

South Ayrshire Council

**Joint Report by Assistant Director – Place
and Head of Finance and ICT
to South Ayrshire Council
of 3 March 2022**

**Subject: Housing Revenue Account (HRA) – Revenue Budget
2022/23 and Capital Budget 2022/23 to 2026/27**

1. Purpose

- 1.1 The purpose of this report is to request approval of the proposed Housing Revenue Account (HRA) Revenue Budget for 2022/23 and the proposed 5-year Capital Budget for 2022/23 – 2026/27.

2. Recommendation

2.1 It is recommended that the Council:

- 2.1.1 **notes the decision taken by South Ayrshire Council on 20 January 2021 which approved, rent increases of 1.5% per annum and specific rent setting provisions for new build housing for the 3 year period from 2021/22 to 2023/24. Tenants have already been notified of their 2022/23 rental charge in accordance with the statutory requirements;**
- 2.1.2 **approves the creation of 4 FTE permanent posts (1 FTE Housing Officer – Level 7 and 3 FTE Housing Assistants) as outlined in section 4.4.2 of this report; and**
- 2.1.3 **approves the 2022/23 HRA Revenue Budget outlined in [Appendix 1](#) of this report and the proposed 5 year Capital Budget as outlined in section 4.6 of this report and [Appendix 2](#).**

3. Background

- 3.1 Following a process of consultation with tenants, South Ayrshire Council of 20 January 2021 agreed the setting of Council house rents, lock up and garage site rents, garden maintenance charges and communal heating and amenity charges at 1.5% annually, and specific rent setting provisions for new build housing for the 3 year period from 2021/22 to 2023/24.
- 3.2 The budgetary position of the HRA revenue and capital budgets are reported to Leadership Panel through the Budget Management and Capital Programme monitoring reports throughout the year. The figures contained in this report reflect decisions and any budget revisions approved by Panel.

- 3.3 Historically the Council has performed well in management and recovery of rental income, as reported to Leadership Panel in the Housing Annual Assurance Statement. From the 2020/21 benchmarking information provided by Scotland's Housing Network, the Council remains the second best performing Local Authority in terms of overall arrears at 3.8% and the best performing Local Authority in respect of current tenant arrears which stood at 2.0% of the rent due. Maximising the collection of rental income and supporting tenants are key priorities for the Housing Service. This includes maintaining contact with tenants, supporting tenants to apply for Universal Credit, ensuring that tenants apply Discretionary Housing Payments and carrying out all administrative work and verifications required as part of the Universal Credit administration process. Two temporary Housing Assistant posts at Level 5 have been part of the Housing Service structure since 2018. Over this period of time, given the temporary nature of the posts, there has been a high level of staff turnover within the posts and it is difficult to retain postholders who aspire to achieve permanent employment. The activities undertaken by these posts forms part of the established workload to be managed within the team. Therefore, there is a need to confirm these posts within the permanent staffing establishment.
- 3.4 As outlined in previous reports to Council, the Scottish Government introduced a new the 'Fire and Carbon Monoxide Standard' which came into force on 1 February 2022. This new standard will be part of future reporting arrangements against the Scottish Housing Quality Standard, and formal reporting on progress against the standard will be part of the Council's submission on the 2021/22 Annual Return on the Housing Charter. As at 1 February 2022, 95% (7,491 of 7,921) of the Council's lettable housing stock is meeting this standard. Officers are continuing to work with tenants in the remaining properties to gain access to achieve full compliance. In addition, new Electrical Safety Standards require to be met by 31 March 2022. Fixed Electrical Testing has been carried out at the same time as work to upgrade or replace smoke and carbon monoxide detectors, where certification is required before March 2022. As at 1 February 2022, 95% of the Council's lettable housing stock is also meeting this standard. Again, Officers are continuing to work with tenants in the remaining properties to gain access to achieve full compliance.
- 3.5 Both of these elements of compliance will have a rolling programme of annual activity which will involve higher levels of engagement with tenants to programme works and to manage access to properties, including the implementation of enforcement actions to gain entry, to ensure safety standards are maintained in properties. It is estimated that engagement in relation to fixed electrical testing alone, which will be on a 5 yearly cycle, will involve contact with around 1,600 tenancies per annum. Given this new work, dedicated additional staffing resources will be required to administer and support increased compliance activity.

4. Proposals

- 4.1 The HRA monitoring report for the period to 31 December 2021 (period 9) was reported to and approved by Leadership Panel on 15 February 2022. It projected a 2021/22 in year surplus of £ 2.201m and committed this sum to the Housing Capital Programme and it will be allocated in line with tenant priorities in 2022/23.
- 4.2 The audited HRA accumulated surplus brought forward from 2020/21 was £14.254m. The following table has been updated following Leadership Panel on 15 February 2022 and illustrates the latest commitments against the accumulated HRA reserves and provides a projected surplus as at 31 March 2022:

<i>Accumulated Surplus</i>	<i>Amount £m</i>	<i>Amount £m</i>
HRA accumulated surplus as at 1 April 2021		14.254
Projected surplus/(deficit) for the year ended 31 March 2022		2.201
Minimum Working Balance		(2.000)
Current commitments:		
Capital		
Harmonisation of internal modernisation programme	(3.720)	
Window replacement programme	(0.500)	
Increased modernisation programme costs – covid 19	(1.805)	
Tenants priorities – window replacement	(1.500)	
Tenants priorities – external fabric upgrades & wall insulation	(1.400)	
Fund the increased capital cost of void properties	(0.300)	
In-year surplus to be committed to Tenants priorities	(2.201)	(11.426)
Revenue		
Welfare reform (spend 21/22 £0.016m)	(0.080)	
Transformation within Housing	(0.044)	
Women's Aid Refuge (spend in 21/22 £0.100m)	(0.100)	
Tenant participation	(0.030)	
Home loss payments at Riverside High Flats (spend in 21/22 £0.174m)	(0.470)	
2 fte temporary Housing Officers (spend in 21/22 £0.041m)	(0.118)	
20/21 CFCR underspend to be used to fund capital projects 21/22	(1.000)	
20/21 repair cost underspend to fund repair backlog due to covid -19	(1.000)	(2.842)
Total current commitments		(14.268)
<i>Projected uncommitted surplus at 31 March 2022</i>		<i>0.187</i>

4.3 A continuation of the previously agreed approach to maintain a £2m minimum uncommitted reserve has been applied. Therefore, based on current period 9 projections it leaves the sum of £0.187m uncommitted. The current commitments included in the above table will be updated as part of the year end accounts process, to reflect actual outturn position for 2021/22. Following review of the 2021/22 final outturn position for the HRA, consideration will be given to the allocation of any sums above the minimum uncommitted reserve, in line with the priorities identified by tenants from the feedback in the last rents setting consultation. Proposals will be submitted to Leadership Panel for approval as part of the Period 12 budget monitoring report.

4.4 **2022/23 HRA Revenue Budget**

4.4.1 The previously agreed 1.5% rent increase will be applied for 2022/23 and tenants have already been notified in accordance with the statutory requirements.

4.4.2 In order to maintain levels of performance and to support the work associated with maximising the collection of rental income as outlined in 3.3, support to tenants and the work associated with the administration of Universal Credit, it is proposed that the two temporary Housing Assistants (Level 5) are confirmed as permanent posts within the Housing Services staffing establishment. Furthermore, it is proposed that two new FTE posts are created, Housing Officer (Level 7) and Housing Assistant (Level 5) to support and administer the new ongoing rolling activities relating to compliance and tenant safety. The payroll costs associated with these 4 FTE permanent posts is £0.124m, and this can be met from existing budgets within the Housing Revenue Account. £0.074m will be funded from the existing budget for employee costs and £0.050m will be funded from the budget for property costs.

4.4.3 The proposed base budget for 2022/23 includes for the following:

- payroll costs that reflect the proposed Council pay award;
- current bad debt provision at 2% of rents receivable in the year;
- debt charges are based on planned capital investment detailed in 4.6 below and as outlined in [Appendix 2](#);
- housing and lock-up stock numbers, taking account of current and projected empty properties earmarked for future demolition at Riverside Place, Ayr; and planned lock up demolitions during 2022/23;
- maintenance costs taking account of required uplifts to Schedule of Rates; and
- the level of revenue contribution required to fund the housing capital programme – Capital Funded from Current Revenue (CFCR).

4.4.4 The approved 2021/22 and proposed 2022/23 HRA budget are detailed outlined in [Appendix 1](#).

4.5 2022/23 is year 2 of the previously agreed 3 year setting of rents and other charges within the HRA. As part of the ongoing cycle to refresh stock condition data, surveys are currently underway. The survey findings will be used to inform proposed future investment requirements within the HRA Business Plan and will be included in the future proposals for budget setting from 2023/24 onwards.

4.6 ***Housing Capital Budget 2022/23 – 2026/27***

4.6.1 The Housing Capital Programme is presented in a rolling five year planning cycle to provide greater certainty over future capital investment activity and to allow for better year on year planning and engagement with tenants. The table at [Appendix 2](#) outlines the proposed housing capital investment programme for the period 2022/23 – 2026/27, indicating a proposed cumulative spend of **£180.137m** over the five year period. Progress against the housing capital investment programme will be reported to Leadership Panel periodically throughout the year. Each year an updated budget will be presented to Council as part of the HRA budget setting process.

4.6.2 The proposed five year housing capital investment programme outlined in [Appendix 2](#) takes account and reflects the re-profiling relating to approved Council house building projects. It also takes account of other adjustments agreed by Leadership Panel as part of the Capital Programme Monitoring Reports. In addition, it reflects commitments included in the approved Strategic Housing Investment Plan (SHIP). Following the review of the stock condition data and findings, the annual update of the HRA Business Plan will consider future levels of investment required to the council owned housing stock, which may result in changes to the proposed levels of investment in 2023/24 and beyond.

5. Legal and Procurement Implications

5.1 The recommendations in this report are consistent with legal requirements and reflect appropriate advice.

5.2 The recommendations in this report are consistent with procurement requirements. The Procurement Team are aware of the investment proposals in the proposed housing capital investment programme and this can be managed within existing resources.

6. Financial Implications

6.1 The proposals within this report ensure that the HRA Business Plan is fundable and sustainable over 40 years, taking account of considered risks and the current levels of proposed investment.

6.2 The employee costs of £0.124m for the proposed 4 FTE posts outlined in paragraph 4.4.2, can be met from with the overall existing HRA budget. £0.074m will be funded from the existing budget for employee costs and £0.050m will be funded from the budget for property costs.

7. Human Resources Implications

7.1 As outlined in paragraph 4.4.2, it is proposed that 2 existing FTE temporary Housing Assistant (Level 5) posts are confirmed as permanent posts within the Housing

Services staffing establishment, and 2 new FTE posts are created - 1 Housing Officer (Level 7) and 1 Housing Assistant (Level 5) to undertake and support new and ongoing activities relating to compliance and tenant safety.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council, and affect the financial position of the HRA and the delivery of the housing capital investment programme.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 3](#).

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitments 1 and 6 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness; and A Better Place to Live/ Enhanced environment through social, cultural and economic activities.

13. Results of Consultation

13.1 Previous consultation was undertaken with tenants during November/December 2020. The results from this consultation were outlined in the report considered and approved by Council on 20 January 2021. There has been no public consultation on the contents of this report.

13.2 Trade Unions have been consulted and are in agreement with the human resources implications and proposals contained in this report.

13.3 Consultation has taken place with Councillor Philip Saxton, Portfolio Holder for Housing and Community Wellbeing, Councillor Brian McGinley, Portfolio Holder for

Resources and Performance, and Councillor Ian Cochrane, Portfolio Holder for Environment, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

- 14.1 If the recommendations above are approved by Members, the Director – Place and Head of Finance and ICT will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the 'Council and Leadership Panel Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
To set up appropriate accounting budgets for 2022/23 to reflect Council decision	31 March 2022	Head of Finance and ICT
Progress the recruitment of 4 FTE posts	30 June 2022	Service Lead – Housing Services

Background Papers **Report to South Ayrshire Council of 20 January 2021 – [Setting of Council House Rents and Other Rents and Charges \(2021/22 – 2023/24\) and Proposed Housing Revenue Account \(HRA\) Revenue Budget 2021/22 and Capital Budget \(2021/22 - 2025/26\)](#)**

Report to Leadership Panel of 26 October 2021 – [Annual Assurance Statement – Housing](#)

Report to Leadership Panel of 15 February 2022 – [Budget Management – Revenue Budgetary Control 2021/22 – Position Statement at 31 December 2021](#)

Report to Leadership Panel of 15 February 2022 – [Housing Capital Programme 2021/22: Monitoring Report as at 31 December 2021](#)

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Date: 23 February 2022

Approved 2021/22 and Proposed 2022/23 HRA Revenue Budget

Approved Budget 2021/22 £m	Subjective Analysis	Proposed Budget 2022/23 £m
4.429	Employee costs	4.901
12.336	Property costs	12.657
0.363	Supplies and services	0.378
0.090	Transport costs	0.094
1.315	Administration costs	1.445
1.747	Support service costs	1.766
0.037	Third party payments	0.016
0.021	Transfer payments	0.021
3.753	Financing costs	3.868
8.479	CFCR	8.905
32.570	Gross Expenditure	34.051
(32.570)	Income	(34.051)
0	Net Expenditure	0

Proposed Housing Capital Budget 2022/23 – 2026/27

Activity	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Major Component Replacements – Allocated	9.592	0	0	0	0
Major Component Replacements – Unallocated	16.034	7.500	7.500	7.500	7.500
Contingencies	0.227	0.269	0.269	0.269	0.225
Demolitions	2.560	0	0	0	0
Structural and Environmental	7.207	2.350	2.350	2.350	2.350
Sheltered Housing Environmental Improvements	0.269	0	0	0	0
Fees	0	0	0	0	0
Footpaths	0.020	0	0	0	0
Window Replacement Programme	0.950	0	0	0	0
Environmental Improvements	0.305	0.707	0.707	0.707	0.707
Buy back properties	0.800	0.800	0.800	0.800	0.800
New builds	28.188	28.623	9.725	8.753	20.423
Total Expenditure	66.153	40.249	21.351	20.379	32.005

This capital programme would be funded as follows:

Income Source	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
CFCR	8.905	7.859	8.638	8.785	9.502

Draw on Accumulated surplus	0	0	0	0	0
Borrowing	55.668	24.425	9.038	8.286	14.785
Scottish Government Funding	1.580	7.965	3.675	3.308	7.718
2nd Homes Council Tax	0	0	0	0	0
Other Income	0	0	0	0	0
Total	66.153	40.249	21.351	20.379	32.005
Net	0	0	0	0	0

South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Housing Revenue Account (HRA) – Revenue Budget 2022/23 and Capital Budget 2022/23 – 2026/27
Lead Officer (Name/Position/Email)	Michael Alexander – Service Lead – Housing Services

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

<p>Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)</p>	NO
<p>Rationale for decision:</p> <p>An Equality Impact Assessment is not required on this occasion. This report is seeking a decision from Council on setting of rents and other charges, which will be applied to all tenants. The decision on this has no specific equality implications.</p>	
<p>Signed : Kevin Carr Assistant Director</p> <p>Date: 16 February 2022</p>	