



**EXECUTIVE OVERVIEW & SCRUTINY  
COMMITTEE: 13 January 2022**

**CABINET: 25 January 2022**

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**Report of: Head of Finance, Procurement and Commercial Services**

**Relevant Portfolio Holder: Cllr J. Wilkie**

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**SUBJECT: HOUSING ACCOUNT – REVENUE AND CAPITAL BUDGET SETTING**

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Wards Affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To enable the Council to set its Housing Revenue Account (HRA) budget and capital investment programme for the next financial year 2022/23.

## **2.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

- 2.1 That the budget position be considered and that any comments agreed by the Committee be submitted to the Housing and Landlord Services Portfolio Holder in advance of the Council meeting to be held on 23 February 2022.

## **3.0 RECOMMENDATIONS TO CABINET**

- 3.1 That the financial position be noted and consideration given to the budget matters set out in this report.
- 3.2 That the use of the Director of Place & Community's delegated authority in relation to rent and service charge changes be noted and endorsed.
- 3.3 That this report be used for consultation purposes prior to the Council considering this matter in February 2022.

- 3.4 That the Housing and Landlord Services Portfolio Holder be given delegated authority to submit firm proposals to Council on 23 February 2022 to enable the budget to be set.

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## **4.0 BACKGROUND**

- 4.1 The Council must set a budget for its Housing Revenue Account (HRA) before the start of each financial year, and this budget will set out the financial basis for the delivery of services. The budget that is set must enable Council and tenant priorities to be delivered but must also be affordable. In addition it should comply with best practice requirements on budget setting and meet statutory and accounting regulations.
- 4.2 The Covid pandemic has had a substantial operational impact for WLBC during 2020/21 and 2021/22, particularly in relation to the delivery of services and collection of rents. This coincided with the new SORP organisation structures and working methods coming into place from 1 April 2020.

## **5.0 RENTAL INCOME**

- 5.1 In line with our standard practice, the Director of Place & Community will use her delegated authority to increase the majority of tenant rents by 4.1%, (being September CPI of 3.1% plus 1%), from April 2022.
- 5.2 To ensure compliance with the specific rules of the new rent policy and rent standard, a number of specific rules will also be applied to WLBC rents:
- To ensure strict adherence to the maximum rent increase that is allowed of CPI + 1%, all rents with this increase will be rounded down to the nearest penny. The effect in any individual year is negligible and penny differences over time will be corrected each time a property is re-let.
  - Around 1% of properties will have an increase in rent of between 0% and 3.1%, (being September 2021 CPI), rounded down if applicable.
- 5.3 The rent budget is also affected by the number of properties within the Housing Stock which will be influenced by Right to Buy Council house sales (which is outside the Council's control), the number of homes built or purchased, and the number of homes demolished as part of revival and development projects.

## **6.0 OTHER CHARGES**

- 6.1 The general principle applied to service charges is that they should be calculated to ensure that they are sufficient to recover the full cost of service provision. In addition, the Government has advised, but not directed, that it would expect service charge increases to be limited to CPI + 1% unless there is a very clear rationale.
- 6.2 In keeping with this principle, it is proposed to increase the general level of service charges next year by 4.1% (based on the September CPI rate of 3.1% plus 1.0% in line with our standard practice). In general, the service charges apply to communal properties such as sheltered stock and flats as well as residents who receive the Council's furnishing service.
- 6.3 There will be a number of exceptions to this general approach including:
- The heating charge for each property in 2022/23 will be calculated based on estimated cost. This means that different charges will apply to different residents. Gas prices have increased significantly in recent months. However; the heating account overall remains in surplus, so increases for most our residents will be limited to 2%, except for around 100 residents who will receive an increase between 0% and 2%, and around 71 residents who will receive an increase of between 2% and 4%
  - As in 2021/22, garage rents will be increased by CPI, (3.1%).
- 6.4 There are a number of changes to service charges for leaseholders. Some leaseholders might see an overall increase in their bill in excess of 4.1% During 2020/21 and 2021/22 budget setting it was advised that to avoid excessive increases in one year we would phase increases over two or three years in some cases, so some increases will continue to be phased in over 2022/23.

## **7.0 REVENUE ESTIMATES**

- 7.1 Work on the HRA revenue estimates for 2022/23 is ongoing and will be reported at Council. The estimates will provide the detailed information that sets out the financial basis for how HRA service objectives will be achieved. They will cover all areas of revenue expenditure and income and include changes in the base budget required to roll forward agreed service levels, such as pay and contract inflation, but will not allow for any service improvements.
- 7.2 The HRA estimates summary in 7.3 below provides a high-level picture consistent with 2021/22 mid-year reporting, and makes clear the main assumptions being applied. Appendix 1 details the draft estimates for 2022/23.

## 7.3

## Indicative HRA Revenue Estimates Summary 2022/23

Budget Area	2021/22 Budget £000	Mid year Forecast Variance £000	2022/23 Summary £000	Assumptions
Employee Expenses	3,617	-100	4,059	£325k resourcing changes; 2% assumed pay uplift; 1.25% welfare tax/Nl.
Void repairs and response repairs	3,504	1,000	4,504	£1m forecast overspend in 21/22 assumed to base. Wates business cases assumed to be refuted.
Other premises costs	3,314	-200	3,512	No contract inflation identified. Electrical testing budget moved from supplies & services.
Transport costs	149	0	162	No contract inflation identified. Modest increase in fleet recharge costs.
Budget contingency	482	-482	260	Returned to base budget contingency amount
Supplies and Services	1,194	-50	980	Electrical testing moved to premises related costs
Support Services and internal income (net)	2,927	0	2,736	2% uplift assumed on recharges not yet finalised, pending completion of work.
Loan interest & Contribution towards Repayment	3,407	0	3,419	£3,057k interest – existing debt £362k existing debt repayment set aside

Contributions to capital	7,600	0	7,435	Balancing item
Dwelling rents	-23,260	-25	-24,300	4.1% uplift on the majority of tenant rents. Assumed rtb losses outweighed by new stock from TVD.
Other external income	-2,934	-25	-3,087	Several different income streams that behave in different ways. 4.1% increase to most service charges; 3.1% on garages.
<b>Total</b>	<b>0</b>	<b>118</b>	<b>-320</b>	

## 8.0 CAPITAL INVESTMENT PROGRAMME

8.1 The Capital Investment Programme for the next seven years is shown in 8.2, below. These are the remaining years from the eight year housing capital programme approved by Council in February 2021. £400k of 2021/22 Walls budget, reprofiled at mid-year into 2022/23 has also been added. The budgets have initially been profiled equally to support resource allocation and contract procurement, Operational changes between years will be reflected in budget adjustments forwards or backwards.

### 8.2 Capital investment Plan until 2028/29

Scheme	22/23 £000's	23/24 £000's	5 Years 2024-29
Roofing	1,105	1,105	5,519
External Works	833	833	4,165
Kitchens	733	733	3,664
Heating	851	851	4,257
Windows & Doors	448	448	2,241
Electrics	329	329	1,644
Bathrooms	463	463	2,317
Walls	844	444	2,219
Fire Safety Works	101	101	507
Communal Services	133	133	667
<b>Housing Capital Investment Plan</b>	<b>5,840</b>	<b>5,440</b>	<b>27,200 (5,440pa)</b>
Carbon Neutral Dwellings	475		
Salary costs & Professional Fees	600	600	3,000
Disabled Adaptations	502	502	2,510
Contingency	300	300	1,500
Change in Standard for Smoke	300	300	1,500
Environmental Programme	364	200	1,000
Sheltered Housing Upgrades	140	140	700
Lifts	35		
Solar PV Battery Storage	25		
<b>Other Housing Schemes</b>	<b>2,741</b>	<b>2,042</b>	<b>10,210 (2,042pa)</b>
<b>Total Expenditure</b>	<b>8,581</b>	<b>7,482</b>	<b>37,410 (7,482pa)</b>

\*Funded from revenue contributions and HRA borrowing

\*\*No contract inflation added at this stage

- 8.3 Delivery of Tawd Valley Developments phase one continues, providing additional housing for WLBC tenants. The budget of £17.009m for phase one not used in 2020/21 was reprofiled into 2021/22. Phase one budget for phase one works to be delivered in 2022/23 will be reprofiled at year end, once the 2021/22 outturn position is known. Phase one funding plans were to utilise borrowing as well as Homes England Grants and 141 receipts. If the financial position at the end of 2021/22 supports it, funding may be switched to revenue contributions to avoid the unnecessary use of borrowing.
- 8.4 HRA budget relating to Tawd Valley Developments phases two and three are being finalised, in line with the approved TVD business plan values, which cover both Council Housing and houses for private sale.

## 9.0 BUDGET PROPOSALS

- 9.1 In addition to the roll over budget in continuing services, it is also important to consider new budget issues and areas for development. The table in 9.2 indicates budget issue that officers have identified so far and that should be considered as part of the budget process. Members will need to consider these options, plus any others that may emerge through the budget process and determine which proposals to include in the final budget to meet service objectives.

- 9.2 Indicative HRA budget issues and ambitions

	Indicative budget Issues	2022/23 £000	2023/24 £000	2024/25 £000
	<b>Capital Expenditure</b>			
1	Regeneration project - £9m	1,000	4,000	4,000
2	Abritas upgrade	36	3	
3	Digital screens for Sheltered schemes	12		
	<b>Sub Total</b>	<b>1,048</b>	<b>4,003</b>	<b>4,000</b>
	<b>Revenue Expenditure</b>			
1	Second half of stock condition survey	300		
2	ASB prevention measures	10	10	10
3	Hardship fund - ongoing	10	10	10
	<b>Sub Total</b>	<b>320</b>	<b>20</b>	<b>20</b>
	<b>Total</b>	<b>1,368</b>	<b>4,023</b>	<b>4,020</b>

\*revenue policy options will be funded from the HRA (rents)

\*\*capital policy options will be funded by HRA borrowing

- 9.3 The views of tenants and residents will also be considered through meeting with the tenant scrutiny group and reviewing the proposed HRA revenue and capital budgets as well as the new budget issue.

## **10.0 SUSTAINABILITY IMPLICATIONS**

- 10.1 The Council with its Tenants wants to ensure that the future business plan allows properties to be brought up to a reasonable standard and that appropriate investment can be made at the appropriate time. Business plan modelling enables a well-informed investment plan to be developed in keeping with the requirements of an effective asset management strategy.

## **11.0 RISK ASSESSMENT**

- 11.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

## **12.0 HEALTH AND WELLBEING IMPLICATIONS**

- 12.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The direct impact on members of the public, employees, elected members and / or stakeholders is dependent on the proposals to be put forward at the Council meeting. Therefore no Equality Impact Assessment has been produced at this time. However, an Assessment will be produced and made available at the Council meeting if required.



## Appendix 1 – HRA Draft Estimates 2022/23

	Employees	Running Expenses	External income	Total Cash	Support Services & Capital Charges	Net budget
Budget 2022/23	£	£	£	£	£	£
<b>General Expenses</b>						
Premises Related Expenses	0	167,890	0	<b>167,890</b>	0	<b>167,890</b>
Bad Debts Provision	0	160,000	0	<b>160,000</b>	0	<b>160,000</b>
Capital Programme Contribution	0	0	0	<b>0</b>	7,434,510	<b>7,434,510</b>
Debt Principal Repayment	0	0	0	<b>0</b>	362,110	<b>362,110</b>
Debt Charges	0	0	0	<b>0</b>	3,056,990	<b>3,056,990</b>
<b>Sub-Total</b>	<b>0</b>	<b>327,890</b>	<b>0</b>	<b>327,890</b>	<b>10,853,610</b>	<b>11,181,500</b>
<b>Supervision, Management, Repairs &amp; Maintenance</b>						
Central Administration	285,310	858,270	-414,220	<b>729,360</b>	2,735,460	<b>3,464,820</b>
Income & Financial Inclusion	666,050	103,770	0	<b>769,820</b>	151,750	<b>921,570</b>
<b>Tenancy Services</b>						
Allocations	278,700	69,250	-90	<b>347,860</b>	10,000	<b>357,860</b>
Estate Management	301,700	303,600	-30	<b>605,270</b>	24,380	<b>629,650</b>
Other Tenancy Services	34,550	228,560	-288,870	<b>-25,760</b>	0	<b>-25,760</b>
Elderley & Disabled Support	304,710	98,150	-653,030	<b>-250,170</b>	181,480	<b>-68,690</b>
<b>Sub-Total</b>	<b>919,660</b>	<b>699,560</b>	<b>-942,020</b>	<b>677,200</b>	<b>215,860</b>	<b>893,060</b>
<b>Property Services</b>						
Property Services Management	750,480	1,096,800	-210	<b>1,847,070</b>	-140,070	<b>1,707,000</b>
Caretakers	407,160	153,420	-41,220	<b>519,360</b>	-43,220	<b>476,140</b>
Maintenance of Grassed Areas	0	869,570	-31,440	<b>838,130</b>	0	<b>838,130</b>
Responsive & Void Repairs	344,910	4,563,140	-58,000	<b>4,850,050</b>	-14,130	<b>4,835,920</b>
Independent Living Premises Costs	239,260	313,360	-745,250	<b>-192,630</b>	148,270	<b>-44,360</b>
Planned Maintenance	446,300	432,570	-3,780	<b>875,090</b>	-316,880	<b>558,210</b>
<b>Sub-Total</b>	<b>2,188,110</b>	<b>7,428,860</b>	<b>-879,900</b>	<b>8,737,070</b>	<b>-366,030</b>	<b>8,371,040</b>
<b>General Income</b>						
Customer & Client Receipts	0	0	-25,150,990	<b>-25,150,990</b>	0	<b>-25,150,990</b>
Interest	0	0	0	<b>0</b>	-1,000	<b>-1,000</b>
<b>Sub-Total</b>	<b>0</b>	<b>0</b>	<b>-25,150,990</b>	<b>-25,150,990</b>	<b>-1,000</b>	<b>-25,151,990</b>
Transfers to/from Reserves	0	0	0	<b>0</b>	0	<b>0</b>
<b>Grand Total</b>	<b>4,059,130</b>	<b>9,418,350</b>	<b>-27,387,130</b>	<b>-13,909,650</b>	<b>13,589,650</b>	<b>-320,000</b>

\*Independent living premises costs have been moved from Tenancy Services to Property Services, reflecting management of the budget. The budget for Elderley & Disabled support remains in Tenancy Services.

Budget 2021/22	Employees £	Running Expenses £	External income £	Total Cash £	Support Services & Capital Charges £	Net budget £
<b>General Expenses</b>						
Premises Related Expenses	0	167,890	0	<b>167,890</b>	0	<b>167,890</b>
Bad Debts Provision	0	160,000	0	<b>160,000</b>	0	<b>160,000</b>
Capital Programme Contribution	0	0	0	<b>0</b>	7,550,000	<b>7,550,000</b>
Debt Principal Repayment	0	0	0	<b>0</b>	349,860	<b>349,860</b>
Debt Charges	0	0	0	<b>0</b>	3,056,990	<b>3,056,990</b>
<b>Sub-Total</b>	<b>0</b>	<b>327,890</b>	<b>0</b>	<b>327,890</b>	<b>10,956,850</b>	<b>11,284,740</b>
<b>Supervision, Management, Repairs &amp; Maintenance</b>						
Central Administration	127,900	858,270	-411,600	<b>574,570</b>	3,152,290	<b>3,726,860</b>
Income & Financial Inclusion	643,630	101,770	0	<b>745,400</b>	148,770	<b>894,170</b>
<b>Tenancy Services</b>						
Allocations	231,020	69,250	-90	<b>300,180</b>	9,810	<b>309,990</b>
Estate Management	293,290	303,600	-30	<b>596,860</b>	114,750	<b>711,610</b>
Other Tenancy Services	32,090	228,560	-277,770	<b>-17,120</b>	0	<b>-17,120</b>
Elderley & Disabled Support	554,900	411,510	-1,279,690	<b>-313,280</b>	323,280	<b>10,000</b>
<b>Sub-Total</b>	<b>1,111,300</b>	<b>1,012,920</b>	<b>-1,557,580</b>	<b>566,640</b>	<b>447,840</b>	<b>1,014,480</b>
<b>Property Services</b>						
Property Services Management	548,380	1,096,800	-210	<b>1,644,970</b>	-137,330	<b>1,507,640</b>
Caretakers	304,240	140,520	-49,180	<b>395,580</b>	13,130	<b>408,710</b>
Maintenance of Grassed Areas	0	866,840	-30,200	<b>836,640</b>	0	<b>836,640</b>
Responsive & Void Repairs	348,260	3,563,140	-57,360	<b>3,854,040</b>	-13,840	<b>3,840,200</b>
Planned Maintenance	438,360	432,570	-3,640	<b>867,290</b>	-310,670	<b>556,620</b>
<b>Sub-Total</b>	<b>1,639,240</b>	<b>6,099,870</b>	<b>-140,590</b>	<b>7,598,520</b>	<b>-448,710</b>	<b>7,149,810</b>
<b>General Income</b>						
Customer & Client Receipts	0	0	-24,083,860	<b>-24,083,860</b>	0	<b>-24,083,860</b>
Interest	0	0	0	<b>0</b>	-1,000	<b>-1,000</b>
<b>Sub-Total</b>	<b>0</b>	<b>0</b>	<b>-24,083,860</b>	<b>-24,083,860</b>	<b>-1,000</b>	<b>-24,084,860</b>
Transfers to/from Reserves	0	0	0	<b>0</b>	-5,200	<b>-5,200</b>
<b>Grand Total</b>	<b>3,522,070</b>	<b>8,400,720</b>	<b>-26,193,630</b>	<b>-14,270,840</b>	<b>14,250,840</b>	<b>-20,000</b>