

HOUSING MANAGEMENT ADVISORY BOARD - 15TH JANUARY 2020

Report of the Head of Landlord Services

ITEM 2020-21 DRAFT BUDGET AND CAPITAL PROGRAMME UPDATE

Purpose of report

To:

1. advise the Board of the draft projected base budget position for 2020/21.
2. update the Board on the budget process.
3. inform the Board of an increased level of re-charge from the general fund to the Housing Revenue Account (HRA).
4. advise the Board of the capital programme / plan position for 2020/21.

Recommendations

That the Board comment on the draft:

- a) budget at Appendix 1.
- b) capital programme at Appendix 2.

Reasons

To provide:

- a) further opportunity for the Board to input in to the 2020/21 budget planning process.
- b) the opportunity for the Board to comment on the capital programme / plan position for 2020/21

Background

The Board considered a report identifying budget pressures and proposed rent increases as its meeting on 6th November 2019. The Board requested that an update on the budget process be provided at its meeting on the 15th January 2020.

The draft budget was presented to Cabinet on the 16th December 2019 and a consultation period has now commenced running from the 17th December 2019 to 15th January 2020.

Following scrutiny, proposals on the HRA Budgets (and general fund and Council Tax) will return to Cabinet on 13th February 2020 for recommendation to Council on 24th February 2020.

At its meeting on the 6th November 2019 the Board was advised that an extension of the Universal Credit Officer for a further two years was proposed to help assist with the migration of additional tenants over to Universal Credit. The Board was pleased to see this but felt that an additional officer should be put in place to deal with the increase in tenants migrating over.

It was resolved that the concerns and views of the Board in relation to the need for additional Universal Credit Officers be fed back to the Cabinet to ensure that the Cabinet is aware of the Boards concerns.

The Boards comments will be included in the final report to Cabinet on 13th February 2020.

The Board was provided with some high-level information in respect of capital programme priorities at its meeting on 6th November 2019. The capital programme for 2020-21 is currently being developed, with pre surveys of future work currently being undertaken.

A report will be taken to Cabinet on 12th March 2020 to finalise the capital budget for 2020-21.

Summary HRA Budget Position

The budget position for 2020/21 is a breakeven. The overall position of the balances is a reduction of £1,457k which is a revenue contribution to capital.

The service pressure increases total £107k and a realignment of recharges between the General Fund and HRA of £272k. There are ongoing options for change budget pressures of £107k for 2020/21.

There is a one-off option for £45.2k relating to the cost of purchasing Cloud Based rental predictive analytical software, aimed at securing current rent and service charge income streams.

Budget Pressures

The ongoing pressures include £37.4k for the extension of a Universal Credit officer for a fixed period to 31st March 2023 and £24k as a realignment of anticipated rechargeable income relating to repairs. There have been fewer repairs identified that can be recharged to tenants, leading to the need to reduce anticipated income.

Table 1 - Summary of 2020/21 HRA budget pressures

	One-Off	Ongoing	Total
	2020/21	2020/21	2020/21
	£	£	£
Head of Landlord Services			
Cloud Based Rental Predicative analytical software	45,200		45,200
Universal credit officer extension – fixed period to 31 March 2023		37,400	37,400
Fewer charges for rechargeable repairs		24,000	24,000
Subtotal for Head of Landlord Services	45,200	61,400	106,600
Total for the Housing Revenue Account	45,200	61,400	106,600

The 2019/20 budget is the fourth year of 1% rent reductions from a frozen 2015/16 baseline as set out though the Welfare Reform and Work Act 2016. Through these 1% reductions there is a projected net total cash reduction in the rent charged of around 4%. This has a substantial adverse impact on rental income. Inflation has been positive over same four-year period so there has been an even greater “real terms” decrease in rental income levels. Government has now clarified rent policy for 2020 onwards, and a CPI* (1.7%) + 1% increase has been calculated, this is the principal reason for the increase in budget.

Recharges

The basis for several recharges between the General Fund and Housing Revenue Account have been reviewed. The review focused upon reflecting the level of work relating to the HRA by staff whose direct costs are in the General Fund. This has led to an increase of £272k to the HRA and is in-line with the CIPFA code of practice. The review considered the time apportionments for the Senior Leadership Team alongside the costs of the Democratic Service and Monitoring Officer.

HRA Balances

The Chief Financial Officer’s recommended minimum level of working balances for the HRA is £110 per property. There are 5,523 properties anticipated at 31st March 2021 (anticipating 40 RTB sales and 16 acquisitions) and working balances have been adjusted to reflect the recommended minimum of £607k.

The draft new capital programme for 2020/21 is £7,646k this is fully funded from the HRA Revenue contribution to Capital £3,308k from the HRA revenue budget and £1,457k from HRA financing fund and 1 for 1 capital receipts from HRA Right to buy sales.

The HRA Financing Fund was set up in order to set aside monies to cover future HRA expenditure. This includes the repayment of external debt principal of the £79m incurred when the self-financing regime came about in 2012. This costs the HRA approximately £2.7m in interest payments each year. The first of these loans is due for settlement during 2024/25. The anticipated balance of the HRA Financing Fund at 31 March 2021 is £6.9m. This incorporates an underspend in the 2019/20 which at the end of October 2019 is predicted to be £164k.

Summary of Capital Programme

The existing capital plan amounts can be found at Appendix 2.

The replacement of kitchens, bathrooms, and heating systems will continue to be delivered in line with the Charnwood standard.

An amount has been included for replacing composite fire doors which do not meet the standards set out in new guidance.

The amount for fire safety works has been increased to £300,000 to complete works arising from passive fire surveys. A passive fire survey is an extension to the fire risk assessments which have already been completed.

A sum of £1,053,900 has been included to acquire more social housing to replace that sold under the right to buy.

The estate and External Works Budget will be focussed on improving existing pedestrian areas, footpaths and car park surfaces, to reduce the likelihood of trips and falls resulting in harm, and on improving bin stores, which have been the target of arson and drug misuse.

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Appendix 1 - Draft HRA 2020/21 Budget

2018/19 Actual £000	Housing Revenue Account	2019/20 Final Budget £000	2020/21 Draft Budget £000
	Expenditure		
4,901	Supervision and Management	5,118	5,550
6,289	Repairs and Maintenance	6,461	6,769
130	Rents, Rates and Other Charges	139	139
335	Provision for Bad Debts and Other Charges	383	383
3,025	Depreciation	3,057	3,189
(13,072)	Net Revaluation increase of non-current assets	0	0
19	Debt Management Expenses	10	10
1,627	Expenditure Sub-total	15,168	16,040
	Income		
(20,698)	Dwelling Rent Income	(20,548)	(20,883)
(365)	Shops, Land and Garages Rent	(373)	(373)
(55)	Warden Service Charges	(55)	(55)
(293)	Central Heating and Communal Charges	(322)	(400)
(226)	Leasehold Flat and Shop Service Charges	(156)	(158)
(26)	Hostel Service Charges	(24)	(24)
(11)	Council Tax Recharged	(11)	(11)
(21,674)	Income Sub-Total	(21,489)	(21,904)
(20,047)	Net (income)/Cost of service	(6,321)	(5,864)
(82)	Transfer from General Fund – Grounds Maintenance	(84)	(84)
2,743	Interest Payable	2,706	2,706
(93)	Investment Income and Mortgage Interest	(88)	(66)
(17,479)	Net Operating Expenditure/(Income)	(3,787)	(3,308)
3,716	Revenue Contribution to Capital	3,659	3,308
(389)	Pension Adjustment	0	0
5	Accumulated Absence Adjustment	0	0
13,072	Reversal of Gain on Revaluation	0	0
16,404	Appropriations	3,659	3,308
(1,075)	(Surplus)/Deficit for the year	(128)	0
HRA Balances:			
(617)	HRA Balance at beginning of year	(613)	(610)
(1,075)	(Surplus)/Deficit for the year	(128)	0

1,079	Transfer to/from Reserves	131	3
(613)	HRA Balance at end of year	(610)	(607)
(6,982)	HRA Financing Fund at beginning of year	(8,061)	(8,356)
(1,079)	Transfer to/from Reserves	(131)	(3)
0	Revenue Contribution to Capital	0	1,457
0	Adjustments to 2019/20 budget	(164)	0
(8,061)	HRA Financing Fund at end of year	(8,356)	(6,902)
(3,926)	Major Repairs Reserve at end of year	(2,324)	(2,324)
(12,600)	Overall HRA balances at end of the year	(11,290)	(9,833)

Appendix 2 - 2020/21 Capital Plan Amounts

Scheme	Scheme Overview	Capital Plan Amount
Bathrooms	Replacement of bathrooms at HRA dwellings	915,000
Kitchens	Replacement of kitchens at HRA dwellings	400,500
Major Adaptations	Delivery of major adaptations for disabled tenants at HRA dwellings	450,000
Minor Adaptations	Installation of minor adaptations for disabled tenants at HRA dwellings	50,000
Stairlifts	Installation and upgrade of stairlifts for disabled tenants at HRA dwellings	60,000
Major Void Works	Major work undertaken at vacant properties to enable re-let	280,000
Asbestos Removal	Removal of asbestos in the course of capital works	150,000
Communal Area Improvements	To undertake refurbishment and improvements to communal areas	200,000
Communal Area Electric	To undertake renewal, improvements to, and installation of electrics at communal areas	200,000
Smoke / CO and Heat Detection	To undertake renewal, improvements to, and installation of Smoke, CO, and Heat Detection Systems	30,000
Fire Safety	Works to reduce the risk of breach of the Regulatory Reform (Fire Safety) Order 2005	300,000
Roofing Works and Insulation	Works to roofs, and insulation at properties	650,000
Garages	Works to garages and associated sites	50,000
Door Replacement	Installation and upgrade of doors at HRA property	1,000,000
Major Structural Works	Major structural works to HRA property	250,000
Estate and External Works	Renewal and improvement to estates external areas	205,000
Door Entry Systems	Installation and upgrade of door entry systems	200,000

Mobility Scooter Storage	Provision of storage for mobility scooters	15,000
Sheltered Housing Improvements	Replacement, improvement, and upgrade of components at sheltered accommodation	200,000
Heating	Installation and upgrade of heating systems	439,300
Electrical Upgrades	Replacement, improvement, and upgrade of electrics at dwellings and communal areas	200,000
Windows	Installation and upgrade of windows at HRA property	35,000
Acquisition of Affordable Housing	Acquiring properties to meet housing need	1,053,900
Housing Capital Technical Costs	Capitalisation of salaries	312,000
Total		7,645,700