

Report

Report to:	Housing and Technical Resources Committee (Special)
Date of Meeting:	21 February 2018
Report by:	Executive Director (Housing and Technical Resources) Executive Director (Finance and Corporate Resources)

Subject:	Housing Revenue and Capital Account Budget 2018/2019
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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 2018/2019
- ◆ request approval for the 2018/2019 Housing Capital Programme totalling £44.935m

2. Recommendation(s)

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

- (1) that the revenue estimate proposals for the HRA as set out below are endorsed, and the proposed rent increase of 3.95% be applied to all Council houses, travelling person sites, lockups and garage sites;
- (2) that the factoring fee be increased from £28.08 per quarter to £28.78 per quarter;
- (3) that the next stage of rent harmonisation be progressed and that tenants paying below the level will pay up to an additional maximum of £2.00 per week;
- (4) that based on the rent increase of 3.95%, the 2018/2019 Housing Capital Programme of £44.935m, as detailed in Appendix 2, be endorsed;
- (5) that an indicative rent increase baseline of 3.95% be endorsed for Council Houses for financial years 2019/2020 and 2020/2021; and
- (6) 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 2018/2019

- 3.1. The HRA budget submission, including the movement from the 2017/2018 revenue budget, as outlined in Appendix 1, has been prepared in line with the thirty year Housing Business Plan.
- 3.2. The Housing Business Plan has been developed to reflect the priorities of increasing the supply of Council houses, maintaining the housing stock to the Scottish Housing Quality Standard (SHQS) and working towards the new Energy Efficiency Standard for Social Housing (EESH) which must be achieved by 31 December 2020. At present, 87.3% of the Council's housing stock is compliant with the EESH standard. To achieve these key priorities and other necessary works, as outlined in Appendix 2, a rent rise of 3.95% is required.

- 3.3. In order to continue to provide for the potential impact on rent collection and arrears as a result of welfare reform, the 2018/2019 budget proposal includes a provision of £5.658m in relation to bad debts. This represents an additional £2.660m when compared to the existing 2017/2018 budget. The requirement for this provision, and indeed projected future increases, is highlighted by the experiences to date since the introduction of Universal Credit (UC) in South Lanarkshire on 5 October 2015 and the further rollout of UC “Full Service” on 4 October 2017, with increases in arrears in the majority of these cases.
- 3.4. The proposed factoring charge for 2018/2019 reflects an increase of 2.50% on the previous year’s charge. This is required in order to meet the increased costs in providing the service.
- 3.5. 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 3.2, tenants paying below the level will pay up to an additional £2.00 per week.
- 3.6. During the consultation, tenants were supportive of a move away from the current process of setting rents on an annual basis and proposed that rent increases should be set over a longer period of time. This would allow greater clarity in the planning and managing of this aspect of their household bills, as well as the financial planning of the HRA. Therefore, it is proposed that an indicative rent increase baseline of 3.95%, in line with the business plan and subject to annual review, be implemented for financial years 2019/2020 and 2020/2021.
- 3.7. It should be noted that, based on the latest Scottish Housing Charter returns, the rent charges for South Lanarkshire Council tenants are currently the 5th lowest of local authority landlords in Scotland.
- 3.8. In line with the Housing 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:-

Administration Savings	£0.116m
Enhanced Leave Income	£0.025m
Strategy and Support Service (0.7 Posts)	£0.023m
Rationalisation of services in Tower Blocks (5 Posts)	£0.124m
Total Efficiencies Proposed (5.7 Posts)	£0.288m

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

4. Housing Revenue Account – Capital Programme Estimates

- 4.1. The 2018/2019 capital programme is compiled in line with the thirty year Housing Business Plan. As well as continuing to plan and undertake the works needed to keep Council homes to the SHQS and to meet the requirements of EESSH, a significant work stream in this year’s Housing Investment Programme will be increasing the supply of Council housing. The proposed programme is detailed in Appendix 2.

- 4.2. The funding for this programme is detailed in Table 1 below:-

Table 1: Capital Programme Funding

	£m
CFCR for the 2018/2019 Capital Programme	23.730
Borrowing	15.253
Capital Receipts	2.000
Scottish Government Grant – Additional Council Houses	3.832
Scottish Government Grant – Mortgage to Rent	0.120
Total Capital Programme Funding	44.935

5. Employee Implications

- 5.1. The savings proposed in Section 3.8 note the number of full time equivalent posts affected. Overall, the savings options would require a net reduction of 5.7 FTE posts in 2018/2019. 4.7 FTE post savings can be managed through vacant posts. The balance of posts will be achieved through redeployment.

6. Financial Implications

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

7. Other Implications

- 7.1. 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.

- 7.2. There are no implications in relation to sustainability.

8. Equalities Impact Assessment and Consultation Arrangements

- 8.1. An equalities impact assessment has been undertaken on the efficiencies proposed within this report.

- 8.2. A comprehensive consultation and engagement process has taken place to seek the views of tenants on the proposals for the rent levels for 2018/2019, which included three potential options for the increase, 3.75% (option 1), 3.95% (option 2) and 4.15% (option 3). The key features of the consultation, which has taken place over the past 6 months, have been:-

- ◆ Articles in the Housing News and on the Council website
- ◆ Tenants Scrutiny Panel in November 2017
- ◆ Extended meetings of the local Housing Forums during October and November 2017
- ◆ Session with homelessness service users in November 2017
- ◆ Gypsy/Travellers event in November 2017
- ◆ Tenant closing event in December 2017

- 8.3. For the third year, tenants also gave their views through an online survey with approximately 238 tenants taking the opportunity to complete the survey.

- 8.4. A summary of the feedback from the consultation is set out below:-

- ◆ There was a range of views expressed in relation to the options with one Housing Forum indicating option 1 (3.75%), two Housing Forums indicating option 2 (3.95%) or option 3 (4.15%) and three Housing Forums indicating option 3, as a preferred option. One Housing Forum had no view on the options.

- ◆ In relation to the survey, the majority of tenants indicated a preference for an increase of 3.95% or higher, with 35% indicating option 2 and 18% indicating option 3 as their preferred option. 47% of respondents indicated option 1 as their preferred option.
- ◆ 90% of survey respondents indicated that they felt the rent they pay is good or very good value for money.
- ◆ In relation to the proposed multi-year rent strategy, the Tenant Budget Scrutiny Group has indicated a preference for this approach and 68% of survey respondents were also supportive of this approach.
- ◆ There was continued support of the Housing Investment Programme and in particular the progress towards achieving objectives such as increasing the supply of new council houses and the Energy Efficiency Standard for Social Housing (EESH).
- ◆ There was broad agreement to continue the existing approach of Rent Harmonisation and the £2.00 adjustment to those above harmonised level. Some tenants were in favour of reducing the adjustment to £1.50 per week.
- ◆ Homelessness service users who provided feedback had no particular view on the rent options. They were supportive of the investment priorities, including the environmental works, but felt additional information was required to support the higher option. In relation to the multi-year rent strategy there was a view expressed regarding further consultation with tenants given the potential impact.
- ◆ Gypsy/Travellers were supportive of the investment priorities including environmental works, while keeping the rent increase as low as possible.

8.5. At present, customers renting lock-up garages in East Kilbride pay their rent on a quarterly basis. Following positive feedback during the tenant consultation process, it is proposed that lockup and garage site customers in other areas, who currently pay fortnightly, begin the transition to paying on a quarterly basis. This will simplify and standardise the payment process across South Lanarkshire and it is anticipated this process will commence during 2018/2019.

8.6. A positive response was also noted during the consultation in relation to a move away from the provision of annual rent statements towards providing a broader range of ways in which tenants can check rent balances. It was agreed to continue to work with customers to develop the range of options.

Daniel Lowe
Executive Director (Housing and Technical Resources)

Paul Manning
Executive Director (Finance and Corporate Resources)

6 February 2018

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, 16 February 2017 - Housing Revenue and Capital Account Budget 2017/2018

List of Background Papers

- ◆ Revenue Budget Working Papers 2018/2019

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 2018/2019**

2017/2018 £m			2018/2019 £m		Movement £m
		<u>Expenditure</u>			
31.029		Supervision and Management	31.858		0.829
28.792		Housing Repairs and Maintenance	30.764		1.972
1.960		Void Rents	2.040		0.080
14.383		Financing Costs Loan Charges	14.801		0.418
20.001		Contribution to 18/19 Capital Programme	23.730		3.729
0.134		Future Capital Programmes	0.000		(0.134)
96.299		Total Expenditure	103.193		6.894
		<u>Income</u>			
83.187		House Rents	86.777		3.590
2.392		Other Rents	2.486		0.094
0.067		Interest	0.067		0.000
10.653		Other Income	9.378		(1.275)
0.000		Use of B/F Reserves	4.485		4.485
96.299		Total Income	103.193		6.894
0.000		Net Expenditure	0.000		0.000

It should be noted that the figures for 2017/2018 represent the original budget figures approved.

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
CAPITAL ESTIMATES YEAR 2018/2019**

Area	Project Title	Budget
Provision of Council Housing		
SLC Wide	Provision of Additional Council Housing	£23,552,000
SLC Wide	Mortgage To Rent	£400,000
Provision of Council Housing Sub Total		£23,952,000
Kitchen & Bathrooms		
SLC Wide	Kitchens & Bathrooms	£342,000
Kitchen & Bathrooms Sub Total		£342,000
Heating Replacements		
SLC Wide	Central Heating Upgrades/Installations	£6,692,000
Heating Replacements Sub Total		£6,692,000
External Fabric Upgrading Works		
SLC Wide	External Fabric Upgrading - Various Properties	£4,747,000
External Fabric Upgrading Works Sub Total		£4,747,000
Environmental Works		
SLC Wide	Environmental Improvements	£1,657,000
Environmental Works Sub Total		£1,657,000
Energy Efficiency Works		
SLC Wide	External Wall Insulation	£1,965,000
Energy Efficiency Works Sub Total		£1,965,000
Miscellaneous Projects		
SLC Wide	Legislative Compliance Works	£1,800,000
SLC Wide	Window and Door Replacement Programme	£1,501,000
SLC Wide	Sheltered Housing Schemes Refurbishment Works	£868,000
SLC Wide	Services Upgrades	£871,000
SLC Wide	Area Regeneration	£50,000
SLC Wide	Council House Adaptations	£150,000
SLC Wide	Alterations including DDA	£50,000
SLC Wide	Demolitions	£90,000
SLC Wide	Lockup Upgrades	£200,000
Miscellaneous Projects Sub Total		£5,580,000
Total Capital Programme 2018/2019		£44,935,000

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 Proposals 2018/2019					
HRA01	Housing Revenue Account	Efficiency and Outturn	Administration Savings Through targeting areas of non-essential spend across the Housing Revenue Account and changing patterns in how tenants engage with the service, a saving can be made across a number of budget lines including telephones, postage, pool car and fleet, scanning and other administration costs.	0.0	0.116
HRA02	Housing Revenue Account	Efficiency and Outturn	Enhanced Leave Income An analysis of the level of enhanced leave purchased by employees has shown a consistent level of unbudgeted income. It is proposed that this unbudgeted income is added to the Housing Revenue Account budget in 2018/19.	0.0	0.025
HRA03	Housing Revenue Account	Efficiency and Outturn	Strategy and Support Service Following an analysis of service requirements, it has been possible to revise the assumptions in relation to employee grades and posts leading to an overall reduction in the budgetary requirement for the service. The impact of this will be a reduction of posts totalling 0.7 FTE of which there are current vacancies to this level.	0.7	0.023

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 Proposals 2018/2019					
HRA04	Housing Revenue Account	Service Impact	<p>Rationalisation of Services in Tower Blocks Following a review of requirements at tower blocks, a number of changes can be made to the service reflecting current requirements.</p> <p>Removal of Greenhill Court Night Shift Cover (£0.087m) It is proposed that the requirement for physical caretaking presence at the block during night time be removed with existing CCTV facilities enhanced to provide greater security and coverage. The impact of this will be a reduction of posts at the location totalling 4 FTE of which there are current vacancies to this level.</p> <p>Reduction in Communal Cleaning (£0.021m) At present, facilities management provides cleaning services in communal areas within tower blocks in the East Kilbride area. It is proposed that the service requirements which currently require 3 FTE across all the towers be reduced by 1 FTE. This will be mitigated through provision of ongoing cleaning provision and greater onsite monitoring by caretakers focusing on prevention and care of communal areas.</p> <p>Introduction of Factoring Charges at Wyler Tower (£0.006m) In order to equalise the position across tower blocks in the Council and due to the existing majority ownership by council tenants, it is proposed that the Council becomes the factor at this site. This will involve introduction of charging to owners for services provided including the provision of the onsite caretaker and ongoing maintenance costs for communal aspects of the property.</p> <p>Rationalisation of the Laundry Service (£0.010m) It is proposed that over a number of years, the provision of laundry services be rationalised. This will involve a proposed reduction of provision at sites based on demand and ease of operation with an associated reduction in costs in energy, maintenance and renewals of equipment.</p>	5.0	0.124
Total Housing Revenue Account Proposed Savings 2018/19				5.7	0.288