

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2022/23

1. RECOMMENDATIONS

- 1.1 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme for 2022/23 – 2024/25, 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 03 April 2022, an increase in rents of 4.1% from the 2021/22 weekly rent level, in accordance with Government guidelines, be agreed;
 - iii) from 03 April 2022, an increase in service charges of 3.1% from the 2021/22 weekly service charge level, be agreed;
 - iv) a Housing Capital Programme to 2024/25, as set out in Appendix 4, 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 2022/23 – 2024/25.
- 2.2 The proposed budgets for 2022/23 were considered by the Tenant Involvement Group on 20 January 2022 and by the Housing and Homelessness Services Overview & Scrutiny Panel on 19 January 2022. Their comments are set out in Sections 12 and 13.
- 2.3 The proposed HRA budget is attached as **Appendix 1**, and the proposed Capital programme at **Appendix 4**. Cabinet is required to recommend budgets for consideration at Council on 21 February 2022.

3 KEY ISSUES

- 3.1 Housing Authorities and Registered Providers face on-going challenges to maintain the continuation of high-quality services to their tenants, ensuring that buildings are safe and free from hazards and gearing up to deliver greater energy efficiency measures in the retrofitting of their stock, as well as delivering more affordable homes. Tenants, too, are facing challenges over

rises in the cost of living and increases in energy bills. The proposal set out below to increase rents in line with the Government's current recommendation is considered to strike the right balance to ensure that the Council continues to provide high quality services to tenants and that the necessary programmes of maintenance and repairs to council housing stock are undertaken, as well as delivering new affordable council homes for the District.

3.2 Members are asked to consider a number of financial issues for 2022/23.

3.3 **Housing Rents**

3.3.1 The report identifies a proposed social rent increase of 4.1%, in line with the Government's current recommendation. It is the third increase, following a four-year social rent reduction programme. Current indications are that annual increases of CPI +1% may be applied for a further two-year period.

3.3.2 Following the rent increase, average weekly rents will be £106.27 for 2022/23. The actual increase will vary by property but will amount to an average increase of £4.19 per week.

3.4 **Service Charges – Hostels & Older Persons Accommodation**

3.4.1 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. It is proposed to increase charges for 2022/23 by an inflationary level of 3.1% but note that service charges for a few 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 latest review carried out in 2019/20.

3.5 **Garage Rents**

3.5.1 It is proposed that there is no change to garage rents which were last increased by 30p per week (2.9%) to £10.70 per week, plus VAT where applicable, in 2020/21.

3.6 **Planned Maintenance & Improvement Works**

3.6.1 The report proposes total budgetary provision of £6.896 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2022/23 and an indication of proposals for the following two years are set out in **Appendix 2**.

3.7 **Fire Risk Assessment Works**

3.7.1 The Council set up a new Housing Compliance and Asset Management Section to ensure fire safety and statutory compliance matters are given the appropriate priority. Following a comprehensive review of fire safety and fire risk assessments, a new separate budget

is included within the capital programme to deal with fire risk assessment actions. Budget, totalling £5.5 million has been earmarked over a 3-year period (£3 million in 2022/23, £2 million in 2023/24 and £0.5 million in 2024/25) to deal with implementing new fire doors, where required, across the Council's blocks of flats, other fire remedial work including compartmentation works and new alarms, to ensure that the risk of fire is as low as reasonably practicable.

4 HRA INCOME 2022/23

- 4.1 Estimated total income for 2022/23 is £1.152 million higher than the original budget for 2021/22. The income variations from the 2021/22 approved budget are set out below:

	Change £000	Paragraph
Dwelling Rents	(1,138)	4.2
Non – Dwelling Rents	41	4.3
Service Charges	(2)	4.4
Other Income	(53)	4.5
Total	(1,152)	

- 4.2 **Dwelling Rents (£1.138 million increase)** – The proposed budget for 2022/23 includes the benefits of £1.119 million arising from the proposed 4.1% rent increase and £96,000 from a return to more normal levels of voids than in the last two years, but these are offset by a reduction of £77,000 from net gains in property numbers not being as high in 2021/22 as anticipated.
- 4.3 **Non - Dwelling Rents £41,000 (reduction)** – 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 (£2,000 increase)** – Anticipated income will increase by £21,000 due to the proposed 3.1% increase in charges but this is offset by a reduction of £19,000 due to increased void costs from a higher level of turnover of lettings.
- 4.5 **Other Income (£53,000 increase)** – Despite utilising reserves to fund the capital programme, interest earnings have increased by £43,000 following an increase in anticipated interest rates. The Shared Amenities contribution from the General Fund has increased by £14,000 to cover inflationary increases in costs and increases in expenditure on trees and other estate budgets. These are offset by a reduction of £4,000 in other miscellaneous income items.

5 HRA EXPENDITURE 2022/23

- 5.1 Budgeted operating expenditure for 2022/23 is £1.002 million higher than the approved budget for 2021/22, which after allowing for transfers from reserves means that surplus resources available for contribution to the capital

programme remain at the same level as in 2021/22, as detailed in paragraph 5.7. The major variations are set out below:

	Change £000	Paragraph
Cyclical/Reactive Maintenance	80	5.2
General Management	663	5.3
Special Services/Homeless Assistance	102	5.4
Rents, Rates, Taxes and other charges	4	5.5
Capital Financing Costs	153	5.6
Operating Expenditure	1,002	
Contribution to Capital - Supporting Housing Strategy	0	5.7
Total	1,002	

- 5.2 **Cyclical/Reactive Maintenance £80,000** – Increased maintenance budgets are principally due to pay and prices increases of £170,000 and a reduction of £110,000 in income for work carried out on non - Housing assets but these have largely been offset by a reduction of £180,000 in cyclical maintenance budgets, the programme for which is set out in **Appendix 2** and £46,000 in staffing budgets for work now carried out externally.
- 5.3 **General Management £663,000** - Supervision and Management budgets will increase principally due to pay and prices increases of £192,000, £453,000 for additional staffing within the Housing Repairs and Housing Estate Management Teams, increased corporate allocations of £172,000 and increased other direct allocations of £65,000 but these will be offset by the removal of £150,000 non- recurring expenditure from 2021/22 for a replacement Housing ICT system (funded from the ICT Replacement Reserve) and £87,000 from a vacant post reduction in the Housing Development Team and other staff costs in the Housing Repairs team. The increase in resources within the Housing Estates Management Team will enable a greater proactive approach to dealing with tenant issues and their concerns, including anti-social behaviour, and will provide a greater presence within estates to deal with these issues directly and more quickly, to prevent escalation. The additional resources in Housing Repairs will enable the Council to deliver, at a quicker pace, the necessary fire assessment actions and other programmed works.
- 5.4 **Special Services/Homeless Assistance £102,000** – An increase in budgets is principally due to pay and prices increases of £55,000, additional property cleaning costs of £29,000, an increase of £7,000 in the trees and other grounds maintenance budgets, an allocation of £6,000 for CCTV monitoring and £4,000 additional corporate cost allocations.

- 5.5 **Rents, Rates, Taxes and Other Charges £4,000** – Additional costs are due to the inclusion of latest updated budgets for hostel unit Council Tax charges.
- 5.6 **Capital Financing Costs £153,000** – Capital Financing costs have increased by £153,000. This is largely due to principal repayments of £131,000 and interest costs of £72,000 on new borrowing for the proposed capital programme set out in Section 7 of this report and £48,000 additional interest costs of existing internal borrowing, due to anticipated increased interest rates, offset by a reduction of £98,000 in interest costs due to the repayment of the next £4.1 million instalment of the settlement borrowing in March 2022.
- 5.7 **Contribution to Capital - Supporting Housing Strategy £0** – Any operating surplus, after transfers from earmarked reserves (see paragraph 5.3), is invested into the Housing Capital Programme. For 2022/23 this contribution is estimated at £9.120 million, unchanged from 2021/22.

6 HRA RESERVE BALANCE

- 6.1 The HRA Reserve balance as at 1 April 2021 was £1 million. This is considered to be a prudent level.
- 6.2 The original 2021/22 HRA budget showed a net operating deficit position of £350,000 which was to be met from earmarked reserves. A financial update report for the year will be presented to Cabinet on 2 February 2022. In accordance with current policy, any surplus or deficit for the year will be balanced by a transfer to or from the Acquisitions and Development Reserve, which stood at £13.089 million as at 31 March 2021.
- 6.3 The proposed HRA budget for 2022/23 currently shows a net operating deficit position of £200,000 but this relates to non-recurring expenditure and 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 2022 and 31 March 2023 will therefore be £1 million.

7 HRA MEDIUM TERM FINANCIAL PLAN

- 7.1 Attached as **Appendix 3** is an indication of HRA budgets for two years post 2022/23 and is included to enable decisions for 2022/23 to be made in the context of affordability for the medium term. While these budgets will be amended in future years, it shows that estimated operating surpluses for each year exceed the level of resource required to fund the Major Repairs, Disabled Facilities Grants and Estate Improvements capital expenditure programmes, that are traditionally funded from HRA revenue contributions. This indicates that both the revenue and capital programmes are affordable over the period 2022/23- 2024/25.

8 CAPITAL PROGRAMME

- 8.1 The proposed Housing Public Sector capital expenditure programme for 2022/23 totals £24.900 million. The detailed programme and anticipated funding is set out below:

	Original 2021/22 £000	Latest 2021/22 £000	Original 2022/23 £000
Proposed Expenditure			
Fire Risk Assessment Works	0	0	3,000
Major Structural Refurbishments	0	0	1,000
Planned Maintenance & Improvements	6,050	6,050	5,500
Estate Improvements	200	200	200
Disabled Facilities Adaptations	1,000	900	1,000
Development Strategy	13,000	9,500	14,200
TOTAL	20,250	16,650	24,900
Funded by			
Revenue	9,120	9,120	9,120
Capital Receipts	2,000	2,000	2,000
Acquisitions and Dev. Reserve	2,630	1,730	2,150
Government Grant	1,300	0	1,950
Internal Borrowing	5,200	3,800	2,270
External Borrowing	0	0	7,410
TOTAL	20,250	16,650	24,900

- 8.2 Significant works to properties, including compartmentation and new fire doors, have been identified following detailed Fire Assessment surveys. Funding of £3 million is proposed for 2022/23.
- 8.3 The Authority is holding several properties requiring significant structural refurbishment works, a number of which are currently void. Initial funding of £1 million is proposed to upgrade these properties.
- 8.4 Overall expenditure on maintenance budgets is increasing but to partially offset the additional new expenditure identified in paragraphs 8.2 and 8.3 the general Planned Maintenance and Improvements budget for 2022/23 has reduced by £550,000 to £5.500 million. Details of the proposed programme are set out in **Appendix 2**.
- 8.5 The proposed capital programme for 2022/23 includes £14.200 million to be invested in additional homes. This level of expenditure is also expected over the period post 2022/23 through to 2025/26, in line with the Council's new Housing Strategy, as covered in more detail in paragraph 8.6. **Appendix 4** shows the proposed capital programme to 2024/25.
- 8.6 The Council's 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 will 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.

- 8.7 Based on latest estimates, the proposed capital programme will result in the total accumulated borrowing requirement exceeding the level of Housing specific cash reserves held during 2022/23. This would necessitate external borrowing during 2022/23 to finance the programme. However, the decision about timing of actual borrowing will be taken as part of the Council's overall Treasury Management Strategy.

9 ENVIRONMENTAL IMPLICATIONS

- 9.1 The capital works programme continues to provide more sustainable measures to improve the thermal efficiency of Council housing stock, through more efficient window replacement programmes, insulation, boiler replacements and air source heat pumps. Through the work undertaken by the Greener Housing Task and Finish Group and the emerging Greener Housing Strategy, the Council is committed to undertaking more sustainable measures year on year including through the retrofitting of its stock.
- 9.2 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.

10. CRIME AND DISORDER IMPLICATIONS

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

11. EQUALITY AND DIVERSITY IMPLICATIONS

- 11.1 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.

12. TENANTS' VIEWS

12.1 These are challenging times for both individual households and the Council. We recognise the rent increase is substantial and would urge the Council, in partnership with others, to continue to look at ways to support households who may be struggling financially. However, we understand the Council is facing increased costs in maintaining homes and as well as the need to increase investment in building safety, home improvements, providing more homes and the greener housing initiative.

Therefore, we believe the proposed recommendations are fair, the rent level represents good value for money and resources have been reasonably allocated.

13. HOUSING & HOMELESSNESS SERVICES SCRUTINY PANEL COMMENTS

13.1 The Housing & Homelessness Services Scrutiny Panel, at its meeting of 19 January 2022, was supportive of the recommendations.

14. PORTFOLIO HOLDER COMMENTS

14.1 I endorse all the recommendations in this report. As a Housing Authority, delivering high quality services to our tenants is our priority. This budget will enable us to ensure that our council dwellings are maintained in good order as well as providing a greater presence in our Estates so that we can engage directly with tenants. I would like to express my thanks to the Tenants Involvement Group for the work they continue to do in representing the views of our tenants to help us improve service delivery and I am pleased that they consider the recommendations in this report are fair and represent value for money.

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Background Papers:

Published documents as referred to within this report.