



COUNCIL: 23 February 2022

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Cllr J. Wilkie

Contact for further information: Peter Quick (Extn. 5203)

[\(\[peter.quick@westlancs.gov.uk\]\(mailto:peter.quick@westlancs.gov.uk\)\)](mailto:peter.quick@westlancs.gov.uk)

SUBJECT: HOUSING ACCOUNT – REVENUE AND CAPITAL BUDGET SETTING

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

- 2.1 That the rent and service charges set within delegated authority, as detailed in sections 4 and 5 of this report, be noted and endorsed.
- 2.2 That the HRA budget be approved, based on the proposals to be presented at the Council meeting by the Housing and Landlord Services portfolio holder.
- 2.3 That the Housing capital budget, approved in February 2021, be noted as continuing.
- 2.4 That, subject to any updated approvals in regard to Tawd Valley Developments, the HRA budgets be added to reflect the HRA share of each phase 2 and phase 3 scheme cost.
- 2.5 That the reserves policy set out in appendix B be approved.

- 2.6 That delegated authority be given to the Director of Transformation and Resources to take all necessary action to implement the decisions of Council.
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3.0 BACKGROUND

- 3.1 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.
- 3.2 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.
- 3.3 The HRA budget has been the subject of recent reports to Cabinet, Executive Overview and Scrutiny Committee and Landlord Services Committee. These reports identified a draft budget surplus of £320k in 2022/23, between the resources available and the expenditure required to deliver agreed service levels and investment plans with some further work still required.

4.0 RENTAL INCOME

- 4.1 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.
- 4.2 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.
- 4.3 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.

5.0 OTHER CHARGES

- 5.1 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.
- 5.2 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.
- 5.3 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%
 - Sheltered tenants will see a reduction of £1.22, (after the 4.1% increase), in the charge that relates to Intensive Housing Management for 2022/23. This is because the element of the charge that relates to Home Care Link Services will reduce when the service is passed to New Progress Housing. The overall effect per customer will depend upon the type of sheltered scheme, but in all cases it will be a weekly reduction compared to 2021/22.
 - As in 2021/22, garage rents will be increased by CPI, (3.1%).
- 5.4 The majority of charge categories for the majority of leaseholders will rise by 4.1% in line with tenants; heating will be 2% 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. 2022/23 represents the third year of this phasing in, though review of service charges is an ongoing planned activity. Around 123 leaseholders will however see an overall increase in their bill from phasing in, in excess of 4.1%
- 5.5 In addition, updated buildings insurance fees have been received from our brokers detailing a 10.7% increase, due to market conditions. The annual insurance element is still less than £36 per year in 2022/23.
- 5.6 Overall, 369 leaseholders will see a total increase in excess of 4.1%, due to the factors mentioned above. The average increase for this group is less than £50 per annum.

6.0 REVENUE ESTIMATES

- 6.1 The HRA revenue estimates for 2022/23 are shown in appendix A and provide the detailed information that sets out the financial basis for how HRA service objectives will be achieved. They 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 do not allow for any service improvements. The summary in 6.2, below, provides a high-level picture consistent with 2021/22 mid-year reporting and makes clear the main assumptions being applied.

6.2

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/NI.
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	1,009	Electrical testing moved to premises related costs
Support Services and internal income (net)	2,927	0	2,643	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	7,434	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	-3,022	Several different income streams that behave in different ways. 4.1% increase to most service charges; 3.1% on garages. Sheltered Intensive Housing Management charge pw reduced
Total	0	118	-320	

7.0 CAPITAL INVESTMENT PROGRAMME

7.1 The Capital Investment Programme for the next seven years is shown in 7.2, 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.

7.2 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
Housing Capital Investment Plan	5,840	5,440	27,200 (5,440pa)
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		
Other Housing Schemes	2,741	2,042	10,210 (2,042pa)
Total Expenditure	8,581	7,482	37,410 (7,482pa)

*Funded from revenue contributions and HRA borrowing

**No contract inflation added

- 7.3 Delivery of Tawd Valley Developments phase one continues, providing additional housing for WLBC tenants. The budget 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.
- 7.4 HRA budget relating to Tawd Valley Developments phases two and three will be in line with the updated and approved TVD business plan values for HRA stock.

8.0 BUDGET PROPOSALS

8.1 In addition to the roll over budget for continuing services, it is important to consider new budget issues and areas for development. The table in 8.2 indicates budget issue that officers have identified 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.

8.2 HRA budget issues

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

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

**capital policy options will be funded by HRA borrowing

8.3 The Portfolio Holder for Housing and Landlord Services has been given delegated authority to submit proposals for consideration at the Council meeting to enable the budget and capital programme to be set. It is anticipated that a set of budget papers will be circulated at the Council meeting to enable this to be achieved.

9.0 SUSTAINABILITY IMPLICATIONS

9.1 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.

10.0 RISK ASSESSMENT

10.1 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.

11.0 HEALTH AND WELLBEING IMPLICATIONS

11.1 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.

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.

Appendices

Appendix A – HRA Revenue Estimates

Appendix B – Reserves Policy

Appendix 1 – HRA Draft Estimates 2022/23

	Employees	Running Expenses	External income	Total Cash	Support Services & Capital Charges	Net budget
Budget 2022/23	£	£	£	£	£	£
General Expenses						
Premises Related Expenses	0	167,890	0	167,890	0	167,890
Bad Debts Provision	0	160,000	0	160,000	0	160,000
Capital Programme Contribution	0	0	0	0	7,433,860	7,433,860
Debt Principal Repayment	0	0	0	0	362,110	362,110
Debt Charges	0	0	0	0	3,056,990	3,056,990
Sub-Total	0	327,890	0	327,890	10,852,960	11,180,850
Supervision, Management, Repairs & Maintenance						
Central Administration	285,310	858,270	-414,220	729,360	2,735,460	3,464,820
Income & Financial Inclusion	666,050	103,770	0	769,820	151,750	921,570
Tenancy Services						
Allocations	278,700	69,250	-90	347,860	10,000	357,860
Estate Management	301,700	303,600	-30	605,270	24,380	629,650
Other Tenancy Services	34,550	228,560	-288,870	-25,760	0	-25,760
Elderley & Disabled Support	304,710	127,150	-588,030	-156,170	88,130	-68,040
Sub-Total	919,660	728,560	-877,020	771,200	122,510	893,710
Property Services						
Property Services Management	750,480	1,096,800	-210	1,847,070	-140,070	1,707,000
Caretakers	407,160	153,420	-41,220	519,360	-43,220	476,140
Maintenance of Grassed Areas	0	869,570	-31,440	838,130	0	838,130
Responsive & Void Repairs	344,910	4,563,140	-58,000	4,850,050	-14,130	4,835,920
Independent Living Premises Costs	239,260	313,360	-745,250	-192,630	148,270	-44,360
Planned Maintenance	446,300	432,570	-3,780	875,090	-316,880	558,210
Sub-Total	2,188,110	7,428,860	-879,900	8,737,070	-366,030	8,371,040
General Income						
Customer & Client Receipts	0	0	-25,150,990	-25,150,990	0	-25,150,990
Interest	0	0	0	0	-1,000	-1,000
Sub-Total	0	0	-25,150,990	-25,150,990	-1,000	-25,151,990
Transfers to/from Reserves	0	0	0	0	0	0
Grand Total	4,059,130	9,447,350	-27,322,130	-13,815,650	13,495,650	-320,000

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

APPENDIX B

HRA RESERVES POLICY

Reserves Protocol

- 1.1 For each reserve held by the Council there must be a clear protocol setting out:
- The reason for and purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserve's management and control; and
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- 1.2 Details for each HRA reserve are set out below. Each reserve is managed and controlled by a Chief Officer. The responsible officer can authorise amounts of up to £10,000 to be taken from a reserve provided that its use is in line with the stated purpose of the reserve.
- 1.3 In addition the responsible officer must also consult with the Housing and / or Finance Portfolio Holders before authorising uses from reserves in excess of £10,000.
- 1.4 Reserves are reviewed and updated as part of the annual budget preparation and as part of the closure of accounts process to ensure that they continue to be required and are adequate in size. Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area. Balances represent unallocated funds which have not been earmarked and consequently are available to support any service area.
- 1.5 The values shown below for each reserve reflect their current position. The process for closing down the accounts at the year-end will then allow for any outstanding in year commitments and contributions.
- 1.6 The underlying level of reserves is adequate and reflects the HRA's stable financial position.

Description	Purpose	How and When Used	Responsible Officer	Value £000
HRA BALANCES	Balances are held by every organisation and are used to cushion the impact of unexpected events or emergencies, uneven cash flows and to avoid temporary borrowing	Can be used as a general contingency and should be maintained at a level of at least £100 per property.	Head of Housing	620

HRA ELEMENT OF INSURANCE FUND	Funds held to meet the Council's self-insured liabilities where this is a more cost effective method of insuring than using an external company	Costs are incurred when insurance claims are settled. The level of the reserve is determined through actuarial reviews	Head of Finance, Procurement & Commercial Property	331
DISTRICT HEATING CHARGES RESERVE	This reserve holds the difference between the income raised from charges to tenants for the District Heating scheme and the cost of running this scheme (primarily gas charges).	It is Council policy to run this scheme on a cost recovery basis, and so it is necessary to maintain this reserve so that any surpluses that are achieved can be carried forward to fund lower charges to tenants in the future than otherwise would be possible	Head of Housing & Regulatory Services	200
REPAIRS RESERVE	This reserve is used to deal with demand led and other spending pressures on the response and void repairs budgets	Can be used as a general contingency for repairs expenditure and should be maintained at a level of at least 10% of the repairs budgets	Head of Housing & Regulatory Services	549
GENERAL SLIPPAGE RESERVE	This reserve is used to carry forward slippage on revenue and capital projects, where required	Enables the funding on schemes that are not completed at the financial year end to be carried forward so that the scheme can be completed in the next financial year	Head of Housing & Regulatory Services	86
BUDGET AND EFFICIENCY SAVINGS	This reserve is available to support the overall budget position	Used to deal with the financial challenges facing the HRA over a medium term period	Head of Housing & Regulatory Services	598