

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

**1. RECOMMENDATIONS**

- 1.1 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.
- 1.2 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.

**2. INTRODUCTION**

- 2.1 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.
- 2.2 The proposed budgets for 2020/21 were considered by tenants at the Tenant Involvement Group Day on 10 January 2020 and by Housing Overview & Scrutiny Panel on 15 January. Their comments are set out in Sections 11 and 12.
- 2.3 The proposed HRA budget is attached as Appendix 1, and the proposed Capital programme at Appendix 3. Cabinet are required to recommend budgets for consideration at Council on 24 February 2020.

### 3. KEY ISSUES

#### 3.1 Housing Rents

3.1.1 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.

3.1.2 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.

#### 3.2 Service Charges – Hostels & Older Persons Accommodation

3.2.1 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.

#### 3.3 Garage Rents

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

#### 3.4 Planned Maintenance & Improvement Works

3.4.1 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**.

### 4. HRA INCOME 2020/21

4.1 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)	4.2
Non Dwelling Rents	22	4.3
Service Charges	24	4.4
Other Income	22	4.5
<b>Total</b>	<b>(323)</b>	

- 4.2 **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.
- 4.3 **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.
- 4.4 **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.
- 4.5 **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 partially offset by an additional shared amenities contribution towards increased grounds maintenance costs included in special services.

## 5. HRA EXPENDITURE 2020/21

- 5.1 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 5.7. The major variations are set out below:

	£000	Paragraph
Cyclical/Reactive Maintenance	641	5.2
General Management	386	5.3
Special Services/Homeless Assistance	41	5.4
Rents, Rates, Taxes and other charges	15	5.5
Capital Financing Costs	(8)	5.6
Operating Expenditure	1,075	
Contribution to Capital - Supporting Housing Strategy	(752)	5.7
<b>Total</b>	<b>323</b>	

- 5.2 **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 dealt with as a policy change through the overview and scrutiny panel.
- 5.3 **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.
- 5.4 **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.
- 5.5 **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.
- 5.6 **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.
- 5.7 **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.

## 6. HRA RESERVE BALANCE

- 6.1 The HRA Reserve balance as at 1 April 2019 was £1 million. This is considered to be a prudent level.

- 6.2 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>	<b><u>230</u></b>

- 6.3 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.

## 7. CAPITAL PROGRAMME

- 7.1 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><u>19,415</u></b>	<b><u>21,403</u></b>	<b><u>15,800</u></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><u>19,415</u></b>	<b><u>21,403</u></b>	<b><u>15,800</u></b>

- 7.2 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.
- 7.3 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 7.4. Appendix 3 shows the proposed capital programme to 2022/23.
- 7.4 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.

## **8. ENVIRONMENTAL IMPLICATIONS**

- 8.1 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.

## **9. CRIME AND DISORDER IMPLICATIONS**

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

## **10. EQUALITY AND DIVERSITY IMPLICATIONS**

- 10.1 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.

## **11. TENANTS VIEWS**

- 11.1 This is a well-balanced report, everything seems to have been accounted for and it is clear and understandable.

The Tenant Involvement Group support plans to provide more social housing and the proposed borrowing plans seem sensible. Going forwards we feel the Council could take advantage of Government lifting the borrowing cap, if appropriate.

Even though there is a rent increase, we feel tenants are being treated fairly and are still getting good value for money.

We give the HRA budget and capital expenditure programme for 2020/21 our full support.

## **12. HOUSING OVERVIEW SCUTINY PANEL COMMENTS**

- 12.1 The Panel noted the report and endorsed the recommendations to Cabinet and Council.

## **13. PORTFOLIO HOLDER COMMENTS**

- 13.1 I am pleased to be able to present this report, which sets out the proposed Housing Revenue Account budget for 2020/21, together with the anticipated planned maintenance and capital programmes covering the period to March 2023.
- 13.2 Through this budget, this Council has not only made a commitment to invest in the upkeep of its current stock, with maintenance spend in 2020/21 budgeted to be in excess of £11m, but is also committing to provide new, additional homes, with anticipated spending of £45m forecast over the three years to March 2023.
- 13.3 I am pleased that the tenants are so supportive of the report and that the Housing Panel endorse the recommendations.
- 13.4 The Council is investing in its ability to deliver good quality homes within our district to those in greatest need, and I continue to be incredibly proud to play a part in it.
- 13.5 I fully support the recommendations as laid out in section 1.

**For Further Information Please Contact:**

Grainne O'Rourke  
Executive Head of Housing and Governance  
023 8028 5588  
Email: [grainne.orourke@nfdc.gov.uk](mailto:grainne.orourke@nfdc.gov.uk)

Alan Bethune  
Head of Finance (S151 Officer)  
023 8028 5588  
Email: [alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)

**Background Papers:**

Published documents as referred to within this report.

## HOUSING REVENUE ACCOUNT BUDGET

	2019/20 £'000	2020/21 £'000	Variation £'000	Para
<b>INCOME</b>				
Dwelling Rents	-25,963	-26,354	-391	4.2
Non Dwelling Rents	-808	-786	22	4.3
Charges for Services & Facilities	-684	-660	24	4.4
Contributions towards Expenditure	-64	-64	0	4.5
Interest Receivable	-109	-78	31	4.5
Sales Administration Recharge	-32	-32	0	4.5
Shared Amenities Contribution	-216	-225	-9	4.5
<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	5.2
Reactive Maintenance	2,672	3,356	684	5.2
<b>Supervision &amp; Management</b>				
General Management	4,709	5,095	386	5.3
Special Services	1,183	1,222	39	5.4
Homeless Assistance	62	64	2	5.4
<b>Rents, Rates, Taxes and Other Charges</b>	<b>39</b>	<b>54</b>	<b>15</b>	<b>5.5</b>
<b>Provision for Bad Debt</b>	<b>150</b>	<b>150</b>	<b>0</b>	
<b>Capital Financing Costs</b>	<b>8,456</b>	<b>8,448</b>	<b>-8</b>	<b>5.6</b>
<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>	<b>9,225</b>	<b>8,473</b>	<b>-752</b>	<b>5.7</b>
<b>Transfer to Acquisitions/Development reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	

	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>PLANNED MAINTENANCE AND IMPROVEMENTS</b>			
Kitchen Modernisations	700	800	900
Bathroom Modernisations	800	835	835
Heating – boiler replacements gas/oil/electric	700	700	725
Electrical Works	200	200	207
EPC improvements	100	120	150
Roofing	610	635	673
Structural Repairs	200	207	207
Entrance fire doors and windows	1,200	1,203	1,203
Asbestos Removal and Low Maintenance Eaves	250	200	200
Improvements to communal areas	400	400	400
Lighting upgrades	100	100	100
Miscellaneous works, including fire audit work, etc.	340	400	400
<b>TOTAL: PLANNED MAINTENANCE AND IMPROVEMENTS</b>	<b>5,600</b>	<b>5,800</b>	<b>6,000</b>
<b>CYCLICAL MAINTENANCE</b>			
Appliance servicing (inc. gas, solid fuel, oil, smoke detectors)	758	900	900
Fire alarm servicing/upgrading	55	60	60
Lift servicing/upgrading	54	97	97
Portable appliance testing	4	4	4
Legionella checks	10	11	11
External redecorations (inc. gutter cleaning)	407	435	435
Elderly persons internal redecoration	25	26	26
Servicing automatic doors	3	3	3
Window Cleaning	16	17	17
Servicing air source heat pumps	1	1	1
Miscellaneous	5	5	5
<b>TOTAL: CYCLICAL MAINTENANCE</b>	<b>1,337</b>	<b>1,559</b>	<b>1,559</b>
<b>ESTATE IMPROVEMENTS</b>			
Provision of estate works and paving	200	200	200
<b>TOTAL: ESTATE IMPROVEMENTS</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>TOTAL FORECAST MAINTENANCE EXPENDITURE</b>	<b>7,137</b>	<b>7,559</b>	<b>7,759</b>

## 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	5,600,000	5,800,000	6,000,000				5,600,000	
Estate Improvements	200,000	200,000	200,000				200,000	
Council Dwellings - Strategy Delivery	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	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>