

OS Committee Budget Group – HRA – Summary of Presentation - 13th January 2021

Attendance: -

Members	Cllrs A Henley, A Mercer, C Stanbra, R Beeby, M York, L Bunday, S Naden-Horley
Officers	J Gotts, M Dickenson, G Hammons, S Darcy, I Smith, I Cooke, J Conway, P Goult, F McHugo

Overview of Presentation

1. The Budget Group received a presentation from officers regarding the Housing Revenue Account (HRA) for 2021/2022. The presentation covered both Revenue and Capital. This was based on the HRA Budget Report presented to the Shadow Executive Committee on 7th January 2021.
2. The budget proposals assumed there would be one HRA Account, however within this would be two Neighbourhood Accounts, one for Corby and one for Kettering.
3. Officers explained the components that were included within HRA Expenditure. These included: - Repairs and Maintenance, General Management, Special Services, Self-financing, Revenue contribution to Capital and Other Expenditure.
4. HRA Income included Dwelling Rents and Service Charges.
5. Officers provided details of the current HRA Budget for both Corby and Kettering. This showed that the total expenditure in 2020/2021 for HRA was £34.666m (CBC £19.228m & KBC £15.438m). Estimated outturns for both accounts were provided. This currently showed a deficit of £302k for Corby in 2020/2021, and a surplus of £5k for KBC in 2020/2021.
6. The presentation also provided proposed Budget Changes from 2020/2021 to 2021/2022 in both accounts. This showed that the CBC budget was to increase from £19.228m to £19.684m, with KBC's budget increasing from £15.438m to £15.532m. The combined budget for £2021/2022 was proposed at £35.216m.
7. In relation to the Medium-Term Financial Plan (MTFP) for both accounts' details were provided. This showed the CBC account projected to rise to £21.606m by 2025/2026, and the KBC account rising to £16.394m by that year.
8. In relation to Rent Setting, the rule from 2020/21 assumed CPI + 1%. It was noted that previous years reductions in rent had a significant impact on the level of income to both CBC and KBC.
9. The presentation included details of Rental Income (existing and New Build) for both Corby and Kettering Accounts over the period 2021/2022 to 2025/2026. For the Corby Account, rental income would rise from £18.993m to £19.863m. For the Kettering Account, rental income would rise from £15.095m to £16.008m.

10. In relation to Loans, it was noted that Kettering had current borrowing from the PWLB of £72.9m, whilst Corby's figure was £70.6m. This borrowing had followed the Government's decision for Housing Authorities to purchase existing stock. Both current sovereign councils had repayment plans in place. The overall figure was now closer to £110m following repayments by KBC. Officers confirmed that there were no current self-financing risks for either account.
11. In relation to Budget Risks, the following was highlighted: - COVID-19, Income (Rent Levels and Rent Collection), and Expenditure (Property Values).
12. It was noted that the merging of the two accounts over the Medium-Term would provide opportunities for savings, for service improvements and greater value for money. These would be explored after Vesting Day.
13. Details of the proposed Capital Programme were provided. The approved Capital Programmes of both Corby and Kettering had been incorporated into the Budget Proposals. This showed the Capital Programme for NNC in 2021/2022 of £11.882m. The total over the period 2021-2025 would be £48,195,301.

Questions/Comments

a) Slide – HRA Expenditure

Under this Cllr Henley asked how many individual sheltered schemes would be operated by NNC?

Officers – There were a total of 968 properties in total. Consisting of 10 schemes in Corby and 9 schemes in Kettering

b) Slide – HRA Income

Under this Cllr Henley raised collection rates and the disparity in void figures between CBC & KBC.

Officers – It was noted that Kettering had older stock. When a property became void it generally required more work to it prior to re-letting.

c) Slide – 2020/21 CBC Estimated Outturn

Under this Cllr Mercer queried the bad debt provision, and what factors were included. Cllr Mercer suggested that this may be set too low.

Officers – it was recognised that dependent upon the duration of the current pandemic, bad debt provision would need to be monitored.

d) Slide – Corby Neighbourhood Account Budget Changes 2020/21 to 2021/22

Under this Cllr Henley noted service charges of £622k were flat.

e) Slide – Kettering Neighbourhood Account Budget Changes 2020/21 to 2021/22

Under this Cllr Stanbra questioned the difference between CBC & KBC General Management costs? Why was CBC's so much higher? What was included under this heading?

Officers – General Management was a generic title, and currently the accounts had variations in operation. It was noted that Corby had a larger stock; this would be reflected in costs.

f) Slide – Corby Neighbourhood Account MTFP 2021/22 to 2025/26

Under this there were queries under the summary rows at foot of table. Perhaps these could be reformatted, or explanatory notes provided for clarity?

Officers – agreed to consider reformatting to provide clarity.

g) Slide – Corby Neighbourhood Account 2021/22 Rental Income

Under this Cllr Henley queried the terminology “New Build”. From what date are units classified as “New Build”?

Officers – Following the introduction of the self- financing system in April 2012 any homes built after this date are referred to as New Build.

Under this Cllr Stanbra queried why there was no provision indicated for new properties, when a significant capital programme budget had already been agreed? Why were there no estimates for 2022/23 onwards?

Officers – a significant amount was proposed for new properties over the period of the MTFP. This was dependent upon schemes being approved by NNC after Vesting Day.

h) Slide – Corby Neighbourhood Account Loans

Under this Cllr Henley queried whether there was an ability to refinance loans?

Officers – Whilst Corby and Kettering had applied different strategies, both were on course to repay. Application to amend existing arrangements would result in a cost and was not currently being advised by officers.

i) Slide – Budget Risks

Under this Cllr Mercer raised the scenario of negative interest rates, and what would happen?

Officers – if this occurred it was likely that Government would make provision, however it was recognised this was a risk. Officers would consider the level of potential risk and what mitigation may be available.

Under this Cllr Mercer felt that the risks arising out of Covid-19 needed to be emphasised i.e., number of people out of work, long-term sickness due to Covid-19 etc.

Officers – this was recognised. Unemployment among tenants may increase, however tenants would be able to access benefits in those circumstances.

j) Slide – Baseline HRA Capital Programme Position

Under this Cllr Henley queried why the budget under “Smoke Detectors” did not reduce more rapidly between 2021/22 to 2024/25?

Officers – There was a higher investment in 21/22 owing to the need to replace the older smoke detectors the budget over the next three years has been evenly profiled which enables the planned replacement of existing smoke detectors to be undertaken over this period – this doesn’t compromise safety and allows for a full replacement to be undertaken’

Under this Cllr Henley queried why there was a significant uplift in budget for “Electrical Wiring” from 2021/22 onwards?

Officers – Due to the continuing impact of the Covid-19 pandemic, it was likely that the Capital Programme in 2021/2022 would not be fully completed.

Under this Cllr Mercer queried the budget under “Disabled Adaptations”. What was the backlog? When was this likely to be cleared?

Officers – It was recognised there would be a significant backlog, particularly as many applicants were among those who needed to self-isolate and access to their properties discouraged.

General Point – need to build-in slippage to programme resulting from Covid-19 pandemic.

Under this Cllr Mercer queried “Housing Association Grant”. What was this?

Officers – monies provided by Associations for the Housing Authority to manage properties on their behalf.

Under this Cllr Stanbra again queried what were the number of projected “New Builds” over the lifetime of the Capital Programme?

Officers – a significant amount was proposed for new properties over the period of the MTFP. This was dependent upon schemes being approved by NNC after Vesting Day.

General Query over what in the Programme was going to be paid by borrowing, reserves etc? The following Table shows how the Corby Neighbourhood Account Capital Programme is estimated to be funded - the Social Housing Borrowing / Use of Reserves – assumes this is all from borrowing.

CBC Funded By	2021-22	2022-23	2023-24	2024-25	Total Funding
	£000's	£000's	£000's	£000's	£000's
Revenue Contribution	2,338,000	2,469,767	2,469,767	2,429,767	9,707,301
Capital Receipts	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Social Housing Borrowing/Use of Reserves	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Total	7,638,000	7,769,767	7,969,767	7,929,767	31,307,301

k) Slide – Questions

Under this Cllr Stanbra requested more detail on the projection for HRA Reserves?

Kettering Reserves

Capital Investment - HRA - Reserve to provide resources for the repair, replacement and acquisition of Housing Revenue Account property.

HRA Self Financing Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Corby Reserves

HRA Debt Management Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Housing Stock Reserve – Reserve for future capital investment.

HRA - Solar FITs Reserve- Reserve for receiving feed in tariff on solar panels

Housing Property Sinking Fund - service charges on New Build that cover items such as grey water systems

Housing Stock Reserves - Reserve for future Capital Investment

Under this Cllr Stanbra queried why the total entries for reserves for CBC & KBC so different? (cross reference to Shadow Executive HRA Report para 4.1.3)

Under this Cllr Stanbra queried the differences in void figures between CBC & KBC stock?

Officers – It was noted that Kettering had older stock. When a property became void it generally required more work to it prior to re-letting.