SOUTH LANARKSHIRE COUNCIL

Agenda Item

Report

Report to:	**Executive Committee**
Date of Meeting:	**21 February 2024**
Report by:	**Chief Executive**

Subject:	**Recommendations Referred by Resource Committees**

1. Purpose of Report

1.1. The purpose of the report is to request approval of the undernoted recommendations referred to this Committee by the:-

- ♦ Community and Enterprise Resources Committee at its meeting held on 6 February 2024
- ♦ Housing and Technical Resources Committee at its meeting on 7 February 2024

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

(1) that the proposed amendments to the Renewable Energy Fund (REF) criteria be approved;

(2) that the rent increase of 6.50% to be applied in 2024/2025 with a further 6.50% increase in 2025/2026 and again in 2026/2027 subject to annual review and customer engagement for all Council houses, Gypsy/Traveller sites, lockups and garage sites and the revenue estimate proposals for the HRA, as detailed in Appendix 1 of the report to the Housing and Technical Resources Committee, be endorsed and referred to Council for approval;

(3) that the findings of the HRA Loans Fund Review, as detailed in Section 4 of the report to the Housing and Technical Resources Committee, be endorsed for implementation and referred to Council for approval; and

(4) that based on the rent increase of 6.50%, the 2024/2025 Housing Capital Programme of £77.303 million, as detailed in Appendix 2 to the report to the Housing and Technical Resources Committee, be endorsed and referred to Council for approval.

3. Background

3.1 **Recommendation Referred by Community and Enterprise Resources Committee of 6 February 2024 – Renewable Energy Fund - Strengthening Links to Rural Priorities – Extract of Minute**

A report dated 22 December 2023 by the Executive Director (Community and Enterprise Resources) was submitted outlining proposed changes to the Renewable Energy Fund (REF).

Since 2004, the Council had collected and administered Community Benefit funding through the Enterprise and Sustainable Development Service. The Service was responsible for securing contributions from windfarm developers, advising potential applicants, assessing applications and the monitoring of projects to ensure that the community benefits associated with each project were delivered. Processes were reviewed continuously to ensure best practice in grant provision and monitoring was undertaken to ensure the necessary support was delivered to eligible communities.

The Council administered the Community Benefit element of REF for 42 windfarms within South Lanarkshire as well as the Community Benefit for Clyde Windfarm Fund (CWFF). Between the various funds, £3,111,584 of income was received in 2022/2023 which was split between REF (£2,020,682) and CWFF (£1,090,902).

The funds, as currently administered, covered a range of programmes which were detailed at paragraph 3.3 of the report. Over the last 15 years, £10 million had been awarded and invested within communities closest to the windfarms with each £1 of grant generating on average £3 of additional funding. Over the 15 years, over 500 grants had been awarded and, of those, over 110 had been grants of over £20,000.

The overall themes of the REF complemented both Council and community plans. Those themes are detailed below and a comprehensive list of investment priorities for each theme was provided in Appendix 2 to the report:-

- build stronger communities
- build prosperous communities
- develop healthy and active communities
- create sustainable and environmental communities

The number of windfarms, scale and community benefit income generated was increasing. The income had approximately doubled in 5 years to an estimated £2.5 million in 2023/2024. This allowed a review on how the funds could best support local communities and the strategic outcomes from the funds. There were several reasons to consider if the Community Benefit funds were delivering the maximum benefit to rural communities and those were detailed in paragraph 4.1 of the report.

The annual income from windfarm community benefits varied between communities and within wards, dependent on scale and proximity of windfarms, but was concentrated on 6 rural wards which formed the Rural Task Force. Some wards within East Kilbride and Larkhall also had access to the REF. All wards in the Council area were eligible for microgrants. The table at paragraph 4.2 of the report summarised the annual income available for rural wards, and selected communities, at the higher and lower range.

Additionally, some communities in wards 3 and 4 were eligible for funding from the CWFF which was administered by the Council, however, eligibility and funding decisions were made by a community panel and advised by SSE Renewables. The proposed REF changes did not extend to the CWFF.

Through the work of the rural Community Led Local Development Programme (CLLD), funded by the Scottish Government, and community engagement, such as the Rural Conference in March 2023, several strategic priorities had been identified which were not fully addressed via REF. Those priorities were as follows in order of community importance:-

- transport and connectivity

- recreation and community facilities
- rural entrepreneurial activity and business infrastructure
- jobs, training and employability
- environmental and net zero sustainability
- rural poverty and wellbeing
- tourist and visitor infrastructure to support tourism

It was proposed that the criteria for REF grants be amended to align and deliver on the challenges and to provide increased benefit for communities. The proposed amendments were outlined at paragraph 4.7 of the report and as detailed below:-

- an ability to fund revenue projects in addition to capital projects
- increase the small grants level to 100%, funding up to £20,000
- increase the large grants maximum grant to 75% and, in specific areas and with conditions, up to 100% grants would be available
- introduce a Rural Facilities Sustainability Fund to help communities consider asset ownership and retain facilities for a period of up to 3 years
- in consultation with communities, Community and Enterprise Resources would develop larger, more complex community projects on behalf of local communities and local needs

Further details and a comparison of changes were provided in Appendix 1 to the report. The proposed changes had been developed following consultation with the Council's Rural Task Force on 15 November 2023. Discussions had also taken place with the rural Community Planning Partnership (CPP), third sector interface and windfarm operators.

The proposed changes, if endorsed, would be referred to the next meeting of the Executive Committee for approval. Thereafter, application decisions would be made under the revised criteria. The changes would allow communities more scope to develop local initiatives and projects while reducing the Council's involvement and funding.

The Economic Development Manager (Funding and Rural) responded to a member's question in relation to windfarm operators and revenue funding.

The Committee decided:

(1) that the key challenges for the rural area, as identified in paragraph 4.6, be noted; and

(2) that the proposed amendments to the REF criteria, as set out in paragraph 4.7, be endorsed.

The Committee recommended to the Executive Committee:	that the proposed amendments to the REF criteria be approved.

[Reference: Minutes of 30 October 2018 (Paragraph 6) and Minutes of the Executive Committee of 31 March 2004 (Paragraph 12), 1 December 2010 (Paragraph 9) and 21 November 2018 (Paragraph 4)]

3.2. A link to the report submitted to the Community and Enterprise Resources Committee of 6 February 2024 is provided for information

3.3. **Recommendations Referred by Housing and Technical Resources Committee of 7 February 2024 – Housing Revenue and Capital Account Budget 2024/2025 – Extract of Minute**

A joint report dated 12 January 2024 by the Chief Executive and the Executive Director (Housing and Technical Resources) was submitted on:-

- ♦ the revenue estimate proposals for the Housing Revenue Account (HRA) for 2024/2025 which had been prepared in line with the 30-year Business Plan
- ♦ the 2024/2025 Housing Capital Programme totalling £77.303 million

The HRA revenue budget for 2024/2025 had been prepared in line with the 30-year HRA Business Plan, developed to reflect the investment priority to maintain and improve the housing stock to meet national housing quality and energy efficiency standards. The programme also included projects to increase the supply of Council housing as well as environmental works and legislative compliance programmes, to ensure that all safety requirement standards were met.

The movement, as compared to the existing 2023/2024 revenue budget, was outlined in Appendix 1 to the report. The movements were summarised in the report.

The 2024/2025 budget proposal also included a provision of £3.743 million for bad debt which would be required to continue to provide for the potential impact on rent collection and arrears. This included contingency for the ongoing uncertainty on rental collections in the coming year due to cost-of-living pressures and an allocation of £0.300 million for tenancy sustainment mitigation.

During previous budget engagement, tenants had favoured multi-year agreements on the basis that they would have some clarity regarding rent levels in the medium term. A rent increase of 6.50% was proposed from 2024/2025 with a further 6.50% increase in 2025/2026 and again in 2026/2027. In accordance with statutory requirements, this 3-year commitment would be subject to annual review and customer engagement. This approach would allow the Council and tenants to plan and budget on a longer-term basis. To achieve this level of rent increase, a re-profiling of the long-term investment priorities had been undertaken. Short-term investment priorities and current service levels would be maintained.

A recently published Scottish Government draft budget for 2024/2025 included the reduction in funding available for the Affordable Housing Supply Programme. The 2024/2025 budget represented a decrease of 22% on the previous published figure for 2024/2025 and it was still unclear how the Scottish Government would reduce individual Councils' funding. Further discussions were planned with the More Homes Team at the Scottish Government for further clarity on the situation. Any reduction in Scottish Government grant available for the Council could impact the planned investment to increase the overall supply of Council housing. An update would be provided to the Committee when information on the impact for the Council, which might affect the 2024/2025 and future years capital programmes, was available.

Based on the latest Scottish Social Housing Charter returns, the average rent charges for South Lanarkshire Council tenants remained affordable and were currently the seventh lowest of local authority landlords in Scotland. In addition, South Lanarkshire Council tenants' rent charges were the lowest of all the social landlords operating in South Lanarkshire.

In line with the HRA Business Plan, a reduction of £0.300 million for efficiencies had been included within the Resource's Supervision and Management and Other Income budgets. £0.100 million of the efficiencies did not affect the delivery of services to tenants and related to the removal of vacant posts from the current establishment. The remaining £0.200 million was anticipated to come from standardising charges for washing and drying facilities across all Council areas which had been approved by this Committee on 8 November 2023.

At the Executive Committee on 24 June 2020, the Council approved the implementation of the findings from the Loans Fund Review which included work by Link Asset Services to analyse the impact on the HRA loans fund principal repayments if a Loans Fund Review for the HRA was implemented. This work was refreshed at the end of March 2023 and further details of the Loans Fund Review were provided in the report. Implementing the Loans Fund Review meant looking at the repayment terms of loans and the lifespan of the related assets.

As at 31 March 2023, outstanding Loans Fund Advances for the HRA totalled £292.694 million. However, by applying the Loans Fund Review, the Loans Fund Advances as at 31 March 2023 would have been £407.126 million, which meant that the accounting for repaying debt resulted in an overpayment of £114.432 million. This was referred to as a recalculation adjustment which was detailed in table 1 of the report.

It was proposed that the recalculation adjustment be applied over the financial years 2023/2024 to 2025/2026 to reduce the HRA repayments in those years by £22.000 million, compared to current repayment profile.

How the benefits of the Loans Fund Review would be utilised were detailed in the report as well as information on additional debt repayments.

Details of the proposed Housing Capital Programme, totalling £77.303 million, were provided in Appendix 3 to the report and information on how the Programme would be funded was summarised in the report.

The Budget Scrutiny Group (BSG) provided the main consultation process between the Council and tenant representatives. Each year, the Council and the BSG worked together to develop and co-ordinate the consultation programme on setting Council rent levels for the year ahead.

This year's consultation programme followed a similar approach to previous years and included the Tenant Participation Co-ordination Group (TPCG). A summary of the feedback received from the BSG and TPCG was detailed in the report as well as feedback received from various engagement events and an online survey.

Officers responded to members' questions on various aspects of the report.

The Committee recommended to the Executive Committee:

(1) that the rent increase of 6.50% to be applied in 2024/2025 with a further 6.50% increase in 2025/2026 and again in 2026/2027 subject to annual review and customer engagement for all Council houses, Gypsy/Traveller sites, lockups and garage sites and the revenue estimate proposals for the HRA, as detailed in Appendix 1 to the report, be endorsed;

(2) that the findings of the HRA Loans Fund Review, as detailed in Section 4 of the report, be endorsed for implementation; and

(3) that based on the rent increase of 6.50%, the 2024/2025 Housing Capital Programme of £77.303 million, as detailed in Appendix 2 to the report, be endorsed.

3.4. A link to the report submitted to the Housing and Technical Resources Committee of 7 February 2024 is provided for information.

4. Employee Implications

4.1. Any employee implications have been raised in the original reports to the relevant Committees.

5. Financial Implications

5.1. All financial implications have been highlighted as part of the original reports to the relevant Committees.

6 Climate Change, Sustainability and Environmental Implications

6.1 Any implications for climate change, sustainability or the environment have been highlighted as part of the original reports to the relevant Committees.

7. Other Implications

7.1. Any further implications have been highlighted as part of the original reports to the relevant Committees.

8. Equality Impact Assessment and Consultation Arrangements

8.1. No equality impact assessments are required in terms of the proposals contained within this report.

8.2. Consultation arrangements have been highlighted as part of the original reports to the relevant Committees.

Paul Manning
Chief Executive

7 February 2024

Link(s) to Council Values/Priorities /Outcomes

- Fair, open and sustainable
- Accountable, effective, efficient and transparent

Previous References

- Community and Enterprise Resources Committee 6 February 2024
- Housing and Technical Resources Committee 7 February 2024

List of Background Papers

- None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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