

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	HOUSING REVENUE ACCOUNT (HRA) BUDGET FOR 2020/21	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Committee Draft Minutes – 7 November 2019 Draft Housing Revenue Account Budget for 2020/21 – 10 December 2019 Corporate Scrutiny Committee Draft Minutes – 8 January 2020	Public Report: Yes
		Key Decision: Yes
Financial Implications	This report sets out the budget for the Housing Revenue Account in 2020/21, and plans to deliver a surplus of £2.8m over the course of the year.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	AS detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To seek approval of the 2020/21 Housing Revenue Account (HRA) Budget.	
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2020/21.	
Recommendations	<p>THAT CABINET:</p> <p>A. NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER; AND</p> <p>B. RECOMMEND THE COUNCIL APPROVE THE FOLLOWING CHANGES TO RENTS AND CHARGES FOR 2020/21:</p> <p>a. INCREASE COUNCIL HOUSE RENTS BY UP TO 2.7%, AS DETAILED IN PARAGRAPH 4.1.</p> <p>b. DECREASE CHARGES BY AN AVERAGE OF 0.96%, AS SET OUT IN APPENDIX C.</p>	

	<p style="text-align: center;">c. INCREASE SERVICE CHARGES BY AN AVERAGE OF 0.44%, AS SET OUT IN APPENDIX D.</p> <p style="text-align: center;">C. RECOMMEND TO COUNCIL THAT IT APPROVES THE HOUSING REVENUE ACCOUNT BUDGET FOR 2020/21 AS SUMMARISED IN APPENDIX A.</p>
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1.0 INTRODUCTION

- 1.1 Cabinet considered the draft Housing Revenue Account (HRA) budget proposals for 2020/21 at its meeting on 10 December 2019 and approved the beginning of the consultation process. The report was subsequently shared with a number of groups, including the Corporate Scrutiny Committee on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report.
- 1.2 This report summarises any further changes that have been made to the budget since it was last presented to Cabinet and provides an update on the consultation responses received so far. The consultation will continue to run until 4 February 2020. Officers will provide an update to Cabinet on the results during the Cabinet meeting on the same date.

2.0 2019/20 BUDGET POSITION

- 2.1 We budgeted for a surplus in 2019/20 of £1.4m. By the end of December 2019, we were forecasting a surplus of £1.8m, an increase in surplus of £358k over budget. The main causes of this surplus are:
- Reduced expenditure on a painting programme of £100k.
 - Savings of £90k on utility costs, such as council tax, gas and electricity.
 - Lower than anticipated responsive repair costs, saving £50k.
 - Net staff savings of £114k.
- 2.2 As a result the balance on the Housing Revenue Account at 31 March 2020 is forecast to be £16.0m. This balance includes £13.0m to repay our loans that fall due in 2022, and a £1.0m working balance for the HRA. The remaining £2.0m are reserves available to use flexibly, following Cabinet's decision last year to stop automatically using surpluses for debt repayment. This could be used for additional capital improvement works, new housing stock, service improvements or the repayment of debt, subject to assessment of the HRA 5 year medium term financial plan. We will initially place this in the debt repayment reserve, as our default position is to repay debt, but we retain the flexibility to utilise this when opportunities arise.

3.0 2020/21 BUDGET OVERVIEW

- 3.1 The 2020/21 HRA budget is based upon the 2019/20 budget, with adjustments to reflect the known and anticipated changes for 2020/21. The proposed 2020/21 budget is set out in Appendix A, and budgets for a net surplus of £2.8m.

3.2 Changes since the draft budget

- 3.3 The budgeted surplus of £2.8m is £287k greater than the £2.5m budget surplus presented to Cabinet in December 2019. The causes of these changes are:
- **The revenue contribution to capital outlay (RCCO) falling by £400k.** This is due to a fall in the New Supply capital budget, as a result of a one planned

development site no longer being considered viable. The new RCCO figure for 2020/21 is £934k.

- **Additional voluntary one-off lump sum payment into our pension scheme.** The Council is what is referred to as a 'stabilised employer' in the Local Government Pension Fund, meaning we pay into the fund based on a stabilised contribution rate. This stabilised contribution rate is determined by the actuaries on a tri-ennial (3 yearly) basis by looking at the required rates needed over the forthcoming 17 years and smoothing them over that period to reduce volatility in the rates paid. The effect for the Council for 2020/21 is that we are due to pay 26% rather than then a rate of 29.5% that we would pay on an 'un-stabilised' approach.

Due to the forecast surpluses on both the General Fund and Housing Revenue Account at draft budget stage, we are planning to make an additional lump sum contribution to our pension fund of £71k in respect of Housing staff. This amount will be added to the £197k General Fund contribution (that covers an equivalent contribution in respect of staff working outside the Housing Service) to make a full contribution of £268k. Some of this was already budgeted for, so the increase in costs in the final HRA budget is £42k.

This budget proposal will be one-off in 2020/21 only, with a view to actively working to counteract the future pension liability (which stands at £56.3m as at 31 March 2019). The additional pension contribution will be invested by the Pension Fund to earn returns and reduce this liability. Assuming all other things remain equal, the Council should see a financial benefit from 2023 through broadly a 0.1% a reduction in contributions for future years.

- **Changes to recharges, increasing our costs by £21k.** Charges for various corporate services, (such as Human Resources or Finance for example), are split between the General Fund and HRA. Changes within the General Fund report, such as additional pension costs, feed through to the HRA in greater as higher recharge costs.
- **The surplus expected from the In-House Repairs team has fallen by £43k.** This is a result of the changes to recharged costs and pension costs also affecting the in-house repair team. It brings to total net surplus expected next year down to £285k.
- **Income from rents is expected to be £20k lower.** This is because we have sold more properties through right to buy than originally expected, reducing the income we can expect to receive next year.
- **We reduced our software licences budget by £14k.** This represented the share of costs associated with running the new housing IT system which will be met by the strategic housing element of the general fund.

- 3.4 As a result of early work on the Finance Work Stream of Journey to Self Sufficiency Programme, we expect to increase our estimate for income from our cash balances by £36.6k. This is because we intend to change how we manage our cash to increase the return we get. There is no impact on the surplus position as the unallocated journey to self-sufficiency targets will be reduced by the same amount, leaving £188k of savings or additional income to be identified in the year.
- 3.5 Appendix B lists all the changes made to the budget from 2019-20.

3.6 Use of surpluses

3.7 As set out in the December 2019 report, the budgeted surplus, now £2.8m, will initially be placed into the debt repayment reserve as a default option. However, we will draw upon it if required to fund future projects, such as the New Supply or work to reduce our carbon emissions.

4.0 RENTS, FEES AND CHARGES

4.1 The proposed rent increase of up to 2.7% remains unchanged from December 2019, and follows four years of 1% rent cuts. We now expect our rental income to increase by £297k in 2020-21.

4.2 The fees and charges for 2020-21 also remain unchanged, with service charges increasing on average by 0.44% and overall fees and charges falling by 0.96%. A full list of fees and charges and service charges can be found in Appendix C and D respectively.

5.0 MEDIUM TERM FINANCIAL PLAN

5.1 The Medium Term Financial Plan is presented to members as a separate agenda item at this meeting for approval. It has been updated with the figures within this report, and the favourable increase in surplus improves the position in 2020-21, but additional costs identified and rolled over the 5 year period mean the position over the 5 year period is marginally lower than previously reported, having fallen by £56k to £4,630k.

6.0 CONSULTATION PROCESS

6.1 Corporate Scrutiny

6.2 The Corporate Scrutiny Committee met on 8 January 2020 to review all the proposed budgets for 2020/21. A link to the draft minutes have been included as a background paper on page one of this report.

6.3 The main focus of the Committee's discussion was on the capital programme, which is subject to a separate agenda item at this meeting.

6.4 On the draft HRA budget, members of the committee suggested that we should write to all tenants to ask them for their views. After carefully considering this suggestion we have concluded our already-enhanced approach to consultation this year to be satisfactory. The approach we have adopted includes:

- Gathering reviews from the Performance and Finance Working Group, who are a group of tenants that meet quarterly to review the performance and financial position of the housing service. This meeting occurred on 12 December 2019 and their views are detailed in paragraphs 6.5 to 6.8 below.
- Writing to 100 'involved residents' to ask for their views.
- A large scale social media campaign across all our social media accounts, with an online survey for people to complete. Our main accounts reach tens of thousands of people each month, and our housing specific accounts reaching between 1,000 and 8,000 each month on average. The online consultation commenced on 13 January and will close on 3 February.
- A news release to promote the budget consultation.

We will, however, look to further improve the consultation next year with an article in our quarterly magazine that is sent to all tenants in January.

6.5 Performance and Finance Working Group

6.6 The Performance and Finance Working Group is a group of tenants who meet quarterly to review the performance and financial position of the housing service. They reviewed the 2020/21 budget on 12 December 2019.

6.7 Their main feedback was that they would prefer for rents not be increased by 2.7%, which was seen to be a large jump. However, they could understand why we would increase rents after four years of 1% cuts in rent, as it would enable us to continue to invest in the service and homes we provide.

6.8 There were further comments on the HRA capital programme, which have been noted in the capital programme report that is a separate agenda item at this meeting.

6.9 Ongoing Consultation

6.10 The consultation will remain open until 4 February. Any additional feedback will be shared with Cabinet during the meeting on 4 February 2020. The other sources of feedback include:

- Trade Unions.
- The Tenants and Leaseholders Forum, who will be consulted at their next meeting on 27 January 2020.
- The online consultation, which closes at midnight on 3 February 2020.

6.11 Update on the online consultation

6.12 Whilst the consultation is still underway, we have already had 28 responses and 6 of these identified themselves as living within one of our properties. The survey asks respondents to rate how supportive they are to budget proposals from “very unsupportive” to “very supportive”, and provides an opportunity to add comments. Table one below gives a brief summary of the responses, with the highest number of responses highlighted in bold. It shows that so far more people are supportive of the proposed changes than are unsupportive. Appendix E provides a more detailed summary report of the responses so far.

Table 1: Overview of responses to the HRA Consultation

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
On the proposed rent increase of up to 2.7%	20 (71%) amongst all respondents 3 (50%) amongst our residents	4 (14%) amongst all respondents 2 (33%) amongst our residents	4 (14%) amongst all respondents 1 (17%) amongst our residents	<ul style="list-style-type: none"> • There was recognition that our rents are lower than private rents. • There were requests to ensure that the increases benefited tenants.
On planned changes to service charges	16 (57%) amongst all respondents 3 (50%) amongst our residents	9 (32%) amongst all respondents 1 (17%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • One individual did not support the rise in the older person charge. • Another was very unsupportive of the increase in grounds maintenance over concerns around the level of service they are receiving.

On planned changes to other fees and charges	12 (43%) amongst all respondents 2 (33%) amongst our residents	8 (29%) amongst all respondents 2 (33%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • 4 comments suggested we should be decreasing shop leases, not increasing them. • One commented that the lifeline costs should not be increased given the effect it would have on the elderly.
On changes to our planned day to day spend	12 (43%) amongst all respondents 1 (17%) amongst our residents	9 (32%) amongst all respondents 3 (50%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • The value for money review of the In-house repair team's delivery of the home improvement programme was considered a good idea by one respondent, but another felt the cost for it was excessive. • One tenant questioned whether it is necessary to have a support officer to work with tenants who have opted not to receive the support.

7.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 7.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.
- 7.2 The council's current projections within the HRA Medium Term Financial Plan (MTFP) show a stable 5 year financial position. The plan now also includes £2.6m of targeted Journey to Self-Sufficiency savings.
- 7.3 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2020/21 are robust and prudent, and the proposals are deliverable.
- 7.4 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves are adequate.

Policies and other considerations, as appropriate	
Council Priorities:	The HRA budget mainly assists the “local people live in high quality, affordable homes” priority. There are also links to the value for money priority.
Policy Considerations:	This budget sets out our rent policy for 2020/21, in line with the proposed national rent increase formula.
Safeguarding:	No issues
Equalities/Diversity:	<p>We have considered the impact of changes to the HRA budget on the protected characteristics defined within the Equalities Act.</p> <p>The changes to rent could adversely affect those with protected characteristics within our properties, particular age as the demographic of our tenants tends to be older people. However, this is offset by an additional support officer focused on tenants within supported housing, who tend to be older, and the general benefit of a financially sustainable landlord service that can continue to offer those in need lower cost accommodation.</p>
Customer Impact:	<p>The majority of our tenants will be impacted by the increase in rents set out within this report.</p> <p>The budget also ensures that our Housing service is sufficiently resourced to be a good landlord.</p>
Economic and Social Impact:	No issues
Environment and Climate Change:	<p>These budgets do not reflect the climate emergency declared by the Council in May 2019. This is because officers are still building up an understanding of how we can respond most effectively.</p> <p>We consider the HRA budgets to have sufficient flexibility to absorb additional costs during the year to start this work when completed.</p>
Consultation/Community Engagement:	<ul style="list-style-type: none"> • Corporate Leadership Team (CLT). • Housing and Property Services Portfolio Holder • Corporate Scrutiny Committee.
Risks:	The Council sets a HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Officer Contact	<p>Tracy Bingham Head of Finance and Section 151 Officer 01530 454 707 tracy.bingham@nwleicestershire.gov.uk</p>