

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer- Housing and****Employability****Council: 1 March 2023**

Subject: Housing Revenue Account (HRA) Estimates and Rent Setting 2023/2024

1. Purpose

1.1 The purpose of this report is to seek Council approval of the updated HRA capital programme; the HRA revenue budget for 2023/24 and to agree the level of weekly rent increase for 2023/24 which is sufficient to fund the revenue budget for 2023/24 and the associated capital investment programme.

2. Recommendations

2.1 It is recommended that Council:

- i) Notes the outcome of the tenant consultation process detailed in Appendix 1;
- ii) Notes the projected break even revenue position for 2022/23;
- iii) Notes the progress made, per Appendix 2, in the HRA capital programme for 2022/23;
- iv) Agrees the updated five year capital programme of work set out in Appendix 3 to this report inclusive of the Council's new house building programme and the overall resources to fund the programme;
- v) Agrees the revenue budget for 2023/24 as detailed in Appendix 4;
- vi) Agrees the 4% weekly rent increase for 2023/24 at an average £3.38 on a 52 week basis (£3.73 on a 47 week basis), equating to 4% to meet the planned revenue HRA budget as detailed in Appendix 4;
- vii) Agrees to increase rents at the Gypsy Travellers site by the 4%; increasing pitch rent by £3.08 to £80.09 on a 52 week basis (£3.41 to £88.61 per week on a 47 week basis);
- viii) Agrees to increase by the lock-up rents by 4%, increasing rent by £0.22 to

£5.66 per week on a 52 week basis (£0.24 on a 47 week basis to £6.26);

- ix) Notes the increase in the prudential reserve target for 2023/24 (from £0.940m to £0.984m); and
- x) Agrees the recommended use of the projected reserves as at 31 March 2023 for the purposes identified at 4.3.4 of the report.

3. Background

3.1 West Dunbartonshire Council (the Council) is the landlord for a stock of 10,441 homes located in communities across West Dunbartonshire. In delivering this role, good quality, affordable, safe, secure and warm housing is fundamental to the health and well-being of individuals and families as well as the sustainability of local communities and the success of the local economy.

3.2 In June 2012 the Council took the decision to halt the partial stock transfer process and retain the housing stock and to address the challenges of improving homes and meeting housing need by:

- Investing approximately £161 million to improve homes and meeting the Scottish Housing Quality Standard;
- Embarking on a programme of demolition and regeneration of sites; and
- Progress on a council house building programme.

3.3 In addition, through the Council's Strategic Housing Investment Plan (SHIP), supported by the Scottish Government's Affordable Housing Programme, more than 1,000 new social homes for rent will have been completed in West Dunbartonshire by the Council and its RSL partners in the period to 2022, including 496 new Council homes.

3.4 In considering the structure of the budget consideration has been given to:

- Increasing revenues and reducing costs by:
 - Focused strategic asset management of our council housing stock;
 - A housing led regeneration approach;
 - improving estate management generally; and
 - Improved void performance.
- Financial Impact
 - Ongoing implementation of various welfare reform changes and the emerging impact of the pandemic; and
- Financing the investment required to meet the Energy Efficiency Standard for Social Housing (ESSH) and the

wider climate change and energy efficiency agenda.

3.5 In preparing these estimates the following factors have been taken into account:

- Inflation has been applied on relevant budget lines
- Provision has been made for a pay increase in line with Scottish Government's commitments on public sector pay
- A 4% turnover expectation has been applied to employee costs
- Debt interest rates have been assumed in line with current financial borrowing costs

3.6 For financial year 2022/2023, West Dunbartonshire's average weekly rent (with regards to lettable self-contained units) of £84.53 was fourth highest of Scotland's 26 housing authorities.. In comparison with the overall Scottish average including Registered Social Landlords of £85.36, West Dunbartonshire's average weekly rent was £0.83 less than this average.

4. Main Issues

4.1 HRA Capital Investment

4.1.1 At Council on 9 March 2022, a five year programme of HRA capital work to 2026/27 was reported and approved. Progress on 2022/23 work is shown in Appendix 2. The overall value of projects requiring reprofiling from 2022/23 is projected to be £31.671m (48%).

4.1.2 The HRA capital programme is derived from data from the current stock condition survey and our annual stock assessment exercise. The main drivers for the programme are for the Council to deliver on the key objectives of the Council's Better Homes Strategic Housing Asset Management Strategy and health and safety responsibilities. In addition to the core stock, the programme includes the Council's ambitious ongoing new house build programme 'More Homes West Dunbartonshire'.

4.1.3 Due to the long term nature of the HRA Capital Investments, a 30 year financial business planning model is used to determine if these investments are affordable in the longer term taking account of expected inflation and debt interest rates.

4.1.4 This report outlines ambitious proposals for a major programme of investment in housing led regeneration and renewal in West Dunbartonshire that will not only significantly enhance the Council's housing stock but will also contribute to the wider transformation of West Dunbartonshire as a place, and will be central to the economic and social recovery of West Dunbartonshire in the face of the wider impacts of the pandemic.

4.1.5 The Council’s new house build and housing supply programme ‘More Homes West Dunbartonshire’ will see significant resources invested in the creation and acquisition of new homes. The Council’s commitment to increasing the housing supply, as evidenced within the Local Housing Strategy, is further reinforced through planned open market acquisitions and is incorporated into the future programme. An expenditure budget of £154.969m for the affordable housing supply programme is factored into the five year capital plan, together with a projected minimum of £51.103m of Scottish Government Grant Funding available through the Affordable Housing Supply Programme. Therefore, for new builds, there is a net capital cost to the HRA of £103.866m. The borrowing cost of financing new builds is spread over 80 years and will be part of the figures contained in 4.1.7 table.

The Council will also continue to support applications under the Scottish Government Mortgage to Rent Scheme (MTR). This Scheme is a means tested Scottish Government run scheme, information can be found on the Councils website, by contacting the Scottish Government directly or speaking to Citizens Advice. The Council has supported 4 MTRs and gone through the process with many others that have not progressed from the Scottish Government side.

4.1.6 The More Homes West Dunbartonshire programme aims to contribute towards the manifesto commitment of the current Administration for 2500 new homes over a 10 year period. This increases the pace of development and the associated challenges around land acquisition, ground conditions and inflation. Quarterly updates on progress including changes in programme will continue to be reported to the Housing and Communities Committee.

4.1.7 The five year plan has now been rolled forward a year to 2027/28 and recognises progress made and any re-profiling of projects and anticipated funding that have been necessary. The result of this review is shown as Appendix 3 and results in the expected level of loan charges for all Capital projects to be as per below. Note that these costs reflect the borrowing costs of both current projects and past projects where some debt remains outstanding.

Year	Amount
2023/24	£15.476m
2024/25	£17.455m
2025/26	£19.697m
2026/27	£19.080m
2027/28	£20.439m
5 year total	£92.147m

4.1.8 The investment will deliver an ongoing commitment to improving housing for tenants and future tenants of Council homes and will also support the

delivery of wider Strategic Plan and Local Housing Strategy priorities, including:

- providing a pipeline of construction work with opportunities for job creation, community benefits, training and benefits to the local supply chain as a means of contributing to the wider pandemic economic recovery plan and with the potential to lever in significant external investment.
- contributing to the wider recovery plan from the pandemic, with the investment programme providing a catalyst for engagement with local communities in the development and delivery of these ambitious plans through our strong tenant participation mechanisms.
- through our Better Homes approach ensuring that the design and specification of improvements maximises opportunities to future proof homes. This includes the use of new technology where practical and appropriate, to improve the health and wellbeing of tenants. Improving the quality of housing and the places people live helps to improve the quality of people's lives, with positive benefits for both physical and mental health and general wellbeing.
- contributing to the Council's place making agenda, providing a framework for improving the quality of the places where people live and supporting tenants to be actively involved in shaping change, impacting positively on the attractiveness of West Dunbartonshire as a place to live and encouraging economic investment.
- improving the quality and appearance of neighbourhoods and delivering a consistent and cost effective approach to the maintenance and management of areas. As well as benefiting local tenants and residents, this will bring positive benefits for a range of Council services, such as open space maintenance, waste collection and recycling. Improvements to the physical environment will encourage more people to use outside spaces (this is particularly important in the context of the pandemic) and encourage physical activity.
- contributing to the achievement of climate change ambitions and the Council's Climate Change Strategy and addressing fuel poverty through the use of the highest standards of energy efficiency practices in new build construction and retrofit technologies, along with future proposed demonstration innovation projects which will be reported to the Housing and Communities Committee.

4.1.9 It should be noted that the 30 year HRA business model has been prepared on the basis that there will be fluctuations in inflation over the period of the plan. These assumptions would need to be revised in the event of long-term inflation forecasts being above target. The planning assumption for long-term inflation in the business model is 1.9% initially rising to 2.5% or

additional pressures on the revenue account becoming apparent. The other key variable within the business model is the capital expenditure requirements which can alter depending on circumstances and priorities. The HRA business model has been updated this year with the revised proposed capital plan as part of the normal annual review to recognise the most up-to-date information and to consider affordability.

4.1.10 In considering affordability, a key output from the HRA business model is the percentage of rental stream that is required to fund debt charges. This is an indicator of the amount of prudential borrowing that can be undertaken without putting undue stress on the remainder of the revenue budget. When the decision was taken to retain all the housing stock in West Dunbartonshire the investment requirement needed to achieve the Scottish Housing Quality Standards, coupled with the historic debt structure of HRA debt, suggested that the “debt affordability” percentage in West Dunbartonshire should not exceed 50%. Additionally each year of the 30 year plan must have a surplus or break even revenue position. The most recent update based on the recommended 4% rent increase for 2023/24 has an average percentage of 34.7% with a peak of 42.4% in 2030/31.

4.1.11 The annual debt affordability percentages under the most recent HRA business model update as outlined above continues to be within acceptable range and the model therefore remains robust and viable in terms of debt affordability. A rent rise lower than 4% would leave the longer term viability of the HRA in a vulnerable position.

4.1.12 The revenue estimates for 2023/24 are attached as Appendix 4 showing an increase in net expenditure since 2022/23 of £2.083m. This is the amount which needs to be recovered via the proposed rent increase and equates to 4% based on expected housing stock and occupancy levels. Appendix 4 provides information on the breakdown of the budget and provides explanations for the main year on year variances.

4.2 Rent Increase

4.2.1 The Council is required to consider the level of weekly rent increase for the financial year 2023/24 and agree an appropriate rent rate which meets the estimated costs of providing the Housing Service in 2023/24 as identified in the Appendix 4.

4.2.2 In determining the level of weekly rent increase, due cognisance must be taken in terms of changing service demands, as well as the requirements for investment as highlighted in the Housing Asset Management Strategy and the need for robust financial planning and management to ensure that the Council delivers on its investment commitments. In addition the decision of the Council in June 2012 regarding its policy on stock

retention, which set out clearly the rent increase requirements to support the Council's investment needs, must be recognised.

- 4.2.3** The required weekly percentage rent increase contained within the attached HRA estimate is an average £3.38 on a 52 week basis (£3.73 on a 47 week basis) which equates to 4%. This is considerably below inflation and continues a trend for West Dunbartonshire Council of below inflation rent rises.
- 4.2.4** The recommended budget attached, sets a rent level that satisfies best practice in maintaining a prudential balance, ensuring that all reasonable contingencies are taken into account and is sufficient to support the Council's HRA investment programme.
- 4.2.5** The consultation was launched at a meeting of the Joint Rent Group held remotely on the 8 December 2022, the draft HRA spending plans for 2023/24 were presented to tenants. Discussions centred on keeping rent rise as low as possible without having to reduce service. The tenants agreed to consult on two options of 4% and 5%.
- 4.2.6** A survey of tenants was undertaken regarding options for setting the rent and tenants were asked to select from 2 options:

Option 1 - 4% Increase

- Maintaining all current services that tenants receive including direct support
- Improving performance around voids to maximize tenant experience and HRA income
- Delivering our Capital programme of housing investment
- Retaining a Tenant Priority Budget of £800,000 for tenants to direct spend to improve buildings and wider environment

Option 2 – 5% Increase

- As for option 1 plus delivering an additional £50m of capital investment in our existing homes over the next five years based on our tenant priorities
- The preferred programme/s that tenants could choose from for this option were:-
 1. Programme A – Energy Efficiency Measures including new heating systems
 2. Programme B – Kitchen and Bathroom Renewals
 3. Programme C – Window/Door Renewal Programmes
 4. Programme D – Environmental Works

There were 1,173 respondents (12.3% of tenants) to the survey with the majority opting for option 1, as follows:

- Option 1 52.9%
- Option 2 47.1%

Further information from the survey is provided in Appendix 1

4.2.7 It should also be highlighted that following the rent increase, to support tenants through the cost of living crisis, there is also a provision of £0.565m direct financial assistance for those experiencing hardship included in the estimates for 2023/2024. This is made up as follows :-

Tenant Sustainability Fund	£0.365m
Hardship Fund	£0.200m

4.2.8 It is recommended that Council increase rents at the Gypsy Travellers site and lock ups by the same percentage as the housing rents at 4%.

4.3 Reserves

4.3.1 At 31 March 2022, the HRA reserve was £2.740m, consisting of:

Reserves	£m
Service improvements /net zero projects	1.000
Welfare Reform Resilience Reserve	0.800
2022/23 prudential reserve	0.940
Total	2.740

4.3.2 The standing Council policy is that an HRA Prudential Reserve of 2% of gross expenditure should be maintained. Based upon the recommended budget for 2023/24, this equates to £0.984m for 2023/24 (previously £0.940m). The increase in the prudential reserve is therefore £0.044m for 2023/24. It is prudent to recommend that the budget for 2023/24 retains reserves at this level.

4.3.3 It is currently forecast (per the probable outturn identified in the Budgetary Control report for Period 9 which was presented to Housing and Communities Committee on 23 February 2023) that there will be a break even position on the HRA revenue account therefore the funding for this increase in prudential reserve will be achieved by reducing the service improvement reserve by £0.044m. During 2022/2023, £0.100m of the service improvement reserve was also utilised to fund the caretakers pay re- evaluation therefore the remaining balance is £0.856m.

4.3.4 Therefore by 31 March 2023 the above would result in the reserves being as follows:

Reserves	£m
Service improvements /net zero projects	0.856
Welfare Reform Resilience Reserve	0.800
2023/24 prudential reserve	0.984
Total	2.640

4.3.5 In terms of the adequacy of reserves, the prudential level of reserves is viewed as being at an adequate level to deal with any financial shocks to the budget, based on previous experience and future expectations specifically in relation to income streams. As can be seen, the level of reserve remains planned to meet the prudential level and is therefore judged as being adequate.

4.3.6 The Council is currently focused on ensuring an effective and sustainable response to the challenge of dampness and mould in our properties. A revised and strengthened protocol is being developed to ensure rapid and appropriate service responses. In light of the reserves outlined above, the Chief Officer Housing and Employability is in dialogue with the Housing Convener to explore further strengthening our response through the use of new technologies such as sensors to monitor dampness and mould and facilitate earlier and preventative interventions. A paper will be taken to the Housing and Communities Committee in May to outline proposals for members' approval.

5. People Implications

5.1 There are no personnel issues.

6. Financial and Procurement Implications

6.1 The financial implications are as detailed within the report and appendices.

6.2 All procurement activity carried out by the Council in excess of £50,000 is subject to a contract strategy. The contract strategy for the HRA Capital Programme will be developed by the Corporate Procurement Unit in consultation with Housing officers. The contract strategy will include, but is not limited to; contract scope, service forward plan, the market, procurement model and routes – including existing delivery vehicles, roles and responsibilities, risks, issues and opportunities and on-going contract management. Opportunities to maximise the positive social, economic and environmental

impact for the Council through the relevant procurement processes will be developed in line with procurement policy.

7. Risk Analysis

7.1 The key driver for determining rents for Council properties is the HRA investment plan. Failure to set rents consistent with the delivery of this plan will potentially result in insufficient funding being available to meet the aspirations highlighted above.

7.2 In producing the budget a number of assumptions have been made in relation to performance around rent recovery, voids and the impact of welfare reform. These issues will be closely monitored during 2023/24 and members advised of any significant variations that will impact materially on the sufficiency of the budget as proposed.

7.3 In terms of the capital programme, the main financial risks relate to:

- i) whether inflation increases costs, resulting in plans requiring to be reviewed upwards;
- ii) Longer-term affordability requires to be considered in determining appropriate levels of capital funding.

Ongoing budgetary control processes will monitor the above issues and any issues will be reported to a future Council meeting for consideration.

8. Equalities Impact Assessment (EIA)

8.1 An EIA screening has been undertaken by officers and no issues were identified.

9. Consultation

9.1 The Council has a statutory requirement to carry out a rent consultation exercise. Details of the consultation can be seen in Appendix 1.

9.2 A HRA budget scrutiny group (Joint Rent Group) is now well established involving tenant representatives. This group meet with Officers and the Convenor monthly and examines the HRA to ensure increased transparency and demonstrate Value for Money to tenants.

10. Strategic Assessment

10.1 The proposals contained in this report directly address all of the Council's

strategic priorities. The investment in, and provision of attractive affordable housing will also indirectly support the objective of economic growth and employability through supporting employment and improving place attractiveness.

- 10.2** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and Officers to pursue the five strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council.

Peter Barry
Chief Officer – Housing and Employability
Date: 1 March 2023

Person to Contact: Janice Rainey - Business Unit Finance Partner,
16 Church Street, Dumbarton, G82 1QL,
telephone: 01389 737704,
e-mail: janice.rainey@west-dunbarton.gov.uk

John Kerr – Housing Development and Homelessness
manager john.kerr@west-dunbarton.gov.uk

Alan Young - Housing Asset and Investment Manager,
Overburn Avenue, Dumbarton,
telephone: 01389 608950,
email: alan.young@west-dunbarton.gov.uk

Appendices:

- Appendix 1: Consultation information
- Appendix 2: HRA Capital Projects Forecast
Outturn and Slippage 2022/23
- Appendix 3: HRA Capital programme Financial
Year 2023/28
- Appendix 4: 2023/24 Housing Revenue Account
Draft Revenue Estimate

Background Papers: EIA screening
Consultation Planning Sheet

Wards Affected: All

