



**Title of meeting:** Housing and Preventing Homelessness Cabinet

**Date of meeting:** 25<sup>th</sup> January 2021

**Subject:** COUNCIL HOUSING BUDGET 2021/22

**Report by:** James Hill - Director of Housing, Neighbourhood and Building Services  
Chris Ward - Director of Finance and Resources

**Author:** Wayne Layton - Finance Manager

**Wards affected:** All Wards

**Key decision:** Yes

**Full Council decision:** No

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**1. Purpose of report**

- 1.1 The law requires that all income and expenditure relating to Council Housing is accounted for separately in the Housing Revenue Account (HRA). All other Council income and expenditure is accounted for together in a separate account called the General Fund. This report deals solely with the HRA.
- 1.2 The City Council has delegated the function of setting rents, charges and revenue budgets for Council Housing to the Cabinet Member for Housing and Preventing Homelessness. Following consultation with residents and leaseholders, this report seeks to deal with all HRA budget issues.
- 1.3 The purpose of this report is to seek the Cabinet Member's decisions on Council Housing budgets, rents and other charges and to give authority for managers to incur expenditure in 2021/22.
- 1.4 The report also seeks to:
- Note the Forecast Revenue Outturn for 2020/21 and give authority to the Director of Housing, Neighbourhood and Building Services & the Director of Finance and Resources to amend the budgets to reflect the latest available information prior to finalising budgets for 2021/22.
  - Note the Forecast Revenue Budgets for 2022/23 to 2023/24 arising from the proposals set out in this report.



- Set rents in accordance with Central Government's social rent setting policy.

## **2. Recommendations**

It is recommended that the Cabinet Member for Housing and Preventing Homelessness approves the following:

- (i) The Forecast Revenue Outturn for 2020/21 arising from monitoring discussions with Managers, as set out at Appendix 3, be noted.
- (ii) All rents and charges to be effective from 1st April 2021 or such other date as determined by the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources.
- (iii) Dwelling Rents for 2021/22 to be set in accordance with Central Government's Social Rent Policy.
- (iv) General Service Charges for 2021/22 to be set at this meeting, as set out in this report, and in accordance with Appendix 5.
- (v) Sheltered Housing Service Charges for 2021/22 to be set at this meeting, as set out in this report, and in accordance with Appendix 6.
- (vi) Laundry Charges for 2021/22 to be set at this meeting, as set out in this report, and in accordance with Appendix 7.
- (vii) Heating Charges for 2021/22 to be set in accordance with Appendix 8.
- (viii) Garages and Parking Site Rents for 2021/22, as shown in Appendix 9, be approved and authority to let garages at reduced rents where demand is low be delegated to the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources.
- (ix) The Revenue Budget for 2021/22, as set out in Appendix 3, be approved and authority given to the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources to amend the budgets to reflect the latest available information prior to finalising budgets for 2021/22.
- (x) The relevant Managers be authorised to incur expenditure in 2021/22.
- (xi) The Forecast Revenue Budgets for 2022/23 and 2023/24 arising from the proposals contained in this report, as set out in Appendix 3, be noted.

## **3. Housing Policy Changes 2021/22**



### **HRA Dwelling Rents**

- 3.1 From 2020/21 the decision to increase rents has now passed back to Local Authorities that operate a Housing Revenue Account. Through the rent standard the Council is given the option to increase rents by the increase in the Consumer Price Index (CPI) plus 1%. The CPI figure used is published in September 2020. This option was recommended and approved for 2020/21 and the option remains available until the financial year 2025/26.

### **HRA Borrowing Cap**

- 3.2 In the 2018 Autumn Budget the Government announced that the limit of indebtedness would be lifted with immediate effect from all Local Authorities who operate a Housing Revenue Account. Previously the Council was limited on the amount of borrowing that it could incur in the Housing Revenue Account. This presented a problem for the Council as it was unable to invest in larger scale developments and instead had to rely on bidding for additional borrowing and/or grant funding.

- 3.3 Whilst the Council welcomed this additional flexibility, it has to ensure that any borrowing it undertakes is not taken at the detriment of the Housing Revenue Account. The Council will seek to identify developments where rental income can meet the cost of any additional borrowing and maintenance of the asset, acting prudently and ensuring the sustainability of the HRA over the medium to longer term.

- 3.4 Since the cap has been removed the Council has now committed to a programme of buying back Council Housing Stock previously purchased under right to buy and expanding acquisitions to all residential units. This programme is for £20m each and every year for 5 years and started in 2020/21.

## **4. Proposed Rents and Charges for 2021/22**

### **Dwelling Rents**

- 4.1 In accordance with the rent policy, it is proposed to increase Dwelling Rents from an average of £87.28 per week to £88.52 per week, as summarised in Appendix 4. This is in line with the maximum amount that the Council can increase rents which is CPI plus 1%. The September 2020 CPI was 0.5% and, therefore, it is proposed that average rents increase by 1.5% in 2021/22.

- 4.2 This 1.5% is less than was anticipated in the forecast budget and therefore has a detrimental effect on the business going forward.

### **General Service Charges**

- 4.3 General Service Charges are made to all tenants and relate to the provision of a number of different services, including the Estate Services Officers, Anti-Social Behaviour Team, the Green and Clean Service and Residents Development



Team. In general, a lower rate is charged to tenants living in houses and bungalows and a higher rate to those who receive additional services in flats and maisonettes.

4.4 The charges made to tenants for these services cannot exceed the cost of providing them and, as a result, it is proposed to continue to set charges that meet the full cost of the services in 2021/22.

4.5 The proposed charges for 2021/22 are shown in Appendix 5 and summarised as follows:

<b>Category</b>	<b>2020/21 General Service Charge (per week)</b>	<b>2021/22 General Service Charge (per week)</b>
Low Rate	£6.30	£6.58
High Rate	£15.26	£16.10

### **Sheltered Housing Charges**

4.6 Sheltered Housing is intended to meet the needs of residents who require support to live independently. There are three levels of service, each with increasing levels of need and support: Category 1, Category 2 and Category 2.5. Sheltered Housing was set up originally on the basis that the extra costs of providing the service, over and above those arising from normal Council Housing provision, would be recovered from the tenants in Sheltered Housing via a “Combined Sheltered Housing Service Charge”. The Combined Sheltered Housing Service Charge is made up of a landlord related charge, which is eligible for Housing Benefits, and a care related charge, which is not eligible for Housing Benefits but is part funded through Supporting People Grant.

4.7 The proposals for 2021/22 are shown below, with a more detailed breakdown of these charges in Appendix 6.

<b>Category</b>	<b>2020/21 Combined Sheltered Housing Charges (per week)</b>	<b>2021/2022 Combined Sheltered Housing Charges (per week)</b>
Cat 1	£16.10	£16.52
Cat 2	£51.10	£53.06



Cat 2.5	£89.60	£93.10
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### Laundry Charges

- 4.8 The Council provides a number of laundry facilities that operate from within blocks and sheltered housing schemes. Although the charges for both washing and drying facilities are reviewed each year, they remain much lower than the commercial market price. However, following a review of the cost of running the service, the Council are content that the current charges are sufficient to recover the cost of running the service and no cross subsidy exists.
- 4.9 Therefore, the Council are recommending that these charges do not increase in 2021/22. The proposed charges will remain as follows:

Token Type	2020/21 Laundry Token Charge	2021/22 Laundry Token Charge
Wash	£2.00	£2.00
Dry	£1.50	£1.50

### Heating Charges

- 4.10 Heating charge calculations are based on the usage data from previous years. This data is used to calculate the estimated cost of heating the relevant dwellings.
- 4.11 The Building Services team continue to undertake work to both reduce energy consumption and negotiate better tariffs with our energy providers. This proactive approach has resulted in the heating charge remaining static in recent years. The Council needs to ensure that it fully recovers the cost of heating on a full cost basis. However, the Council's Building Service team has been able to negotiate a fixed price, which means that the Council can freeze all these charges in 2021/22 for the second year.
- 4.12 Appendix 8 breaks down the proposed charges for 2021/22.

### Garages and Parking Sites

- 4.13 The way that the HRA garages and parking sites are marketed and managed continues to evolve in response to changes in demand whilst maintaining the underlying Budget Principle to “get the best return possible from non-core activities”. Income is still rising steadily, although charges remain very competitive when compared to other parking providers in the City and Leigh Park.



- 4.14 It is proposed that the 2021/22 budget continues to assist the marketing of the park and ride scheme, by offering 'local/non-local' parking rates. Whilst maintaining the ethos of charging more for high-demand areas, all parking spaces irrespective of location will be charged at two rates, a lower rate for those people who live near to where they park and a higher rate for those who do not. This aims to encourage those who drive into the city to consider using the Council's park and ride facility when it is available.
- 4.15 The proposal is to increase the cost of all parking and garage permits by 1.5% in 2021/22.
- 4.16 A summary of the proposed charges for next year can be found in Appendix 9. It is recommended that authority to let garages at reduced rents where demand is low be delegated to the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources.

## **5 Budget for next year 2021/22**

- 5.1 The budget details attached at Appendix 3 show the forecast outturn position for 2020/21, which takes account of the impact of Covid-19, as well as the proposed budget for 2021/22. Also shown are the forecast budgets through to 2023/24.
- 5.2 The 2021/22 Housing Revenue Account budget assumes an in-year deficit of £1.2m. This is partly due to the proposed rent increase of 1.5% being lower than the original forecast of 3%. There was also a higher than anticipated pay increase of 2.75% in 2020/21, which impacts the staffing budget of approximately £25m which represents 30% of all costs. The budget includes funding for the Chancellor's proposed £250 pay rise in 2021/22 for all local government staff earning less than the median wage of £24,000 per annum but with a freeze for those earning above that level.
- 5.3 In addition, the ageing stock profile means that an increasingly significant depreciation charge provision needs to be made each year. However this charge is remitted to a specific ring fenced reserve that is reinvested in to capital works to Council Housing.
- 5.4 The budget deficit is proposed to be met from the specific Housing Revenue Account Ring Fenced reserve.

## **6 Future years budgets and the level of balances**

- 6.1 The law requires that a budget be set to avoid a deficit on the council housing account (Housing Revenue Account). It is forecast that the level of balances will be approximately £18.6 million at 31st March 2022, excluding earmarked capital reserves. The forecast level of balances in subsequent years is shown in the following table:



	<b>2020/21 Forecast outturn</b>	<b>2021/22 Proposed Budget</b>	<b>2022/23 Forecast Budget</b>	<b>2023/24 Forecast Budget</b>
	£000	£000	£000	£000
Reserve brought forward	20,093	19,858	18,644	17,280
In year deficit	(235)	(1,214)	(1,364)	(1,309)
Reserve carried forward	19,858	18,644	17,280	15,971

- 6.2 When setting a new budget the Council must consider the effect on the Housing Revenue Account's 30-year business plan. The current reserve is sufficient to meet the ongoing commitments in the short to medium term, however the Director of Housing, Neighbourhood and Building Services is working through ways in which to reduce the budgeted deficit in 2021/22. This will need to include actions to offset any ongoing impacts of Covid-19 and Brexit. Remedial measures, with a recurring value of approximately £1.3m are currently required to eradicate the deficit in subsequent years.

## **7 Authority to incur revenue expenditure**

- 7.1 It is recommended that Directors and their service managers be authorised to incur expenditure in accordance with the City Council Constitution. The only exceptions would be those items Members consider should be the subject of a separate report before expenditure is incurred.

## **8 Duty to involve - Resident involvement in the budget process**

- 8.1 A consultation meeting has been held with residents in the City, where the proposals set out in this report were discussed, including the proposals for rents, service charges and other proposed charges as shown on attached Appendices 4 to 9.
- 8.2 In addition, an article was published in a recent edition of Housetalk magazine, which aimed to inform all residents and leaseholders of the issues and encouraged them to respond with their views on the matters raised.
- 8.3 The Council's Finance Team attended the Residents Consortium meeting in December 2020 to set out the proposals and to ask for feedback from residents around the proposed new charges. The Cabinet Member reviewed the residents' responses, along with the feedback from the Housetalk article, in time to take them into account when proposing the recommendations at this meeting.



8.4 Both the Director of Housing, Neighbourhood and Building Services and the Director of Finance and Resources would like to place on record their thanks for the continued support and contribution given by our resident representatives, tenants and leaseholders.

**9. Reasons for recommendations**

9.1 To set budgets, rents and charges for council housing for 2021/22 at levels that are sufficient to provide decent accommodation and good quality services whilst maintaining financial sustainability and resilience.

**10. Integrated impact assessment (IIA)**

10.1 An integrated impact assessment has been completed and is attached at Appendix 10.

10.2 The assessment identifies no negative impacts associated with any of the options outlined.

**11. Legal Implications**

11.1 The body of the report contains a discussion of the key legal issues, and the Council is empowered to approve the recommendations.

**12. Director of Finance comments**

12.1 The Director of Finance and Resources has been consulted and is in agreement with the recommendations to this report.

Signed by:

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**James Hill – Director of Housing, Neighbourhood and Building Services**

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**Chris Ward – Director of Finance and Resources**

**Appendices:**

- 1 Council Housing Accounts – The Law
- 2 Budget Principles 2020/21 to 2023/24
- 3 Revenue Budgets 2020/21 to 2023/24



- 4 Average Rents 2021/22
- 5 General Service Charges 2021/22
- 6 Sheltered Housing Charges 2021/22
- 7 Laundry Charges 2021/22
- 8 Heating Charges 2021/22
- 9 Garages and Parking Sites Rents 2021/22
- 10 Integrated Impact Assessment (IIA)

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Budget files	Property, Housing and Regeneration Finance

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by:

## **COUNCIL HOUSING ACCOUNTS - THE LAW**

The Council Housing accounts are termed the "Housing Revenue Account" in the following notes. The rest of the City Council's accounts are termed the "General Fund".

### **LOCAL GOVERNMENT AND HOUSING ACT 1989**

This Act has provided the main framework for Housing Finance since 1 April 1990. In summary the Housing Revenue Account provisions are as follows:

- 1 Local Housing Authorities must keep a separate Housing Revenue Account (HRA).
- 2 Amounts to be credited or debited to the Housing Revenue Account can only be in respect of items detailed in the Act or covered by regulations issued by the Secretary of State.
- 3 Budgets must be prepared each year for the Housing Revenue Account which will avoid a debit balance on the account. Action must be taken if in any year it appears a debit balance may arise.
- 4 An authority should maintain a separate Housing Repairs Account.
- 5 A transfer must be made between the General Fund and the Housing Revenue Account in respect of amenities provided by the Housing Revenue Account but shared by the whole community.
- 6 With the exception of 5 above no contribution can be made by the General Fund to the Housing Revenue Account except for certain items detailed in regulations issued by the Secretary of State.

In addition, the Act provides the main framework for the Capital Finance of Local Authorities

### **LEASEHOLD REFORM, HOUSING & URBAN DEVELOPMENT ACT 1993**

The above Act came into force in 1993 and gave Housing Authorities the power to provide Welfare Services and to account for them within either the Housing Revenue Account or the General Fund at the Authorities discretion.

The Act also gave the Secretary of State wide powers to amend this provision and regulations have been made which prevent "personal services" such as regular feeding or bathing or cooking of meals from being accounted for within the Housing Revenue Account. Accordingly the net costs relating to the element of personal services provided by staff in sheltered accommodation are funded by the General Fund.

## **BUDGET PRINCIPLES 2020/21 to 2023/24**

Budgets to be driven by PCC Strategies to meet Corporate Priorities with particular emphasis on all forms of regeneration & creation of sustainable communities to achieve safe, secure, independent & healthy living for our residents, tenants & leaseholders with increased economic well-being, including the following:

- Offering access to respite care and other support for carers and service users
- Assessing individuals needs and developing care/support to those needs
- Contributing to effective rehabilitation for people leaving hospital
- Enabling and contributing to the provision of good quality low cost homes with well-planned infrastructure
- Delivering and promoting high quality house design combined with exceptional environmental performance.
- Tackling fuel poverty
- Working to reduce carbon emissions and to eliminate negative environmental impacts from all areas of work.

Budgets to be prepared in consultation with residents, tenants & leaseholders & reflect their views

Balanced budgets to be prepared for a minimum 3 years for revenue budgets & 5 years for capital budgets

Work with suppliers & partners, particularly the Health Service, to try & co-ordinate services in the best interests of residents, tenants & leaseholders.

Support effective preventive measures wherever possible.

Maintain & improve homes by:

- Tackling disrepair in private housing to ensure vulnerable people are housed in decent homes.
- Reducing the number of unfit and inaccessible private sector homes
- Maintaining the cycle of planned external inspection & repair of council dwellings.
- Improving the quality of council dwellings and maintaining decent homes.
- Working towards a “Decent Environment” for all council dwellings.
- Improving energy efficiency and opportunities for microgeneration.

- Encouraging the reduction, reuse and recycling of materials.

Maintain high management standards for council dwellings

To set rents, charges and Council Tax charges that avoid any unreasonable burden, and remain in accordance with Government Policy.

Get the best return possible from non-core activities i.e. provision of garages and parking

Achieve continuous improvement through systems thinking methods, designing services against customer demand

Comply with the law