

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2021/22

1. RECOMMENDATIONS

- 1.1 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme for 2021/22 – 2023/2024, 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 04 April 2021, an increase in rents of 1.5% from the 2020/21 weekly rent level, in accordance with Government guidelines, be agreed;
 - iii) from 04 April 2021, an increase in service charges of 0.5% from the 2020/21 weekly service charge level, be agreed;
 - iv) a Housing Capital Programme to 2023/24, 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 2021/22 – 2023/24.
- 2.2 The proposed budgets for 2021/22 were considered by the Tenant Involvement Group during January 2021 and by Housing Overview & Scrutiny Panel on 20 January 2021. 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 will be required to recommend budgets for consideration at Council on 25 February 2021.

3. KEY ISSUES

- 3.1 Members are asked to consider a number of financial issues for 2021/22.
- 3.2 **Housing Rents**
 - 3.2.1 The report identifies a proposed social rent increase of 1.5%, in line with the Government's current recommendation. It is the second increase, following a four year social rent reduction programme. Current indications are that annual increases of CPI +1% may be applied for a further three year period.
 - 3.2.2 Following the rent increase, average weekly rents will be £102.08 for 2021/22. The actual increase will vary by property but will amount to an average increase of £1.51 per week.

3.3 Service Charges – Hostels & Older Persons Accommodation

3.3.1 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 charges was carried out for 2019/20 and a number of new chargeable units have been acquired during 2019/20 and 2020/21. A further review will be carried out during 2021/22 once two full year's figures are available and the impact of the changes made will be assessed. In light of this, it is proposed to simply increase charges for 2021/22 by an inflationary level of 0.5% 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.

3.4 Garage Rents

3.4.1 It is proposed that there is no change to garage rents which were increased by 30p per week (2.9%) to £10.70 per week, plus VAT where applicable, in 20/21.

3.5 Planned Maintenance & Improvement Works

3.5.1 The report proposes total budgetary provision of £7.596 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2021/22 and an indication of proposals for the following two years are set out in **Appendix 2**.

4. HRA INCOME 2021/22

4.1 Estimated total income for 2021/22 is £873,000 higher than the original budget for 2020/21. The income variations from the 2020/21 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	(922)	4.2
Non - Dwelling Rents	73	4.3
Service Charges	(70)	4.4
Other Income	46	4.5
Total	(873)	

4.2 **Dwelling Rents (£922,000 increase)** – The proposed budget for 2021/22 includes the benefits of £396,000 arising from the proposed 1.5% rent increase and £590,000 from a net gain in stock numbers, but these are offset by a reduction of £64,000 from increased void levels.

4.3 **Non - Dwelling Rents £73,000** – This income is derived from garages and rents of other housing land. The overall decrease reflects the impact of reduced lettings due to voids and anticipated development opportunities on garage sites.

4.4 **Service Charges (£70,000 increase)** – Anticipated income will increase by £3,000 due to the proposed 0.5% increase and £67,000 due to new properties being subject to service charge and the impact of the 2019/20 review.

- 4.5 **Other Income £46,000** – Anticipated interest earnings have reduced by £63,000 due to a reduction in interest rates and 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 of £17,000 towards increased trees grounds maintenance costs included in special services.

5. HRA EXPENDITURE 2021/22

- 5.1 Budgeted operating expenditure for 2021/22 is £576,000 higher than the approved budget for 2020/21 and there is an increase of £647,000 in resources available for contribution to the capital programme, as detailed in paragraph 5.7. The major variations are set out below:

	£000	Paragraph
Cyclical/Reactive Maintenance	71	5.2
General Management	451	5.3
Special Services/Homeless Assistance	79	5.4
Rents, Rates, Taxes and other charges	23	5.5
Capital Financing Costs	(48)	5.6
Operating Expenditure	576	
Contribution to Capital - Supporting Housing Strategy	647	5.7
Total	1,223	

- 5.2 **Cyclical/Reactive Maintenance £71,000** – Increased maintenance budgets are due to pay and prices increases of £62,000 and other staffing costs/allocation changes of £9,000.
- 5.3 **General Management £451,000** - Supervision and Management budgets will increase due to pay and prices increases of £76,000, £37,000 for increased insurance premiums and £2,000 additional staffing allocations but these will be offset by reduced corporate cost allocations of £14,000 (principally due to a lower corporate ICT work programme). In addition, £200,000 has been allocated for Housing ICT system replacement and £150,000 for additional Stock Condition Surveyors but these costs will be funded from the ICT Replacement and Acquisitions and Development Reserves respectively.
- 5.4 **Special Services/Homeless Assistance £79,000** – An increase in budgets is due to pay and prices increases of £25,000, the inclusion of additional utilities budgets for new hostel units £16,000 and grounds maintenance budgets have been increased by £60,000 for additional tree works but these have been offset by a reduction of £22,000 in older persons accommodation utilities costs.
- 5.5 **Rents, Rates, Taxes and Other Charges £23,000** – Additional costs are due to the inclusion of new budgets for additional hostel units £9,000 and to an increase of £14,000 in the amount of Council Tax payments on void properties.

- 5.6 **Capital Financing Costs (£48,000)** – Interest costs have reduced by £101,000 due to lower interest rates and the repayment of the next £4.1 million instalment of the settlement loan in March 2021 but these have been offset by increased costs of £6,000 interest and £52,000 principal allowance repayment amount on internal borrowing for the proposed capital programme set out in Section 7 of this report.
- 5.7 **Contribution to Capital - Supporting Housing Strategy £647,000** – Any operating surplus, after transfers from earmarked reserves (see paragraph 5.3), is invested into the Housing Capital Programme. For 2021/22 this contribution is estimated at £9.120 million, an increase of £647,000 from 2020/21. The increase 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 2020 was £1 million. This is considered to be a prudent level.
- 6.2 The original 2020/21 HRA budget showed a break-even position for the year. While there has been a number of income and expenditure variations during 2020/21, as reported to Cabinet in December 2020, these have largely been compensating and therefore no overall budget variations have been identified to date. Any variations identified at year end will be balanced by a transfer to or from the Acquisitions and Development Reserve, in accordance with current policy.
- 6.3 The proposed HRA budget for 2021/22 currently shows a net operating deficit position of £350,000 but this will be funded from earmarked reserves, resulting in no change to the general HRA reserve balance. The estimated Housing Revenue Account balance at 31 March 2021 and 31 March 2022 will therefore be £1 million.

7. CAPITAL PROGRAMME

- 7.1 The proposed Housing Public Sector capital expenditure programme for 2021/22 totals £20.250 million. The detailed programme and anticipated funding is set out below:

	Original 2020/21 £000	Latest 2020/21 £000	Original 2021/22 £000
Proposed Expenditure			
Planned Maintenance & Improvements	5,600	5,600	6,050
Estate Improvements	200	200	200
Disabled Facilities Adaptations	1,000	500	1,000
Development Strategy	9,000	9,000	13,000
TOTAL	15,800	15,300	20,250
Funded by			
Revenue	8,473	8,473	9,120
Capital Receipts	2,000	2,000	2,000
Acquisitions and Dev. Reserve	827	467	2,630
Government Grant	900	760	1,300
Internal Borrowing	3,600	3,600	5,200
TOTAL	15,800	15,300	20,250

- 7.2 The Planned Maintenance and Improvements budget for 2021/22 has increased by £450,000 to £6.050 million. This includes new provision of £250,000 for upgrades to hardwired fire and security equipment in older persons accommodation.
- 7.3 The proposed capital programme for 2021/22 budgets £13.000 million to be invested in additional homes. This is expected to increase further over the period post 2021/22 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 2023/24.
- 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 The Council is committed to implementing sustainable measures to improve the energy efficiency of its tenants homes with significant investment in new modern windows and doors, roofs and energy efficient boilers as set out in the report.
- 8.2 In addition to the above investment by the Council, new funding of over £280,000 has been secured from the Government for heat pumps to be installed within eligible tenants homes which do not have access to a mains gas supply. The Council will contribute a further £500,000 to this particular Programme during 2021/22. This will bring about warmer homes and reduced energy bills for such tenants.

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 We feel housing teams are coping well in the difficult circumstances we are all experiencing at the current time. It is also recognised that maintenance budgets are bound to go up because of increased costs for components and delivery.

Tenant Representatives feel the decisions being made by Senior Managers are appropriate and sensible and the direction of travel is considered to be positive. The Tenant Involvement Group support the content of the HRA report, budget and capital expenditure programme for 2021/22.

12. HOUSING OVERVIEW SCUTINY PANEL COMMENTS

- 12.1 The Housing Overview and Scrutiny Panel at its meeting of 20 January 2021, was supportive of the recommendations.

13. PORTFOLIO HOLDER COMMENTS

- 13.1 I consider that we have struck the right balance with this budget. We continue to invest heavily in maintaining our council homes for the benefit of our tenants as well as investing significant sums to acquire and develop new council homes. We are also implementing greener housing initiatives as part of our emerging greener housing agenda.

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Background Papers:

Published documents as referred to within this report.