

Report

Report to:	Housing and Technical Resources Committee (Special)
Date of Meeting:	6 February 2019
Report by:	Executive Director (Housing and Technical Resources) Executive Director (Finance and Corporate Resources)

Subject:	Housing Revenue and Capital Account Budget 2019/2020
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ outline the revenue estimate proposals for the Housing Revenue Account (HRA) for 2019/2020
- ◆ request approval for the 2019/2020 Housing Capital Programme totalling £62.170m

2. Recommendation(s)

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

- (1) that the proposed rent increase of 3.95% is applied to all Council houses, travelling person sites, lockups and garage sites and the revenue estimate proposals for the HRA, as detailed in Appendix 1, be endorsed;
- (2) that the next stage of rent harmonisation is progressed with the current proposal for tenants paying below the level to pay up to an additional maximum of £2.00 per week, be endorsed;
- (3) that based on the rent increase of 3.95%, the 2019/2020 Housing Capital Programme of £62.170m, as detailed in Appendix 2, be endorsed;
- (4) that the increase to the factoring management charge from £28.78 per quarter to £29.33 per quarter, be endorsed; and
- (5) that the recommendations be referred to the Executive Committee for endorsement, then to Council for approval.

3. Proposals for Housing Revenue and Capital Account Budget 2019/2020

- 3.1. The HRA revenue budget submission for 2019/2020 has been prepared in line with the thirty year Housing Business Plan. This has been developed to reflect investment priorities of maintaining the housing stock to the Scottish Housing Quality Standard (SHQS), working towards the new Energy Efficiency Standard for Social Housing (EESH) which must be achieved by 31 December 2020, of which 89.9% of the Council's housing stock is compliant and increasing the supply of council houses.
- 3.2. The movement as compared to the 2018/2019 revenue budget, is outlined in Appendix 1. The primary expenditure movements, firstly within Supervision and Management Costs, reflect an increase in bad debt provision, as detailed further in Paragraph 3.3, increases for pay award and other inflationary pressures. The higher Financing Costs Loan Charges are as a result of borrowing requirements and the lower revenue Contribution to the 2019/2020 Capital Programme as a result of

identified housing investment programme requirements. In relation to Income, House Rents are reflective of the proposed increase which is offset by a reduction in available reserves.

- 3.3. In order to continue to provide for the potential impact on rent collection and arrears as a result of welfare reform, the 2019/2020 budget proposal includes a provision of £7.327m in relation to bad debts. This represents an additional £1.669m when compared to the existing 2018/2019 budget. The budgeted provision within the HRA Business Plan is based on the current rate of council tenants moving onto Universal Credit and the level of rent which is being recovered. Trends in relation to Universal Credit and its impact upon rent collection will continue to be monitored closely and reported to Committee on an ongoing basis.
- 3.4. The budget also reflects the Council's continued commitment to the harmonisation of house rents. It is proposed that, in addition to the 3.95% increase in rent levels as noted at Paragraph 3.2, tenants paying below the level will pay up to an additional £2.00 per week. Based on this proposal, it is estimated that 99% of tenants will be harmonised from April 2019.
- 3.5. During the HRA 2018/2019 budget and rent setting consultation, tenants were supportive of a move away from the process of setting rents on an annual basis and proposed that rent increases should be set for a 3 year period. This allowed greater clarity in the planning and managing of this aspect of their household bills, as well as the financial planning of the HRA. In order to continue to deliver on investment priorities and maintain service levels, it is proposed that the Council continues with the increase of 3.95%. In line with the business plan, this will be subject to annual review again in financial year 2020/2021.
- 3.6. It should be noted that, based on the latest Scottish Social Housing Charter returns, the average rent charges for South Lanarkshire Council tenants are currently the 7th lowest of local authority landlords in Scotland.
- 3.7. In line with the HRA Business Plan, efficiencies have been included within these budget proposals. These will be achieved through a variety of measures including a reduction in the following budget areas:-

Trading Services Charges (Re-design of Out of Hours Standby Service)	£0.225m
Vacant Posts (0.60 FTE)	£0.015m
Business Strategy and Support	£0.020m
Anti-Social Behaviour (0.5 FTE)	£0.013m
Community Wardens (3 FTE)	£0.035m
Utilities	£0.020m
Office Accommodation	£0.021m
Total Efficiencies Proposed (4.10 FTE)	£0.349m

Further details with regards to each of these reductions are included in Appendix 3.

It should be noted that the Anti-Social Behaviour and Community Wardens saving of £0.048m (HRA04) has been submitted for approval as part of the Council's overall efficiency proposals as it is jointly funded by the Council's general fund budget. Should this not be approved as part of this process, it is proposed that the value of this saving be met from an increase in transfers from Reserves.

- 3.8. The proposed factoring management charge for 2019/2020 reflects an increase of 1.90% on the previous year's charge. This is required in order to meet the increased costs in providing the service.

4. Housing Revenue Account – Capital Programme Estimates

- 4.1. The 2019/2020 capital programme is compiled in line with the thirty year HRA Business Plan. As well as continuing to plan and undertake the works needed to keep Council homes to the SHQS and to improve the quality of housing for tenants in line with the requirements of EESSH, a significant work stream in this year's Housing Investment Programme will be increasing the supply of Council housing. The programme reflects the latest profiling of new build construction during 2019/2020, with the full programme detailed in Appendix 2.
- 4.2. Key investment activities in relation to these priorities include heating replacements, external fabric upgrading, external wall insulation, windows and doors replacement, legislative compliance works and other external environmental improvements. To achieve these key priorities and other necessary works, a rent rise of 3.95% is required.
- 4.3. The funding for this programme is detailed in Table 1 below:-

Table 1: Capital Programme Funding

	£m
Revenue Contribution to 2019/2020 Capital Programme	21.109
Borrowing	26.932
Capital Receipts	0.831
Scottish Government Grant – Additional Council Houses	13.178
Scottish Government Grant – Mortgage to Rent	0.120
Total Capital Programme Funding	62.170

5. Consultation Arrangements

- 5.1. As in previous years, significant engagement has taken place with tenants on the proposals for rent levels and investment priorities for 2019/2020. A key part of the engagement this year has been on broadening the focus to improve the level and range of views.

Key features of the consultation which has taken place over the past 6 months have been:-

- ◆ Extended meetings of the local housing forums during November 2018
- ◆ Gypsy/Travellers and Homelessness service user sessions during November 2018
- ◆ A Tenant Budget Scrutiny Panel in November 2018 where panel members had an opportunity to question senior council officers on the key budgetary pressures and issues facing the housing service as well as the repairs and investment priorities
- ◆ Articles in the Housing News and on the Council website
- ◆ A Closing event in December 2018 led by tenants with a report highlighting views

- 5.2. For the fourth year, tenants also had the opportunity to give their views through an online survey. The survey was widely publicised through a number of channels. Staff locally promoted the rent consultation and encouraged tenants to complete the survey. This has all resulted in a significant increase in responses with over 833 surveys completed. This is a 250% increase on the previous year.
- 5.3. A summary of the feedback from the consultation is set out below:-
- ◆ There was broad agreement expressed in relation to the 3.95% rent increase at the local housing forums. They were also supportive of the proposed investment priorities and of the need to ensure that rents were affordable.
 - ◆ In relation to the survey, 69% of respondents indicated they were in agreement with the rent level to be increased by 3.95% for 2019/2020. In addition, 86% of respondents indicated that they felt the rent they pay represents good or very good value for money. There was broad agreement to continue the existing approach of Rent Harmonisation of a £2.00 adjustment to those below the Harmonised Rent.
 - ◆ Gypsy/Travellers were supportive of the 3.95% rent increase and of the investment priorities including environmental works.
 - ◆ In relation to homelessness service users, there was general support of the 2019/2020 budget proposals. They acknowledged that a rent increase was necessary to help maintain the housing stock to a high standard and to continue to increase the supply of council housing. They were also supportive of the multi-year rent setting strategy as this will help people budget as individuals prepare to move to a permanent tenancy.

6. Employee Implications

- 6.1. The savings proposed in Paragraph 3.7 note the number of full time equivalent posts affected. Overall, the savings options would require a net reduction of 4.1 FTE posts in 2019/2020. 1.1 FTE post savings can be managed through vacant posts. The balance of posts will be achieved through a combination of redeployment and voluntary severance/early retiral.

7. Financial Implications

- 7.1. The financial implications are as detailed in the report.

8. Other Implications

- 8.1. The risks associated with this report are in relation to the Council's ability to collect rents and charges following the increases. These risks have been assessed and added to the Resource Risk Register.
- 8.2. There are no implications in relation to sustainability.
- 8.3. Social landlords such as the Council are required to submit an Annual Assurance Statement to the Scottish Housing Regulator. This provides assurance that the organisation is compliant with the relevant requirements of chapter 3 of the Regulatory Framework, all relevant standards and outcomes in the Scottish Social Housing Charter, and all relevant legislative duties. The content of this report will contribute to the evidence to support this Statement.

9. Equalities Impact and Fairer Scotland Duty Assessments

- 9.1. Equality Impact Assessments have been undertaken for all relevant savings proposals and have been provided to Members. For details of work undertaken, please contact the Employee Development and Diversity Manager, Finance and Corporate Resources.

- 9.2. The Fairer Scotland Duty (Part 1 of Equality Act 2010) came into force in Scotland in April 2018. It places a legal responsibility on the Council to actively consider how it can reduce inequalities of outcome caused by socioeconomic disadvantage when making strategic decisions. It does not override other considerations such as equality or best value.
- 9.3. The Duty is set at a strategic level and is applicable to the key, high-level decisions that the public sector takes. Preparation of the 2019/2020 HRA budget proposals is considered to be relevant for a Fairer Scotland Duty impact assessment. An assessment in line with the requirements of the Fairer Scotland Duty will be made available to Members.

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Executive Director (Housing and Technical Resources)

Paul Manning
Executive Director (Finance and Corporate Resources)

24 January 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Improve the Availability, Quality and Access of Housing
- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ South Lanarkshire Council, 28 February 2018, Housing Revenue and Capital Account Budget 2018/2019

List of Background Papers

- ◆ Revenue Budget Working Papers 2019/2020

Contact for Further Information

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

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**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
REVENUE ESTIMATES YEAR 2019/2020**

2018/2019 £m			2019/2020 £m		Movement £m
		<u>Expenditure</u>			
31.976		Supervision and Management	34.322		2.346
30.764		Housing Repairs and Maintenance	30.967		0.203
2.040		Void Rents	2.138		0.098
14.801		Financing Costs Loan Charges	16.635		1.834
23.730		Revenue Contribution to 2019/2020 Capital Programme	21.109		(2.621)
103.311		Total Expenditure	105.171		1.860
		<u>Income</u>			
86.777		House Rents	91.233		4.456
2.486		Other Rents	2.584		0.098
0.067		Interest	0.067		0.000
9.378		Other Income	9.263		(0.115)
4.603		Use of B/F Reserves	2.024		(2.579)
103.311		Total Income	105.171		1.860
0.000		Net Expenditure	0.000		0.000

It should be noted that the figures for 2018/2019 represent the original budget figures approved.

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
CAPITAL ESTIMATES YEAR 2019/2020**

Area	Project Title	Budget
Provision of Council Housing		
SLC Wide	Provision of Additional Council Housing	£38,163,000
SLC Wide	Mortgage To Rent	£400,000
Provision of Council Housing Sub Total		£38,563,000
Kitchen & Bathrooms		
SLC Wide	Kitchens & Bathrooms	£255,000
Kitchen & Bathrooms Sub Total		£255,000
Heating Replacements		
SLC Wide	Central Heating Upgrades/Installations	£8,999,900
Heating Replacements Sub Total		£8,999,900
External Fabric Upgrading Works		
SLC Wide	External Fabric Upgrading - Various Properties	£5,905,600
External Fabric Upgrading Works Sub Total		£5,905,600
Environmental Works		
SLC Wide	Environmental Improvements	£1,389,000
Environmental Works Sub Total		£1,389,000
Energy Efficiency Works		
SLC Wide	External Wall Insulation	£2,000,000
Energy Efficiency Works Sub Total		£2,000,000
Miscellaneous Projects		
SLC Wide	Legislative Compliance Works	£1,500,000
SLC Wide	Window and Door Replacement Programme	£1,822,500
SLC Wide	Sheltered Housing Schemes Refurbishment Works	£680,000
SLC Wide	Services Upgrades	£805,000
SLC Wide	Area Regeneration	£50,000
SLC Wide	Council House Adaptations	£150,000
SLC Wide	Alterations including DDA	£50,000
Miscellaneous Projects Sub Total		£5,057,500
Total Capital Programme 2019/2020		£62,170,000

Appendix 3

Resource	Service	Savings Type (Approved, Efficiency and Outturn, Charging, Charging non Inflationary, Service Impact)	Name and Brief Description of Saving	Employee FTE	Saving £m
Housing Revenue Account Savings 2019/2020					
HRA01	Housing Out of Hours Repairs	Efficiency and Outturn	Trading Services Charges (Redesign of Out of Hours Standby Service) The charges made to HRA in relation to the repairs service are expected to reduce into 2019/20. There will be no change in the service provided to tenants. The charges are expected to reduce by £0.225m following a redesign of the out of hours service.	0.0	0.225
HRA02	All	Efficiency and Outturn	Vacant Posts Through the identification of the following vacancies within the Service, a saving of £0.015m will be realised: Care of Gardens Admin Assistant 0.5 FTE £0.012m Cathkin Co-op 0.1 FTE £0.003m	0.6	0.015
HRA03	Strategy and Support	Efficiency and Outturn	Business Strategy and Support Savings identified for 2019/2020 will be achieved through the realignment of tasks undertaken through the Strategy and Support Service, including the realignment of the Community Safety Analyst to a vacant post within the Strategy and Support structure. This would result in this post being partially funded (£20k) from the Community Safety budget. This will have no impact on front line service delivery.	0.0	0.020
HRA04	Anti-Social Behaviour	Efficiency and Outturn	Anti-Social Behaviour Removal of vacant clerical post (0.94 FTE post vacant - HRA share 0.54 FTE) Community Warden Saving (as defined in the General Services budget savings) This relates to the reduction of 3 FTE Warden posts which will be achieved through a combination of natural turnover and redeployment. The FTE shown reflects the full employee impact of the saving, however, as the Service is part funded by the General Services budget, the impact on the HRA budget is £0.035m (50% of the total budget).	0.5 3.0	0.013 0.035

Resource	Service	Savings Type (Approved, Efficiency and Outturn, Charging, Charging non Inflationary, Service Impact)	Name and Brief Description of Saving	Employee FTE	Saving £m
Housing Revenue Account Savings 2019/2020					
HRA05	All	Efficiency and Outturn	Utilities Following a review of current utility costs, and from identifying further efficiencies across the Service, a reduction of £0.020m to the baseline budget can be realised in 2019/2020.	0.0	0.020
HRA06	Housing	Efficiency and Outturn	Carlisle Housing Office Following the demolition of the former Carlisle Housing Office, a saving of £0.021m can be realised through a reduction in Property Costs.	0.0	0.021
Total Housing Revenue Account Savings 2019/2020				4.1	0.349