

South Ayrshire Council

**Joint Report by Depute Chief Executive and Director
of Housing, Operations and Development
and Head of Finance, ICT and Procurement
to South Ayrshire Council
of 1 March 2023**

**Subject: Rent Setting and Housing Revenue Account (HRA) –
Revenue Budget 2023/24 and Capital Budget 2023/24 to
2027/28**

1. Purpose

- 1.1 The purpose of this report is to confirm rent setting for 2023/24 and request approval of the proposed Housing Revenue Account (HRA) Revenue Budget for 2023/24 and the proposed 5-year Capital Budget for 2023/24 – 2027/28.

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 increases of 1.5% per annum for rent and other charges, and specific rent setting provisions for new build housing for the 3 year period from 2021/22 to 2023/24. In accordance with the statutory requirements, arrangements are in place to notify tenants of their 2023/24 rental charge which will be effective from 6 April 2023;
- 2.1.2 includes 1 bedroom new build flats within the rent freeze provision for other new build properties for 2023/24;
- 2.1.3 approves the 2023/24 HRA Revenue Budget outlined in section 4.6 of this report and [Appendix 1](#) and the proposed 5 year Capital Budget as outlined in section 4.8 of this report and [Appendix 2](#);
- 2.1.4 notes the requirements as outlined in paragraph 4.7 to review and update the Housing Revenue Account Business Plan and conduct consultation with tenants on rent setting proposals for 2024/25 onwards.

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 for the 3-year period from 2021/22 to 2023/24. Council agreed to apply a rent

increase of 1.5% annually to all stock including 1 bedroom new build properties and to continue to freeze the rent charge for all other new build properties.

- 3.2 The budgetary position of the HRA revenue and capital budgets are reported to Cabinet through the Budget Management and Capital Programme monitoring reports throughout the year. The figures contained in this report reflect decisions and any budget revisions previously approved by Cabinet.
- 3.3 On 28 October 2022, the Scottish Government introduced emergency legislation - The Cost of Living (Tenant Protection) (Scotland) Act 2022, this capped increases in social rents at 0% until 31 March 2023. The legislation also gave Scottish Ministers the ability to extend the cap beyond 31 March 2023, for two further periods of six months, with a commitment for Scottish Ministers to outline their decision in January 2023 on whether to expire the rent restrictions by the end of March 2023. Following a review and consultation with COSLA in respect of local authorities, and the Scottish Federation of Housing Associations and Glasgow and West of Scotland Forum of Housing Associations for Registered Social Landlords, Ministers reached an agreement with Social Landlords on below inflation rent increases for 2023/24. On this basis, it has been announced that the legislation relating to social rent caps will expire on 26 February 2023, allowing social landlords to progress the necessary statutory notice of any approved rent increase to tenants, giving at least 28 days' notice.

4. Proposals

- 4.1 Following the expiry of the provisions relating to the social rent cap within the Cost of Living (Tenant Protection) (Scotland) Act 2022, the previously agreed 1.5% rent increase will be applied for 2023/24. Arrangements are in place for tenants to be notified in accordance with the statutory requirements and the rent increase will be effective from Thursday 6 April 2023, which is the start date of rental period 2.
- 4.2 In reviewing the rental charges for 1 bedroom new build properties, it is acknowledged that by continuing to apply a 1.5% increase (£1.35 per week) to the rent level for new build flats in 2023/24, this will increase the variance in the comparison to the mainstream rental charge for 1 bedroom flats and will impact on the comparable rent charge with 2 bedroom new build flats. Therefore, it is proposed to apply a rent freeze to 1 bedroom new build flats in 2023/24. This will result in a reduced level of rental income of £0.009m in 2023/24 and is included in the proposed 2023/23 budget as outlined in [Appendix 1](#). The previously agreed increase of 1.5% for new build bungalows is not affected.
- 4.3 The HRA monitoring report for the period to 31 December 2022 (period 9) was reported to and approved by Cabinet on 15 February 2023. It projected a 2022/23 in year surplus of £0.155m and committed the sum of £0.950m to the Housing Capital Programme for window replacement in 2023/24, this is in line with agreed tenant priorities.
- 4.4 The audited HRA accumulated surplus brought forward from 2021/22 was £9.531m. The table below has been updated following Cabinet on 15 February 2023 and illustrates the latest commitments against the accumulated HRA reserves and provides a projected surplus as at 31 March 2023:

<i>Accumulated Surplus</i>	<i>Amount £m</i>	<i>Amount £m</i>
HRA accumulated surplus as at 1 April 2022	9.531	
2022-23 projected surplus	0.155	
Minimum working balance	(2.000)	
Projected surplus for the year ended 31 March 2023		7.686
Current commitments:		
Previously approved draws on surplus now committed as part of the Capital Programme	5.401	
Welfare reform - mitigating risks to HRA (per Council report of April 2013)	0.064	
Transformation within Housing - support costs	0.044	
Tenant Participation - support aims of TP Strategy	0.030	
Costs associated with Home Loss Payments at Riverside High Flats and provision for Disturbance Allowance approved by Leadership Panel 26 November 2019	0.169	
2020/21 CFCR underspend to be used for increased housing repair costs in 2023/24 approved by Cabinet 15 February 2023	1.000	
Council House Window Replacement programme approved by Cabinet 15 February 2023	0.950	
Total current commitments		7.658
<i>Projected uncommitted surplus at 31 March 2023</i>		0.028

4.5 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 £0.028m 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 2022/23. Following review of the 2022/23 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 Cabinet for approval as part of the Period 12 budget monitoring report.

4.6 **2022/23 HRA Revenue Budget**

4.6.1 In preparing the proposed base budget for 2023/24, it is acknowledged that the current rate of inflation is higher than previously assumed and this is impacting on revenue and capital expenditure. However, in recognition

that 2023/24 is the final year of the previously agreed 1.5% rent increase following the last round of tenant consultation and taking account of the other cost of living pressures being experienced by tenants, the Council is committed to maintaining the 1.5% increase in 2023/24. Officers have reviewed the HRA revenue budget and taking account of areas of underspend in 2022/23 in supplies and services, transport costs and administration costs, budgets have been adjusted for 2023/24, to contribute to offsetting increased pressures in other areas. There is a £1m commitment included within the accumulated surplus to deal with any anticipated increased housing repair costs in 2023/24. In addition, if required, there is a £2m minimum working balance within the HRA. The proposed base budget for 2023/24 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 4.8 below and as outlined in [Appendix 2](#);
- housing and lock-up stock numbers, and future lock-up demolitions previously approved by Council;
- maintenance costs taking account of required uplifts to Schedule of Rates,
- the level of revenue contribution required to fund the housing capital programme – Capital Funded from Current Revenue (CFCR); and
- rental income is calculated taking account that the rent increase will be applied from 6 April 2023

4.6.2 The approved 2022/23 and proposed 2023/24 HRA budget are outlined in [Appendix 1](#).

4.7 As previously outlined, 2023/24 is the final year 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 have been completed and the results are being analysed to determine future investment requirements. Survey results are indicating that increased levels of investment will be needed to upgrade and improve the external fabric of the housing stock and to support the programme of window replacement over the five year period from 2024/25. Members are asked to note that the survey findings will be used to inform proposed future investment requirements within the HRA Business Plan. Officers will review and update the assumptions within the HRA Business Plan to inform the proposals and potential options for the next round of consultation with tenants on rent setting considerations for 2024/25 onwards.

4.8 ***Housing Capital Budget 2023/24 – 2027/28***

4.8.1 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 2023/24 – 2027/28, indicating a proposed cumulative spend of **£182m** over the five year period. Progress

against the housing capital investment programme will be reported to Cabinet periodically throughout the year. Each year an updated budget will be presented to Council as part of the HRA budget setting process.

- 4.8.2 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 Cabinet as part of the Capital Programme Monitoring Reports. In addition, it reflects commitments included in the approved Strategic Housing Investment Plan (SHIP). Following completion of the analysis and review of the stock condition data and findings, proposed levels of investment from 2024/25 onwards will be updated and this will be used as the basis for consultation with tenants on future rent setting proposals.

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.

7. Human Resources Implications

- 7.1 Not applicable.

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.
- 13.2 An information and consultation session was held on Friday 17 February 2023 with members of the Tenants Monitoring Group made up of tenant representatives and interested tenants. The proposals contained in the report were outlined and tenants were supportive of them. In line with previous arrangements, tenant representatives are keen to be involved in the future rent setting consultation process.
- 13.3 Consultation has taken place with Councillor Martin Kilbride , Portfolio Holder for Buildings, Housing and Environment and Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, 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 Depute Chief Executive and Director of Housing, Operations and Development and Head of Finance, ICT and Procurement 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 Cabinet in the 'Council and Cabinet 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 2023/24 to reflect Council decision	31 March 2023	Head of Finance, ICT and Procurement

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
Implement agreed rent setting with effect from 6 April 2023	6 April 2023	Service Lead – Housing Services

Background Papers **Report to South Ayrshire Council (Special) 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 South Ayrshire Council of 3 March 2022 – [Housing Revenue Account \(HRA\) – Revenue Budget 2022/23 and Capital Budget 2022/23 to 2026/27](#)

Report to Cabinet of 15 February 2023 – [Budget Management – Revenue Budgetary Control 2022/23 – Position at 31 December 2022](#)

Report to Cabinet of 15 February 2023 – [Housing Capital Programme 2022/23: Monitoring Report as at 31 December 2022](#)

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Date: 20 February 2023

Approved 2022/23 and Proposed 2023/24 HRA Revenue Budget

Approved Budget 2022/23 £m	Subjective Analysis	Proposed Budget 2023/24 £m
5.130	Employee costs	5.232
12.607	Property costs	12.869
0.378	Supplies and services	0.327
0.094	Transport costs	0.070
1.560	Administration costs	1.405
1.766	Support service costs	1.801
0.028	Third party payments	0.029
0.071	Transfer payments	0.114
3.868	Financing costs	4.257
8.700	CFCR	7.510
34.202	Gross Expenditure	33.614
(34.202)	Income	(33.614)
0	Net Expenditure	0

Proposed Housing Capital Budget 2023/24 – 2027/28

Activity	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Major Component Replacements – Allocated	13.844	0	0	0	0
Major Component Replacements – Unallocated	10.000	7.500	7.500	7.500	7.500
Contingencies	0.269	0.269	0.269	0.225	0.225
Demolitions	0.200	0	0	0	0
Structural and Environmental	7.586	2.350	2.350	2.350	2.350
Sheltered Housing Environmental Improvements	0.248	0	0	0	0
Fees	0	0	0	0	0
Footpaths	0.020	0	0	0	0
Window Replacement Programme	0	0	0	0	0
Environmental Improvements	0.821	0.707	0.707	0.707	0.707
Buy back properties	0.800	0.800	0.800	0.800	0.800
New builds	41.951	26.179	13.781	9.725	9.725
Total Expenditure	75.740	37.805	25.407	21.307	21.307

This capital programme would be funded as follows:

Income Source	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
CFCR	7.510	5.967	5.478	5.885	5.767

Draw on Accumulated surplus	0	0	0	0	0
Borrowing	53.671	31.838	19.929	11.747	11.865
Scottish Government Funding	14.559	0	0	3.675	3.675
2nd Homes Council Tax	0	0	0	0	0
Other Income	0	0	0	0	0
Total	75.740	37.805	25.407	21.307	21.307
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	Rent Setting and Housing Revenue Account (HRA) – Revenue Budget 2022/23 and Capital Budget 2023/24 – 2027/28
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

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	NO
Rationale for decision: 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.	
Signed : Mike Newall Depute Chief Executive and Director of Housing, Operations and Development	
Date: 7 February 2023	