 above. In proposing this level of increase, the Administration also propose approval of the 2019/20 Housing Revenue Account as set out in Appendix 2.