

Report

Report to:	Housing and Technical Resources Committee
Date of Meeting:	17 February 2021
Report by:	Executive Director (Housing and Technical Resources) Executive Director (Finance and Corporate Resources)

Subject:	Housing Revenue and Capital Account Budget 2021/2022
----------	---

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 2021/2022
- ◆ request approval for the 2021/2022 Housing Capital Programme totalling £100.801 million

2. Recommendation(s)

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

- (1) that the proposed rent increase of 2.2% is applied 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 the final stage of rent harmonisation is progressed with the current proposal for tenants paying below the level to pay an additional amount per week, as detailed in section 3.5, be endorsed;
- (3) that based on the rent increase of 2.2%, the 2021/2022 Housing Capital Programme of £100.801 million, as detailed in Appendix 2, be endorsed; and
- (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 2021/2022

3.1. The HRA revenue budget submission for 2021/2022 has been prepared in line with the thirty year Housing Business Plan. This has been developed to reflect investment priorities of increasing the supply of council houses and maintaining and improving the housing stock to the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH). The programme also includes the continuation of the legislative compliance works including meeting the new fire safety requirements standard by February 2022.

3.2. The movement as compared to the original 2020/2021 revenue budget, is outlined in Appendix 1. The primary expenditure movements, firstly within Supervision and Management Costs, are 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 and efficiency savings. The movement in Financing Costs Loan Charges is due to movements in the borrowing requirements for prior year's Capital Investment and the increased

revenue contribution to the 2021/2022 Capital Programme as a result of the planned investment requirements. In relation to Income, House Rents are reflective of additional new build stock and the proposed increase. A small transfer to reserves is planned for future year investment, which is a shift from a planned drawdown from reserves in the previous year.

- 3.3. In order to continue to provide for the potential impact on rent collection and arrears as a result of welfare reform, the 2021/2022 budget proposal includes a provision of £6.922 million in relation to bad debt. This represents an additional £1.062 million when compared to the 2020/2021 budget. This was met from reserves carried forward from previous years. 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 2021/2022 budget and rent setting consultation, tenants were supportive of a temporary move away from the existing approach of setting rents on a multi-year basis, to reflect the uncertainty of the impact of the ongoing global pandemic. A one year rent increase is proposed for 2021/2022, to take into consideration the current financial uncertainty facing our tenants. In order to achieve this reduced level of rent increase, a re-profiling of the long-term investment priorities needs to be undertaken, but short-term investment priorities and current service levels can be maintained. It is proposed that an increase of 2.2%, as a one-year Rent Strategy is implemented.
- 3.5. The budget also reflects the conclusion of the Council's commitment to the harmonisation of house rents. It is proposed that, in addition to the 2.2% increase in rent levels, 46 tenants paying below the level will pay up to an additional £2.00 per week. Based on this proposal, all tenancies will be harmonised with the exception a de minimis level of tenancies which will be considered on an individual basis. The 10 tenancies affected will be uplifted by between £3 - £4 per week, for up to the next 3 years, allowing full harmonisation by 2023/2024.
- 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 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 of the Registered Social Landlords in South Lanarkshire.
- 3.7. In line with the HRA Business Plan, further efficiencies have been identified and the financial effect of these as noted below has been included within the HRA budget for 2021/2022. Due to the nature of these proposals, they are being given consideration as part of the Council's overall 'Revenue Budget Strategy 2021/2022 and Savings Proposals'. The financial consequence of any of these proposals being rejected or having a delayed date for implementation will be a corresponding reduction in the planned capital programme:-

Strategy and other support posts (4 FTE)	£0.178m
Mediation Service (1 FTE)	£0.022m
Community Wardens Service (8 FTE)	£0.124m
New Efficiencies 2021/22	£0.324m

4. Housing Revenue Account – Capital Programme Estimates

- 4.1. The 2021/2022 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, again a significant work stream in this year's Housing Investment Programme will be to further increase the supply of Council housing. The programme reflects the latest profiling of new build construction during 2021/2022, 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 2021/2022 Capital Programme	19.637
Borrowing	71.657
Scottish Government Grant – Additional Council Houses	9.387
Scottish Government Grant – Mortgage to Rent	0.120
Total Capital Programme Funding	100.801

- 4.4. Borrowing for the £71.657 million noted in Table 1 includes previously approved borrowing of £57.129 million carried forward from previous years. An additional £14.528 million of new borrowing is included within the overall borrowing, this new element will result in an increase to the annual Loan Charges of £0.6 million per annum starting in 2021/2022. These costs are included within the Housing Revenue Account Business Plan with the overall rental income from a combination of 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). The 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.

Working to design this year's approach with the BSG consideration was given to the impact of Covid-19 and the restrictions resulting from this. Despite the restrictions a significant programme of engagement was undertaken which was progressed through the use of virtual platforms to support scrutiny by the BSG and an on-line survey.

The BSG discussed and considered the Housing Revenue Account and clearly understood the key areas of expenditure, the pressures and challenges faced both by the council and tenants through the impact of Covid-19 and what the proposed rent level means for services and investment in tenants' homes. All of these factors have been considered in the rent setting consultation programme.

- 5.2. A summary of the feedback from the Budget Scrutiny Group and Tenant Participation Coordination Group is set out below:-
- ◆ The BSG and overarching Tenant Participation Coordinating Group (TPCG) were fully supportive of the proposed 2.2% rent increase for one year, with a

commitment to consult on a return to a multi-year approach with an annual review.

- ◆ Both groups recognised that 2.2% is the minimum rent increase needed to maintain the standard of service that tenants receive now and to allow continued investment in existing council homes and to build new homes.
- ◆ Representatives fully acknowledged that the proposed rent increase of 2.2% was significantly less than the 3.95% agreed for the previous 3 years.
- ◆ Through the BSG, TPCG and the consultation Closing Event held digitally on Thursday 10 December 2020 tenants have stated that “The proposed 2.2% rent increase is fair and allows the council to continue to invest in current and new housing stock.”

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 1,385 surveys completed.
- ◆ 48% of respondents supported the rent level to be increased by 2.2%.
- ◆ 77% of respondents were supportive of setting the rents for one year only with a commitment to consult on a return to a multi-year approach with an annual review.
- ◆ 74% of respondents indicated that they felt the rent they pay represents good or very good value for money.
- ◆ 90% strongly agreed or agreed that the investment priorities were the right ones.

6. Employee Implications

6.1. The efficiencies proposed in Paragraph 3.7 note the number of full time equivalent posts affected. Overall, the efficiencies options would require a net reduction of 13.0 FTE posts in 2021/2022. 13.0 FTE post savings can be managed through existing vacant posts, turnover and redeployment through Switch 2.

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 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)

19 January 2021

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, 5 February 2020, Housing Revenue and Capital Account Budget 2020/2021

List of Background Papers

- ◆ Revenue Budget Working Papers 2021/2022

Contact for Further Information

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

Jackie Taylor, Head of Finance (Strategy)

Ext: 5637 (Tel: 01698 455637)

E-mail: jackie.taylor@southlanarkshire.gov.uk

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
REVENUE ESTIMATES YEAR 2021/2022**

2020/2021 Estimate		2021/2022 Estimate	Movement
£m		£m	£m
	<u>Expenditure</u>		
32.957	Supervision and Management	33.861	0.904
35.428	Housing Repairs and Maintenance	35.590	0.162
2.175	Void Rents	2.293	0.118
18.008	Financing Costs Loan Charges	17.641	-0.367
19.448	Contribution to Capital Programme	19.637	0.189
0.000	Reserves to C/F	0.379	0.379
108.016	Total Expenditure	109.401	1.385
	<u>Income</u>		
95.717	House Rents	97.613	1.896
2.524	Other Rents	2.533	0.009
0.067	Interest	0.067	0.000
9.393	Other Income	9.188	-0.205
0.315	Use of B/F Reserves	0.000	-0.315
108.016	Total Income	109.401	1.385

**SOUTH LANARKSHIRE COUNCIL
HOUSING REVENUE ACCOUNT
CAPITAL ESTIMATES YEAR 2021/2022**

Area	Project Title	Budget
Provision of Council Housing		
SLC Wide	Provision of Council Housing	£73,235,000
SLC Wide	Mortgage To Rent	£400,000
Provision of Council Housing Sub Total		£73,635,000
Kitchen & Bathrooms		
SLC Wide	Kitchens & Bathrooms	£1,000,000
Kitchen & Bathrooms Sub Total		£1,000,000
Heating Replacements		
SLC Wide	Central Heating Upgrades/Installations	£7,255,161
Heating Replacements Sub Total		£7,255,161
External Fabric Upgrading Works		
SLC Wide	External Fabric Upgrading - Various Blocks	£4,588,605
External Fabric Upgrading Works Sub Total		£4,588,605
Environmental Works		
SLC Wide	Environmental Improvements	£2,000,000
Environmental Works Sub Total		£2,000,000
Energy Efficiency Works		
SLC Wide	External Wall Insulation	£3,000,000
Energy Efficiency Works Sub Total		£3,000,000
Miscellaneous Projects		
SLC Wide	Legislative Compliance Works	£2,525,000
SLC Wide	Window and Door Replacement Programme	£2,629,567
SLC Wide	Sheltered Housing Schemes Refurbishment Works	£845,667
SLC Wide	Services Upgrades	£3,000,000
SLC Wide	Area Regeneration	£50,000
SLC Wide	Council House Adaptations	£150,000
SLC Wide	Alterations including DDA	£50,000
SLC Wide	Demolitions	£72,000
Miscellaneous Projects Sub Total		£9,322,234
Total Capital Programme 2020/2021		£100,801,000