



## **THE RUGBY BOROUGH COUNCIL**

You are hereby summoned to attend a SPECIAL MEETING of the Rugby Borough Council, which will be held at the TOWN HALL, RUGBY, on Tuesday 4 February 2020 at 7pm.

### **A G E N D A**

#### **PART 1 – PUBLIC BUSINESS**

1. Apologies for absence.
2. To approve the minutes of the meeting of Council held on 17 December 2019.
3. Declaration of Interests.  
To receive declarations of -
  - (a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;
  - (b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and
  - (c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.
4. To receive the Mayor's Announcements.
5. To receive and consider the Reports of Officers.
  - (a) Draft Housing Revenue Account Capital & Revenue Budgets for 2020/21 – report of the Head of Corporate Resources and Chief Financial Officer and Head of Communities and Homes.

6. Correspondence.
7. Common Seal

To order the affixing of the Common Seal to the various orders, deeds and documents to be made or entered into for carrying into effect the several decisions, matters and things approved by the Council and more particularly set out in the Committees' Reports adopted at this meeting.

## **PART 2 – EXEMPT INFORMATION**

There is no business involving exempt information to be transacted.

DATED THIS 23<sup>rd</sup> day of January 2020.



**Executive Director**

To: The Mayor and Members of Rugby Borough Council

Special Council – 4<sup>th</sup> February 2020

Draft Housing Revenue Account Capital & Revenue Budgets for  
2020/21

Report of the Head of Corporate Resources and Chief Financial  
Officer and the Head of Communities and Homes

1. INTRODUCTION

In accordance with the constitution, the Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change. In addition, the Council is required under the Local Government and Housing Act 1989 to ensure that the Housing Revenue Account (HRA) does not fall into a deficit position.

2. BUDGET AND POLICY FRAMEWORK

2.1 Significant activities within or impacting upon the Housing Revenue Account in 2019/20 include:

- The completion of 14 open market property acquisitions with a further 9 at conveyancing stage (December 2019);
- The completion of 44 Section 106 acquisitions at Cawston Meadows and Rugby Gateway sites;
- Further agreements on 14 S106 properties for delivery in 2020/21;
- Completion of door entry replacement works at 30 locations providing increased security and better fire prevention measures;
- Installation of heating upgrades at 400+ properties (see 9.4 for future proposals); and
- User Acceptance Testing (UAT) on both the new Corporate Asset Management System (CAMS) and Housing Management System (HMS) ahead of full roll-out in 2020/21.

2.2 The Council responded to several consultation papers from the Ministry of Housing, Communities and Local Government (MHCLG) in 2018/19 including the Green Paper, ***A New Deal for Social Housing and future proposals on the Use of Right to Buy Receipts***. The hiatus in parliamentary business arising from the Brexit debate during 2019 means the sector is still awaiting final proposals from government.

2.3 Among the consultation questions within the Green Paper the following have financial implications for the HRA moving forward and will be addressed as part of the refresh of stock condition survey data incorporated into the Corporate Asset Management System:

- Are there any changes to what constitutes a Decent Home that we should consider?
- Do we need additional measures to make sure social homes are safe and decent?
- Views on whether the Government's current arrangements strike the right balance between providing grant funding for housing associations and HRA borrowing for local authorities; and
- What level of additional affordable housing, over existing investment plans, could be delivered by social housing providers if they were given longer term certainty over funding?

2.4 For financial year 2020/21, **revised rent guidance** has been introduced allowing increases of Consumer Prices Index (CPI) + 1%. As at September 2019 (the reference date) CPI was 1.7% meaning that the rise in rents for current tenants, to comply with guidance, will be 2.7% (1.7% plus 1%) For the purposes of financial planning within the Medium-Term Financial Plan (see Appendix C) rent uplifts are estimated at 3% in future years (Bank of England CPI target of 2% + 1%). Further details on rent setting are included within section 5 of the report.

2.5 On 9th October 2019, Chief Finance Officers across the country were informed that, with immediate effect, "**HM Treasury is ...restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the Public Works Loans Board (PWLB) by 100bps (one percentage point) on top of usual lending terms.**" The Council, via the Society of District Council Treasurers and the Local Government Association, has made representations to government to reverse this change or implement discretionary rates for significant housing schemes such as the redevelopment plans for Biart Place and Rounds Gardens.

2.6 Following the lifting of the **borrowing cap** for the HRA in 2018/19, the Council has introduced a local limit on indebtedness to ensure compliance with the Prudential Code for Capital Finance in Local Authorities. Considering the change in PWLB borrowing rates and forecast operational surplus in future years, a revised local level on indebtedness is therefore recommended at **£152m** to provide:

- Capacity to increase the Council's HRA Capital Financing Requirement to meet refurbishment costs at the multi-storey flat sites subject to Government support or Homes England grant; and
- Subject to support for the schemes above, capacity to increase the stock base via bids on developer affordable housing projects and/or RBC projects.

2.7 Council received several reports in 2018/19 concerning the condition and potential options for both **Rounds Gardens and Biart Place**. In summary, approval was given to:

- Proceed with the Biart Place redevelopment design and procurement;
- Install additional fire alarms at Rounds Gardens based on recommendations by the fire risk assessor and Warwickshire Fire and Rescue Service and commence decanting the blocks with a deadline of 31<sup>st</sup> March 2022: and
- Proceed with the Rounds Gardens redevelopment, design and procurement.

2.10 The structural findings in respect of the blocks at both sites, which account for almost 10% in total of the Council's HRA stock, were unanticipated. The measures required to respond to these findings will have an extraordinary impact on the HRA's financial resources, which will impact on its ability to meet to both current and emerging housing needs. This will, in turn, have a potential impact on the General Fund, as unmet housing need must be increasingly met via temporary accommodation.

2.11 To ensure that the Council has continuing earmarked balances to commence demolition and rebuild costs (notwithstanding central Government financial support) in 2020/21, it is proposed that £3.743m that would otherwise have been set aside for the repayment of debt as part of the HRA Medium Term Financial Plan will be utilised as Revenue Contributions to Capital Expenditure.

2.12 The updated HRA Medium Term Financial Plan (Appendix C) also contains continuing Revenue Contributions to Capital Expenditure in place of voluntary debt repayments. Adjustments have also been made for temporary rent loss and additional interest on debt where timelines can be estimated.

### **3. REVIEW OF HRA BALANCES**

3.1 The HRA draft budget for 2020/21 (Appendix A) takes into account the end of regulation imposing a 1% rent reduction year-on-year since 2016/17. The 30-year HRA financial plan has also been updated to reflect changes, including high-rise site redevelopment, where the impact can be forecast.

#### **HRA Revenue Balance**

3.2 The level of the HRA Revenue balance was re-assessed prior to rent setting in 2018/19 considering potential risks arising from the Council's capacity to manage in-year budget pressures and the wider reform and regulatory environment. Further recommendations were made during 2018 and 2019 as part of reports to Council concerning high-rise sites.

3.3 After assessing for the above, the estimated HRA Revenue balance at 31<sup>st</sup> March 2020 will be **£5.459m**. This level is considered prudent to meet further

revenue costs arising from decisions on the future of the high-rise sites and other potential risks moving forward over the term of the HRA Medium Term Financial Plan.

### Major Repairs Reserve

3.4 The Major Repairs Reserve (MRR) reflects the need to replace major components as they wear out. This funding, together with previous allocations of supported borrowing and revenue contributions, has enabled the Council to maintain the housing stock in a good condition. As the housing Green Paper draws specific reference to “what constitutes a decent home” balances will require reviewing in light of any regulatory changes in future years. A major upgrade to the Council’s asset management system is currently in development which will utilise digital technology to better inform officers about stock condition, including energy efficiency. In turn this will allow for more accurate forecasting of component (bathrooms, kitchens, central heating, etc) replacement programmes.

3.5 The forecast MRR balances reflecting the capital programme proposals at Appendix B are as follows:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<b>Balance b/fwd</b>	<b>2,559</b>	<b>1,521</b>	<b>917</b>	<b>2,095</b>
Depreciation/Appropriations from HRA Revenue	2,137	2,201	2,256	2,313
Interest Received	15	15	15	15
Capital Financing	(3,190)	(2,820)	(1,093)	(1,093)
<b>Balance c/fwd</b>	<b>1,521</b>	<b>917</b>	<b>2,095</b>	<b>3,330</b>

Table 1: Major Repairs Reserve

### Housing Repairs Account

3.6 The Housing Repairs Account is an earmarked reserve used to mitigate the risks associated with cyclical and responsive repairs over time. The forecast balance over the period of the medium-term financial plan is **£0.770m**.

### Housing Capital Investment Balances

3.7 In addition to the above, the Council has also made revenue contributions set aside for capital investment in prior years to fund new build, estate regeneration and other works, for example, upgrades to the Housing Management System software. Capital investment balances will be utilised to fund redevelopment costs at Biart Place and Rounds Gardens over the period of the HRA Medium Term Financial Plan subject to availability of financial support from Central Government or grant aid from Homes England. Costs in excess of available balances will be met via additional borrowing. Where Right-to-Buy (RTB) receipts are utilised to fund replacement homes, only 30% of the total cost may currently be funded from this source. The forecast balances over the period of the medium-term financial plan are as follows:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<b>Balance b/fwd</b>	<b>10,425</b>	<b>3,915</b>	<b>2,906</b>	<b>1,864</b>
Contributions from HRA	3,670	2,564	2,638	2,663
Capital Financing for New Build / Acquisitions / Other Projects	(10,180)	(3,573)	(3,680)	(1,680)
<b>Balance c/fwd</b>	<b>3,915</b>	<b>2,906</b>	<b>1,864</b>	<b>2,847</b>

Table 2: Capital Investment Balances

### Right-to-Buy (RTB) Capital Receipts

3.8 The Council entered a 1-4-1 retention agreement with MHCLG in 2012 allowing it to retain a greater proportion of receipts upon the condition that they are utilised in provision of replacement housing within 3 years. Receipts under the 1-4-1 retention agreement that are not utilised must be returned to Her Majesty's Treasury (HMT) and incur an interest charge of Bank of England Base Rate plus 4%. Only 30% of the expenditure incurred on replacement housing may be financed from RTB receipts. As noted in section 2, MHCLG consulted on changes to the use of Right-to-Buy receipts in October 2018 and the sector is still awaiting a formal response from government to its suggestions.

3.9 It is assumed that 20 homes will be sold under the Right-to-Buy per year over the period of the medium-term financial plan producing an average receipt of £85,000 per property (prior to pooling). Forecast balances over the period are as follows:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<b>Balance b/fwd</b>	<b>4,744</b>	<b>3,644</b>	<b>3,544</b>	<b>3,944</b>
Net Pooling Contribution	900	900	900	900
Capital Financing for New Build / Acquisitions	(2,000)	(1,000)	(500)	(500)
<b>Balance c/fwd</b>	<b>3,644</b>	<b>3,544</b>	<b>3,944</b>	<b>4,344</b>

Table 3: Right-to-Buy Capital Receipts

## 4. MEDIUM TERM FUNDING OPTIONS

4.1 The financial impact of the 1% rent cut on the Council's capacity to meet its HRA self-financing debt repayment schedule was outlined to Cabinet in January 2016. Subsequently a revised schedule of debt repayment was approved as part of rent setting in 2017/18 and refreshed in 2018/19.

4.2 As noted in sections 2 and 3, sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment costs at the high-rise sites. In the absence of significant Central Government financial support or grant from Homes

England, the revised debt repayment schedule will now extend to **2049/50**, subject to sensitivity around project timelines and cost estimates.

4.3 The chart below compares the original debt repayment schedule (*self-financing*), the revised schedule following the 1% rent cut (*rent cut*), and the updated schedule in light of the current redevelopment estimates (*high-rise sites*). The level of the proposed “debt cap” is also included for reference.



4.4 Reducing the level and extending the timeline of debt repayments to 2049/50 will increase the net interest payable by the HRA during this period. All debt rescheduling and increases to the HRA debt pool will be undertaken in conjunction with the principles set out in the Council’s Treasury Management Strategy.

4.5 An updated HRA medium term financial plan reflecting the above position is included at Appendix C. The remainder of the report concentrates on proposals for 2020/21 including:

- Rent
- Service Charges
- Performance management – voids and debt collection
- Expenditure assumptions
- Housing repairs and capital programme
- Capital financing

## 5. RENT

### Background

5.1 The Welfare Reform and Work Bill 2015 introduced a requirement for local authorities and other registered providers to reduce rents by 1% a year for four years beginning 2016/17. In 2019/20 this would have produced a rent increase of 3.40% (September 2018 CPI + 1%). The Council implemented the rent change in 2016/17, with an estimated cumulative rent differential over the 4-year period of **£5.107m**.

5.2 Following scrutiny of the bill in the House of Lords, exemption from the policy was granted for one year for sheltered accommodation in 2016/17. Special Council on 1<sup>st</sup> March 2016 therefore recommended that rents for properties in this group were frozen and the subsequent difference in rent charged set aside to an earmarked reserve. The impact in 2020/21 is £48,280.

5.3 On 4th October 2017, the Department for Communities and Local Government (DCLG) announced that social landlords will be allowed to increase social housing rents “limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.” This represents a return to the previous rent settlement, which was meant to run from 2015 to 2025 but was replaced with a 4-year reduction by 1% annually from 2016.

5.4 Properties below target rent (the equivalent rent in the Registered Provider / Housing Association sector) are still allowed to have rents uplifted to that rate at the point of vacancy and subsequent relet, with rents subsequently increased using the standard CPI + 1%. It is estimated that 150 homes below target rent will be relet during 2020/21 based on historic trends and stock availability following the decant of Biart Place.

5.5 Rent estimates for 2020/21 assume a stock level of c.3,590 available to let HRA properties at the start of April 2020. It is estimated that stock will fall by an estimated 20 Right-to-Buy sales in year. A further estimated 70 homes will fall vacant as part of the Rounds Gardens decant process. The fall in numbers will be mitigated by the acquisition of c.50 open market homes (including purchases from developers as part of S106 provisions). A void rate of 1.00% (excluding any decant properties) is estimated for 2020/21 (see page 13 for details).

### Rent Calculation

5.6 The calculations for rents are based on average rents over the entire year, i.e. without any free weeks. The percentages applied to this may not be the same as the ones applicable when considering a 48 or 49-week rent year. 2020/21 is a 48-week rent year and therefore rents will be charged accordingly.

5.7 The following calculations are based on stock numbers as at December 2019.

	2019/20	2020/21	Average	Average
	£'s	£'s	%	£
			Increase	Increase
Average Weekly Rent (52-week basis)	82.90	85.14	2.70	2.24

Table 4: Change in Rent Calculations 2020/21

5.8 Since 2020/21 is a 48-week rent year the rents will be charged accordingly and therefore the figures shown here are for illustrative purposes. Estimated rental income from dwellings of £15.743m for 2020/21 has been included within the draft HRA revenue budgets as shown in Appendix A. The estimate is based on the central business case of:

- An average 1% void rate across the stock;
- Decant of c.70 homes at Rounds Gardens (cumulative c.140 homes by March 2021)
- 20 Right-to-Buy sales in 2020/21;
- Acquisition of new build properties at Rugby Gateway; and
- 150 re-lets where rent is uplifted to target rent

5.9 For each 1% change in the void rate the HRA rent loss is equivalent to £156,050. Each additional RTB sale produces an average rent loss of £4,100 in a full year. The average target rent in 2020/21 (52-week basis) will be £91.60 as compared to the average current rent of £85.14 (see above.)

## 6. SERVICE CHARGES

6.1 In line with government guidance, the Council carried out an exercise of depooling rent and service charges in 2006/07. This enabled tenants to see the estimated amount spent on services that had previously been included within the rent. Income from service charges is estimated at £0.997m in 2020/21 (including a void allowance of 1.00%).

6.2 The average weekly impact upon utilities and cleaning service charges arising from the estimates of costs associated with that service in 2020/21 (on a 52-week basis) is as follows:

Charge Type	Average Charge p/w (52 wk basis) £	Average Change p/w £
<b>Communal Lighting - Electricity</b> (Rebateable – eligible for Housing Benefit)	1.02	0.00
<b>Communal Heating - Gas</b> (Rebateable – eligible for Housing Benefit)	2.88	0.00
<b>Communal Cleaning</b> (Rebateable – eligible for Housing Benefit)	2.65	0.01
<b>Communal Heating – Gas</b> (Non-Rebateable – Very Sheltered Housing only – not eligible for Housing Benefit)	6.84	0.01
<b>Independent Living Co-ordinator</b>	9.17	0.24
<b>Concierge</b>	2.24	0.00
<b>Estate Officer</b>	17.75	0.00

Table 5: Service Charge 2020/21

6.3 Ongoing Concierge and Estate Officer charges are currently under review in light of the redevelopment projects at Biart Place and Rounds Garden and will therefore be held at 2019/20 prices. The number of service recipients has fallen following the full decant of Biart Place and the continuing decant programme at Rounds Gardens. Independent Living Co-ordinator charges will rise in line with rent levels at 2.70% in 2020/21 and reflect pay and price increases. Both services utilise the Control Centre located at the Rounds Gardens site.

## 7. PERFORMANCE MANAGEMENT

7.1 The financial management of the HRA is directly linked to key performance in several operational areas – void management, rent collection and arrears recovery.

### Void Management

7.2 There is a direct relationship between the time a property remains void and the rent foregone. Consequently, ensuring that homes are relet in the most efficient manner is a key priority for housing and property repairs service staff.

7.3 For 2020/21 the target for void property rent and service charge loss will be set at 1.00%, equating to £157,430. Most recent performance data shows void loss, excluding properties at the multi-storey flats, running at 1.74%. Where rechargeable works are identified at the point of tenancy termination, tenants are offered the opportunity to make good, or will be billed for the costs. Void rechargeable repairs (the works identified through this process) year to date are £28,000.

## **Rent Collection/Bad Debt Provision**

7.4 The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that must be set aside. Cabinet received an update of the Council's Rent Arrears Policy for adoption in December 2019 setting out an overarching purpose "*to enable our customers to succeed*" backed by the following principles:

- Do what we say we are going to do;
- Communicate effectively with our customers at the earliest opportunity;
- Focus on prevention and early intervention;
- Understand customers' needs and tailor services appropriately;
- Establish customers' financial situation at the earliest opportunity and don't be afraid to challenge it;
- Work innovatively with internal and external partners; and
- Ensure our customers know that if they won't pay, they can't stay.

7.5 Government had originally intended to introduce Universal Credit on a phased basis from October 2013. However, full Borough-wide implementation for new claimants was not introduced until October 2015 and the transition for existing claimants is scheduled for completion in 2023/24.

7.6 Arrears greater than 4 weeks amounted to £1.147m as at 5<sup>th</sup> November 2019. The level of rent arrears is continually reviewed in year. The HRA's contribution to bad debt provision is currently estimated at £114,110 in 2020/21 reflecting the above circumstances.

## **8. EXPENDITURE – ASSUMPTIONS**

### **Employee costs**

8.1 The HRA budgets are based on the current staffing establishment and an increase in pay of 2.5% for 2020/21 based on the National Joint Council agreement. Progression through pay scales and increased employer contributions to the Local Government Pension Scheme have also been included in the base budget.

8.2 Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

## Utility Costs

8.3 Gas and electricity costs have been estimated to attract the following inflation in 2020/21 as per ESPO Energy Briefing:

	Inflation Rate
Gas	5%
Electricity	15%

Table 6: Utility Inflation Estimates 2020/21

8.4 The level of utility costs is subject to variation as further information about future energy inflation and current consumption is refined prior to rent setting.

## Central Recharges

8.5 These costs are currently estimated at £2.404m in 2020/21 and include the HRA's proportion of Corporate Property, ICT, Legal, Human Resources, Payroll and other costs.

## Charges for Capital

8.6 MHCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) have produced guidelines regarding council dwelling depreciation and impairment to coincide with the introduction of 'self-financing'. Depreciation is used to provide a measure of the cost of the economic benefits embodied in an asset that have been consumed during the year. Estimates for 2020/21 charges are based around this guidance and there is a decrease of £0.062m on financial year 2019/20. If the final depreciation charge for 2020/21 is less or more than the estimate (£2.134m), the excess or deficit is transferred to the Major Repairs Reserve to ensure the smoothing of costs for major works over the medium term.

## Amounts set aside for the repayment of debt/ Revenue Contributions to Capital Expenditure

8.7 The HRA business plan initiated at the point of self-financing assumed that all in-year surpluses would be utilised in the repayment of debt, subject to the maintenance of a prudent HRA working balance. Prior to the introduction of the 1% rent cut and the redevelopment projects at high rise sites, estimates were that the HRA self-financing debt allocation of £72.949m would be repaid in 2024 (12 years following the settlement). As noted in sections 2 and 3, sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment costs at the high-rise sites. In the absence of significant government financial support or grant funding from Homes England, the revised debt repayment schedule will now extend to 2049/50, subject to sensitivity around project timelines and cost estimates.

8.8 Unlike the General Fund, there is no statutory requirement to set aside money from revenue for debt repayment within the HRA allowing flexibility to adjust debt repayment considering HRA business planning needs in future years.

## 9. HOUSING REPAIRS & MAJOR WORKS

### Housing Repairs

9.1 Housing repairs expenditure covers both planned and responsive maintenance, some of which is capital funded. The funding is split between:

- the Housing Repairs Account for revenue expenditure such as boiler servicing, electrical inspections, etc.; and
- the Major Repairs Reserve (MRR) for capital works including the replacement of significant components (kitchens, bathrooms, central heating, etc.)

9.2 The transfer to the Housing Repairs Account in 2020/21 is estimated at £3.979m (£3.894m 2019/20). Works within this total include:

- Gas servicing and maintenance works – (£0.420m);
- Responsive repairs and voids (£2.390m);
- Repainting schemes - (£0.250m); and
- Electrical inspections and maintenance (£0.280m).

### Major Works

9.3 The Council is required to produce a capital programme which takes account of at least the next three financial years. The full programme is included at Appendix B. Material items within the programme include:

#### Heating Upgrades (£1.750m)

9.4 The original proposals for 2019/20 to 2023/24 included a heating upgrade/replacement programme of approximately 1500 properties (300 per annum) as part of the lifecycle replacements funded via the Major Repairs Reserve. The scheme has now been accelerated so that 600 properties will undergo replacements in 2020/21 and 2021/22. Works will be undertaken in combination **with** electrical inspections to:

- Maximise economies of scale;
- Mitigate against refusals – tenants value heating upgrades but often defer electrical inspections creating a backlog; and
- Ensure value for money when letting the gas maintenance contract in 2021 as quotes will be significantly reduced on an upgraded portfolio of boilers.

### Bathrooms (£0.360m)

9.5 The proposals for 2020/21 include a bathroom replacement programme of approximately 140 properties to ensure continuing compliance with Decent Homes standards. A further 540 replacements will be undertaken in the period 2020/21 to 2024/25. Funding is via the Major Repairs Reserve.

### Acquisitions (£3.024m)

9.6 To maintain compliance with its retained Right-to-Buy 1-4-1 Agreement with MHCLG, and to access homes made available via S106 agreement with developers the Council will acquire approximately 22 properties in 2020/21. The average cost of acquisition is estimated at £140,000 of which a maximum 30% (£42,000) is currently funded via Right-to-Buy sales receipts. The balance (70%) is funded via Housing Capital Investment balances. Where larger new build or acquisition schemes are envisaged, such as those outlined in section 2, reports will be brought to Council outlining operational and financing recommendations.

## **10. CONCLUSION**

10.1 The estimates contained within this report represent the most up-to-date information and sensitivity analysis available in preparing the HRA revenue budget for 2020/21 and the HRA medium term financial plan 2020-24. Further changes may arise from the following operational and policy areas:

- Revisions to cost estimates, project timelines, and external funding in relation to Biart Place and Rounds Gardens redevelopment/refurbishment schemes;
- Staffing and other changes arising from a review of costs associated with CCTV and Concierge service charges;
- Revisions to inflation estimates impacting construction industry materials and labour costs; and
- Direct and indirect impact of efficiency measures arising from:
  - Digitalisation measures
  - Structure and delivery mechanisms of support service recharges.

10.2 Any changes made to any of the recommendations will potentially affect the content of the subsequent appendices. If any changes to the rent setting levels are proposed, it is important to be clear about the effects of the change and to build these in during the consideration of each recommendation.

## **11. RECOMMENDATION**

- (1) The proposed revenue and capital budget estimates for 2020/21 at Appendices A and B inclusive of:
  - 1.1. a 2.7% increase in rents be approved;
- (2) service charges be amended as outlined in the report; and
- (3) following the abolition of the statutory HRA Limit on Indebtedness (“debt cap”) a local indicator of £152m is agreed for the period 2020-2024.

**DRAFT REVENUE BUDGETS 2020/21 SUMMARY****HOUSING REVENUE ACCOUNT**

	<b>2019/20 Original Budget £</b>	<b>2019/20 Revised Budget £</b>	<b>2020/21 Draft Budget £</b>	<b>Notes</b>
<b>INCOME :-</b>				
Rent Income From Dwellings	-15,547,050	-15,547,050	-15,743,310	1
Rent Income From Non - Dwellings	-137,600	-137,600	-132,600	2
Charges For Services	-1,047,300	-1,047,300	-997,360	3
Contributions Towards Expenditure	-215,570	-215,570	-214,380	
<b>Total Income</b>	<b>-16,947,520</b>	<b>-16,947,520</b>	<b>-17,087,650</b>	
<b>EXPENDITURE :-</b>				
Transfer To Housing Repairs Account	3,769,410	3,894,410	3,837,240	
Supervision & Management	5,774,800	5,774,800	5,643,380	4
Rents, Rates, Taxes & Other Charges	5,000	5,000	5,000	
Depreciation and Impairment	2,075,000	2,075,000	2,137,000	5
Debt Management Cost	23,810	23,810	23,810	
Provision For Bad or Doubtful Debt	61,250	61,250	114,110	
Amounts set aside for the repayment of debt	0	0	0	6
<b>Total Expenditure</b>	<b>11,709,270</b>	<b>11,834,270</b>	<b>11,760,540</b>	
HRA Share of Corporate & Democratic Core Costs	224,160	224,160	223,680	
<b>NET COST OF HRA SERVICES</b>	<b>-5,014,090</b>	<b>-4,889,090</b>	<b>-5,103,430</b>	
<b>HRA SHARE OF OPERATING INCOME &amp; EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME &amp; EXPENDITURE ACCOUNT</b>				
Interest Payable & Similar Charges	1,532,000	1,532,000	1,532,000	
Interest & Investment Income	-171,410	-171,410	-219,930	
<b>NET OPERATING EXPENDITURE</b>	<b>-3,653,500</b>	<b>-3,528,500</b>	<b>-3,791,360</b>	
Revenue Contributions to Capital Expenditure	3,601,450	3,601,450	3,743,080	6
Contributions to (+) / from (-) Reserves	52,050	52,050	48,280	
Surplus(-)/Deficit for year	<b>0</b>	<b>125,000</b>	<b>0</b>	

## Notes

- 1 Rent estimates based on rent increase of 2.7% and estimated 20 RTB sales in year.
- 2 Garage rents have been increased in line with national guidance but this has been offset by an increase in the number of void/empty properties.
- 3 The net change in service charge income reflects any inflationary rises noted within the report and includes a void allowance of 1.00%.
- 4 The main adjustments from the supervision & management revised budget for 2020/21 are:

	£
Internal Recharges	199,260
Reduction in CCTV costs following renegotiation of contract	-26,000
Security for Multi-Storey flats reduced now that Biart Place has been fully	-275,390
Pension / Low Pay Adjustments	-22,750
Other net changes less than £10,000	-6,540
Total change in Supervision & Management budget	<u><u>-131,420</u></u>

- 5 MHCLG and CIPFA have produced guidelines regarding council dwelling depreciation to coincide with the introduction of HRA self-financing. Estimates for 2020/21 have been prepared on this basis.
- 6 Sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment costs at the multi-storey sites.

Proposed Housing Revenue Account (HRA) Capital Programme 2020/21 and onwards					
	Revised 2019/20 Capital Programme	Anticipated 2019/20 slippage into 2020/21	Proposed 2020/21 Capital Programme	Proposed 2021/22 Capital Programme	Proposed 2022/23 Capital Programme
	£	£	£	£	£
<b>Improvements &amp; Capitalised Repairs</b>					
Bathrooms	357,990	0	357,990	357,990	357,990
Fire Risk Prevention Works	68,170	0	70,000	70,000	70,000
Heating Upgrades	868,910	0	1,735,000	1,735,000	350,000
Kitchen Improvements	109,000	0	52,000	52,000	52,000
Rewiring	0	0	120,000	120,000	120,000
Patterdale Sheltered Scheme	70,000	0	0	0	0
Energy Efficiency Long Lawford External Cladding Phase 2	900,000	0	0	0	0
CCTV Upgrades	45,130	45,130	0	0	0
Soffit / Gutter Improvements	57,000	0	57,000	57,000	57,000
Replacement Footpaths	20,000	0	100,000	0	0
External Walls	50,000	0	50,000	50,000	0
Housing Window Replacement	59,800	0	0	0	0
Fire Alarms - Rounds Gardens	80,000	0	0	0	0
Roof Refurbishment - Lesley Souter House	70,000	0	0	0	0
Entrance Doors / Door Entry Systems	292,390	0	292,390	292,390	0
Electrical Upgrades - Community Rooms	36,070	0	150,000	0	0
Boiler Works - Tanser Court	0	104,890	0	0	0
LED Lighting	36,980	0	0	0	0
<b>Housing Management System</b>	404,460	0	60,000	60,000	60,000
<b>Solar PV</b>	12,210	0	0	0	0
<b>Disabled Adaptations</b>	278,210	0	205,770	205,770	205,770
<b>Lifeline Renewal Programme</b>	67,320	0	30,000	30,000	30,000
<b>Property Repairs Vehicle Replacement</b>	300,000	0	0	0	0
<b>Purchase of Council Homes</b>	1,959,940	0	3,024,000	1,685,000	1,685,000
<b>Cawston Meadows Houses</b>	826,000	0	0	0	0
<b>Rugby Gateway Houses - CALA Homes</b>	0	434,000	0	0	0
<b>Rugby Gateway Houses - Bloor Homes</b>	675,000	3,000	0	0	0
<b>Rounds Gardens Capital</b>	954,690	2,430,000	0	0	0
<b>Biart Place</b>	1,533,340	0	0	0	0
<b>Biart Place Demolition</b>	2,870,000	0	0	0	0
<b>HRA Garage Sites</b>	48,000	1,252,000	0	0	0
<b>Bell House Redevelopment</b>	40,000	1,974,000	0	0	0
<b>Housing Acquisitions Fund</b>	8,283,000	4,217,000	0	0	0
<b>TOTAL</b>	<b>21,373,610</b>	<b>10,460,020</b>	<b>6,304,150</b>	<b>4,715,150</b>	<b>2,987,760</b>
<b>Draft Financing: -</b>					
Revenue Contributions / RTB Receipts	15,149,090	10,355,130	3,114,000	1,775,000	1,775,000
Major Repairs Reserve	6,224,520	104,890	3,190,150	2,940,150	1,212,760
<b>TOTAL</b>	<b>21,373,610</b>	<b>10,460,020</b>	<b>6,304,150</b>	<b>4,715,150</b>	<b>2,987,760</b>

**MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2020/21 - 2023/24**

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
<b>EXPENDITURE</b>				
Supervision & Management	5,643	5,517	5,655	5,797
Repairs & Maintenance	3,979	4,001	4,101	4,204
Rents, Rates, Taxes	5	5	5	5
Charges for Capital	2,137	2,201	2,267	2,335
Debt Management	24	15	16	16
Provision for Bad Debts	114	64	68	71
HRA Share of Corporate & Democratic Core Costs	224	219	225	230
Revenue Contributions to Capital Expenditure	3,601	2,564	2,638	2,663
Net Interest Payments	1,312	2,590	3,031	3,181
Contribution to/from(-) reserves	48	48	48	48
<b>Total</b>	<b>17,087</b>	<b>17,226</b>	<b>18,054</b>	<b>18,551</b>

<b>INCOME</b>				
Dwelling Rent	-15,743	-15,776	-16,568	-17,027
Non Dwelling Rent	-133	-136	-139	-143
Service Charges	-997	-1,093	-1,120	-1,148
Contributions towards expenditure	-214	-221	-227	-233
<b>TOTAL</b>	<b>-17,087</b>	<b>-17,226</b>	<b>-18,054</b>	<b>-18,551</b>

Impact on Average Rent (52 week basis):	£'s	£'s	£'s	£'s
Prior Year	82.90	85.14	87.69	90.32
Current Year	85.14	87.69	90.32	93.03
Increase £'s	2.24	2.55	2.63	2.71
Increase %	2.70	3.00	3.00	3.00