

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer- Housing and****Employability****Council: 9 February 2022**

Subject: Housing Revenue Account (HRA) Rent Levels 2022/2023**1. Purpose**

1.1 The purpose of this report is to seek Council approval of the level of weekly rent increase for 2022/23.

2. Recommendations

2.1 It is recommended that Council:

- i) Agrees the weekly rent increase for 2022/23 at an average £1.65 on a 52 week basis (£1.83 on a 47 week basis), equating to 2%;
- ii) Agrees to increase rents at the Gypsy Travellers site by the 2%;
- iii) Agrees to maintain the existing level of lock-up rent at £5.44 per week on a 52 week basis (£6.02 on a 47 week basis) at the same level as for 2021/22; and
- iv) Note the outcome of the tenant consultation process detailed in Appendix 1 to retain a Tenant Priority Budget of £400K and redirect the remaining £400K to accelerate the External Wall Insulation (EWI) programme (32 properties).

3. Background

3.1 West Dunbartonshire Council (the Council) has a statutory duty to give tenants 28 days notice of a proposed rent increase. The HRA estimates and proposed rent rise are usually presented to Council in late February / early March. However due to the timing of the March 2022 Council meeting, this would not allow enough time for the required letters to be sent out to tenants. This report will cover the approval of the required rent increase to ensure the HRA business plan remains viable based on the expected 30 year spend and variable factors such as inflation, debt costs, and pay rises. Further work is required before individual projects / budget lines for revenue 2022/23 and capital 2022/23 to

2027/28 can be finalised and approval sought, so a further report to the March Council will contain the details of the revenue and capital estimates. The estimate figures presented in March will overall be broadly in line with the business plan projections to ensure the proposed 2% rent increase will be sufficient.

- 3.2** 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.
- 3.3** For financial year 2021/2022, West Dunbartonshire's average weekly rent (with regards to lettable self-contained units) of £82.72 was fifth highest of Scotland's 26 housing authorities.

4. Main Issues

4.1 HRA Business Planning

- 4.1.1** Due to the long term nature of the HRA capital investments, a 30 year financial business planning model is used to determine if investments and expected revenue spending are affordable in the longer term taking account of expected inflation and debt interest rates.
- 4.1.2** 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%. The most recent update based on the recommended 2% rent increase for 2022/23 has an average percentage of 40% with a peak of 49% in 2045/46.
- 4.1.3** 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 2% would leave the longer term viability of the HRA in a vulnerable position.

4.2 Rent Increase

- 4.2.1** The Council is required to consider the level of weekly rent increase for the financial year 2022/23 and agree an appropriate rent rate which meets the

requirements of providing the Housing Service in 2022/23.

- 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.
- 4.2.3** The required weekly percentage rent increase is an average £1.65 on a 52 week basis (£1.83 on a 47 week basis) which equates to 2%.
- 4.2.4** At the rent consultation meeting held remotely on the 11 November 2021, the draft HRA spending plans for 2022/23 were presented to tenants. Discussions centred on keeping rent rise as low as possible without having to reduce service. The tenants decided to consult on 3 options all of which would require a rent increase of 2%.
- 4.2.5** A survey of tenants was undertaken regarding these three options for setting the rent which could be achieved within the 2% proposed increase.

Option 1

Retain a Tenant Priority Budget of £800k.

Option 2

Retain a Tenant Priority Budget of £400k. Use the remaining £400k from the Tenant Priority Budget to accelerate the EWI programme (32 properties).

Option 3

Retain a Tenant Priority Budget of £274k. Use £400k from the Tenant Priority Budget to accelerate the EWI programme plus using £126k from the Tenant Priority Budget to provide all tenants with 6 energy efficient light bulbs.

There were 1,089 respondents (11% of tenants) to the survey with the majority opting for option 2, as follows:

- Option 1 31.59%;
- Option 2 35.72%; and
- Option 3 32.69%.

Further information from the survey is provided in Appendix 1.

- 4.2.6** Since the Gypsy Travellers site forms part of the HRA, it is recommended that Council increase rents at the Gypsy Travellers site by the same percentage as the housing rents at 2%.

5 People Implications

5.1 There are no personnel issues.

6 Financial and Procurement Implications

6.1 The propose 2% increase will ensure the HRA business plan remains viable.

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.

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 regularly 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: 2 February 2022

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

Appendices: Appendix 1: Consultation information

Background Papers: EIA screening
Consultation Planning Sheet
HRA Business Plan

Wards Affected: All

