

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

TUESDAY, 7 DECEMBER 2021

Report Title	HOUSING COMMITTEE BUDGET ESTIMATES – REVISED 2021/22 AND ORIGINAL 2022/23 AND HOUSING REVENUE ACCOUNT (HRA) MEDIUM TERM FINANCIAL PLAN 2021/22 – 2025/26
Purpose of Report	To present to the committee the revised budget estimates for 2021/22 and the original estimates for 2022/23.
Decision(s)	<p>The Committee RECOMMENDS to Strategy & Resources and Council that:</p> <ul style="list-style-type: none">a) The revised General Fund Housing revenue budget for 2021/22 and original budget 2022/23 are approved; andb) The Fees and Charges listed in Appendix A are approved; andc) The revised HRA revenue budget for 2021/22 and original budget 2022/23 are approved; andd) The movement to and from HRA balances and capital reserves as detailed in Appendix C and section 11 are approved; ande) That from 1 April 2022:<ul style="list-style-type: none">i. Social rents and affordable rents are increased by 4.1% (CPI +1%), in line with national rent guidanceii. Garage rents are increased by 4.1%iii. Landlord service charges are increased by 4.1%f) That the General Fund Housing Capital Programme, as detailed in Section 4Error! Reference source not found., be included in the Council’s Capital Programme; andg) That the HRA Capital Programme for 2021/22 to 2025/26, as detailed in Appendix D, be included in the Council’s Capital Programme; andh) To delegate authority to the Strategic Director of Resources to appropriate land and buildings at 11/11A May Lane (as shown on the plan at Appendix E) into the HRA and the New Build Programme from the General Fund, once a market valuation has been received; andi) To delegate authority to the Head of Property Services to continue work on progressing this site with land to the rear of Parsonage Street, Dursley, including opening negotiations to acquire land from 3rd party private owners.

Consultation and Feedback	Budget holders and senior managers			
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Options	a) Reduce or increase capital and revenue expenditure b) Reduce or increase dwelling rents c) Reduce or increase landlord service charges and garage rents d) Not appropriate the land at May Lane to the HRA			
Background Papers	None			
Appendices	A – General Fund fees and charges B – HRA rents and service charges C – HRA MTFP D – HRA Capital Programme and funding E – Plan of land at May Lane and Prospect Place, Dursley			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

1. Background

- 1.1 The Budget Strategy reported to Strategy and Resources Committee in October 2021 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
- 1.2 The Committee's service revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report. They are presented in draft format and are subject to further change as the budget setting process progresses. Any subsequent changes will be included in the MTFP report to Strategy and Resources and Council.
- 1.3 **It would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

2. Summary

- 2.1 This report sets out the revised budgets for 2021/22 and the proposed base budgets for 2022/23 for General Fund Housing and the Housing Revenue Account (HRA).
- 2.2 General Fund Housing
- 2.3 An increase in budget of £118k on top of the base budget gives a proposed budget of £890k for 2022/23. The current budget for 2021/22, including carry forwards of £207k, is £980k.
- 2.4 Updated fees and charges are included in Appendix A.
- 2.5 The capital programme is proposed to be £5,813k in 2022/23, up from £2,531k in 2021/22.
- 2.6 Housing Revenue Account
- 2.7 A transfer from general reserves of £972k will be needed to fund the proposed budget for 2022/23.
- 2.8 It is proposed that weekly rents and services charges increase by 4.1%, in line with national rent guidance and the SDC Budget Strategy, as approved by Council.

- 2.9 The HRA capital programme has been reprofiled across financial years, and the retrofit option chosen by Housing Committee in September 2021 has been included in the ongoing programme.
- 2.10 It is proposed that the council owned site at May Lane in Dursley be appropriated from the General Fund to the HRA, subject to a market valuation.
- 2.11 It is forecast that savings of £1m pa will be needed across the HRA in order to have a balanced financial position over the long term.

3. General Fund Housing

- 3.1 Members will be aware from both the 2021/22 budget and MTFP (approved in January 2021) and the Budget Strategy reports, the Council is facing a number of financial challenges in 2022/23 and future years. A budget deficit has been forecast in the latter part of the medium term due to anticipated reductions in the level of Government funding and inflationary/cost pressures across the Council's services.
- 3.2 The Medium Term Financial Plan (MTFP) report to Strategy and Resources will set out a projection of General Fund expenditure over the medium term 2022/23 to 2025/26. This report sets out a more detailed analysis of the changes to the Housing Committee budget for 2021/22 (Revised Estimates) and 2022/23 (Original Estimates).
- 3.3 The Committee's service revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report. They are presented in draft format and are subject to further change as the budget setting process progresses. Any subsequent changes will be included in the MTFP report to Strategy and Resources and Council.
- 3.4 The original budget for General Fund Housing was £773k, which has been revised to £980k following a carry forward of £207k from 2020/21.
- 3.5 It is proposed that the original budget for 2022/23 be set at £890k, which includes transfers from reserves of £36k, as set out in Table 1.

Table 1 – Summary of General Fund Housing Budget

	2021/22 Revised Estimate £000's	2022/23 Original Estimate £000's
Base Budget	773	980
Virements/adjustments	207	(207)
Recurring changes:		
Pay increases		23
Proposed budget adjustments		95
Net Service Budget	980	890
Transfers to/from reserves	(207)	(36)
Net Service Budget (after Reserve Funding)	773	854

- 3.6 The pay increases of £23k represent a salary uplift for 2022/23 of 2.5%, in line with the Budget Strategy. Also included within this is an increased assumption for 2021/22 and also the confirmed additional 1.25% National Insurance contribution.
- 3.7 There are some proposed budget adjustments within the budget for next year, as set out in the following table.

Table 2 – Summary of proposed budget adjustments

	£000s	
Housing Strategy staffing	26	Additional admin support (fixed term), funded from external grant funding
Housing Advice staffing	10	Additional admin support (fixed term), funded from earmarked reserves
Housing Advice team	48	Change in funding of the team between General Fund and HRA (offset in HRA - see para 9.2). No change in overall staffing proposed.
Other minor changes	10	
Total	94	

- 3.8 The additional staffing proposed across Housing Strategy and Housing Advice are fixed term only, and as they are funded from a combination of external funding and earmarked reserves, they do not increase the ongoing budget requirement.
- 3.9 A review has been undertaken of the Housing Advice Team to assess the funding from the HRA. The team maintain the housing register and provide an allocations service for the HRA and so some of the costs are transferred. Since the last review it has been established that less time is spent on HRA activities, meaning a reduction in the charges to the HRA, but as the team structure will remain the same this means that the General Fund needs to pick up more of the cost. Overall this has not caused a funding issue for the General Fund as the HRA also contributes towards support services from the General Fund. As detailed in paragraphs 9.1 and 9.2 the overall contribution from the HRA has increased, largely due to increased costs of providing the services.

4. General Fund Housing Capital

- 4.1 The base capital budget for 2021/22 was £1,995k. The proposed revised budget is £2,531k following capital slippage from 2020/21 and the removal of the Temporary Accommodation budget (see paragraph 4.9). The proposed base budget for 2022/23 is £5,813k, which includes two new bids to the Department for Business, Energy and Industrial Strategy (BEIS) for Green Homes Local Authority Delivery Scheme (LADS) Phase 3 and Home Upgrade Grants for Sustainable Warmth. Both are countywide schemes.
- 4.2 Table 3 below sets out the full capital programme.

Table 3 - General Fund Housing Capital Programme

	Para	Base Budget 2021/22 £000s	Current Budget 2021/22 £000s	Base Budget 2022/23 £000s
Affordable Housing-Support to Registered Providers	4.4	0	39	0
Disabled Facilities Grant Scheme	4.5	330	330	350
Health through Warmth Grants	4.6	200	200	200
Private Sector Housing Loans	4.7	15	15	15
Warm Homes	4.8	0	343	0
Temporary Accommodation	4.9	500	0	0
Green Home LADS Park Homes	4.10	950	1,604	0
Green Home LADS 3	4.11	0	0	1,030
Home Upgrade Grant - Sustainable Warmth	4.12	0	0	4,218
Total		1,995	2,531	5,813

4.3 Details of the capital schemes are below.

4.4 Support for Registered Providers

The existing capital programme for support for housing associations has been fully utilised. Where possible section 106 contributions will be used to further contribute towards affordable housing in the district.

4.5 Disabled Facilities Grants

The allocation for Disabled Facilities Grants from the Better Care Fund administered by Gloucestershire County Council has increased from £330k to £350k. This is a demand led service and the need for adaptations can be difficult to predict.

4.6 Health Through Warmth Grant

Health through warmth insulation grants, funded by Gloucestershire Clinical Commissioning Group (CCG), are set to continue. This funding is predominantly used for insulation and heating systems to increase thermal efficiency in homes of people with cold or damp related health issues. It covers the whole county, with Stroud District Council leading.

4.7 Housing Loans

A small ongoing budget has been included to reflect the Health Homes Loan Scheme and Empty Homes Loans.

The Health Homes Loan Scheme is for owners to remove a serious defect in the property that could affect their health. The loans are repayable when the applicant sells or moves out of the property.

The Empty homes loan scheme is for owners of long term empty properties to apply for loan funding to bring the empty home back into use. These loans are interest free and repayable when the property is sold or no longer available to rent at an affordable level.

4.8 Warm Homes

This countywide scheme which is externally funded by the National Grid, through Affordable Homes Solutions is due to finish in 2021/22 (extended from 2020/21). If any new opportunities for funding become available these will be investigated.

4.9 Temporary Accommodation

The temporary accommodation budget was set up to purchase a property for housing homeless families and singles, in partnership with a registered provider. Due in part to the success of using HRA accommodation to house homeless families, this scheme is no longer needed in the same way. The budget has therefore been removed from the capital programme.

However, there is still a pressure on temporary accommodation, particularly for rough sleepers and single person households, and work is ongoing with partners to establish a way to meet the need. It is hoped that this will lead to additional temporary accommodation within the district for this group of residents. If additional support is required from Stroud District Council a new business case will be established and if approved, and in consultation with Housing Committee, will be included within the proposed capital programme.

4.10 Green Homes LADS Park Homes

The external BEIS funding for Park Homes is available for 2021/22.

4.11 Green Homes LADS 3

Following successful bids for Green Homes LADS 1A and 1B funding for Park Homes, a bid has also been submitted for Green Homes LADS 3. This is a countywide scheme covering Gloucestershire and South Gloucestershire. If the bid is unsuccessful the capital budget will be taken out of the capital programme.

4.12 Home Upgrade Grant – Sustainable Warmth

A bid has been submitted to BEIS to provide funding to install energy saving upgrades and low carbon heating in low income households across Gloucestershire and South Gloucestershire. If the bid is unsuccessful the capital budget will be taken out of the capital programme.

5. Housing Revenue Account (HRA)

- 5.1 The HRA budget for 2021/22 has a transfer to general reserves of £281k. The proposed budget for 2022/23 has expenditure of £26,188k funded by income of £24,058k and a transfer from earmarked reserves of £1,158k, leaving a transfer from general reserves required of £972k.
- 5.2 Table 4 shows a summary of all budget changes from 2021/22 to 2022/23. It should be noted that a number of these changes were previously planned, or are only for a fixed period of time and so do not represent a significant change from the long term position. Section 11 looks at the medium and 30 year impact of the changes identified in this budget round.
- 5.3 Further detail on the changes is included in the sections after the table.

Table 4 – Summary of HRA Budget Changes

	Para	Budget Changes 2022/23	Comments
Transfer to reserves 2021/22		(281)	
Rents and service charges	6	(836)	4.1% uplift across rents and charges
Pay and Price inflation:			
National Insurance Adjustments	7.1	44	1.25% uplift on employers NI contribution
Pay Award Adjustments	7.1	33	Assumed pay award adjustment for 2021/22
Pay Inflation	7.1	111	Assumed pay award for 2022/23
Contract Inflation	7.2	115	3% inflation across major contracts
Insurance Adjustments	7.3	64	Insurance premium increase
Gas and Electric	7.4	53	Utilities inflation
Service changes:			
Asset and Investment team	8.2	108	Staffing including retrofit contract officers
Property services/new build team	8.3	47	Additional support for two years
Property Care	8.4	265	Additional costs, mostly fixed term
Compliance	8.6	574	Additional radon and asbestos testing and works, and Fire Risk Assessment works
Cyclical maintenance programme	8.7	(249)	Planned change in cyclical maintenance programme
Disrepair claims	8.8	60	Disrepair compensation claims underway
EPCs	8.9	40	Additional EPCs required prior to retrofit programme
Decoration vouchers	8.10	20	Vouchers issued to tenants on moving in for paint etc
Grounds maintenance contract	8.10	17	Uplift in Ubico contract cost
Central changes:			
Support Service Charges	9.1	350	Increase in charges from General Fund for shared services
less Housing Advice	9.2	(48)	Reduced charge from General Fund for allocations service
Pension lump sum	9.3	(72)	Planned reduction in pension costs
Interest receivable	9.4	25	Reduction in interest received on HRA balances
Ind Living cont towards service changes	9.5	148	Planned change to Independent Living Modernisation
Provision for repaying debt	9.6	45	Planned uplift in contribution for repayment of debt
Depreciation/Transfer to MRR	9.7	320	Uplift in depreciation charge (which is used to fund capital works)
Other minor changes (net)		17	
Transfer from reserves 2022/23		972	

6. Proposed Rents and Service Charges 2022/23

- 6.1 It is proposed that all rents, fees and charges are increased by September Consumer Price Index (CPI) +1%, which totals 4.1% (with the exception of shared ownership rents which are set separately).
- 6.2 Appendix B set out the proposed increases in fees and charges for the HRA.
- 6.3 Dwelling rents
- 6.4 2022/23 is the third year of rents being regulated by the Regulator of Social Housing, following a period of four year rent reductions. The regulator is permitting registered providers to increase rents by CPI +1%.
- 6.5 It is therefore proposed that all social and affordable rents are increased by 4.1% - CPI of 3.1% plus 1%. This increases the average weekly rent from £85.14pw to £88.63pw, an increase of £3.49pw.
- 6.6 On becoming vacant, dwellings at social rent are being relet at the Target Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all local authority and housing association stock. Currently 68% of tenants have rents below the Target Rent (a decrease from 74% last year), with an average difference of £1.40pw. This figure will reduce as dwellings become void and are relet, but as existing tenancies will be unaffected it will be a very gradual change. Members could choose to implement Social Rents at above Target Rent on relet (up to 5% on General Needs and 10% on Sheltered properties), but this is not being proposed at this time.
- 6.7 Shared ownership rents
- 6.8 Shared ownership rents will increase by the inflationary uplifts set out in each lease.
- 6.9 Garage rents and service charges
- 6.10 It is proposed that garage rents and all service charges, including Independent Living charges, increase by 4.1% in line with rents.
- 6.11 As set out in Pay and Price Inflation it is currently expected that many of the costs faced by the council will increase by an amount higher than this. For example, the total cost of the Independent Living service is expected to rise by 9.6%, however as much of this increase is based on estimated future cost, particularly for salary costs and gas and electricity, it is proposed that this isn't passed on to tenants in 2022/23 and is reviewed in full for 2023/24. This may mean service charges increase by more than inflation for 2023/24.

7. Pay and Price Inflation

- 7.1 In line with the Budget Strategy, future years pay inflation has been provided for in the MTFP at a rate of 2.5%. There has also been an adjustment to the pay inflation for 2021/22. The additional employers National Insurance contribution of 1.25%, which will be replaced by a new Health and Social Care Levy from 2023/24, has also been included.
- 7.2 Non pay contract inflation, particularly across repairs and maintenance contracts, has been included at 3%.
- 7.3 The cost of insurance premiums has risen significantly. This is in part due to inflationary uplifts across the insurance sector, but has also been affected by an increase in claims made against the policy, in particular there have been a number of high cost claims, including for fires, in HRA properties.

7.4 The cost of gas and electricity is also expected to rise considerably, with an uplift of 50% on gas and 40% on electricity expected from the current rates when the existing fixed rate contract ends in 2022. As there is only a part year increase included in 2022/23, a similar uplift can be expected in 2023/24.

8. Service Changes

8.1 There are a number of changes to the service budgets for 2022/23.

8.2 The Asset and Investment Team is proposed to increase by £108k. This relates to additional staffing, predominantly two additional contract officers to cover the retrofit programme of works as approved by Housing Committee in September 2021. These new posts are expected to remain in place for the duration of the programme.

8.3 Additional fixed term (2 year) support is also proposed for the Property Services/New Build and Development Teams which would allow new opportunities to be investigated, including for brownfield sites.

8.4 The in-house repairs and maintenance provider Property Care is experiencing pressures in a number of areas, particularly in the use of subcontractors for works that are not able to be delivered by the employed operatives. The use of subcontractors is currently higher than was expected in the business case and also the cost of contractors has risen significantly due to market conditions. An additional allowance has been included within the budget to allow for this on a short term basis, but it is expected that this additional cost will reduce back down over the medium term as skillsets are further widened across the workforce.

8.5 There are also opportunities to internalise additional workstreams. It was reported last year the electric servicing contract could be brought in house, and there is a potential to bring the disabled adaptations and minor external works in house. This would not have a financial impact on the budget as the cost of the operatives and materials would be covered from the existing budget for the contract.

8.6 A significant increase in budget allocation for compliance testing and works is proposed for 2022/23. This includes a bigger radon testing and remedials works programme, increased asbestos testing (which is put in place due to the additional capital works for retrofit), and additional fire safety works that have been identified in the fire risk assessments. This additional budget request is predominantly only needed for one year, but it is envisaged that some additional funding will be required over the medium and long term.

8.7 Following a big increase in the cyclical planned maintenance programme (which includes external painting and rendering) for 2021/22, there is a planned reduction for 2022/23. The programme will continue to fluctuate between years in line with the homes that are planned to have works each year.

8.8 There have been a number of disrepair claims made by tenants. In some cases these have been difficult to dispute due to the high level of evidence needed. An allocation of £60k is being made to pay claims for the 2022/23 budget, but it is planned to put in place robust evidence recording to ensure that false claims cannot be awarded in the future.

8.9 A higher number of EPCs will be required to be undertaken in 2022/23 to allow for new EPCs to be in place before retrofit works are undertaken. It is hoped that this could be delivered in house by Property Care in future years.

8.10 There is also an expected increase in decoration vouchers issued to tenants moving into a property, in order for them to decorate the home as they wish, and an increase in the cost

of the grounds maintenance contract, as Ubico are expected to experience the same cost pressures on staffing and inflation as the council.

- 8.11 The Independent Living Modernisation Project has been reprofiled, as set out in para 15.14. This has increased the cost in 2022/23, but as the project is fully funded over the MTFP this has not affected the bottom line of the HRA and a corresponding transfer from the Independent Living earmarked reserve is also included in the budget.

9. Central Changes

- 9.1 There is an increase of £350k in the support service charges from the General Fund to the HRA. These charges cover all of the central services provided by the wider council, such as the HRAs share of HR, IT, finance etc, as well as a contribution towards the running of Ebley Mill. This increase is in part due to the pay and non pay uplifts included across all council services, as well as contributions towards IT equipment and pension costs. The HRA's share of the Fit For The Future project is also included within this cost. This will be funded from the earmarked reserve set aside, although an additional contribution will also be put into the reserve in 2022/23 to offset future costs of the project.
- 9.2 The additional support charges cost has been in part offset by a reduction in the HRA's share of the Housing Advice Team for the allocations role they provide for the HRA, as set out in paragraph 3.9.
- 9.3 The pension lump sum cost has reduced by £72k in line with the agreement with Gloucestershire Count Council. This is the third year of a three year agreement and the costs after 2022/23 are not yet known.
- 9.4 The interest receivable is expected to reduce by £25k against the 2021/22 budget, in part due to a continuing low base rate, but also due to the expected lower level of HRA balances.
- 9.5 A planned contribution from the Independent Living Modernisation programme to offset lost service charges is in its final year. This was an amount that was included in the original business case for the project and so does not affect the medium/long term position.
- 9.6 The provision for repayment of debt is due to increase by £45k. This is in line with the proposal agreed by Housing Committee to repay the existing borrowing (predominantly the self financing debt) over 60 years.
- 9.7 The depreciation charge is due to increase by an estimated £320k. The amount set aside for depreciation gets transferred to the Major Repairs Reserve and is used to fund capital works.

10. Earmarked Reserves

- 10.1 The following table sets out the budgeted transfers to and from earmarked reserves in 2021/22 and 2022/23.
- 10.2 Although not budgeted, it is expected that the Retrofit and Transformation reserves will be used in part in both 2021/22 and 2022/23, although as the amounts are not known this has not been included in the base budget but will be reported to Housing Committee in budget monitoring and financial outturn reports.

Table 5 – Summary of HRA Earmarked Reserve Transfers

	2021/22				2022/23			
	Opening Balance (£'000)	Transfers in (£'000)	Transfers out (£'000)	Closing Balance (£'000)	Opening Balance (£'000)	Transfers in (£'000)	Transfers out (£'000)	Closing Balance (£'000)
Independent Living Modernisation	2,836	1,000	(885)	2,951	2,951	1,000	(2,158)	1,793
Estate Redevelopment	1,170	0	0	1,170	1,170	0	0	1,170
Transformation	484	0	0	484	484	39	(39)	484
HRA General Contingency	100	0	0	100	100	0	0	100
Provision for repayment of debt	918	967	0	1,885	1,885	1,012	0	2,897
Retrofit	139	0	0	139	139	0	0	139
Carry forwards	21	0	(21)	0	0	0	0	0
Total Earmarked Reserves	5,668	1,967	(906)	6,729	6,729	2,051	(2,197)	6,583

11. HRA Medium Term Financial Plan (MTFP) and 30 Year Position

11.1 The Medium Term Financial Plan based on the details of budget setting for 2022/23 is shown in Table 6 below. This also includes the forecast position of the HRA for 2021/22, as reported at this committee meeting.

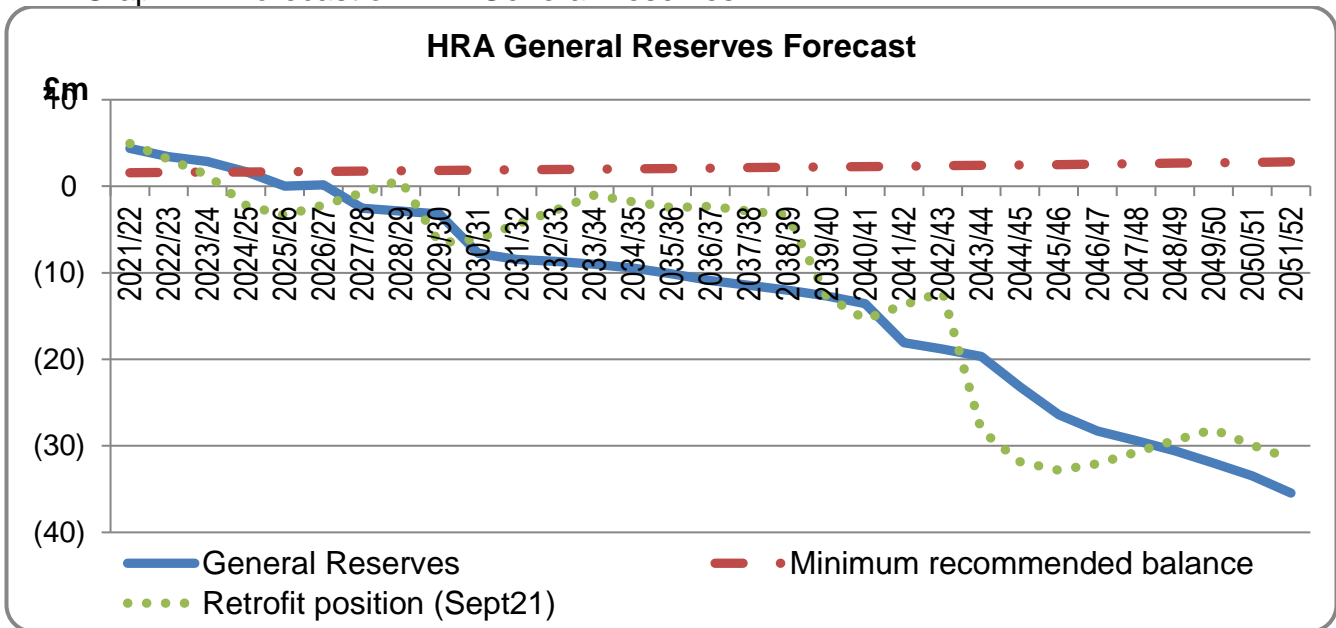
Table 6 – HRA Medium Term Financial Plan Summary

	2021/22 Base £000s	2022/23 Forecast £000s	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s
Income	(23,208)	(24,058)	(24,912)	(25,585)	(25,937)
Expenditure	10,257	11,515	10,897	10,661	10,891
Support service charges from the GF	2,058	2,408	2,466	2,529	2,591
Other income and expenditure	10,518	12,265	12,305	13,789	15,432
Total Housing Revenue Account	(375)	2,130	757	1,395	2,978
Transfers to/(from) earmarked reserves	94	(1,158)	(206)	(319)	(1,291)
Transfers to/(from) general reserves	281	(972)	(551)	(1,076)	(1,687)
Total Housing Revenue Account	0	0	0	0	0
General Reserves					
Opening balance	4,611	4,373	3,401	2,850	1,774
Transfers to/(from)	281	(972)	(551)	(1,076)	(1,687)
Forecast HRA overspend 2021/22	(519)				
Closing Balance	4,373	3,401	2,850	1,774	87

11.2 This shows that the general reserves position is now expected to be lower than the recommended minimum reserves balance of £1,689k in 2025/26.

11.3 This is further reflected over the longer term, as shown in the below chart showing a forecast of the general reserves position over 30 years.

Graph 1 – Forecast of HRA General Reserves



11.4 The graph also includes a comparison to the position reported with the Retrofit options (for the chosen option), which shows that the current forecast has reduced slightly.

11.5 The HRA is now expecting higher rental income over the long term due to the higher than previously forecast inflationary uplift in 2022/23. There have also been fewer Right to Buys, which is expected to be a temporary change due to the Covid-19 pandemic and also officer capacity.

11.6 The higher levels of inflation have also increased costs by more than was expected which has offset the additional income. It is now forecast that the long term position (after taking back out the short term changes included in the budget for 2022/23) is an additional cost of approximately £100k per year.

11.7 This has increased the savings target needed in order to balance the long term position of the HRA from £0.9m pa as included in the retrofit paper, to £1.0m pa.

11.8 Some of the options that could be considered to support the budget gap are:

- Reduction in revenue expenditure
- Reduce capital spend (reduce capital replacements eg kitchens/bathrooms)
- Extending component life cycle (consideration would need to be given to Decent Homes 2)
- Charge higher rents on new build/relet
- Charge full service charges to all general needs tenants eg grounds maintenance charges
- Secure additional grant income to reduce borrowing

11.9 It is not proposed that any changes be made to the budget for 2022/23, but that a savings target of £1.0m is acknowledged, and a commitment is made to balance the long term position over the period of the MTFP.

12. Borrowing

- 12.1 The HRA currently has borrowing of £103.765m, of which £97.717m is externally borrowed (from the Public Works Loans Board) and £6.048m is internally borrowed (ie reducing the reserves held by the HRA).
- 12.2 Additional borrowing of £21.616m is planned for the existing New Build and Development Programme. This is £421k lower than previously reported due to a successful bid for Government grant funding for infrastructure works on four schemes (Glebelands, Orchard Road, Gloucester Street and Bradley Street, and Cambridge House).
- 12.3 Further borrowing of £17.106m is planned for the retrofit programme. This is £624k lower than had been previously set out. A provision of £624k has been held since 2018 (reported to Housing Committee in June 2018 as part of the 2017/18 Outturn report), for a sum held for works completed in 2014. It is no longer expected that this provision will be needed and so it is proposed that this sum be returned to general HRA balances and used to fund retrofit works. By reducing the borrowing by this amount, the ongoing revenue saving to the HRA (over the length of the proposed borrowing) is £31k per year.

13. Material Assumptions Made in the HRA MTFP

- 13.1 The MTFP forecast is made under a number of assumptions. The key assumptions of note are summarised below:
- Rents will rise by CPI +1% for two further years, and then reduce to CPI only
 - Void levels of 2% in general needs and 5% in Independent Living
 - Inflation of 2% per year
 - 30 Right to Buy sales a year have been assumed in terms of rent loss
 - Major works have been included on a standard replacement basis, plus the retrofit programme approved by Housing Committee in September 2021.
 - The existing borrowing held (primarily self financing debt) is to be repaid (through an annual provision made) over 60 years, with the new retrofit borrowing and new build and development borrowing to be repaid over 30 years.

14. Risks and Uncertainties

- 14.1 The HRA still faces a number of risks and uncertainties over the medium to long term. These include:
- 14.2 Inflation – if inflation rates are lower than the 2% expected going forward, the rental income will be lower than currently assumed. This could significantly affect the funding available to run the service and deliver works on the properties.
- 14.3 Right to Buy Receipts – there is a risk that the development programme could slip, or some schemes may not be possible to deliver. Therefore, because of changes to timing, receipts could need to be repaid. This risk has reduced following a change in the retention agreement, allowing a longer period to use Right to Buy receipts.

There is also a potential risk that the receipts may not be sufficient to fund the capital programme over the longer term. If this were to happen, alternative funding would need to be found. This could include Homes England grant funding.

14.4 Interest Rates - the HRA is largely sheltered from increases in interest rates in the short term as all of the current borrowing is at fixed interest rates. As loans become repayable, advice will be sought from our treasury advisors on the most advantageous approach to refinancing.

As new borrowing is taken out for the new homes programme and for retrofit, the HRA will be subject to the market rates at the time of borrowing.

Investment income is directly linked to interest rates on balances held. Lower interest rates would reduce the investment income, higher interest rates would increase the amount the HRA receives on reserve balances. A small increase is already assumed over the medium term.

14.5 Stock Condition – the information held on the condition of the stock continues to grow, with data being collected regularly. As more data is collected, the longer term forecasts are revised and could mean that more, or less, spend is required compared to the current forecast.

14.6 Staffing – the ability to attract and retain staff, especially in specialist areas such as development, repairs and maintenance and tenancy management, is extremely important. Any significant gaps could result in a reduced service to tenants, and/or a financial pressure in recruiting agency staff.

14.7 Internal Council Changes – any major changes to the Council could impact on the HRA medium/long term position. This could include benefits in reduced HRA contributions as well as pressures from higher costs.

14.8 Pension contributions – 2022/23 is the final year of a three year pension agreement with Gloucestershire County Council. The cost of the next three year scheme is not yet known, and if higher than the current contributions would have an adverse affect on the long term position of the HRA.

15. HRA Capital Programme

15.1 The proposed capital programme includes a revised budget for 2021/22 is £21,790k, and a budget for 2022/23 of £21,644k.

15.2 A full breakdown of the capital programme and capital financing is included in Appendix D

15.3 Major Works

15.4 The Major works programme has been reprofiled in line with current programmes, which includes bringing forward the budget for the works at Park Road and Park Parade in Stonehouse (Special Projects).

15.5 The ongoing programme includes the retrofit works approved by Housing Committee in September 2021.

15.6 New Homes and Regeneration Programme

15.7 The development programme has been reprofiled in line with the information paper published in September 2021.

15.8 There has been a small (£39k) increase in cost across the programme as a whole and it is proposed that the 2021/22 contingency budget be used to fund this shortfall.

15.9 A budget of £50k has been included for the site at May Lane in Dursley for surveys and design work. Further detail on this site and a proposal to appropriate it to the HRA can be found in Section 16.

15.10 Acquisitions of Land and Housing

15.11 The budget allocation for acquisition of land and housing continues in line with the previous agreed programme. There is a one off budget of £3m for the acquisition of land which can be used if any opportunities arise. Any unused allocation will carry forward to the following year.

15.12 There is an annual £2m budget for the purchase of housing. This funding pot is also opportunistic, and it is not necessarily expected that this will be spent in full in each and every year. As this is an annual recurring budget any unallocated underspends each year would not carry forward to the next year, unless a specific case is made.

15.13 The budget for the acquisition of housing in 2021/22 includes an allocation for the Next Steps Accommodation Programme, for which the council received grant funding towards the purchase of accommodation for rough sleepers. The budget has been amended in line with the final claim.

15.14 Independent Living Modernisation

15.15 The Independent Living Modernisation programme has been reprofiled across financial years, but the overall project remains within the allocated funding. This revision increases the schemes delivered in 2022/23 from two to three. A paper will be taken to Housing Committee in February 2022 for approval on the schemes to be delivered in year.

16. Land (and Buildings) May Lane and Prospect Place, Dursley

16.1 In 2019 Strategy and Resources committee resolved that the Head of Property Services investigate the viability, procurement approach and the extent of property to be acquired at May Lane/ Prospect Place Dursley to bring forward these derelict town centre sites and to consider a delivery strategy for a residential lead scheme here. The background and detail to this site is set out in that report.

16.2 Work has been undertaken to establish the numerous land holdings and property interests in this area and an initial scheme layout has been drawn up by architects ready for pre-app advice on the site and to undertake initial high level financial appraisals for a new build scheme. Where land has to be bought to deliver more homes, the land value has to be included in any appraisals, which inevitably means that they will require more subsidy than sites which are already in the council's ownership. However, as these sites are built out, more land has to be acquired if the council wants to continue its new build programme with all the social and economic benefits that this brings.

16.3 A meeting has been held with ward councillors and the Town Council to consider the extent of any scheme and what town centre uses could be included as the site is already allocated in the Local Plan and expected to deliver this as part of any residential led scheme. The proposal to progress the scheme as a new build development was supported and the site is in a sustainable location right next to the town centre.

16.4 In order to firm up a scheme, survey work and further design work needs to be undertaken. Advice on the use of Compulsory Purchase powers will also be needed in order to assess the costs and process for assembling the site. It is therefore recommended that the part of the site already owned by the council is appropriated from the General Fund into the HRA at market value and this and the wider site is included in the new build programme. Redeveloping these sites will regenerate the area, replace derelict properties already owned by the council and deliver more affordable homes. Further updates including the financial appraisal for the scheme will be brought to future committee meetings.

17. IMPLICATIONS

17.1 Financial Implications

This report sets out the draft General Fund and HRA budgets relating to the Committee for 2022/23. This will form part of the budget setting process to be considered by Strategy and Resources Committee in January 2022 and Council in February 2022.

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17.2 Legal Implications

None directly arising in respect of the budget estimates and revisions other than to note that this report forms part of the budget setting process for 2022/23 which involves the Council calculating capital and revenue estimates for its General Fund.

The relevant legislation in respect of the appropriation of land and buildings is section 19 of the Housing Act 1985 which permits local authorities to appropriate land for the provision of housing accommodation from other purposes for which it might be held by the Council. The Council must record in the HRA the appropriate adjustments in respect of such land (s74 and Schedule 4, paragraph 5, Local Government and Housing Act 1989).

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17.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

The change in HRA rents and service charges is universal across all housing charges. HRA rents and service charges are eligible for Housing Benefit and Universal Credit for households on low incomes.

17.4 Environmental Implications

There are no significant implications within this category. A programme of retrofit works, as approved by Housing Committee in September 2021, has been included within the HRA capital programme. The General Fund capital programme also includes a number of schemes designed to increase thermal efficiency of homes.