

Subject: **Housing Revenue Account Budget setting 2020/21**

Report to: Housing and Neighbourhoods Committee  
Full Council

Report by: HRA Service Accountant

## **SUBJECT MATTER**

This report sets out the Housing Revenue Account (HRA) budget 2020/21 to 2024/25, HRA Capital Programme 2020/21 to 2024/25, HRA Rent and Service Charge proposal 2020/21 and the revised HRA revenue and capital forecasts for 2019/20.

## **RECOMMENDATIONS**

It is recommended that Housing and Neighbourhoods Committee agree and recommend to Full Council:

1. The increase in rents of CPI + 1%, as set out in the new Rents for Social Housing policy for 2020/21. For 2020/21 this equates to 3%
2. The Revenue budget for 2020/21 along with the forecast projects for the period up until 2024/2025 including the extended borrowing to support the provision of additional HRA homes
3. The Capital budget for the period 2020/21 to 2024/25
4. The HRA Service charges for 2020/21
5. The revised HRA Capital and Revenue forecasts for 2019/20.

## **1 Introduction**

1.1 The Housing Revenue Account (HRA) is the ring-fenced rent account that funds the Council's activity as a landlord. The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the borough. This account funds a significant range of services to 5783 homes for Great Yarmouth Borough tenants and their families and to 369 homes for leaseholders. This includes housing management, repairs and improvements, sheltered housing services, caretaking and capital investment on housing.

1.2 The Council is required by law to avoid budgeting for a deficit on the HRA (Local

Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves and this provides a contingency against unforeseen events and known risks. Great Yarmouth Borough Council's HRA currently maintains a minimum balance of £2 million.

- 1.3 In April 2012 the HRA moved to a Self-financing model which accompanied a limit on the amount of housing debt that an authority could hold within an HRA. The limit was based on a calculation of the level of debt that a landlord/council could support, based primarily on the valuation of each authority's current housing stock, along with income and expenditure assumptions. A total borrowing limit was set for each landlord, which for Great Yarmouth Borough Council was £89 million.
- 1.4 A key feature of the self-financing was that Council's would be able to borrow within their HRA's in order to invest in the housing stock. This borrowing must be financed from HRA income and so introduces risks and opportunities for managing resources in this area. As local authority borrowing is included in the national Public Sector Borrowing Requirement, it must remain affordable both nationally and locally.
- 1.5 From October, the Government removed the debt cap limitations on how much councils can borrow against their HRA Assets.
- 1.6 Authorities are now able to borrow above their original debt cap, to meet their spending requirements and take advantage of interest rates while they remain low. Although additional borrowing is now available beyond the debt cap, borrowing plans must still display affordability within the HRA business plan.
- 1.7 Following the above changes the self-financing arrangements have led to the development of a 30-year business plan supporting the delivery of the HRA under the new arrangements. The 30-year business plan makes assumptions regarding the level of income available based on the expected levels of rent, along with the key risks facing housing service delivery within this timeframe. The main areas of this are the management and timing of debt use, affordability and the impact of changes as Government policies are enacted.
- 1.8 The HRA capital and revenue 2020/21 estimates and the Great Yarmouth

Borough Council 30 year Business Plan, have been prepared using the self-financing arrangements for the HRA, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.

- 1.9 The budget process for 2020/21 onwards has taken due consideration of the HRA's 2017/18 stock condition survey results. Implications highlighted by the stock condition survey have been reflected within the capital programme going forward.
- 1.10 The budget and forecasts presented do assume additional borrowing in the medium term to support the continued improvement in the stock. Due to reductions in day to day revenue repairs, in 2020/21 and the following three financial years additional borrowing has been forecast to provide additional Affordable housing in excess of the requirement of the retained receipts. An additional £1.5 million of funding will be used to support further borrowing to deliver additional homes within the HRA, through acquisitions or new build programmes.

## **2. Rent setting policy changes – Increase of CPI + 1%**

- 2.1 Each year local housing landlords must set rents and budgets for the forthcoming financial year and provide each individual tenant's with statutory notice of any proposed rent change. This report sets out proposals regarding the budget, rents, service charges and other charges to tenants for the 2020/21 rental year.
- 2.2 The self-financing HRA remains governed by guidelines on rent setting for tenants. The council no longer had flexibility on the approach to rent setting due to the policy announced as part of the Welfare Reform and Work Act 2016. Rents have reduced annually by 1% over the four year period 2016/17 – 2019/20.
- 2.3 Rent setting following the end of the 1% reduction to all social rents in 2019/20, will be based on increases of CPI + 1%. For 2020/21 this equates to 3%, on both social and affordable rent in line with the new Rents for Social Housing policy for 2020/21.
- 2.4 The average rent for 2020/21 will be £76.44 per week over a 50 week period. Future rent increases have been factored into budgets within Appendix B.

2.5 Estimated rent charges for 2020/21 on average:

<b>Property Type</b>	<b>Average weekly Rent 19/20 £ (50 wk.)</b>	<b>Average weekly Rent 20/21 £ (50 wk.)</b>
<b>Bedsit</b>	<b>58.63</b>	<b>60.46</b>
<b>1 Bedroom</b>	<b>67.39</b>	<b>69.51</b>
<b>2 Bedroom</b>	<b>74.50</b>	<b>76.77</b>
<b>3 Bedroom</b>	<b>80.54</b>	<b>83.02</b>
<b>4 Bedroom</b>	<b>89.10</b>	<b>91.84</b>
<b>5 Bedroom</b>	<b>96.71</b>	<b>99.61</b>
<b>Average for all properties</b>	<b>74.18</b>	<b>76.44</b>

**3. Proposed Rent Service Charges 2020/21**

- 3.1 The proposals in relation to service and agreement charges are set out in Appendix A. The increases proposed and applied are in line with the corporate formula adopted by the Council, being set at least at RPI + 2%. For 2020/21 this equates to 4.8%, to close the gap in terms of recovery of costs.
- 3.2 Service charges for 2020/21 (excluding caretaking charges) have been reviewed to ensure that each individual service charge element is recharged on a cost basis, whereas previously the income and expenditure for service charges as a whole was on a cost basis.

#### **4. Housing Revenue Account Budget 2020/21 – 2024/25 and Revised Forecast 2019/20**

- 4.1 The approach to HRA budget setting focuses on three separate areas for 2020/21:
- Expected income and proposals on rent and service charge levels;
  - Expenditure plans that reflect local priorities and the impact of the self-financing business model on service delivery; and,
  - The reserves and provisions needed to ensure that the HRA is delivering strong financial performance over a longer period of time.
- 4.2 The HRA receives income from tenant rents and service charges levied on tenants and leaseholders. The self-financing HRA remains governed by guidelines on rent setting for tenants. Income from rents is a key driver of the total income available to the HRA, making up approximately 90% of the total income. The approach and policy for rent therefore affects the resources available to re-invest in expenditure plans across the HRA to deliver the outcomes outlined in the HRA business plan for all tenants.
- 4.3 Expectations for income, and therefore the rent budget, are driven by three key elements:
- Expected stock levels for 2020/21;
  - The CPI + 1% increase on the 2019/20 actual rents charged. For 2020/21 this equates to 3%; and,
  - The resourcing needs outlined in the HRA Business Plan.
- 4.4 For 2020/21, the average stock level across Great Yarmouth Borough Council is expected to be 5,750 properties. This is based on known changes to the current stock profile of 5,783 (as at 1 April 2019) including adjustments for projected Right to Buy sales, disposals and acquisitions.
- 4.5 The repairs and maintenance programme includes the planned cyclical upkeep to the specific areas of heating, lighting, lifts, smoke alarms, garden maintenance and minor neighborhood planned works. It also relates to day to day repairs for tenants and refurbishment of empty properties in between tenant occupancy. The Council also has an adaptations team, adjusting tenant's homes for their specific needs. In 2020/21 and 2021/22, the revenue

adaptations budget has been increased by £150,000 per annum to address an existing backlog in adaptations work.

- 4.6 Leasehold service charges are required to be transparent and reflect the actual cost of the services incurred. It is recommended to set leaseholder service charges in line with actual expenditure plans as per the approach in previous years. Service charges will be based on 2018/19 expenditure levels and final charges for 2019/20.
- 4.7 The HRA currently holds a 2019/20 opening reserve balance of £11.3 million. This is due to prior year savings and underspends of estimated budgets, specific planned budgets being carried forward to future years and programmes not being completed at the original time anticipated.
- 4.8 The HRA 30 year business plan demonstrates how reserves are reduced and managed over the next five years within the housing major works capital programme. Capital works were significantly increased from 2018/19 to ensure that both homes identified as part of the 2017/18 Stock Condition Survey as non decent and future homes, which become non decent are addressed over a five year period. It has been recommended that a further survey is undertaken following the initial five year period. This additional survey has been included within the 2022/23 and 2023/24 budget forecasts.

#### 4.9 Revised 2019/20 position

4.10 The original 2019/20 budget reported a forecast deficit of £3.935 million. Quarter 3 monitoring has identified that this needs to be revised, resulting in a decrease to the original 2019/20 deficit by £485k, to an estimated £3.450m deficit at year end.

	<b>Revised budget 2019/20</b>	<b>Variance</b>	<b>Reason</b>	<b>Financed from</b>
	<b>£000</b>	<b>£000</b>		
<b>Charges for services and facilities</b>	(1,418)	(24)	Inflationary increase	N/A
<b>Repairs &amp; Maintenance</b>	8,970	(553)	Increased capital investment works to the stock in prior years has reduced the demand and requirement of revenue responsive repairs by £500k. Savings also reflect the revision of the GYBS cesspool contract.	N/A
<b>Capital Grants &amp; Contribution receivable</b>	0	50	Leasehold income received reduced due to no rechargeable Leasehold capital works being completed in year.	N/A
<b>Capital Expenditure financed from revenue</b>	5,636	50	Increase in revenue required to finance capital following the reduction in leasehold contributions.	Revenue Reserve
<b>Total Variance</b>		<b>(477)</b>		

4.11 **Proposed growth/savings in HRA Revenue 2020/21 budget**

4.12 The following table summaries the more significant movements compared to the previous business plan as approved in February 2019.

<b>Income/ Expenditure</b>	<b>2020/21 Revised Budgets</b>	<b>2020/21 Growth (Saving)</b>	<b>Details</b>	<b>Financed from</b>
	<b>£000</b>	<b>£000</b>		
<b>Dwelling Rent</b>	(21,817)	115	Rent forecasts amended following increased Right to Buy sales in 2018/19 and reduction in sales to quarter three 2019/20.	N/A
<b>Non-Dwelling Rents</b>	(275)	(4)	Inflationary increase	N/A
<b>Charges for services and Facilities</b>	(1,442)	(12)	Inflationary increase	N/A
<b>Revenue contribution to capital</b>	3,268	281	Capital programmes have been reprofiled and brought forward in line with the works highlighted as part of the stock condition survey, reducing revenue contributions to fund capital in 2020/21 for Housing improvements. £415k One off budget allocation for projects which will transform the efficiency and effectiveness of the management of the Council's housing stock has led to increased need for revenue contribution in year.	Revenue Income
<b>Depreciation</b>	3,780	264	Estimated budget revised as previous underestimated.	Revenue Income
<b>Interest and Investment Income</b>	(15)	(9)	Original Budget under estimated.	N/A
<b>Repairs &amp; Maintenance</b>	8,984	(588)	Increase in capital investment in the stock in prior years has reduced the	N/A



<b>Income/ Expenditure</b>	<b>2020/21 Revised Budgets</b>	<b>2020/21 Growth (Saving)</b>	<b>Details</b>	<b>Financed from</b>
			demand and requirement of revenue responsive repairs by £526k. Increased investment has also resulted in further savings within areas such as revenue electrical remedial works (£75k), heating repairs (£158k) and gas servicing (£82k). Major adaptations works have increased by £150k in order to complete increase demand and reduce waiting times.	
<b>Supervision &amp; Management (Direct Employee)</b>	2,439	178	Increase following housing restructure and as a result of job evaluation of existing posts. Also includes additional fixed term posts to support delivery of timely adaptations to Council properties.	Revenue Reserves
<b>Supervision, Management, internal recharges</b>	2,908	224	Increased budget for the purchase of additional and upgraded Yarecare alarms (£10k). Recharges are higher than originally budgeted partly due to a review of the allocation methodology. Support services recharge variances are driven by the variances in direct costs and income identified under those services recharged across the Council.	Revenue Reserves
<b>Interest Payable and Similar Charges</b>	2,874	281	Increased Interest Payable due to additional borrowing for the Affordable Housing programme, including the £250k provision for additional housing beyond the requirement of the Retained Receipts.	Revenue Reserves
<b>Rents, rates &amp; Other Charges</b>	249	(18)	Reduced insurance costs partly due to reduced stock	N/A

<b>Income/ Expenditure</b>	<b>2020/21 Revised Budgets</b>	<b>2020/21 Growth (Saving)</b>	<b>Details</b>	<b>Financed from</b>
			numbers following high levels of RTB sales in prior years (£14k). Revised utility budgets to reflect spende in prior years (£3k).	
<b>Capital Grants &amp; Contribution receivable</b>	(50)	50	Leasehold income	N/A
<b>Employer's Pension Adjustment</b>	394	(17)	Revised budget based on pension estimates supplied.	N/A
<b>Total Variance</b>		<b>745</b>		

4.13 The next table summarises the revised forecast for 2019/20 and the draft 2020/21 budget for the Housing Revenue Account. Further detail is shown in appendix B.

	2019/20 Original Budget	2019/20 Revised Budget	Variance	2020/21 Draft Budget
	£000	£000	£000	£000
<b>Dwellings Rents</b>	(21,279)	(21,279)	0	(21,817)
<b>Non Dwelling rents</b>	(263)	(263)	0	(275)
<b>Interest &amp; Investment income</b>	(5)	(5)	0	(15)
<b>Charges for services and facilities</b>	(1,394)	(1,418)	(24)	(1,442)
<b>Total Income</b>	(22,941)	(22,965)	(24)	(23,549)
<b>Repairs &amp; Maintenance</b>	9,523	8,970	(553)	8,984
<b>Supervision and Management (Direct Employee)</b>	2,201	2,201	0	2,439
<b>Supervision and Management</b>	2,684	2,676	(8)	2,908
<b>Rents, Rates &amp; Taxes</b>	261	261	0	249
<b>Depreciation</b>	3,482	3,482	0	3,780
<b>Capital Expenditure funded by the HRA</b>	5,586	5,636	50	3,268
<b>HRA Interest Payable</b>	2,751	2,751	0	2,874
<b>Provision for bad and doubtful debts</b>	150	150	0	150
<b>Employer's Pension Adjustment</b>	392	392	0	394
<b>Total Expenditure</b>	27,030	26,519	(511)	25,046
<b>Transfers (from)/to Earmarked Reserve</b>	(104)	(104)	0	0
<b>Capital Grants &amp; Contribution receivable</b>	(50)	(0)	50	(50)
<b>Net (surplus)/Deficit for the year</b>	3,935	3,450	(485)	1,447
<b>HRA Reserves Balance B/Fwd.</b>	11,399	11,399	0	7,949
<b>Deficit/(Surplus) in year</b>	3,935	3,450	485	1,447
<b>HRA Reserves Balance C/Fwd.</b>	7,464	7,949	(485)	6,502

## **5 Housing Major Works Capital Programme (HMWCP) 2019/20 to 2024/25**

- 5.1 This section of the report sets out the new housing capital investment requests for the five year period covering 2019/20 to 2024/25.
- 5.2 The HMWCP is subject to ongoing review and continues to take into account the priorities and objectives which have been derived from our understanding of the stock; the needs of current and future tenants; the opportunities presented by funding streams and options for procurement and delivery of our investment plans.
- 5.3 There are two key strands to the investment plans:
- Maintaining and improving the Council's housing stock;
  - New Affordable Council housing, including new housing to replace sales under RTB in line with Government guidance.
- 5.4 The plans are prepared over the medium term and are reviewed and updated annually. Future investment decisions will be based on local decision making and local knowledge of the condition of the stock and the components.
- 5.5 The housing major works capital programme has been adapted to meet the needs of the housing stock identified within the 2017/18 stock condition survey, as well as maintaining the newly arising to ensure that all stock meets Decent home standards.
- 5.6 The programme includes the continuation of the kitchen and bathroom programme, an enhancement to the boiler and heating replacement schemes, investment into empty homes, delivery of external wall insulation along with roofing and insulation works.
- 5.7 These schemes offer both the opportunity to modernise properties, sustain them for the future and increase the thermal comfort of tenants. They also continue to bring potential savings from future revenue repairs budgets.
- 5.8 New affordable housing budgets included within the programme are estimated in line with the 1-4-1 receipt restrictions following the Right to Buy sales of council dwellings in previous years. These estimates reflect the minimum expenditure required to avoid any repayments of receipts, along with looking at options for new build sites and the completion of new build developments.

- 5.9 The HRA is still part of a retention agreement, meaning the HRA can retain receipts to support up to 30% of the cost of replacement homes if incurred in a 3 year period. If retained receipts are not used, the Council is required to pay any unused retained receipts plus interest to Central Government.
- 5.10 The HRA will continue to borrow specifically for the new affordable housing programme, so the HRA reserves balances can be used on investment on the current stock. Affordable housing budget estimates are based on the requirement of a contribution of 70% of costs to invest and develop new housing opportunities within the council, alongside 30% retained receipts contributions from Right to Buy sales to ensure the council can fully commit all Right to Buy retained receipts.
- 5.11 The HRA proposes to increase the availability of affordable housing with a combination of direct new build, grant contributions to Housing Association developments and purchasing the appropriate empty and suitable homes on the open market, to maintain the level of spending required to meet the retained receipt demand.
- 5.12 The Right to Buy discounts have increased since the introduction of Self Financing. The maximum discount increases each year based on the consumer price index (CPI). The business model has been amended to incorporate this change which is currently estimated at 2.0% CPI, forecasting a maximum discount of £84,200 for 2020/21.
- 5.13 Year to date Right to Buy sales for 2019/20 have reflected a decline in comparison to prior years. The Council has completed 19 sales year to date to Quarter 3, in comparison to 34 completions in 2018/19 for the same period.
- 5.14 The level of Right to Buy sales will continue to be monitored in 2019/20 and revised projections produced to accurately project future RTB sales and RTB receipts in order to plan for their appropriate use. A total of 37 sales have predicted as part of the 2020/21 budget.
- 5.15 As discussed at paragraph 1.10 above, borrowing to support the increase of HRA assets through acquisitions and new build programmes will be increased using revenue funding totaling £1.5 million released in 2020/21 and the following three financial years from spend on revenue day to day repairs as a

result of reductions in demand. This funding will support prudential borrowing to support an increased capital programme on affordable housing delivery.

#### 5.16 Revised 2019/20 position for HRA Major works Capital Programme.

5.17 The following table summaries the in-year 2019/20 virements within the capital budget.

	<b>2019/20 Revised Budget</b>	<b>Variance to original budget</b>	<b>Reason</b>	<b>Financed from</b>
	<b>£000</b>	<b>£000</b>		
<b>Kitchens &amp; Bathrooms</b>	3,366	470	Void kitchen programme accelerated due to increased demand in year.	N/A
<b>Windows &amp; Door Improvements</b>	650	(270)	Windows and door programme reduced due to delays sourcing fire door replacements to meet the relevant standards required. Programmed works within communal areas and blocks is currently delayed pending formal fire door specification.	N/A
<b>Specific Planned projects</b>	1,061	(200)	Reduced Whole house and Long Term void works in year. Programme scheduled to continue in 2020/21 to reduce the number of Long Term voids held.	N/A
<b>Total</b>		<b>0</b>		

#### 5.17 Proposed growth/savings in HRA Capital Programme 2020/21

5.18 The following table summaries the more significant movements compared to the previous business plan as approved in February 2019.

	<b>2020/21 Revised Budgets</b>	<b>2020/21 Growth/ (Saving)</b>	<b>Details</b>	<b>Financed from</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>
<b>Kitchen &amp; Bathroom</b>	3,050	350	Void kitchen budget increased following increased demand in prior years.	Revenue income
<b>Energy &amp;</b>	1,185	235	Budget increased to complete	

	<b>2020/21 Revised Budgets</b>	<b>2020/21 Growth/ (Saving)</b>	<b>Details</b>	<b>Financed from</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>
<b>Efficiency</b>			works identified as part of the stock condition survey. Continual capital improvements have resulted in a decline in revenue repairs required.	Revenue income
<b>New Affordable Housing – Right to Buy receipts</b>	3,280	1,159	Affordable budget revised due to the original budget underestimating RTB sale numbers in prior years.	Borrowing/ RTB Receipts
<b>New Affordable Housing – Additional Provision</b>	250	250	Additional Capital budget for new Affordable Housing. This budget is separate from the Retained Receipts budget and is additional following the reduction in Revenue Responsive Repair costs.	Borrowing
<b>Planned Maintenance</b>	665	130	Capital adaptations works have increased by £50k in order to complete increased demand, along with reducing waiting times for completions. Capital rewiring budgets increase by £80k to accelerate the programme ensure its in line with the stock condition survey requirements and to complete properties previously restricted by access refusals.	Revenue income
<b>Neighborhood Plans</b>	2,090	150	Roofing, Finlock & Loft Insulation programmes increase to retain programme schedules and remain in line with stock demand.	Revenue Income
<b>Housing Transformation Budget</b>	415	415	One off budget allocation for projects which will transform the efficiency and effectiveness of the management of the Council's housing stock.	Revenue Income
<b>Total Expenditure</b>		<b>2,689</b>		

5.19 The table below summarises the revised forecast for 2019/20 along with the draft 2020/21 Capital programme for the Housing Revenue Account. Further detail is shown in Appendix C & Appendix D.

<b>HRA Capital programme</b>	<b>Original Budget 2019/20</b>	<b>Revised Forecast 2019/20</b>	<b>Variance</b>	<b>Revised Draft Budget 2020/21</b>
<b>Expenditure:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Kitchens & Bathrooms	2,896	3,366	470	3,050
Windows & Doors	920	650	(270)	650
Planned Maintenance	782	782	0	665
Energy Efficiency Improvements	1,015	1,015	0	1,185
Specific Planned Projects	1,261	1,061	(200)	620
Estate Improvements	80	80	0	0
Empty Properties	1,160	1,160	0	700
New Affordable Housing - Right to Buy receipts	2,139	2,139	0	3,280
New Affordable Housing – Additional Provision	0	0	0	250
Neighbourhood Plans	2,465	2,465	0	2,090
Housing Transformation Budget	0	0	0	415
<b>Total Expenditure</b>	<b>12,718</b>	<b>12,718</b>	<b>0</b>	<b>12,905</b>
<b>Financing:</b>				
Borrowing	2,139	2,139	0	3,530
Capital Receipts	1,471	1,471	0	2,288
Revenue	5,587	5,637	50	3,268
Depreciation	3,471	3,471	0	3,769
Leasehold Contribution	50	0	(50)	50
<b>Total Financing</b>	<b>12,718</b>	<b>12,718</b>	<b>0</b>	<b>12,905</b>



## **6. Other implications to the Housing Revenue Account.**

- 6.1 Since the introduction of self-financing in 2012, the 30 year HRA business plan has continued to be challenged by a number of changes, such as increased Right to buy discounts and sales and the 1% rent reduction policy.
- 6.2 In response to these changes the Council has, in the short term, previously kept the HRA reserves levels high in order to mitigate this loss of revenue. The Council still needs to prepare for further reductions in resources available to manage, maintain, improve and add to its housing stock and manage the implications from the stock condition survey.
- 6.3 The HRA is continually reviewed to ensure the budgets accurately reflect service demands and to challenge where savings could be achieved. The capital programme, which is funded in large part by contributions from revenue, is monitored regularly during the year and has been reviewed in detail to inform the 2019/20 budget reflecting the outcomes of the 2017/18 stock condition survey. The overall capital programmes in prior years have significantly increased due to additional works needed, careful consideration has been taken to the deliver these works over the 5 year period and to manage the financial impact.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 The detail within the report highlights the significant variances for the current year to date, including a full year impact to the HRA revenue and Capital budgets for future years.
- 7.2 The income and expenditure will continue to be monitored in detail during the current year, including additional reviews of the HRA 30 year business plan.
- 7.3 The HRA is dependent mainly on the rental income stream of the social housing rents, and the Council have a dedicated team monitoring tenant arrears on a regular basis.
- 7.4 The HRA has a 2019/20 opening reserves balance of £11.40 million. The 2020/21 opening reserve balance is forecast at £7.95 million, reflecting a 2019/20 forecast deficit of £3.45 million.
- 7.5 The removal of the debt cap has allowed the Council to increase the amount it can borrow on a prudential basis, to extend the affordable housing programme beyond the requirements of spending retained Right to Buy receipts as set out

in the report. Commitments, value for money and spend will be closely monitored and subject to regular budget monitoring and reporting.

## **8. RISK IMPLICATIONS**

- 8.1 It is recognised that since the results of the 2017/18 stock condition survey, a significantly increased Major Works Capital programme has been maintained following the 2018/19 budget setting process. Continual programmed works have been maintained to ensure that both the homes identified as non Decent as a result of the Stock Condition Survey and future homes, which become non Decent are addressed over a five year period. Overall ensuring that all homes within the dwelling stock are Decent.
- 8.2 Where service delivery plans have changed, the budget setting process must reflect the subsequent impact on resources and also recognise known risks for the HRA and ensure there are adequate balances in place to these as they materialise.
- 8.3 Further review of the detail of the HRA budget for both capital and revenue spend will be carried out during 2020/21, in preparation for the longer term investment requirements in the stock, new affordable housing programme and to inform future budget setting decisions to identify efficiencies within the program of works.
- 8.4 There continues to be an ongoing risk to the HRA of non-collection of tenant rental arrears and maintaining budgeted collection rates. This continues to be monitored and managed along with any further implications arising following the final migration of housing benefit to universal credit.

## **9. RECOMMENDATIONS**

- 9.1 The increase in rents of CPI + 1%, as set out in the new Rents for Social Housing policy for 2020/21. For 2020/21 this equates to 3%
- 9.2 The Revenue budget for 2020/21 along with the forecast projects for the period up until 2024/2025 including the extended borrowing to support the provision of additional HRA homes
- 9.3 To review the Capital budget for the period 2020/21 to 2024/25

9.4 To review the service charges for 2020/21

9.5 To review the revised Revenue and Capital forecasts for 2019/20.

## 10. BACKGROUND PAPERS

In year budget monitoring reports

Stock Condition Survey

Service Charge fees

*Areas of consideration: e.g. does this report raise any of the following issues and if so, how have these been considered/mitigated against?*

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	<b>Sent for Review</b>
Existing Council Policies:	
Financial Implications:	Considered
Legal Implications (including human rights):	
Risk Implications:	Considered
Equality Issues/EQIA assessment:	n/a
Crime & Disorder:	n/a
Every Child Matters:	n/a

## Appendix A – Fees and charge proposals 2020/21

2020/21 Rent increase and Service Charges (Exclusive of VAT where applicable)	2019/20	2020/21	2020/21
	Average Charge 50 Wks	Average Charge 50 Wks	Increase/ decrease per wk
<b>Tenant Rent</b>	£74.18	£76.44	£2.26
<b>Garages Basic – Tenants</b>	£10.87	£11.39	£0.52
<b>Garages Premium – Tenants plus Town Centre Surcharge</b>	£14.50	£15.20	£0.70
<b>Caretaking charge – Basic</b>	£0.97	£1.02	£0.05
<b>Caretaking charge – Enhanced</b>	£0.97	£1.02	£0.05
<b>Maintenance of Aged Persons gardens</b>			
Up to 30 minutes maintenance	£5.27	£4.25	-£1.02
Over 30 minutes maintenance	£8.42	£7.50	-£0.92
<b>Communal Heating</b>	£10.48	£5.38	-£5.10
<b>Communal Water</b>	£4.31	£4.51	£0.20
<b>Digital Communal TV Aerials</b>	£0.76	£0.96	£0.20
<b>Sewerage charge</b>	£6.73	£7.05	£0.32

Sheltered Housing Support Charges 2020/21	2020/21 Average charge 50 wk	2020/21 Average Charge 50 wk
Standard tenancies plus Alarm Charge	11.00	9.38

YARE CARE CHARGES	Weekly Charge	
	2020/21 Exc VAT	2020/21 Inc VAT
<i>52 week Calculation for Private users</i>		
Private – Rental + Monitoring	£3.15	£3.94
Private – Monitoring	£1.38	£1.72
<i>50 week calculation for Community Housing Tenants</i>		
Council – Rental + Monitoring	£3.41	£4.09
Council – Monitoring	£1.48	£1.78
Yarecare Installation Charge	2019/20	2020/21
	Average Charge	Average Charge
		% Average Increase
Yarecare Installation Charge (Plus VAT)		
Charge within Borough	£44.40	£46.53
Charge outside of Borough	£50.40	£52.82
Alarm Unit – Purchase (Plus VAT) – One Off	£163.57	£171.42

## Appendix B – Revenue Income and Expenditure 2019/20 – 2024/25

Income/ Expenditure		Forecast Projections						
		Budget	Revised	Budget	Budget	Budget	Budget	Budget
		2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income	Charges for Services and Facilities	-1,393,926	-1,417,844	-1,441,750	-1,477,166	-1,513,606	-1,551,099	-987,014
	Dwelling Rents	-21,279,162	-21,279,162	-21,816,687	-22,345,553	-22,998,268	-23,667,935	-24,357,047
	Interest and Investment Income	-5,453	-5,453	-15,000	-15,420	-15,852	-16,296	-16,752
	Non Dwelling Rents	-262,562	-262,562	-274,715	-282,404	-290,308	-298,434	-306,788
	<b>Income Total</b>	<b>-22,941,103</b>	<b>-22,965,021</b>	<b>-23,548,152</b>	<b>-24,120,543</b>	<b>-24,818,034</b>	<b>-25,533,764</b>	<b>-25,667,600</b>
Expenditure	Capital Expenditure funded by Revenue	5,586,419	5,636,419	3,267,459	2,961,518	2,049,866	1,491,648	1,444,982
	Depreciation and Impairment of Fixed Assets: Dwellings	3,343,648	3,343,648	3,612,910	3,676,046	3,737,782	3,800,516	3,864,265
	Depreciation and Impairment of Fixed Assets: Non - Dwellings	138,080	138,080	166,889	171,272	175,778	180,410	185,172
	Interest Payable and Similar Charges	2,750,644	2,750,644	2,873,627	2,931,194	3,045,324	3,125,114	3,043,467
	Provision for bad and doubtful debts	150,000	150,000	150,000	150,000	150,000	150,000	150,000
	Rents, Rates, Taxes and Other Charges	261,487	261,487	248,941	252,347	255,813	259,338	262,923
	Repairs & Maintenance	9,507,861	8,969,824	8,984,154	9,146,067	9,226,766	9,413,812	9,657,382
	Supervision and Management	2,684,141	2,675,515	2,908,290	2,865,017	2,918,246	2,973,944	3,004,331
	Supervision and Management (Staff Pay)	2,201,242	2,201,242	2,439,276	2,509,523	2,534,337	2,577,187	2,643,419
	<b>Expenditure Total</b>	<b>26,623,522</b>	<b>26,126,859</b>	<b>24,651,545</b>	<b>24,662,985</b>	<b>24,093,912</b>	<b>23,971,969</b>	<b>24,255,942</b>
Below The Line	Employer's Contributions Payable to or from Norfolk County.	552,356	552,356	584,225	595,530	607,060	618,821	630,818
	HRA Earmarked reserves	-104,018	-104,018	0	0	0	0	0
	Impairment of Fixed Assets	0	0	0	0	0	0	0
	Net Charges made for Retirement Benefits in accordance with IAS 19	-533,356	-533,356	-622,531	-634,981	-647,681	-660,635	-673,847
	(Gain) / Loss on Sale of HRA non-current	0	0	0	0	0	0	0
	Capital Grants & Contributions receivable (Leasehold income)	-50,000	0	-50,000	-50,000	-50,000	-50,000	-50,000
	Pension Backfunding	372,668	372,668	432,645	463,644	496,365	531,690	546,577
	<b>Below The Line Total</b>	<b>237,650</b>	<b>287,650</b>	<b>344,339</b>	<b>374,192</b>	<b>405,744</b>	<b>439,876</b>	<b>453,547</b>
	<b>Net (surplus)/Deficit for the year</b>	<b>3,920,069</b>	<b>3,449,488</b>	<b>1,447,733</b>	<b>916,634</b>	<b>-318,378</b>	<b>-1,121,920</b>	<b>-958,111</b>

  

Housing Revenue Account Reserves	Year	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	B/Fwd	11,399,612	11,399,612	7,950,124	6,502,391	5,585,757	5,904,135	7,026,055
	In Year	3,920,069	3,449,488	1,447,733	916,634	-318,378	-1,121,920	-958,111
	C/Fwd	7,479,543	7,950,124	6,502,391	5,585,757	5,904,135	7,026,055	7,984,166

## Appendix C – HRA Major Works Capital Programme 2019/20 – 2024/25

	Original budget 2019/20	Revised budget 2019/20	Forecast Projections				
			Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Kitchen & Bathrooms Improvements							
Kitchens planned	1,630,000	1,630,000	1,630,000	1,630,000	1,630,000	1,630,000	1,630,000
Bathrooms planned	881,000	881,000	780,000	780,000	800,000	600,000	600,000
Kitchen Voids	345,000	815,000	450,000	450,000	250,000	250,000	250,000
Bathroom Voids	40,000	40,000	190,000	190,000	40,000	40,000	40,000
Windows & Doors Improvements							
Windows & Doors Improvements	920,000	650,000	650,000	650,000	500,000	500,000	500,000
Planned Maintenance							
Major R&M	133,000	133,000	75,000	75,000	75,000	75,000	75,000
Rewiring Dwellings	499,000	499,000	390,000	390,000	390,000	390,000	390,000
Major Adaptations	150,000	150,000	200,000	200,000	150,000	150,000	150,000
Neighbourhood Planned works							
Neighbourhood Plans	579,000	579,000	370,000	370,000	370,000	370,000	370,000
Roofing	1,119,000	1,119,000	1,120,000	1,040,000	970,000	970,000	970,000
Concrete improvement works	100,000	100,000	100,000	100,000	100,000	100,000	100,000
External Wall Insulation	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Upgrade Stair Enclosures	266,500	266,500	100,000	100,000	100,000	-	-
Off Street Parking - MCE		-	-	-	-	-	-
Energy & Efficiency Improvements							
Heating and Boiler replacments	1,015,000	1,015,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
Specific Planned Projects							
Stock Condition Survey	-	-	-	100,000	100,000	-	-
GYN Management	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Whole House Inc Long Term Voids	1,241,000	1,041,000	600,000	600,000	600,000	600,000	600,000
Estate Improvements							
First Time Installation Sewerage Schemes	80,000	80,000	-	-	-	-	-
Empty Properties							
Major Voids	1,160,000	1,160,000	700,000	700,000	200,000	200,000	200,000
New Affordable Housing							
Affordable Housing (Retained Receipts)	2,138,772	2,138,772	3,280,288	3,599,691	3,469,549	3,624,492	3,394,171
Additonal Housing	-	-	250,000	500,000	500,000	250,000	-
Housing Transformation Budget							
Housing Transformation Budget	-	-	415,000	-	-	-	-
Total	12,717,272	12,717,272	12,905,288	13,079,691	11,849,549	11,354,492	10,874,171

## Appendix D – Funding Provided for the Capital Programme 2020/21 – 2024/25

