

# WEST DUNBARTONSHIRE COUNCIL

## Report by Chief Officer- Housing and Employability

Council: 9<sup>th</sup> March 2022

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**Subject: Housing Revenue Account (HRA) 2022/23 Budget  
Setting**

### **1. Purpose**

**1.1** The purpose of this report is to seek Council approval of the updated HRA capital programme and the HRA 2022/23 revenue budget.

### **2. Recommendations**

**2.1** It is recommended that Council:

- i) Notes the progress made, per Appendix 1, in the HRA capital programme for 2021/22.
- ii) Agrees the updated five year capital programme of work set out in Appendix 2 inclusive of the Council's new house building programme and the overall resources to fund the programme.
- iii) Agrees the 2022/23 revenue budget as detailed in Appendix 3.
- iv) Notes the increase in the prudential reserve target for 2021/22 (from £0.923m to £0.940m).

### **3. Background**

**3.1** West Dunbartonshire Council (the Council) is the landlord for a stock of some 10,000 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
- progressing a council house building programme.

**3.3** In addition, through successive Strategic Housing Investment Plans (SHIP), supported by the Scottish Government's Affordable Housing Programme, more than 1,500 new social homes for rent will have been completed in West Dunbartonshire by the Council and its RSL partners in the period to February 2022. This includes 500 new council homes.

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

- Increasing revenue 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 (EESH) and the wider climate change and energy efficiency agenda.

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

- Nil inflation has been assumed on all non-protected 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; and
- A rent increase of 2% as approved by Council on 9 February 2022.

## **4. Main Issues**

### **4.1 HRA Capital Investment**

**4.1.1** At Council on 3 March 2021, a 5 year programme of HRA capital work to 2025/26 was reported and approved. Progress on 2021/22 work is shown in Appendix 1. The overall slippage in 2021/22 is projected to be £11.386m (24%).

**4.1.2** The HRA capital programme is derived from data from the current stock condition survey and our annual stock assessment exercise which was

reported to the Housing and Communities Committee in November 2020. 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 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. The Council will also continue to support applications under the Scottish Government Mortgage to Rent Scheme. An expenditure budget of £100.996m for the affordable housing supply programme is factored into the 5 year capital plan, together with a projected minimum of £35.880m of Scottish Government Grant Funding available through the Affordable Housing Supply Programme. Therefore, there is a net capital cost to the HRA of £65.116m.
- 4.1.6** The new build programme will include the continuation of the current new build programme. It reflects the delivery of around 447 new Council homes in West Dunbartonshire under the 'More Homes West Dunbartonshire' strategic approach. Quarterly updates on progress including changes in programme will continue to be reported to the Housing and Communities Committee
- 4.1.7** The 5 year plan (Appendix 2) has now been rolled forward a year to 2026/27 and recognises progress made and any re-phrasings of projects and anticipated funding that have been necessary.
- 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 the design and specification of improvements maximises opportunities to future proof homes, including the use of technology where practical and appropriate, and 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-shaping 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 neighborhoods 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.

## **4.2 HRA 2022/23 Revenue Estimates**

- 4.2.1** The 2022/23 HRA revenue estimates are attached as Appendix 3 and provides information on the breakdown of the budget and explanations for the main year on year variances. Note the rent increase of 2% approved at 9 February 2022 Council has been applied to these figures.

### 4.3 Reserves

4.3.1 At 31 March 2021, the HRA reserve was £7.364m, consisting of:

<b>Reserves</b>	<b>£m</b>
Regeneration of housing stock	3.559
Welfare Reform Reserve	0.500
COVID rent income provision	0.300
Provision – repairs backlog	1.282
To implement 1.5% rent rise	0.800
2021/22 Prudential reserve	0.923
<b>Total</b>	<b>7.364</b>

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 2022/23, this equates to £0.940m (previously £0.923m). The increase in the prudential reserve is therefore £0.017m for 2022/23. It is prudent to recommend that the budget for 2022/23 retains reserves at this level.

4.3.3 Council policy established a number of years ago is that surpluses will be earmarked for the purpose of regeneration of the housing stock unless specific provisions are required. At moment there is no surplus anticipated at year end but should this change between now and year end, any such surplus will be added to reserves.

4.3.4 Due to ongoing COVID funding available during 2021/22, it will not be necessary during 2021/22 to utilise the reserves set aside for Welfare Reform or rent assistance regarding COVID therefore these reserves will be retained. The other reserves are expected to be used in the course of 2021/22.

4.3.5 Therefore by 31 March 2022 the reserves are projected to be as follows:

<b>Reserves</b>	<b>£m</b>
Welfare Reform Reserve	0.500
COVID rent income provision	0.300
2022/23 prudential reserve	0.940
<b>Total</b>	<b>1.740</b>

4.3.6 In terms of the adequacy of reserves, the prudential level of reserves is viewed as being at an adequate level to deal with any unforeseen financial pressures 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.

## **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 2022/23 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 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**  
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**Date: 24 February 2022**

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**Appendices:** Appendix 1:HRA Capital Projects Forecast  
Outturn and Slippage 2021/22  
Appendix 2:HRA Capital programme Financial Year 2022/27  
Appendix 3:2022/23 HRA Draft Revenue Estimates

**Background Papers:** EIA screening  
Consultation Planning Sheet

**Wards Affected:** All

