

9 January 2020

Dear Councillor

**HOUSING OVERVIEW AND SCRUTINY PANEL - WEDNESDAY, 15 JANUARY 2020**

Please find attached, for consideration at the meeting of the Housing Overview and Scrutiny Panel on Wednesday, 15 January 2020, the following report that was unavailable when the agenda was printed.

Please bring this document with you to the meeting.

**Agenda No    Item**

5.    **Housing Revenue Account budget and the housing public sector capital expenditure programme for 2020/21 (Pages 3 - 20)**

To consider the Housing Revenue Account budget and the housing public sector capital expenditure programme for 2020/21.

Yours sincerely

**Karen Wardle**  
**Committee Administrator**

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## HOUSING OVERVIEW AND SCRUTINY PANEL – 15 JANUARY 2020

### PORTFOLIO: HOUSING SERVICES

## HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2020/21

### 1 INTRODUCTION

- 1.1 This report sets out the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, the maintenance programme and a proposed Housing Public Sector Capital Programme for 2020/21 – 2022/23.
- 1.2 The proposed budgets for 2020/21 will be considered by tenants at the Tenant Involvement Group Day on 10 January 2020. Their comments will be reported orally at this meeting.
- 1.3 The proposed HRA budget is attached as **Appendix 1**, and the proposed Capital programme at **Appendix 3**. Cabinet will be required to recommend budgets for consideration at Council on 24 February 2020.

### 2 KEY ISSUES

- 2.1 Members are asked to consider a number of financial issues for 2020/21.
- 2.2 **Housing Rents**
  - 2.2.1 The report identifies a proposed social rent increase of 2.7%, in line with the Government's current recommendation. It is the first increase for 4 years, following the social rent reduction programme. Current indications are that annual increases of CPI +1% may be applied for a 5 year period from 2020/21.
  - 2.2.2 Following the rent increase, average weekly rents will be £100.57 for 2020/21. The actual increase will vary by property but will amount to an average increase of £2.64 per week.
- 2.3 **Service Charges – Hostels & Older Persons Accommodation**
  - 2.3.1 The primary aim when reviewing and setting service charges is to ensure that relevant costs are fully recovered from those who benefit from additional services provided. A major review of service charges was carried out for 2019/20 and the impact of the changes made will be assessed at the year end when a full year's figures are available. In light of this, it is proposed to simply increase charges for 2020/21 by an inflationary level of 1.7% but note that service charges for some properties will increase by this inflationary increase and up to a further £2

per week, due to the gradual withdrawal of protections in place from the 2019/20 review.

## 2.4 Garage Rents

2.4.1 It is proposed that rents are increased by 30p per week (2.9%) to £10.70 per week, plus VAT where applicable.

## 2.5 Planned Maintenance & Improvement Works

2.5.1 The report proposes total budgetary provision of £7.137 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2020/21 and an indication of proposals for the following two years are set out in **Appendix 2**.

# 3 HRA INCOME 2020/21

3.1 Estimated total income for 2020/21 is £323,000 higher than the original budget for 2019/20. The income variations from the 2019/20 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	(391)	3.2
Non Dwelling Rents	22	3.3
Service Charges	24	3.4
Other Income	22	3.5
<b>Total</b>	<b>(323)</b>	

3.2 **Dwelling Rents (£391,000 increase)** – The proposed budget for 2020/21 includes the benefits of £706,000 arising from the proposed 2.7% rent increase and £250,000 from a net gain in stock numbers but these are offset by a reduction of £507,000 due to the removal of the 2019/20 53 rent week position and £58,000 from increased void levels. A cross service project group is already working on reducing void times over the next year.

3.3 **Non Dwelling Rents £22,000** – This income is derived from garages and rents of other housing land. The overall decrease reflects the impact of the removal of £15,000 additional income regarding the 2019/20 53 week rent debit year and £29,000 from reduced lettings due to voids and anticipated development opportunities on garage sites, offset by £22,000 additional income from the proposed rental increase.

3.4 **Service Charges £24,000** – Anticipated income will reduce by £13,000 due to the removal of the 53 week impact and by £23,000 to reflect increased voids and 2019/20 revised actual income following the service charge review, but the impact is offset by £12,000 arising from the proposed 1.7% increase. A further review will also be carried out in 2020/21 to assess whether additional charges are required.

- 3.5 **Other Income £22,000** – Anticipated interest earnings have reduced by £31,000 following the utilisation of capital receipts and the Acquisitions and Development Reserve to part fund the capital programme but this is offset by an additional shared amenities contribution towards increased grounds maintenance costs included in special services.

#### 4 HRA EXPENDITURE 2020/21

- 4.1 Budgeted operating expenditure for 2020/21 is £1.075 million higher than the approved budget for 2019/20 but this gets offset by a reduction of £752,000 in the contribution to the capital programme, as detailed in paragraph 4.7. The major variations are set out below:

	£000	Paragraph
Cyclical/Reactive Maintenance	641	4.2
General Management	386	4.3
Special Services/Homeless Assistance	41	4.4
Rents, Rates, Taxes and other charges	15	4.5
Capital Financing Costs	(8)	4.6
Operating Expenditure	1,075	
Contribution to Capital - Supporting Housing Strategy	(752)	4.7
<b>Total</b>	<b>323</b>	

- 4.2 **Cyclical/Reactive Maintenance £641,000** – Increased maintenance budgets are due principally to pay and prices increases of £160,000, £266,000 for the costs of the staffing review approved in July 2019 and £200,000 for the costs of the enhanced voids programme detailed separately on this agenda.
- 4.3 **General Management £386,000** - Supervision and Management budgets will increase due to pay and prices increases of £218,000, £268,000 for the costs of the maintenance staffing review approved in July 2019, additional corporate cost allocations of £88,000 (principally reflecting increased staff allocations to Housing Revenue Account Services and the drive towards Smarter Working and the enabling of remote and flexible working) and various other staff allocations and budget variations of £79,000, offset by savings of £267,000 due to changes in pension contribution arrangements.
- 4.4 **Special Services/Homeless Assistance £41,000** – An increase in budgets of £41,000 is due to pay and prices increases, which are largely offset by an increase in the shared amenities contribution and in service charge income.
- 4.5 **Capital Financing Costs (£8,000)** – Interest costs have reduced by £80,000 due to the repayment of the next £4.1 million instalment of the settlement loan in March 2020 but these have been offset by a new £72,000 principal allowance

repayment amount on internal borrowing for the proposed capital programme set out in Section 6 of this report.

- 4.6 **Rents, Rates, Taxes and Other Charges £15,000** – Additional costs are principally due to the inclusion of new budgets for Pentagon Court that were not included in 19/20 and to an increase in the amount of Council Tax payments on void properties.
- 4.7 **Contribution to Capital - Supporting Housing Strategy (£752,000)** – Any operating surplus is invested into the Housing Capital Programme. For 2020/21 this contribution is estimated at £8.473 million, a reduction of £752,000 from 2019/20. The reduction balances all of the other budget movements detailed earlier in this report to produce a break-even Housing Revenue Account budget.

## 5 HRA RESERVE BALANCE

- 5.1 The HRA Reserve balance as at 1 April 2019 was £1 million. This is considered to be a prudent level.
- 5.2 The original 2019/20 HRA budget showed a break-even position for the year. During 2019/20 the following net budget additions totalling £230,000 have occurred or are forecast. In accordance with current policy these will be funded from the Acquisitions and Development Reserve.

	<b>£000</b>
Reactive Maintenance (Cabinet December 2019)	500
Cyclical Maintenance (Cabinet December 2019)	(300)
Dwelling Rent Income (Cabinet December 2019)	(250)
Supervision & Management (Cabinet Sept.2019)	280
<b>Total</b>	<u><b>230</b></u>

- 5.3 The proposed HRA budget for 2020/21 currently shows a break-even position, resulting in no change to the reserve balance. The estimated Housing Revenue Account balance at 31 March 2020 and 31 March 2021 will therefore be £1 million.

## 6 CAPITAL PROGRAMME

- 6.1 The proposed Housing Public Sector capital expenditure programme for 2020/21 totals £15.800 million. The detailed programme and anticipated funding is set out below:

	<b>Original 2019/20 £000</b>	<b>Latest 2019/20 £000</b>	<b>Original 2020/21 £000</b>
<b>Proposed Expenditure</b>			
Planned Maintenance & Improvements	6,415	6,415	5,600
Environmental Enhancements	300	300	0
Estate Improvements	0	0	200
Disabled Facilities Adaptations	700	1,100	1,000
Development Strategy	11,850	13,438	9,000
Property Extensions	150	150	0
<b>TOTAL</b>	<b>19,415</b>	<b>21,403</b>	<b>15,800</b>
<b>Funded by</b>			
Revenue	9,225	9,225	8,473
Capital Receipts	3,000	3,000	2,000
Acquisitions and Dev. Reserve	6,510	8,928	827
Government Grant	680	250	900
Internal Borrowing	0	0	3,600
<b>TOTAL</b>	<b>19,415</b>	<b>21,403</b>	<b>15,800</b>

- 6.2 The Planned Maintenance and Improvements budget for 2019/20 included unspent balances brought forward from 2018/19 and therefore the programme for 2020/21 has been reduced back to a more regular annual level.
- 6.3 The proposed capital programme for 2020/21 budgets £9.000 million to be invested in additional homes. This is expected to markedly increase over the period post 2020/21 through to 2025/26, in line with the Council's new Housing Strategy, as covered in more detail in paragraph 6.4. Appendix 3 shows the proposed capital programme to 2022/23.
- 6.4 The Council's new Housing Strategy targets the delivery of at least 600 new homes covering the period 2018 - 2026. The delivery of the Housing Strategy to 2026 will seek to ensure ring-fenced Housing Revenue Account (HRA) resources are maximised to their full potential. The recent removal of the borrowing cap gives Local Authorities enhanced flexibilities in terms of playing a key part in the delivery of new affordable homes across the Country. Whilst modelling suggests that limited borrowing may be required to achieve the objectives set out within the strategy, it will be necessary to monitor progress over time. The Council should be prepared to consider any opportunities that arise, and the potential should be there to fund the delivery of new homes through borrowing as long as a sound financial viability appraisal confirms it is suitable to do so. The Council has a sound financial platform to build upon and the delivery of the Housing Strategy to 2026 will seek to further enhance the financial performance of the

existing HRA. By venturing into new tenures, the financial performance of the HRA will improve, as additional rental income is made available for the essential maintenance and management of the Council's overall Portfolio and to fund more new affordable homes.

## **7 ENVIRONMENTAL IMPLICATIONS**

- 7.1 All products used in the repair, maintenance and improvement of Council homes are selected to ensure the minimum impact upon the environment and at the same time balance the need to improve the energy efficiency of tenants' homes in order to meet the requirement for thermal efficiency under the Decent Homes Standard.

## **8 CRIME AND DISORDER IMPLICATIONS**

- 8.1 Many aspects of work identified in this report will improve the security of tenants' homes.

## **9 EQUALITY AND DIVERSITY IMPLICATIONS**

- 9.1 All equality and diversity implications will be considered at every stage of the process of commissioning and carrying out planned maintenance, improvement and cyclical maintenance works. In addition, any contractor used for works will have been assessed, as part of the process in becoming an approved NFDC contractor, in respect of their adherence to equality and diversity principles.

## **10 TENANTS VIEWS**

- 10.1 To be added to the Cabinet report after the Tenants Involvement Group meeting on 10 January 2020.

## **11 PORTFOLIO HOLDER COMMENTS**

- 11.1 To be added to the Cabinet report following the meeting of this Panel and the Tenants' Involvement Group meeting.



## 12 RECOMMENDATIONS

### For Housing Overview and Scrutiny Panel

12.1 That the Panel consider the HRA budget and housing public sector capital expenditure programme for 2020/21.

### For Cabinet

12.2 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme for 2020/21 – 2022/2023, as set out in Appendix 2.

12.3 That the Cabinet be asked to recommend to the Council that;

- i) the HRA budget as set out in Appendix 1, of this report be agreed;
- ii) from 05 April 2020, an increase in rents of 2.7% from the 2019/20 weekly rent level, in accordance with Government guidelines, be agreed;
- iii) from 05 April 2020, an increase in service charges of 1.7% from the 2019/20 weekly service charge level, be agreed;
- iii) from 05 April 2020, an increase of 30p per week (plus VAT where applicable) in garage rents be agreed; and
- iv) a Housing Capital Programme to 2022/23, as set out in Appendix 3, be agreed.

### For Further Information Please Contact:

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### Background Papers:

Published documents as referred to within this report.

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## HOUSING REVENUE ACCOUNT BUDGET

	2019/20 £'000	2020/21 £'000	Variation £'000	Para
<b>INCOME</b>				
Dwelling Rents	-25,963	-26,354	-391	3.2
Non Dwelling Rents	-808	-786	22	3.3
Charges for Services & Facilities	-684	-660	24	3.4
Contributions towards Expenditure	-64	-64	0	3.5
Interest Receivable	-109	-78	31	3.5
Sales Administration Recharge	-32	-32	0	3.5
Shared Amenities Contribution	-216	-225	-9	3.5
<b>TOTAL INCOME</b>	<b>-27,876</b>	<b>-28,199</b>	<b>-323</b>	
<b>EXPENDITURE</b>				
Repairs & Maintenance				
Cyclical Maintenance	1,380	1,337	-43	4.2
Reactive Maintenance	2,672	3,356	684	4.2
<b>Supervision &amp; Management</b>				
General Management	4,709	5,095	386	4.3
Special Services	1,183	1,222	39	4.4
Homeless Assistance	62	64	2	4.4
<b>Rents, Rates, Taxes and Other Charges</b>	39	54	15	4.5
<b>Provision for Bad Debt</b>	150	150	0	
<b>Capital Financing Costs</b>	8,456	8,448	-8	4.6
<b>TOTAL EXPENDITURE</b>	<b>18,651</b>	<b>19,726</b>	<b>1,075</b>	
<b>HRA OPERATING SURPLUS(-)</b>	<b>-9,225</b>	<b>-8,473</b>	<b>752</b>	
<b>Contribution to Capital - supporting Housing Strategy</b>	9,225	8,473	-752	4.7
<b>Transfer to Acquisitions/Development reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	

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**5 YEAR HOUSING PLANNED MAINTENANCE AND IMPROVEMENT PROGRAMME 2020 TO 2023**

**1. INTRODUCTION**

- 1.1 This programme has been compiled taking into account the 10 year Housing Planned Maintenance and Improvements programme.
- 1.2 All works identified in this report are based upon stock condition surveys, and feedback from Housing Maintenance Officers. This is followed by an inspection regime prior to work being specified to ensure only expenditure required is actually committed.
- 1.3 The programme for 2020 to 2023 has been devised to continue to meet the requirements of the “Decent Homes Standard”.

**2. PROGRESS REPORTING OF THE PROGRAMME**

- 2.1 Overall budgetary and programme control is exercised by regular review meetings and detailed monthly information being provided to Senior Managers and the Housing Accountant.
- 2.2 As in previous years, expenditure on the Planned Maintenance Programme will be controlled through the year in response to tenders received by adjusting workloads, specifications and work programmes. Priority works will be identified and carried out to ensure that the maximum expenditure is achieved within the overall budget.

**3. BUDGET PROVISIONS**

- 3.1 The budgets for 2020/21 are £5,600,000 for planned maintenance projects, £200,000 for environmental improvements, and £1,337,000 for cyclical maintenance. These budgets will substantially contribute to achieving the Decent Homes Standard, enhancing the energy efficiency of our properties and ensuring all actions in relation to fire risk assessments are addressed.
- 3.2 Schedule 1 is a summary of the various headings of expenditure comprising the total budget provision and includes estimates for future years.

**4. PROPOSALS**

- 4.1 Within the Planned Maintenance programme, the work proposed is broadly in line with that of previous years. The prime purpose of this expenditure is to maintain the fabric of Council homes, to ensure services such as electrical and heating systems are in a safe condition and importantly to ensure that all our homes continue to meet the Decent Homes Standard. Current predictions indicate that the Council will continue to achieve this target.

- 4.2 The Decent Homes Standard requires properties to meet several criteria ranging from general fitness to having modern facilities. Guidance issued advises that for a home to be decent it must meet the following four criteria:-
- It contains no serious hazards under this Housing Health and Safety Rating System;
  - It is in a reasonable state of repair;
  - It has reasonably modern facilities and services;
  - It provides a reasonable degree of thermal comfort.
- 4.3 A property will fail the requirement for reasonably modern facilities and services if it lacks three or more of the following aspects:-
- A reasonably modern kitchen (20 years old or less);
  - A kitchen with adequate space and layout;
  - A reasonably modern bathroom (30 years old or less);
  - An appropriately located bathroom and WC;
  - Adequate insulation against external noise (where external noise is a problem);
  - Adequate size and layout of common areas for blocks of flats.
- 4.4 An explanation of some of the items included within Schedule 1 is given below:
- An allowance of £700,000 has been made for replacing kitchens in 2020/21. This will allow for the renewal of all the kitchens over 30 years old (excluding where the tenant has previously refused the works). This kitchen refurbishment contract has been tendered on a 4-year framework commencing in 2019.
  - An allowance of £800,000 has been made for renewing bathrooms in 2020/21 and this will allow for the replacement of all the bathrooms over 40 years old (excluding where the tenant has previously refused the works); This bathroom refurbishment contract has been tendered on a 4-year framework commencing in 2019
  - An allowance of £700,000 has been made for upgrading heating installations in 2020/21 with modern energy efficient boilers and controls, and this will allow for the renewal of all the boilers over 15 years old (excluding where the tenant has previously refused the works).
  - An allowance of £100,000 for Energy performance upgrades and insulation works in 2020/21. This will include acting on recommendations that are included on EPC certificates, installing renewable energy system (solar PV and air source heat pumps) and upgrading of insulation in lofts and cavity walls where applicable.
  - An allowance of £610,000 has been made for re-roofing in 2020/21;

- An allowance of £1,200,000 has been made for replacing windows and renewing Flat entrance doors with fire resistant doors in line with recommendations from Fire Risk Assessments in 2020/21;
- Works to other communal areas of flats and minor works/alterations to older person accommodation to include compartmentation works, removal of carpets and soft furnishings and decoration with flame resistant paint.
- Included within miscellaneous works are items identified from fire risk assessments, legionella risk assessments and larger works identified from Reactive Maintenance repairs;

4.5 An allowance of £200,000 has been made for estate improvements, this will be to undertake enhancements within estates such as forming parking bays, enhancing external communal areas etc.

#### 4.6 Cyclical maintenance

- This programme of works covers the servicing contracts and any other shorter term reoccurring works. The majority of these works cover our Health and Safety responsibilities;
- Housing Maintenance completes approximately 50% of this programme using in-house direct labour. This includes the gas, oil and solid fuel inspections and breakdown attendance.
- External Contractors provide the fire alarm, lift and automatic doors servicing as well as legionella checks and window cleaning. These are currently managed by the Housing team through Council Corporate Contracts.

### 5. **TENANT INVOLVEMENT**

5.1 With planned maintenance and improvement works it is intended to continue with the current practice of involving tenants and residents in aspects of the work that affects their homes. Consultation will ensure that any inconvenience and disruption is kept to a minimum.

5.2 Where choice can be given without compromising the effectiveness or the necessity of the work, this will be given. Choice could mean the tenant electing not to have the work done, or in selecting finishes and colour schemes if and when improvements are carried out. Generally no choice will be given where works, such as re-roofing, involve essential maintenance work.

**2020/21 MAINTENANCE BUDGETS**

<b>PLANNED MAINTENANCE AND IMPROVEMENTS BUDGET</b>			
	20120/21	2021/22	2022/23
Kitchen Modernisations	700,000	800,000	900,000
Bathroom Modernisations	800,000	835,000	835,000
Heating – boiler replacements gas/oil/electric	700,000	700,000	725,000
Electrical Works	200,000	200,000	207,000
EPC improvements	100,000	120,000	150,000
Roofing	610,000	635,000	673,000
Structural Repairs	200,000	207,000	207,000
Entrance fire doors and windows	1,200,000	1,203,000	1,203,000
Asbestos Removal and Low Maintenance Eaves	250,000	200,000	200,000
Improvements to communal areas	400,000	400,000	400,000
Lighting upgrades	100,000	100,000	100,000
Miscellaneous works, including fire audit work, etc.	340,000	400,000	500,000
<b>TOTAL PLANNED MAINTENANCE &amp; IMPROVEMENT BUDGET</b>	<b>£5,600,000</b>	<b>£5,800,000</b>	<b>£6,000,000</b>



<b>CYCLICAL MAINTENANCE</b>			
	2020/21	2021/22	2022/23
Appliance servicing (including gas, solid fuel, oil, smoke detectors & CO Servicing)	758,000	900,000	900,000
Fire alarm servicing/upgrading	55,000	60,000	60,000
Lift servicing/upgrading	54,000	97,000	97,000
Portable appliance testing	4,000	4,200	4,200
Legionella checks	10,000	11,000	11,000
External redecorations include internal communal areas of flats and gutter cleaning	407,000	435,000	435,000
Elderly persons internal redecoration	25,000	26,000	26,000
Servicing automatic doors	3,000	3,200	3,200
Window Cleaning	16,000	17,000	17,000
Servicing air source heat pumps	500	700	700
Miscellaneous	4,500	4,900	4,900
<b>TOTAL CYCLICAL MAINTENANCE</b>	<b>£1,337,000</b>	<b>£1,559,000</b>	<b>£1,559,000</b>

<b>ENVIRONMENTAL IMPROVEMENTS</b>			
	2020/21	2021/22	2022/23
Provision of estate works and paving	200,000	200,000	200,000
<b>TOTAL ENVIRONMENTAL IMPROVEMENTS</b>	<b>£200,000</b>	<b>£200,000</b>	<b>£200,000</b>

<b>TOTAL FORECAST MAINTENANCE EXPENDITURE</b>			
	2020/21	2021/22	2022/23
<b>TOTAL EXPENDITURE</b>	<b>£7,137,000</b>	<b>£7,359,000</b>	<b>£7,359,000</b>

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## CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

## PUBLIC SECTOR HOUSING CAPITAL PROGRAMME

		PROJECT REQUIREMENTS £			2020/21 PROJECT FINANCING £				
		2020/21	2021/22	2022/23	Grants & Conts.	Cap Receipts / DC's	Internal Borrowing	HRA	HRA Reserves
HRA - Major Repairs	HRA	5,600,000	5,800,000	6,000,000				5,600,000	
Estate Improvements	HRA	200,000	200,000	200,000				200,000	
Council Dwellings - Strategy Delivery	HRA	9,000,000	16,000,000	20,000,000	900,000	2,000,000	3,600,000	1,673,000	827,000
Disabled Facilities Grants	HRA	1,000,000	1,000,000	1,000,000				1,000,000	
		<b>15,800,000</b>	<b>23,000,000</b>	<b>27,200,000</b>	<b>900,000</b>	<b>2,000,000</b>	<b>3,600,000</b>	<b>8,473,000</b>	<b>827,000</b>
									<b>15,800,000</b>

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