

Report

Report to:	Housing and Technical Resources Committee (Special)
Date of Meeting:	19 January 2022
Report by:	Executive Director (Housing and Technical Resources) Executive Director (Finance and Corporate Resources)

Subject:	Housing Revenue and Capital Account Budget 2022/2023
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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 2022/2023
- ◆ request approval for the 2022/2023 Housing Capital Programme totalling £52.230m.

2. Recommendation(s)

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

- (1) that the proposed rent increase of 2.2% to all Council houses, Gypsy/Traveller sites, lockups and garage sites and the revenue estimate proposals for the HRA, as detailed in Appendix 1, be endorsed;
- (2) that based on the rent increase of 2.2%, the 2022/2023 Housing Capital Programme of £52.230m, as detailed in Appendix 2, be endorsed; and
- (3) that the recommendations be referred to Executive Committee, for endorsement, then to Council for approval.

3. Proposals for Housing Revenue and Capital Account Budget 2022/2023

3.1. The HRA revenue budget submission for 2022/2023 has been prepared in line with the thirty-year HRA Business Plan. This has been developed to reflect investment priorities of maintaining and improving the housing stock to the Scottish Housing Quality Standard (SHQS) and the updated Energy Efficiency Standard for Social Housing (EESH2). The programme also includes projects to increase the supply of council housing as well as environmental works and legislative compliance programmes to ensure that all safety requirement standards are met.

3.2. The movement from the original 2021/2022 revenue budget, is outlined in Appendix 1. The main expenditure movements are:-

- ◆ Supervision and Management Costs, increased costs for pay award and other inflationary pressures are offset by alterations to expenditure based on changing service requirements, a reduction in bad debt provision (as detailed further in Paragraph 3.3) and efficiency saving targets (as detailed further in Paragraph 3.6).

- ◆ Housing Repairs and Maintenance reflecting a prudent allocation for expected costs and demands for these services.
- ◆ Financing Costs Loan Charges reflects the costs associated with the planned investment requirements.
- ◆ House Rents are inclusive of additional new build stock and the proposed increase.
- ◆ A planned transfer from reserves reflects the long term investment requirements within the thirty-year HRA Business Plan within the 2022/2023 budget.

3.3. To continue to provide for the potential impact on rent collection and arrears, the 2022/2023 budget proposal also includes a provision of £3.405m for bad debt. This includes contingency for the ongoing uncertainty on the impact of Covid-19 on rental collections in the coming year and an allocation of £0.150m for tenancy sustainment mitigation measures. Although this is an overall reduction from previous years' contingency levels, it is considered prudent within the current operational environment.

3.4. During the HRA 2022/2023 budget and rent setting consultation, tenants were supportive of continuing the temporary move away from the established approach of setting rents on a multi-year basis, to reflect the uncertainty of the ongoing impact of the Covid-19 pandemic. A one-year rent increase of 2.2% is proposed for 2022/2023, which continues to acknowledge the financial uncertainty facing our tenants. To achieve this level of rent increase, a re-profiling of the long-term investment priorities has been undertaken. Short-term investment priorities and current service levels will be maintained.

3.5. It should be noted that, based on the latest Scottish Social Housing Charter returns, the average rent charges for South Lanarkshire Council tenants remain affordable and are currently the 7th lowest of local authority landlords in Scotland. In addition, South Lanarkshire Council tenants' rent charges are the lowest of all the Registered Social Landlords operating in South Lanarkshire.

3.6. In line with the HRA Business Plan, a reduction of £0.268m for efficiencies has been included within the Resources Supervision and Management budget. The efficiencies do not affect the delivery of services to our tenants.

4. Housing Revenue Account – Capital Programme Estimates

4.1. The 2022/2023 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 to continue our investment to increase the overall supply of Council housing including through our open market purchase scheme, 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 2022/2023 Capital Programme	26.050
Borrowing	22.018
Scottish Government Grant – Additional Council Houses	4.042
Scottish Government Grant – Mortgage to Rent	0.120
Total Capital Programme Funding	52.230

- 4.4. Borrowing for the £22.018 million noted in Table 1 includes previously approved borrowing of £19.038m carried forward from previous years. An additional £2.980m of new borrowing is included within the borrowing total which will result in an increase to the annual Loan Charges of circa £0.116m per annum starting in 2022/2023. These costs are included within the HRA Business Plan and the 2022/2023 proposed budget, with the overall rental income from the additional stock numbers and the annual rent increase meeting the additional costs.

5. Consultation Arrangements

- 5.1. The approach to engagement continues to be co-produced by housing customers through the Budget Scrutiny Group (BSG). This group provides 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.

In recognition of the continuing impact of Covid-19 and with the BSG now experienced and confident in its use of digital platforms, it was agreed that this year's consultation on the rent setting proposals would replicate the successful programme of engagement undertaken last year. This included the use of virtual platforms and an online survey, open to all Council tenants.

The BSG discussed and considered the Housing Revenue Account and key areas of expenditure, the pressures and challenges faced by both the Council and tenants as a result of the financial impact of Covid-19 and what the proposed rent level means for services and investment in tenants' homes. All of these factors were considered during the rent setting consultation programme.

- 5.2. A summary of the feedback received from the BSG and Tenant Participation Co-ordination Group (TPCG) is set out below:-

- ◆ the BSG and TPCG were fully supportive of the proposed 2.2% rent increase for one year.
- ◆ both groups understood the Council's position and felt that 2.2% would provide good value for tenants while allowing continued investment, particularly in the current economic climate.
- ◆ there was agreement from both groups that the uncertainty of the future economy presents additional risks to the Council, its investment programme and future years rent levels.
- ◆ through the BSG, TPCG and the consultation Closing Event, held digitally on Wednesday 15 December 2021, tenants stated that "The proposed increase of 2.2% is fair and ensures that rents remain affordable for most tenants."

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

- ◆ the online survey was widely publicised through a number of regular channels, actively encouraging Council tenants to complete the survey. A significant number of responses were received this year, with 1,133 surveys completed.
- ◆ 46% of respondents supported the rent level to be increased by 2.2%.
- ◆ 74% of respondents were supportive of setting the rent level for a further single year, with a view to considering a multi-year approach when it is appropriate to do so, taking into account the impact of the Covid-19 pandemic.
- ◆ 68% of respondents advised that they felt the rent they pay represents good or very good value for money.
- ◆ 90% of respondents strongly agreed or agreed that the investment priorities were the right ones.

6. Employee Implications

- 6.1. There are no employee implications as a result of this report.

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 is 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 are not required for the management and operational efficiencies included in the proposed budget. In addition, an assessment has been carried out in line with the Fairer Scotland duty. For details, please contact the Strategy and Support Manager, Housing and Technical Resources.

Daniel Lowe

Executive Director (Housing and Technical Resources)

Paul Manning

Executive Director (Finance and Corporate Resources)

10 January 2022

Link(s) to Council Values/Ambitions/Objectives

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

Previous References

- ◆ Housing and Technical Resources Committee, 17 February 2021, Housing Revenue and Capital Account Budget 2021/2022

List of Background Papers

- ◆ Revenue Budget Working Papers 2022/2023

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 2022/2023**

2021/2022 Estimate			2022/2023 Estimate		Movement £m
£m			£m		£m
		<u>Expenditure</u>			
33.861		Supervision and Management	30.176		-3.685
35.590		Housing Repairs and Maintenance	37.787		2.197
2.293		Void Rents	2.354		0.061
17.641		Financing Costs Loan Charges	18.325		0.684
19.637		Contribution to Capital Programme	26.050		6.413
0.379		Reserves to C/F	0.000		-0.379
109.401		Total Expenditure	114.692		5.291
		<u>Income</u>			
97.613		House Rents	100.503		2.890
2.533		Other Rents	2.589		0.056
0.067		Interest	0.067		0.000
9.188		Other Income	8.908		-0.280
0.000		Use of B/F Reserves	2.625		2.625
109.401		Total Income	114.692		5.291

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
CAPITAL ESTIMATES YEAR 2022/2023**

Area	Project Title	Budget
Provision of Council Housing		
SLC Wide	Provision of Council Housing	£19,220,000
SLC Wide	Mortgage To Rent	£400,000
Provision of Council Housing Sub Total		£19,620,000
Kitchen & Bathrooms		
SLC Wide	Kitchens & Bathrooms	£370,000
Kitchen & Bathrooms Sub Total		£370,000
Heating Replacements		
SLC Wide	Central Heating Upgrades/Installations	£6,198,369
Heating Replacements Sub Total		£6,198,369
External Fabric Upgrading Works		
SLC Wide	External Fabric Upgrading - Various Blocks	£9,821,631
External Fabric Upgrading Works Sub Total		£9,821,631
Environmental Works		
SLC Wide	Environmental Improvements	£4,045,000
Environmental Works Sub Total		£4,045,000
Energy Efficiency Works		
SLC Wide	External Wall Insulation	£2,350,000
Energy Efficiency Works Sub Total		£2,350,000
Miscellaneous Projects		
SLC Wide	Legislative Compliance Works	£2,528,300
SLC Wide	Window and Door Replacement Programme	£3,857,000
SLC Wide	Sheltered Housing Schemes Refurbishment Works	£735,000
SLC Wide	Services Upgrades	£2,263,000
SLC Wide	Area Regeneration	£141,700
SLC Wide	Council House Adaptations	£150,000
SLC Wide	Alterations including DDA	£150,000
Miscellaneous Projects Sub Total		£9,825,000
Refurbishment Works Sub Total		£32,610,000
Total Capital Programme 2022/2023		£52,230,000