

Report

Report to:	Housing and Technical Resources Committee
Date of Meeting:	5 February 2020
Report by:	Executive Director (Housing and Technical Resources) Executive Director (Finance and Corporate Resources)

Subject:	Housing Revenue and Capital Account Budget 2020/2021
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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 2020/2021
- ◆ request approval for the 2020/2021 Housing Capital Programme totalling £97.303 million

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 2020/2021 Housing Capital Programme of £97.303 million, as detailed in Appendix 2, be endorsed;
- (4) 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 2020/2021

3.1. The HRA revenue budget submission for 2020/2021 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 (ESSH) which must be achieved by 31 December 2020, of which 92% of the Council's housing stock is compliant
- ◆ increasing the supply of Council houses

3.2. The movement as compared to the existing 2019/2020 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, offset by alterations to expenditure based on changing service requirements. The higher

Financing Costs Loan Charges are as a result of borrowing requirements for prior years Capital Investment and the lower revenue Contribution to the 2020/2021 Capital Programme as a result of the current identified housing investment programme requirements. In relation to Income, House Rents are reflective of the proposed increase which is offset by the reduction in using reserves to balance the overall budget.

- 3.3. In order to continue to provide for the potential impact on rent collection and arrears as a result of welfare reform, the 2020/2021 budget proposal includes a provision of £5.860 million in relation to bad debts. This represents an additional £1.456 million when compared to the adjusted 2019/2020 budget. 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. 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%, for the final year of the existing Rent Strategy.
- 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 Paragraph 3.4, tenants paying below the level will pay up to an additional £2.00 per week. Based on this proposal, it is estimated that 99.75% of tenants will be harmonised from April 2020.
- 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. In addition, South Lanarkshire Council tenants rent charges are the lowest of all of the Registered Social Landlords in South Lanarkshire.
- 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:-

Strategy and other support posts (3 FTE vacancies)	£0.108m
General administration and processing costs	£0.064m
Budget realignment to reflect existing cost of the pension scheme	£0.103m
	£0.275m

4. Housing Revenue Account – Capital Programme Estimates

- 4.1. The 2020/2021 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 2020/2021, with the full programme detailed in Appendix 2.
- 4.2. Further key investment activities in relation to these priorities include heating replacements and insulation, external fabric upgrading, windows and doors

replacement, legislative compliance works and other external environmental improvements.

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

Table 1: Capital Programme Funding

	£m
Revenue Contribution to 2020/2021 Capital Programme	19.448
Borrowing	53.089
Scottish Government Grant – Additional Council Houses	24.646
Scottish Government Grant – Mortgage to Rent	0.120
Total Capital Programme Funding	97.303

- 4.4. Borrowing for the £53.089 million noted in Table 1 would result in an increase to Loan Charges averaging £2.366 million per annum with costs of £1.709 million starting in 2020/2021. These costs are included within the Housing Revenue Account Business Plan with the overall rental income meeting the additional costs.

5. Consultation Arrangements

- 5.1. As in previous years, significant engagement has taken place with Council tenants on the proposals for the rent level and investment priorities for 2020/2021. This approach to engagement continues to be co-produced by housing customers through the Budget Scrutiny Group (BSG). The group provide the vehicle for discussion between the Council and tenants on the budgetary process and the financial challenges and opportunities facing housing services on an ongoing basis.

The group discuss and consider the Housing Revenue Account and clearly understand the key areas of expenditure, the pressures and challenges faced and what the proposed rent level means for services and investment in tenants' homes. All of these factors are considered in the rent setting consultation programme.

This year the programme commenced in October with a joint session with the Tenant Participation Coordination Group (TPCG) and the BSG to review the draft budget, the proposed investment priorities and the rent level considerations. This session finalised the programme for this year which included:-

- ◆ extended meetings of the local housing forums
- ◆ gypsy/travellers and homelessness household sessions
- ◆ a Tenant Budget Scrutiny Panel 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, Council website and social media platforms
- ◆ a consultation closing event organised and presented by tenants with a report highlighting views
- ◆ an online survey

- 5.2. A summary of the feedback from the organised meetings and events is set out below:-

- ◆ The BSG and overarching TPCG were fully supportive of the 3.95% rent increase, the proposed investment priorities and of keeping rents affordable. They were also supportive of setting the rents over a longer period of time. These views are included in the tenant consultation report produced by the BSG.

- ◆ At the local housing forums there was a general understanding from those in attendance that a 3.95% rent increase was necessary to allow continued investment in improving homes to meet quality and energy efficiency standards and to build new homes. Attendees were also supportive of the need to ensure that rents were affordable and continuing with the approach in setting rents over a longer period of time.
- ◆ Respondents from within the South Lanarkshire gypsy/traveller community were generally supportive of the 3.95% rent increase, setting rents over a longer period of time and recognised that the investment proposed would help improve the living environment within the Council's 2 gypsy/traveller sites.
- ◆ Respondents with lived experience of homelessness were generally supportive of the 2020/2021 budget proposals. They acknowledged the need to continue to increase the provision of social housing and the importance of maintaining existing Council housing to a good standard.

5.3. For the fifth year, Council tenants also had the opportunity to give their views through an online survey. The survey was widely publicised through a number of regular channels, as well as promotion from frontline staff who actively encouraged tenants to complete the survey. A significant number of responses were received this year with 1,450 surveys completed. This is a 74% increase on the previous year.

A summary of the feedback from the online survey is set out below:-

- ◆ an even split of views between those who supported the rent level to be increased by 3.95% and those who did not
- ◆ 82% of respondents indicated that they felt the rent they pay represents good or very good value for money
- ◆ 74% of respondents were supportive of setting the rents for a longer period of time, with an annual review

6. Employee Implications

6.1. The efficiencies proposed in Paragraph 3.7 note the number of full time equivalent posts affected. Overall, the savings options would require a net reduction of 3.0 FTE posts in 2020/2021. 3.0 FTE post savings can be managed through existing vacant posts.

7. Financial Implications

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

8. Climate Change, Sustainability and Environmental Implications

8.1. The impact which capital investment will have upon climate change and sustainability are appropriately considered through the Resource's approach to project design, procurement, project management and delivery. Works will be progressed in such a way to support a positive impact on the environment. Appropriate mitigation actions will be put in place where any potential negative impact is identified.

9. Other Implications

9.1. 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.

- 9.2. 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.

10. Equalities Impact and Fairer Scotland Duty Assessments

- 10.1. 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.
- 10.2. 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.
- 10.3. 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 2020/2021 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.

Daniel Lowe

Executive Director (Housing and Technical Resources)

Paul Manning

Executive Director (Finance and Corporate Resources)

8 January 2020

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, 27 February 2019, Housing Revenue and Capital Account Budget 2019/2020

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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**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
REVENUE ESTIMATES YEAR 2020/2021**

2019/2020 Revised £m			2020/2021 Estimate £m		Movement £m
		<u>Expenditure</u>			
31.741		Supervision and Management	32.957		1.216
35.029		Housing Repairs and Maintenance	35.428		0.399
2.073		Void Rents	2.175		0.102
15.164		Financing Costs Loan Charges	18.008		2.844
20.589		Contribution to 20/21 Capital Programme	19.448		(1.141)
104.596		Total Expenditure	108.016		3.420
		<u>Income</u>			
90.578		House Rents	95.717		5.139
2.428		Other Rents	2.524		0.096
0.067		Interest	0.067		0.000
9.373		Other Income	9.393		0.020
2.150		Use of B/F Reserves	0.315		(1.835)
104.596		Total Income	108.016		3.420
0.000		Net Expenditure	0.000		0.000

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
CAPITAL ESTIMATES YEAR 2020/2021**

Area	Project Title	Budget
Provision of Council Housing		
SLC Wide	Provision of Council Housing	£70,366,000
SLC Wide	Mortgage To Rent	£400,000
Provision of Council Housing Sub Total		£70,766,000
Kitchen & Bathrooms		
SLC Wide	Kitchens & Bathrooms	£400,000
Kitchen & Bathrooms Sub Total		£400,000
Heating Replacements		
SLC Wide	Central Heating Upgrades/Installations	£6,670,000
Heating Replacements Sub Total		£6,670,000
External Fabric Upgrading Works		
SLC Wide	External Fabric Upgrading - Various Blocks	£6,066,120
External Fabric Upgrading Works Sub Total		£6,066,120
Environmental Works		
SLC Wide	Environmental Improvements	£2,812,880
Environmental Works Sub Total		£2,812,880
Energy Efficiency Works		
SLC Wide	External Wall Insulation	£1,650,000
Energy Efficiency Works Sub Total		£1,650,000
Miscellaneous Projects		
SLC Wide	Legislative Compliance Works	£2,580,000
SLC Wide	Window and Door Replacement Programme	£2,421,000
SLC Wide	Sheltered Housing Schemes Refurbishment Works	£630,000
SLC Wide	Services Upgrades	£3,007,000
SLC Wide	Area Regeneration	£100,000
SLC Wide	Council House Adaptations	£150,000
SLC Wide	Alterations including DDA	£50,000
Miscellaneous Projects Sub Total		£8,938,000
Total Capital Programme 2020/2021		£97,303,000