

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2023/24

1. RECOMMENDATIONS

- 1.1 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme 2023/24-2025/26, as set out in Appendix 2.
- 1.2 That the Cabinet be asked to recommend to Council:
 - i) that the HRA budget, as set out in Appendix 1 of this report, be agreed;
 - ii) that from 03 April 2023, an increase in rents of 7.0% from the 2022/23 weekly rent level, in accordance with Government guidelines, be agreed;
 - iii) that from 03 April 2023, an increase in garage rents of 13% from the 2022/23 weekly rent level be agreed;
 - iv) that from 03 April 2023, an increase in shared ownership property rents of 7% from the 2022/23 weekly rent level, varied from the allowed RPI +1% increase of 13.1%, in accordance with Government requests of the Housing Sector, be agreed;
 - v) that from 03 April 2023 a further uplift in domestic energy service charges of up to a maximum of 25% and an increase of up to 7% in communal service charges, in line with the annual rent increase, ahead of a wider review and consultation later in the year, be agreed;
 - vi) that a Housing Capital Programme to 2025/26, as set out in Appendix 5, 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 2023/24 – 2025/26.
- 2.2 The proposed budgets for 2023/24 will be considered by tenants on the Tenants Involvement Group on 18 January 2023. Their comments will be included in the report to Cabinet on 15 February 2023.

- 2.3 The proposed HRA budget is attached as **Appendix 1**, the detailed maintenance programme at **Appendix 2**, the 3-year forecast medium term financial position at **Appendix 3**, the 30-year business plan at **Appendix 4** and the proposed Capital programme at **Appendix 5**. Cabinet will be required to recommend budgets for consideration at Council on 27 February 2023.

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 in the District.

- 3.2 Members are asked to consider a number of financial issues for 2023/24.

3.3 Housing Rents

- 3.3.1 The proposed budget identifies a social rent increase of 7.0%, in line with the Government's notified rent increase cap. It is the fourth increase, following a previous four-year social rent reduction programme. Increases in the last three years were based on Government guidelines of CPI+1%. If the cap had not been introduced the increase would have been 11.1%.

- 3.3.2 Following the rent increase, average weekly rents will be £113.71 for 2023/24. The actual increase will vary by property but will amount to an average increase of £7.44 per week.

3.4 Service Charges – Hostels & Flat Accommodation

- 3.4.1 Service Charges are currently used by the Council as a method to recover domestic energy costs from tenants where their personal usage costs are charged directly to the Council by the respective Utility Company. Service Charges are also used to recover some aspects of communal heating and lighting costs from tenants, which are also incurred in their respective blocks.

- 3.4.2 Although there was an interim review of charges in January 2019, and each year charges are nominally increased in line with inflation, the type of services eligible to be charged to tenants have not been fundamentally reviewed for a number of years.

- 3.4.3 The recent rise in energy costs has only stood to exacerbate the difference between the Council's actual costs and what it charges for energy use to tenants, through service charges. This means the Council's landlord function is under recovering costs incurred in providing tenants with domestic energy, and/or communal heating and lighting. In this example the shortfall of costs incurred in this provision would effectively be borne by wider housing service budgets. In November 2022, Cabinet agreed to a 25% increase of domestic energy charges to be levied from 3rd January 2023. This report proposes a further uplift, up to a maximum of 25%, with effect from April 2023, and a 7% uplift of the charges for communal services received, to match the proposed increase in the basic rent for 23/24 from 3rd April 2023. This will help to ensure that the gap between actual charges incurred by the Housing Revenue Account and that charged to tenants (relating to existing charges), is not too disproportionate ahead of a wider review and consultation later in the year.
- 3.4.4 Currently only 693 dwellings receive a charge. The proposal is to recover additional annual income of circa £90,000 from these tenants from 3 April 2023.
- 3.4.5 The impact on tenants is varied. In some cases, the weekly charge is lower than currently charged. This is due to the new transparent approach using actual costs. In most cases the weekly charges increase, within a range from £0.27 to £5.15 for domestic energy and no increase up to £1.49 for communal charges. Communal costs are eligible for Housing Benefit and Universal Credit so the majority of tenants will be unaffected by an increase.
- 3.4.6 A wider review will be undertaken during 2023/24 with a view to ensuring a fair and transparent charging mechanism is in place for all properties liable for a service charge.

3.5 **Garage Rents**

- 3.5.1 Garage rents were last increased in 2020/21. It is proposed that charges are increased in 2023/24 by 13% (£1.39 per week) to £12.09 per week, plus VAT where applicable.

3.6 **Planned Maintenance & Improvement Works**

- 3.6.1 The report proposes total budgetary provision of £10.100 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2023/24 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, 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.

3.8 Housing Improvement Regime

3.8.1 In order to meet additional requirements on the Council arising under the Social Housing Regulation Bill, the new Tenant Satisfaction Measures regime and the Social Housing Residents Charter, a review has been carried out and additional staffing resources of £328,000 have been allocated, principally within the Housing Maintenance and Housing Management Teams. In addition, £108,000 has been allocated for external consultancy, tenant surveys, tenant data capture and tenant engagement computer software.

4. HRA INCOME 2023/24

4.1 Estimated total income for 2023/24 is £2.328 million higher than the original budget for 2022/23. The income variations from the 2022/23 approved budget are set out below:

	Change £000	Paragraph
Dwelling Rents	(1,813)	4.2
Non – Dwelling Rents	(48)	4.3
Service Charges	(117)	4.4
Other Income	(350)	4.5
Total	<u>(2,328)</u>	

4.2 **Dwelling Rents (£1.813 million increase)** – The proposed budget for 2023/24 includes the benefits of £1.974 million arising from the proposed 7.0% rent increase and £47,000 from an increase in dwelling numbers but this is offset by a loss of income of £208,000 due to continuing void levels.

4.3 **Non - Dwelling Rents (£48,000 increase)** – This income is derived from garages and rents of other housing land. The overall increase reflects the proposed increase in charges (£79,000) offset by a reduction of £31,000 due to the impact of reduced lettings from voids and anticipated development opportunities on garage sites.

- 4.4 **Service Charges (£117,000 increase)** – The service charges proposals detailed in Section 3 will generate additional income of £90,000. This together with income from new units will result in total additional income in 2023/24 of £117,000.
- 4.5 **Other Income (£350,000 increase)** – Despite utilising reserves to fund the capital programme, interest earnings have increased by £320,000 following an increase in interest rates. The Shared Amenities contribution from the General Fund has increased by £30,000 to cover inflationary increases in costs and increases in expenditure on trees and other estate budgets.

5. HRA EXPENDITURE 2023/24

- 5.1 Budgeted operating expenditure for 2023/24 is £3.029 million higher than the approved budget for 2022/23. After allowing for increased depreciation charges and transfers from reserves for specific earmarked projects, surplus resources available for making principal repayments on borrowing are reduced by £1.331 million to maintain a balanced Housing Revenue Account for the year, as detailed in paragraph 5.8. The major variations are set out below:

	Change £000	Paragraph
Cyclical/Reactive Maintenance	1,252	5.2
General Management	923	5.3
Special Services/Homeless Assistance	522	5.4
Rents, Rates, Taxes and other charges	8	5.5
Capital Financing Costs - Interest	<u>324</u>	5.6
Operating Expenditure	3,029	
Contribution to Capital – Supporting Housing Strategy	<u>580</u>	5.7
	3,609	
Capital Financing Costs – Principal	<u>-1,331</u>	5.8
Total	<u>2,278</u>	

- 5.2 **Cyclical/Reactive Maintenance £1.252 million** – Increased maintenance budgets are principally due to pay and prices increases of £610,000, an increase of £359,000 on cyclical maintenance due to the reintroduction of external decorations and sheltered accommodation decoration works and maintenance costs of new alarm systems, £181,000 from the Housing Improvement Regime staffing review, a £50,000 staff transfer from capital works to revenue void works and £28,000 additional costs from the vehicle replacement programme.
- 5.3 **General Management £923,000** - Supervision and Management budgets will increase principally due to pay and prices increases of £494,000, £222,000 for additional staffing, largely within the Housing Repairs and Housing Estate Management Teams and £108,000 in supplies and services budgets following the Housing Improvement Regime and senior management team reviews. In

addition, there are increased corporate allocations of £23,000, increased premises insurance costs of £20,000, a £46,000 transfer of Housing Development Team staffing costs previously allocated to General Fund activities and £52,000 increased building cleaning allocations for general needs housing areas. These costs are offset by the removal of a £50,000 non-recurring ICT software budget that was funded in 22/23 from the ICT Reserve.

- 5.4 **Special Services/Homeless Assistance £522,000** – An increase in budgets is principally due to utility bill increases of £393,000, other pay and prices increases of £105,000 and an increase of £38,000 in the Trees Maintenance budget, offset by a reduction in cleaning budgets due to the reallocation of a greater level of costs to general needs housing.
- 5.5 **Rents, Rates, Taxes and Other Charges £8,000** – Additional costs are due to the inclusion of latest updated budgets for hostel unit Council Tax charges and general needs housing whilst void repairs are being carried out.
- 5.6 **Capital Financing Costs £324,000** – Capital Financing costs have increased by £324,000. This is due to interest costs of £218,000 on new borrowing for the proposed capital programme set out in Section 8 of this report and £211,000 additional interest costs of existing internal borrowing, due to increased interest rates, offset by a reduction of £105,000 in interest costs due to the repayment of the next £4.1 million instalment of the settlement borrowing in March 2023.
- 5.7 **Contribution to Capital - Supporting Housing Strategy £580,0000** – This budget is the prescribed calculation of dwellings depreciation that needs to be charged to the Housing Revenue Account and is used to part fund the capital programme. The figure has increased principally because of an increase in the housing stock value that needs to be depreciated.
- 5.8 **Capital Financing Costs – Principal -£1.331 million** – After allowing for any transfers from reserves, the Council is required to set a balanced budget for the year. Increased expenditure and notional depreciation costs in 2023/24 of £3.609 million exceed anticipated increased income of £2.328 million, reducing the annual amount available for repaying principal on borrowing by £1.331 million. The maturing loan of £4.1 million will be repaid during 2023/24 and replaced with new borrowing of £1.331 million.

6. HRA RESERVE BALANCE

- 6.1 The HRA Reserve balance as at 1 April 2022 was £1 million. This is considered to be a prudent level.
- 6.2 The original 2022/23 HRA budget showed a net operating deficit position of £200,000 which was to be met from earmarked reserves. A financial update report for the year will be presented to Cabinet on 6 February 2023. 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 £11.729 million as at 31 March 2022.

6.3 The proposed HRA budget for 2023/24 currently shows a net operating deficit position of £150,000 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 2023 and 31 March 2024 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 2023/24 and is included to enable decisions for 2023/24 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 enable resources to be allocated to part fund the Capital Programme but the Council's ability to repay the annual maturing borrowing is not possible and therefore spending pressures will need to be controlled.

8. 30 YEAR BUSINESS PLAN

8.1 The Council, with the assistance of an external consultant has produced a 30- year HRA business plan. This will be used to monitor the long-term implications of budget plans and aspirations. A summary of the initial document is set out in **Appendix 4**.

9. CAPITAL PROGRAMME

9.1 The proposed Housing Public Sector capital expenditure programme for 2023/24 totals £27.610 million. The detailed programme and anticipated funding is set out below:

	Original 2022/23 £000	Latest 2022/23 £000	Original 2023/24 £000
Proposed Expenditure			
Fire Risk Assessment Works	3,000	3,000	2,000
Major Structural Refurbishments	1,000	1,000	1,000
Planned Maintenance & Improvements	5,500	5,500	7,760
Robertshaw House	0	0	500
Estate Improvements	200	200	200
Disabled Facilities Adaptations	1,000	1,000	950
Development Strategy	14,200	10,200	15,200
TOTAL	24,900	20,900	27,610
Funded by			
Revenue	9,120	9,700	9,700
Capital Receipts	2,000	2,000	2,000
Acquisitions and Dev. Reserve	2,150	3,760	2,970
Government Grant	1,950	1,360	3,660
Internal Borrowing	2,270	4,080	1,530
External Borrowing	7,410	0	7,750
TOTAL	24,900	20,900	27,610

- 9.2 Significant works to properties, including compartmentation and new fire doors, are being carried out following detailed Fire Assessment surveys. Funding of £2 million is proposed for 2023/24.
- 9.3 The Authority is holding several properties requiring significant structural refurbishment works, a number of which are currently void. Funding of £1 million is proposed to upgrade these properties.
- 9.4 The Major Repairs budget was reduced in 2022/23 to partially offset the new expenditure items detailed in paragraphs 9.2 and 9.3 but has been increased in 2024/25 to £7.760 million to reflect identified programme needs. Details of the proposed programme are set out in **Appendix 2**.
- 9.5 Robertshaw House - Budget provision of £500,000 has been allocated for major internal and external refurbishment and improvement works at Robertshaw House.
- 9.6 The proposed capital programme for 2023/24 includes £15.200 million to be invested in additional homes. This level of expenditure is also expected over the period post 2023/24 through to 2025/26, in line with the Council's new Housing Strategy, as covered in more detail in paragraph 9.7. **Appendix 5** shows the proposed capital programme to 2025/26.
- 9.7 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. 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.
- 9.8 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 2023/24. This would necessitate external borrowing during 2023/24 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.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 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.
- 10.2 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.

11. CRIME AND DISORDER IMPLICATIONS

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

12. EQUALITY AND DIVERSITY IMPLICATIONS

- 12.1 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.

13. TENANTS' VIEWS

- 13.1 Nobody likes to see the rent go up, but once the report and strategy were explained clearly, it would seem the figures are understandable.
- 13.2 The TIG were pleased to see a positive strategy going forward in respect of maintaining housing stock to a high standard. They also felt it was positive to see that some of the older communal buildings are having refurbishment work carried out and being brought up to a high standard, in respect of fire / building safety. The group were pleased to see the maintenance budget hadn't been cut, even though materials, equipment and other costs had gone up considerably over the last year.
- 13.3 The TIG feel the HRA report shows a good degree of prudence and consideration and the increases are fair, balanced, and reasonable.

14. HOUSING & HOMELESSNESS OVERVIEW AND SCRUTINY PANEL COMMENTS

- 14.1 The Panel considered the HRA budget and housing stock capital expenditure for 2023/24. Members of the Panel noted the proposed increase in rent. It was recognised that the social and shared ownership rent had been increased in accordance with Government guidelines. There was an acceptance that the recommendations in the report sought to maximise HRA income and that this was necessary given the current financial pressures on the HRA.

15. PORTFOLIO HOLDER COMMENTS

- 15.1 The Portfolio Holder welcomes the £10.1million provision for planned maintenance and improvement works set out within the report, ensuring that the Council continues to invest in its housing stock and provide tenants with quality, well maintained homes. The predicted £150,000 net operating deficit relating to non-recurring expenditure for 2023/24 is noted, as is the financing of this from earmarked reserves. The Portfolio Holder supports the recommendations set out within the report.

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Background Papers:

Published documents as referred to within this report.