

North Ayrshire Council

Title: **Housing Revenue Account (HRA) Capital Investment Programme, Revenue Budget and Rent Levels for 2023/24**

Purpose: To seek approval of the proposed HRA capital investment programme and revenue budget for 2023/24 and the consequential rent levels.

Recommendation: That the Council agrees to:

- (i) approve the HRA capital investment programme for 2023/24, as detailed in Appendix 1;
- (ii) approve the HRA revenue budget for 2023/23, as detailed in Appendix 2;
- (iii) approve an average rent increase of £4.99 per week for council houses in 2023/24 (equivalent to 6.42%);
- (iv) note the indicative rent increases of 6.03% for 2024/25 and 4.29% for the remaining 28 years of the Business Plan;
- (v) approve a 5% increase to garage sites/lock-ups, service charges and gypsy/travellers site fees in line with general fund increase for sales, fees and charges.

1. Executive Summary

- 1.1 Section 203 of the Housing (Scotland) Act 1987 includes a requirement for local authorities to maintain a Housing Revenue Account (HRA) to record all income and expenditure related to their direct provision of housing. Councils must estimate, annually, the amounts to be debited or credited to the account, through setting a budget, which is returned to the Scottish Government and published annually.
- 1.2 At the Council meeting on 16 February 2022, members considered housing rent levels for the three years to 2024/25. Members approved an increase of 2.50% for 2022/23 and noted indicative rent increases of 4.0% for both 2023/24 and 2024/25.
- 1.3 An extensive review of the HRA 30-year Business Plan was carried out during 2022 to assess the factors expected to impact on the HRA budget in 2023/24 and beyond. As a direct result of the current economic climate, the HRA budget is facing significant

affordability challenges:

- significantly higher costs for maintaining and improving our existing stock due to higher prices for contractors and materials
- increased interest rates linked to borrowing costs to fund future capital projects, including the delivery of 1,625 new social housing by 31 March 2028
- rising inflation affecting other running costs
- reduced rental income/ increased rent arrears

1.4 In order to meet the affordable challenges noted in paragraph 1.3, whilst still delivering the Business Plan priorities approved in February 2022, rents would have to increase by 22.6% in 2023/24 instead of the 4.0% previously indicated. This is the equivalent of an extra £17.73 per week, based on the average rent in the current year of £77.76. This level of increase is not affordable to most of our tenants; a significant amount of work has therefore been done to ensure the rent level options for 2023/24 are as low as possible, while maintaining key Business Plan priorities.

1.5 A comprehensive review of the HRA budget was undertaken in the second half of 2022, with the following actions taken:

- general efficiencies made across all areas of the housing budget. These savings will not have any impact on the current service that is provided to tenants
- merging of the previous budgets for sub-divisional fencing (£0.189m) and infrastructure improvements (£0.337m) with a combined budget of £0.250m for 2023/24
- removal of the door replacement programme previously included in the capital programme, saving £57m. Doors will instead be replaced based on condition, with the annual revenue budget increased from £0.300m to £0.700m
- kitchen lifecycle replacement extended from 20 to 22 years and bathroom lifecycle replacement extended from 25 to 27 years, with tenants given the option to retain existing lifecycles by choosing a higher rent increase (options 2 & 3)
- removal of the Tenant-led Budget of £0.216m, with tenants given the option to retain this fund by choosing a higher rent increase (option 3)

These measures were identified to help to keep the rent increase for 2023/24 and future years as low as possible and minimise the financial impact on our tenants whilst, importantly, continuing to build new social housing to meet recognised demand.

1.6 These changes, alongside other updates to Business Plan financial estimates, have resulted in capital and revenue budgets being set which deliver:

- a capital investment programme which maintains the Scottish Housing Quality Standard, incorporating the Energy Efficiency Standard for Social Housing (EESH) and working towards the future requirements of EESH2. EESH2 is currently an unfunded priority for Scottish Government, and whilst the Business Plan includes an allowance to achieve the standard, every effort will be made by officers to ensure the Council accesses all available external funding to support the improvement programme and reduce the financial burden on tenants

- £124.9m investment to tackle climate change and achieve a net-zero housing stock, supporting our tenants with new energy efficient technologies
- £84.773m investment through the Council's new housebuilding programme, with a further 196 new build houses expected by 31 March 2024. This will take the total new builds to 885 units and support the delivery of 1,625 units of new build housing by the end of the Strategic Housing Investment Plan 2023-2028
- £18.591m of property-related revenue expenditure
- continuation of the £10m Estate Based Regeneration Programme to 2028/29 to address pockets of low demand stock; antisocial behaviour; external appearance; parking provision; road and footpath condition; fencing; landscaping; and general grounds maintenance issues
- continuation of the £25m Sheltered Housing Re-provisioning Programme to 2025/26 by refurbishing 11 sheltered housing complexes containing 238 properties.

1.7 In order to meet these commitments, it is proposed to increase rents for council houses in 2023/24 by an average of £4.99 per week (equivalent to 6.42%). This is 2.42% more than the 4.00% proposed for 2023/24 was reported last year in the HRA 30-year Business Plan. This increase is required to address the impact of high levels of inflation whilst protecting the levels of investment in the housing stock. Tenants have been consulted on the proposed rent levels included within this report.

1.8 A summary of the anticipated level of earmarked and unearmarked reserves is provided at paragraph 2.28. The HRA revenue budgetary control report to 30 November 2022, submitted to the Cabinet meeting of 24 January 2023, projected that the HRA will have reserves of £15.281m at the end of the financial year, of which £1.598m is unearmarked. This equates to 2.8% of revenue expenditure, which is within the recommended range of 2% to 4%. This approach is in line with CIPFA recommended practice as set out in the document 'Local Authority Reserves and Balances'.

1.9 Support with housing costs is available to households with lower incomes through Housing Benefit and Universal Credit. Housing staff will continue to work closely with our tenants to offer advice, assistance and referrals to other services to any tenants who are experiencing financial difficulties. Further details are noted in paragraph 2.21.

1.10 Full details of the proposed capital and revenue budgets are contained in Appendix 1 and Appendix 2 respectively.

2. Background

2.1 Section 203 of the Housing (Scotland) Act 1987 includes a requirement for local authorities to maintain a Housing Revenue Account (HRA) to record all income and expenditure related to their direct provision of housing. Councils must estimate, annually, the amounts to be debited or credited to the account, through setting a budget, which is returned to the Scottish Government and published annually.

2.2 The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The following outcomes and standards are relevant to this report:

2: Communication

Tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides.

3: Participation

Tenants and other customers are offered a range of opportunities that make it easy for them to participate in and influence their landlord's decisions at a level they feel comfortable with.

13: Value for Money

Tenants, owners, and other customers receive services that provide continually improving value for the rent and other charges they pay.

14/15: Rents and Service Charges

A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.

Tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.

2.3 At the Council meeting on 16 February 2022, members considered housing rent levels for the three years to 2024/25. Members approved an increase of 2.50% for 2022/23 and noted indicative rent increases of 4.0% for 2023/24 and 4.0% for 2024/25.

2.4 A comprehensive review of the HRA Business Plan financial model was undertaken during 2022. The Plan provides assurance of the financial sustainability of the management of the Council's housing stock over a 30-year period. The following factors were included in the review, taking into consideration the continued impact of the current economic climate noted in paragraph 1.3 above on the provision of the Council's Housing Service and its tenants:

- Asset management
- Revenue expenditure
- Rent affordability
- Stakeholder management
- Value for money
- Treasury management
- Risk management

National Context

2.5 Due to concerns about the impact of the cost-of-living crisis on housing tenants in all sectors, on 6 September 2022 the Scottish Government announced a freeze on social

and private sector housing rent levels until 31 March 2023. The Cost of Living (Tenant Protection) (Scotland) Act 2022 was passed by the Scottish Parliament on 6 October 2022 and received Royal Assent on 27 October 2022. It gave the Scottish Government temporary power to cap rents for private and social tenants. The Act also included a moratorium on evictions. The freeze on rent increases for current tenancies was set at 0% for the period from 6 September 2022 until 31 March 2023 and included powers for the Scottish Government to extend rent controls for two further six-month periods.

- 2.6 COSLA issued a Statement of Intent on 25 November 2022 which advised that "in recognition of the cost-of-living crisis, Scotland's Council Leaders, as providers of social housing and Gypsy/Traveller pitch or site provision, have committed to keeping the rental and fee increases to an average of less than £5 a week across the country in the next financial year."
- 2.7 Patrick Harvie MSP, Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights announced on 21 December 2022 that an agreed alternative to the continuation of the rent cap in the social rented sector had been reached. The first statutory report on the Cost of Living (Tenant Protection) Act 2022, on 12 January 2023, formally confirmed the Scottish Government's intentions to expire the social rented sector rent cap provisions from March 2023. This was a result of discussions between the Scottish Government and a range of social rented sector organisations and landlord representative bodies. Following discussions, it was demonstrated that no social landlord was consulting on a rent increase at or above CPI inflation, which was 11.1% at the time of the data being collected.

Asset Management

- 2.8 A strategic approach to asset management has been adopted, ensuring consistency between the 30-year HRA Business Plan and the Housing Asset Management Plan (HAMP).

The Council uses condition information to inform financial planning and implementation of investment programmes. This information is gathered and updated regularly and is retained within our electronic asset management system Apex. This ensures resources are used effectively to maintain the quality of our stock and reduces the risk of longer-term inefficiencies. This is also key to addressing health and safety responsibilities and changes to statutory compliance requirements, for example through smoke detection and periodic electrical testing programmes.

We have also reviewed our approach to the presence of dampness and mould in tenants' homes to ensure we continue to deliver an appropriate response where dampness and mould is reported.

The stock condition information also allows the Council to report on overall quality of our housing provision and forms a key part of our Scottish Housing Quality Standard (SHQS) return to the Scottish Government.

The HAMP will be refreshed during 2023/24 and will capture the current economic

challenges being faced, ensure statutory compliance is being met and provide a renewed approach to asset management to ensure delivery of our sustainability commitments and delivery of the Scottish Government's Housing to 2040 strategy.

Capital Programme

2.9 The £172.316m investment in the proposed 2023/24 HRA Capital Programme is detailed in Appendix 1. The programme will be funded by a combination of Capital Funded from Current Revenue (CFCR), government grants, prudential borrowing, reserves, and contributions towards the new build programme from the Affordable Housing Account.

2.10 The capital programme will result in major repairs and improvement works to the housing stock in 2023/24, including:

Programme	No. of properties	
	2022/23 projected completions	2023/24
Roofing and/or rendering	508	182
Solar PV	474	627
Insulated rendering	173	30
Electrical rewiring	104	295
New kitchens	350	549
Heating upgrades	215	868
New bathrooms	279	340
Window replacement	94	62

2.11 The door replacement programme was due to commence during 2021/22 but was delayed due to issues in procuring a contractor. The door replacement programme has been removed from the capital programme and has been replaced with a revenue workstream based on assessed need, which will commence in 2023/24.

2.12 The capital programme includes investment to ensure the Council continues to meet the Scottish Housing Quality Standard (SHQS), including the Energy Efficiency Standard for Social Housing 2 (ESSH2). The revised Business Plan includes £124.9m investment over 30 years to tackle climate change and achieve a net-zero housing stock. ESSH2 is currently an unfunded priority for Scottish Government, and whilst the Business Plan includes an allowance to achieve the standard, every effort will be made by officers to ensure the Council accesses all available external funding to support the improvement programme and reduce the financial burden on tenants.

2.13 COSLA continues discussions with the Scottish Government on shared ambitions across political parties and between councillors and members of the Scottish Parliament. Some of the key topics include maintaining and improving existing stock, ESSH2 and new build targets. Any changes to funding models, grant subsidies and

timelines will be reflected in future updates of the Business Plan.

Strategic Housing Investment Plan

- 2.14 The revised Business Plan reflects the Council's commitment to deliver a comprehensive new build programme, with a variety of house types as well as significant investment in housing for older people and tenants with additional needs. The Council and its RSL partners have been monitoring the impact of the current economic climate on the SHIP. There is clear evidence of both time and financial impacts, due to national labour and material shortages and an increase in material costs. Details of Council developments completing during 2022/23 are shown below:

Project	Number of Units	Status in 2022/23
Brathwic Terrace, Arran	34	Completion achieved in June 2022
St Michael's Wynd, Kilwinning	79	Completion achieved in September 2022
St Colm's Place, Largs	29	Completion achieved in September 2022
Caley Court, Stevenston	16	Completion anticipated in early 2023
Harbourside, Irvine	71	27 of 71 units complete as at 23/12/2022 with full completion anticipated by 31 March 2023
Total	229	

Details of the full Council house build programme can be found in the Strategic Housing Investment Plan 2023-2028, which was approved by Cabinet on 1 November 2022. A total of 1,625 new homes are targeted for completion by the Council by 31 March 2028, of which 807 (49.7%) were completed by 23 December 2022.

- 2.15 Following the success of previous years, funding will be available to continue investment in purchasing ex-local authority houses and empty homes. Acquiring these types of properties will help to address both asset management and estate management issues, as well as increasing the Council's stock numbers. Two of our RSLs have also included buybacks as part of their future SHIP commitment.

Other Capital Projects

- 2.16 The Sheltered Housing Reprovisioning Programme continues to be implemented. Refurbishment work at Friars Lawn, Kilwinning (22 units) and the new sheltered housing complex at St Colm's Place, Largs (29 units) and St Michael's Wynd, Kilwinning (24 units) completed during 2022/23. Completion of these projects results in over 50% of the Council's sheltered housing complexes being either new build or refurbished. The new complex at Irvine Harbourside is due for completion during March 2023, providing a further 28 sheltered units. A budget of £25m over five years was approved in 2021/22 to refurbish a further 11 sheltered housing complexes. Works will commence in 2023/24 to refurbish Barnett Court, Saltcoats and Cheviot Court, Irvine in the next phase of the programme.

Revenue Expenditure

- 2.17 The proposed 2023/24 HRA Revenue Budget is outlined in Appendix 2. Planned expenditure of £57.967m will predominantly be funded by tenants' rental income and charges for services.
- 2.18 The Revenue Budget includes funding of £18.506m for property-related expenditure in 2023/24. This expenditure will assist the Council in maintaining its cyclical and responsive maintenance requirements.

Rent Affordability

Rent Increase

- 2.19 In order to meet the investment requirements of the 30-year Business Plan, including maintaining the Scottish Housing Quality Standard (SHQS) and working towards the new Energy Efficiency Standard for Social Housing 2 (EESH2), delivering the Council house building programme and continuing to deliver customer-focused support services, it is proposed to increase rents for council houses in 2023/24 by an average of £4.99 per week (equivalent to 6.42%). The Business Plan indicates anticipated rent increases of 6.03% for 2024/25 and 4.29% for the remaining 28 years of the Business Plan.
- 2.20 The Council's average weekly rent is below the Scottish average local authority rent for 2022/23 (Council average is £77.76 compared to the Scottish average of £81.05). The proposed rent increase for 2023/24 is expected to maintain the Council's position below the Scottish average. The Council's current average rent is also significantly lower than the average for registered social landlords within North Ayrshire, as detailed in the table below:

	Average Rent 2022/23 (indicative)
East Ayrshire Council	£76.66
North Ayrshire Council	£77.76
South Ayrshire Council	£79.49
Scottish local authority average	£81.05
ANCHO	£87.65
Scottish RSL average	£94.46
Riverside Scotland (formerly Irvine Housing Association)	£95.15
Cunninghame Housing Association	£96.77

N.B. The Scottish Housing Regulator changed the method used to collect the data for average weekly rents in 2020, therefore figures may not match other data sources due to differing methods of data collection.

- 2.21 Support with housing costs is available to households with lower incomes through Housing Benefit and Universal Credit. At present, 38% of tenants are in receipt of full benefit entitlement for housing costs, 25% are in receipt of partial benefit entitlement and pay some rent and 37% of tenants have no benefit entitlement and pay full rent. Housing staff offer advice and assistance to any tenants who are experiencing financial

difficulties. Staff also signpost or refer tenants for other services such as welfare benefits advice, income maximisation, budgeting, debt advice, tenancy support and other support services.

Stakeholder Management

- 2.22 The Housing (Scotland) Act 2001 requires councils to consult with tenants and have regard to the views expressed prior to setting rents.
- 2.23 In preparing the HRA budget for 2023/24, three options for rent increases were identified by Officers and presented to Elected Members, the Housing Business Plan Group and the Tenants and Residents Network at the beginning of December 2022. The options were subsequently included in the tenant consultation exercise which took place between 12 December 2022 and 22 January 2023, namely, to increase rents by either an average increase of £4.99, £5.25 or £5.45 per week, for 2023/24. The higher increases reflected options to retain lifecycle replacement of kitchens and bathrooms at 20 years and 25 years respectively and retain investment of £0.216m in the Tenant-led Budget. Further information on the options considered is included within the Rent Level Options form at Appendix 3.
- 2.24 A total of 1,121 responses were received - a response rate of 8.80%. This is the highest response to a rent consultation by North Ayrshire Council to date. Responses received from the tenants' consultation indicated a 73.51% preference for 'Option 1', an average rent increase of £4.99 per week for 2023/24. There was a 12.84% preference for 'Option 2' an average rent increase of £5.25 per week and a 13.65% preference for 'Option 3' an average rent increase of £5.45 for 2023/24. Tenants were invited to respond by completing an electronic form. A letter was issued to all tenants, emails and SMS messages were sent, posts were added social media channels, adverts were placed in the local press, posters were placed in key locations and tenants were supported to complete the consultation if calling or visiting offices. Housing Services staff also held local drop in events to assist tenants to complete the consultation.

Value for Money

- 2.25 Scotland's Housing Network benchmarks the Scottish Social Housing Charter outcome results of Scottish councils, including areas such as housing management performance, repairs and customer satisfaction and value for money. The Network recently confirmed that North Ayrshire Council remains a high performer amongst local authority members, both in terms of level of service and value for money.
- 2.26 During the Tenant Satisfaction Survey completed in summer 2021, 89.47% of tenants agreed that the rent charge for their property represented good value for money.
- 2.27 The indicative average rent increases for 2024/25 would be 6.03%. From 2025/26 onwards the indicative increase would be 4.29% each year for the remaining years of our 30-year plan.

2.28 The Council continues to explore opportunities for operational and management efficiencies and reflect any savings identified in the HRA budget to ensure future years rent level increases are kept as low as possible. Work will be undertaken throughout 2023/24 to explore options to bring future years rent increases in line with projected inflation levels.

Treasury Management

2.29 The Prudential Code for Capital Finance in Local Authorities requires Councils to demonstrate that capital investment programmes and the level required to be funded by borrowing are affordable, prudent, and sustainable. The Key Performance Indicator which demonstrates this is the ratio of financing costs to the net revenue stream. For 2021/22 the Council's ratio was 18.7% compared to the Scottish average of 25.5%. The estimated indicators for the next 3 years are shown below. The rising ratio is indicative of the significant capital investment programme as outlined in the Strategic Housing Investment Plan and work to maintain SHQS and achieve the Energy Efficiency Standard for Social Housing 2 (ESSH2). The financing costs are considered prudent and affordable within the 30-year HRA Business Plan.

Proportion of financing costs to net revenue stream	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
HRA	23.6%	32.0%	38.6%

Revenue and Capital Balances

2.30 The HRA revenue budgetary control report to 30 November 2022 submitted to the Cabinet meeting of 24 January 2023 advised Members of a projected HRA balance of £15.281m at 31 March 2023. This includes an unearmarked balance of £1.598m, which equates to 2.8% of revenue expenditure. Analysis of the HRA balances is shown in the table below.

	Balance at 31 March 2022	Funding of Capital Projects	Earmarking of in year surplus	Projected Balance at 31 March 2023
	£m	£m	£m	£m
HRA Not Earmarked	0.781	-	0.817	1.598
HRA Earmarked				
Council House Building Fund (to support Council house building)	5.279	(1.151)	-	4.128
Major refurbishment works (to support capital investment programmes)	0.052	-	-	0.052
Sustainability Fund (to support energy efficiency measures)	5.000	-	-	5.000
Void bathrooms and kitchens (installation of bathrooms and kitchens in	1.558	-	-	1.558

voids)				
Infrastructure Improvements (improvements to infrastructure in existing estates)	0.416	-	-	0.416
Electrical testing (to support implementation of new legislative duties)	0.270	-	-	0.270
Tenant-led budget (to support improvements identified by tenants in existing estates)	0.636	-	-	0.636
Software licences (development of existing IT systems)	0.123	-	-	0.123
Welfare Reform (to mitigate the impact of Welfare Reforms)	1.500	-	-	1.500
Total Earmarked Fund	14.834	(1.151)	-	13.683
Total HRA Balance	15.615	(1.151)	0.817	15.281

Risk Management

2.31 In developing the HRA Business Plan, the risk landscape was reviewed to determine major/strategic risks and ensure effective mitigation is in place. The Council has an effective system of internal control which is subject to regular review by our internal and external audit functions and regulatory authorities. The following major/strategic risks were considered:

Access to expertise and materials

2.32 The challenges faced due to the current economic climate have resulted in increased difficulty for landlords in accessing the materials and expertise required to perform some landlord functions, particularly in relation to property construction and maintenance. The impact on the Council's Housing Asset Management Plan, Strategic Housing Investment Plan and repairs service is continually assessed to ensure delivery remains viable and any mitigation required can be actioned at the earliest opportunity.

Stock quality and decarbonisation

2.33 The Scottish Government's 'Housing to 2040' strategy sets out their ambitions for housing's contribution in tackling climate change. This includes standards such as EESSH2 and ambitions for zero emissions new build housing by 2026.

2.34 Provision has been made within the HRA Business Plan for investment to achieve EESSH2 by 2032 within the Council's housing stock or make properties as energy efficient as practically possible. The Scottish Government is currently reviewing the EESSH2 standard and plan to publish the outcome during 2023, which may include a revised timeline. Any changes to funding models, grant subsidies and timelines would be reflected in future updates of the Business Plan.

2.35 Measures are in place to develop an 'Energy Strategy' for each new build Council housing development to maximise sustainability measures and minimise carbon

emissions and fuel poverty. Provision has been made within the HRA Business Plan to reflect this.

2.36 It is anticipated that the de-carbonisation of heating infrastructure will result in the phasing out of natural gas fired heating. This will present a challenge to ensure that replacement infrastructure and systems are both low-carbon and affordable for tenants to run. In order to inform the de-carbonisation of our existing estate, we are at the early stages of identifying properties to form part of a pilot project. This will be progressed on a “fabric-first” basis and reflect best practice in adaptation of existing properties.

2.37 Building Standards are constantly evolving, reflecting the need for new homes to be more sustainable in construction and use. It is anticipated that by 2024 these regulations will align with the “Passivhaus” standard. This standard demands an increased level of design and construction quality and, where achieved, significantly decreases in-use energy. However, increasing quality standards inevitably lead to higher capital costs. Financial planning will be undertaken as part of the business planning process to reflect these increasing costs.

Tenant safety

2.38 The Council has established procedures to ensure compliance with statutory duties and responsibilities in relation to tenant safety. Regular assessment and assurance are undertaken to ensure the necessary training, skills, experience, and knowledge are in place.

2.39 In 2021/22 the Council did not comply with gas safety requirements for 360 properties. Due to new legislation introduced during 2021/22 regarding electrical testing and smoke detection equipment, 6,090 properties were non-compliant with regards to having an EICR and 735 for not having the new smoke detection equipment installed. Labour shortages within the electrical industry continue to affect the testing programme alongside access issues. To address this, the Council have procured an additional contract (in addition to our own Building Services and externally procured rewiring contract) to assist with the delivery of these programmes.

Following the pandemic, engagement with some tenants to gain access to their property to undertake essential maintenance and statutory compliance is becoming increasingly difficult. This has led to a significant increase in the requirement to gain access through the Council’s access policy, placing a huge resource burden on the affected teams. Housing and Property Management and Investment are liaising to establish how this change in tenant behaviour can be addressed.

In line with regulatory requirements a projected non-compliance has been reported to the Scottish Housing Regulator on 23 January 2023 advising projected pass rates up to 31 March 2023 as follows:

Statutory compliance	% properties compliant at 31 Dec 2022	% properties projected to be compliant at 31 March 2023
Electrical testing	55.9%	64.4%
Gas servicing	99.2%	99.2%
Smoke detection	96.3%	98.5%

Rent affordability

- 2.40 The current economic climate presents an increased challenge to keep rents affordable, with notable risks including rapidly increasing energy costs, inflation and increasing interest rates.
- 2.41 Benchmarking of rent levels is undertaken annually, alongside national conversations regarding proposed increases. Rent levels are monitored to assure they are lower than Local Housing Allowance rates. Housing staff offer advice and assistance to any tenants who are experiencing financial difficulties. Housing Services also invest in resources specifically focused on welfare reforms and welfare/benefits and debt advice, to maximise tenants' income and support households experiencing financial difficulties.

Achieving value for money

- 2.42 Within the review of the HRA Business Plan, inflation has been estimated using forecasts for the appropriate indices. Alongside this, service delivery costs are benchmarked, and a competitive tendering process is undertaken for fixed term contracts.

Income management

- 2.43 Rent arrears and voids are monitored through a performance management framework, and in the context of changes in the welfare system. Stress testing against falls in rental income is undertaken to identify mitigations necessary.
- 2.44 The percentage of total rent collected compared to rent due increased last year. The percentage of rent due not collected through homes being empty in the last year has remained relatively consistent.

Indicator	2021/22	2020/21	2019/20	2018/19
Percentage of total rent collected compared to rent due	99.0%	97.3%	99.2%	100.3%
Percentage of rent due not collected through homes being empty in the last year	0.5%	0.5%	0.6%	0.5%

- 2.45 The Scottish Housing Regulator has acknowledged that rent arrears across the sector have increased. This is in part due to the continuing impact of Covid-19 pandemic, some tenants not paying rent due to emergency legislation that prevented evictions, and the current economic environment. North Ayrshire Council, like other landlords, has been impacted by rent arrears increasing.

Percentage gross rent arrears of rent due	2021/22	2020/21	2019/20
Scottish average	6.34%	6.14%	5.81%
North Ayrshire Council	6.63%	5.46%	3.65%

2.46 Universal Credit full migration, which commenced as a pilot in 2019, is expected to conclude in 2025 for most people, however full migration will take until 2028. In 2021/22 the number of tenants claiming Universal Credit reduced by 417 compared to the previous year. 2,731 (69.2%) of the 3,946 tenants claiming Universal Credit at 2021/22 year end were in arrears, with an average debt of £609.78, an increase of 59.7% in average debt from 2020/21. The updated HRA Business Plan continues to include investment to support tenants in accessing benefits, maximising income, and minimising arrears. In addition, £1.5m continues to be earmarked within the HRA as a contingency to manage the impact of Welfare Reform.

Data accuracy

2.47 Robust processes are in place to ensure data accuracy. The Business Improvement Team provides system expertise within the Service, and improved system housekeeping measures are in development. A review of the Housing Performance Management System is currently underway and includes arrangements around data validation and auditing. The Council's internal and external auditing arrangements are also utilised to review data accuracy. This ensures decisions are based on good quality data.

Treasury Management

2.48 The Council has a clear strategy reflecting risk management and the wider operating environment. Section 2.29 details the financing costs, which are considered prudent and affordable within the 30-year HRA Business Plan.

Fraud

2.49 There are effective risk management arrangements and procedures in place to minimise the risks of any attempts at fraud from being successful. The Council also takes part in the National Fraud Initiative to prevent and detect fraud.

3. Proposals

3.1 That the Council agrees to:

- (i) approve the HRA capital investment programme for 2023/24, as detailed in Appendix 1;
- (ii) approve the HRA revenue budget for 2023/23, as detailed in Appendix 2;
- (iii) approve an average rent increase of £4.99 per week for council houses in 2023/24 (equivalent to 6.42%);
- (iv) note the indicative rent increases of 6.03% for 2024/25 and 4.29% for the remaining 28 years of the Business Plan;
- (v) approve a 5% increase to garage sites/lock-ups, service charges and gypsy/travellers site fees in line with general fund increase for sales, fees and charges.

4. Implications/Socio-economic Duty

Financial

- 4.1 The proposed average rent increase of £4.99 per week in 2023/24 will support continued investment in the Council's housing stock, with total planned revenue expenditure of £57.967m. This includes CFCR of £5.151m to support a capital programme totalling £172.316m in 2023/24.

Human Resources

- 4.2 None

Legal

- 4.3 The Council has consulted with tenants on the proposed rent increases in line with the legal requirement to do so.

Equality/Socio-economic

- 4.4 The investment proposals outlined in the report will ensure the housing stock continues to support the needs of our tenants, including those with accessibility issues due to age or disability.
- 4.5 The investment in our properties to provide safer, warmer, and more fuel-efficient homes will support improvements in the health and wellbeing of all our tenants, including young people and families.
- 4.6 Impact assessments were carried out to ascertain the percentage of tenants on full or partial benefits who will receive support towards payment of their rent. For those who are entitled to support, 38% have full entitlement and 25% have partial entitlement. Entitlements for support with housing costs will increase to cover the proposed increase. At present, 37% receive no support with their housing costs and pay their full rent charge. Support such as income maximisation, budgeting and debt advice is available to all tenants and publicised through staff, newsletters, and other channels.

Climate Change and Carbon

- 4.7 The budget proposals include substantial investment which will directly support the delivery of the Council's Environmental Sustainability and Climate Change strategy.

Key Priorities

- 4.8 Investment through the HRA capital programme and revenue budget supports and

links to the following Council Plan 2019-2024 priorities:

- Affordable, modern, and well-designed homes that meets residents' needs
- Vibrant, welcoming, and attractive places
- A sustainable environment

Community Wealth Building

4.9 Through delivery of the SHIP, contractors are required to participate in the Council's Community Benefits Programme. Development projects aim to deliver new employment opportunities for the area, including jobs and apprenticeships. Work is undertaken in partnership with Procurement and Economic Regeneration to maximise community wealth benefits in procuring fixed term contracts.

5. Consultation

5.1 Housing Services engaged in a programme of consultation with key stakeholders in order to gather their views of the current service provision and priorities for future service delivery. This engagement was facilitated, in the main, through the Housing Business Plan Group and the Tenants and Residents Network.

5.2 A total of 1,121 responses were received - a response rate of 8.80%. This is the highest response to a rent consultation by North Ayrshire Council to date. Responses received from the tenants' consultation indicated an 73.51% preference for 'Option 1', a rent increase of an average of £4.99 for 2023/24. There was a 12.84% preference for 'Option 2' a rent increase of an average of £5.25 and a 13.65% preference for 'Option 3' a rent increase of an average of £5.45 for 2023/24. Tenants were invited to respond by completing an electronic form. A letter was issued to all tenants, emails and SMS messages were sent, posts were added social media channels, adverts were placed in the local press, posters were placed in key locations and tenants were supported to complete the consultation if calling or visiting offices. Housing Services staff also held local drop in events to assist tenants to complete the consultation.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact Yvonne Baulk, Head of Housing & Public Protection, on 01294 324542.

Background Papers

None

Appendix 1

North Ayrshire Council Draft HRA Capital plan 2023/24						
Pogramme Description	Total Project Budget	Spend to 31st Mar 2022	Projected Spend 2022/23	2023/24	Future Years House Building	Future Totals
				£000	£000	£000
Council House Building						
Bourtreesill Village	9,925	48	25	3,937	5,915	9,851
James MacFarlane	4,784	255	100	4,429	0	4,429
James Reid	11,896	629	120	11,147	0	11,147
Garnock Academy Site	12,093	524	100	11,065	405	11,469
Afton Court	1,336	74	1,104	157	0	157
Corsehillhead	2,028	156	600	1,272	0	1,272
Ayrshire Central Site	50,373	2,445	100	35,285	12,544	47,828
Montgomerie Park (Phase 1)	46,167	4,643	50	27,652	13,822	41,474
Stanecastle ASN School	7,768	515	100	6,833	320	7,154
Largs Police Station	2,769	360	1,705	704	0	704
Fullarton Street	14,481	3	25	7,435	7,018	14,454
Glebe Place	1,895	0	0	1,660	235	1,895
Regeneration Project 1e	1,658	0	5	1,093	560	1,653
Unallocated Regeneration Block 1	8,305	0	0	479	7,826	8,305
Laburnum Avenue	1,637	0	10	1,627	0	1,627
Newhouse Drive	1,637	0	5	1,632	0	1,632
King's Arms Project (Regen Project 1c)	2,170	179	160	1,831	0	1,831
Regeneration Project 1d	9,966	0	5	4,777	5,184	9,961
Contingency				9,944	0	9,944
House Build Management Fees				465	1,975	2,440
Refurbishment Schemes						
Saltcoats MSF Investment				854	0	854
Fullarton Regeneration				1,303	0	1,303
Acquisition of Houses - Open Market				355	0	355
Improvements to Existing Stock						
Bathroom				2,896	0	2,896
Electrical				969	0	969
Heating				2,925	0	2,925
Kitchen				3,851	0	3,851
Roofing & Rendering				1,885	0	1,885
Insulated Rendering				505	0	505
Window				319	0	319
Smoke Detectors				191	0	191
Energy Efficiency				1,667	0	1,667
Solar Panels				2,739	0	2,739
Regeneration Programme				2,391	0	2,391
Detection Equipment				1,263	0	1,263
Nelson Street Regeneration				597	0	597
Lift Replacement				454	0	454
Sheltered Housing				12,345	0	12,345
Management Charge				1,381	0	1,381
TOTAL EXPENDITURE				172,316	55,803	228,119
Funded By:-						
CFCR				(5,151)	0	(5,151)
Use of Reserves				(4,065)	(1,152)	(5,217)
Affordable Housing Fund				(2,445)	(2,030)	(4,475)
Capital Grants - House Building				(44,979)	(17,725)	(62,704)
Other Capital Income				0		
Prudential Borrowing				(115,676)	(34,897)	(150,572)
TOTAL INCOME				(172,316)	(55,803)	(228,119)

Draft HRA Revenue Budget 2023/24		
	Cost Type	2023/24 (£'000s)
Income	Rents:	
	Council houses	(56,804)
	Other rents	(516)
	Utilities Credit Billing / Feed in Tarriff / RHI Income	(151)
	Other Income:	
	External recharges	(363)
	Internal recharges	(124)
	Health Resource Funding	(9)
Gross Income		(57,967)
Expenditure	Employee Costs	6,146
	Property Costs:	
	Responsive repairs	7,979
	Void expenditure	3,559
	Planned & Cyclical maintenance	5,077
	Tenant Led Budgets & Infrastructure Improvements	274
	Aids & adaptations	1,617
	Other property costs	4,350
	Supplies and Services	399
	Transport Costs	35
	Administration Costs	514
	Insurances	296
	Central Support Costs	1,561
	Payments to Other Agencies, Bodies and Persons	1
	Internal Services	2,850
	Capital Financing:	
	CFCR	5,151
	Principal repayments	6,749
	Loans Fund interest	11,275
	Loans Fund expenses	151
	Revenue interest	(17)
Gross Expenditure		57,967

Rent Level Options for 2023/24

The survey will take approximately 4 minutes to complete.

* Required

Introduction



North Ayrshire Council consults annually with tenants on proposals relating to rent setting. This is your opportunity to have a say in how much rent you pay.

We remain committed to keeping your rent as affordable as possible, whilst continuing to deliver on your priorities as a tenant and ours as your landlord and ensuring high levels of tenant satisfaction.

Our rent levels are currently amongst the lowest in Scotland and remain the most affordable housing option for residents in North Ayrshire. Our average rent is lower than the average rent of Scottish Local Authorities and Scottish Social landlords.

- Here is a comparison of average rents in North Ayrshire by landlord in March 2022:
- North Ayrshire Council - £75.86
- ANCHO - £85.01
- Cunninghame Housing Association - £92.87
- Riverside Scotland - £92.29

This year's rent setting consultation period will run from 12 December 2022 to 22 January 2023. We will use your feedback to prepare a report for a meeting of the Council in February 2023, where elected members will consider the proposed rent increase for Council tenants for 2023/24.

We will write to inform you what your new rent charge will be at least four weeks in advance of any changes being implemented in April 2023.

If you're struggling with living costs, see our Cost of Living Support section of our website (north-ayrshire.gov.uk)

Pressures facing our Housing Revenue Account (HRA)



We are fully committed to keeping rent increases as low and affordable for our tenants as possible.

However, our Housing Revenue Account (HRA) – the ring-fenced fund which uses your rent to provide all your housing services – faces significant challenges as a direct result of the current economic climate. We are experiencing:

- Significantly higher costs for maintaining and improving our houses due to higher prices for contractors and materials
- Increased interest rates linked to borrowing costs to fund future capital projects
- Rising inflation affecting other running costs

These pressures have been reflected in the proposed rent options for next year.

Achieving savings for tenants



We realise these are very challenging financial times for our tenants, so we have done all we can to make sure the rent increase options you are being consulted on are as low as possible.

If we hadn't changed any of our previous spending plans, we would have to increase rents by **22.6%** just to keep up with the financial pressures we are facing. This is the equivalent of an extra £17.73 per week, based on the average rent in the current year of £77.76. We are aware that this would not be affordable to most of our tenants.

We have carried out a comprehensive budget review over the last few months and:

- identified general efficiencies across all areas of the HRA. These savings will not have any impact on the current service that is provided to tenants
- reduced some discretionary budgets: sub-divisional fencing; and infrastructure improvements
- removed the tenant-led budget of £0.216m, however tenants are being given the option to retain this fund by choosing a higher rent increase (Option 3).

All these measures will help to keep the rent increase for 2023/24 and future years as low as possible, minimising the financial impact on our tenants.

Investment and Improvement



Investing in your services

The three rent increase options we are seeking your views on all include investment in priority areas such as:

- Continuing our house building programme, with 1,625 new homes planned by March 2028
- Maintaining and improving your existing homes
- Funding of £124.9m to tackle climate change and achieve a net-zero housing stock, supporting our tenants with new energy efficient technologies
- Continuation of the £25m Sheltered Housing Reprovisioning Programme
- Continuation of the £10m Estate Based Regeneration Programme
- Funding to tackle digital and financial exclusion

Planned Capital Improvements 2023/24

Our Capital Investment Programme of improvements to your homes will continue. This work will include building new homes and continuing to invest in our existing homes and estates:

- Central heating (£2.92m)
- Solar PV (£2.75m)
- Kitchen upgrades (£2.55m)
- Roofing & Rendering (£1.89m)
- Bathroom upgrades (£1.69m)
- Energy efficiency (£1.67m)
- Estate based projects (£1.20m)
- Rewiring (£0.97m)
- Insulated render (0.50m)
- Lift renewals (£0.45m)
- Windows (£0.33m)
- Smoke detection (0.19m)

The capital programme previously included funding to replace all external doors over the next 30 years. Due to financial constraints, doors will instead be replaced based on their condition.

Again, due to current financial constraints and to keep your rent as low as possible we are recommending that the timescales for replacing kitchens and bathrooms are increased by two years to 22 and 27 years respectively. Options 2 and 3 of the rent consultation allow us to maintain the existing replacement times of 20 years for kitchens and 25 years for bathrooms funded by a higher rent increase

What are the rent level options for 2023/24?



The three proposed options are set out below, along with information on what each option will allow us to do. We are recommending you vote for Option 1, as this is the most affordable option.

Option 1

Increase rents by 6.42%, an average increase of **£4.99** per week

- Kitchens replaced every 22 years; bathrooms 27 years; no tenant-led budget

Option 2

Increase rents by 6.75%, an average increase of **£5.25** per week

- Kitchens replaced every 20 years; bathrooms 25 years; no tenant-led budget

Option 3

Increase rents by 7.01%, an average increase of **£5.45** per week

- Kitchens replaced every 20 years; bathrooms 25 years; tenant-led budget reinstated at £0.216m

The indicative average rent increases for 2024/25 would be the same £4.99 (6.03%) for option 1, £5.25 (6.32%) for option 2 and £5.25 (6.55%) for option 3. From 2025/26 onwards the indicative increase would be 4.29% each year for the remaining years of our 30-year plan. We will be working over the coming year to see if we can make further efficiencies to reduce this.

Affordability and weekly rent charges



It is important that we recognise the impact of rents and proposed rent increases on tenants' household income.

We have to consider affordability to tenants alongside our obligations as a landlord to maintain the quality of your home.

The weekly rent charge for 2023/24 for each proposed option, based on property size, would be:

Option 1 - Increase rents by 6.42%, an average increase of £4.99 per week

- Bedsit flat: £64.20
- Bedsit house: £64.20
- 1-bedroom flat: £81.12
- 1-bedroom house: £81.59
- 2-bedroom flat: £82.36
- 2-bedroom house: £82.87
- 3-bedroom flat: £83.59
- 3-bedroom house: £84.04
- 4-bedroom flat: £84.74
- 4-bedroom house: £85.21
- 5-bedroom house: £86.47
- 6-bedroom house: £87.64

Option 2 - Increase rents by 6.75%, an average increase of £5.25 per week

- Bedsit flat: £64.40
- Bedsit house: £64.40
- 1-bedroom flat: £81.38
- 1-bedroom house: £81.85
- 2-bedroom flat: £82.61
- 2-bedroom house: £83.13
- 3-bedroom flat: £83.85
- 3-bedroom house: £84.30
- 4-bedroom flat: £85.01
- 4-bedroom house: £85.47
- 5-bedroom house: £86.73
- 6-bedroom house: £87.92

Option 3 - Increase rents by 7.01%, an average increase of £5.45 per week

- Bedsit flat: £64.56
- Bedsit house: £64.56
- 1-bedroom flat: £81.57

- 1-bedroom house: £82.04
- 2-bedroom flat: £82.82
- 2-bedroom house: £83.33
- 3-bedroom flat: £84.06
- 3-bedroom house: £84.51
- 4-bedroom flat: £85.21
- 4-bedroom house: £85.68
- 5-bedroom house: £86.95
- 6-bedroom house: £88.13

It's important that we continue to consider the impact of any increase on our average rent levels and how affordable these are for current and future tenants.

We are confident that, with any of the increases proposed, our rent levels will continue to be amongst the lowest Local Authority landlords' rents nationally.

Vote for your preferred Rent Level Option



Please choose your preferred option below:

Option 1

Increase rents by 6.42%, an average increase of **£4.99** per week

- Kitchens replaced every 22 years; bathrooms 27 years; no tenant-led budget

Option 2

Increase rents by 6.75%, an average increase of **£5.25** per week

- Kitchens replaced every 20 years; bathrooms 25 years; no tenant-led budget

Option 3

Increase rents by 7.01%, an average increase of **£5.45** per week

- Kitchens replaced every 20 years; bathrooms 25 years; tenant-led budget reinstated at £0.216m

1

What is your preferred Rent level Option for 2023/24? *

- Option 1 – Increase rents by 6.42%, an average increase of **£4.99** per week
- Option 2 - Increase rents by 6.75%, an average increase of **£5.25** per week
- Option 3 - Increase rents by 7.01%, an average increase of **£5.45** per week

Enter the prize draw or request housing support



Each tenant who takes part in this consultation has the option to enter a prize draw to win one of two £50 high street shopping vouchers.

You can also tell us if you would like any extra support to help pay your rent or feel like you could benefit from some extra help with your tenancy

2

Please tick the boxes that apply to you.

- I would like some information on support available to help pay my rent
- I would like some extra support to help keep my tenancy
- I would like some information on the scheme that provides house contents insurance for tenants
- I would like to join the tenant's panel
- I would like to be entered into the prize draw for a £50 shopping voucher

Please provide your contact details



Please leave your details below so that we can contact you if we need to.

3

I confirm that I am a North Ayrshire Council tenant *

Yes

No

4

Name *

5

Address *

6

Postcode *

7

Telephone number *

8

Email address (optional)

Almost done...

You are about to submit your response. By clicking 'Submit' you give us permission to analyse and include your response in our results. After you click Submit, you will no longer be able to go back and change any of your answers.

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