

COUNCIL

10 NOVEMBER 2022

AMENDMENTS TO THE CAPITAL PROGRAMME, AND RENT SETTING FOR HOUSING REVENUE ACCOUNT NEW BUILD AND PURCHASED PROPERTIES FOR AFFORDABLE AND SOCIAL RENT

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council
Councillor Howard Doe, Deputy Leader and Portfolio Holder for
Housing and Community Services

Report from: Phil Watts, Chief Operating Officer
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Summary

This report requests Council approval for a number of amendments to the Capital Programme as recommended by Cabinet on 23 August 2022. The report also requests that Council approve the rents set for Housing Revenue Account (HRA) new build and purchased properties for Affordable and Social Rent.

1. Budget and policy framework

1.1. Cabinet is responsible for ensuring that capital expenditure remains within the budget approved by Council. The addition and removal of budget/schemes is a matter for Council. While virements below £150,000 can be approved by Directors under delegated authority, virements between £150,000 and £1million are matters for Cabinet and those in excess of £1million are a matter for Council.

1.2. The Chief Operating Officer has delegated authority to approve in year additions to the capital programme, in consultation with the Finance Portfolio Holder, subject to the following criteria:

- funding coming from external sources,
- no financial contribution coming from the Council,
- funding being ringfenced for specific purposes.

Any additions made under delegated authority are reported through the next budget monitoring report.

- 1.3. Agreement to the rent setting levels for purchased and new build properties is essential so that the new build homes may be advertised and let as soon as possible. Rent setting is a matter for Full Council.

2. Background

- 2.1. Council approved the capital programme for 2022/23 and beyond at its meeting on 24 February 2022 and further additions and amendments were approved at the Council meetings of 21 April 2022 and 21 July 2022. Together with budgets carried forward from 2021/22, this results in a total capital programme of £472.202million. On 23 August 2022, the Cabinet considered the Round 1 2022/23 Capital Budget Monitoring Report and recommended the additions and amendments set out in the remainder of this report for approval by Council (minute 140/2022 refers).
- 2.2. Council approved a £10million HRA Capital Budget on 16 July 2020 to explore the purchasing of houses as and when a financially viable opportunity arises, to increase the stock of HRA affordable housing. This budget is funded from borrowing against HRA rents, HRA reserves and Right to Buy 1-4-1 capital receipts or grant funding.

3. Cabinet recommendations for amendments to the capital programme

- 3.1. Cabinet recommended the addition of £975 of basic need grant to the completed Halling Primary Expansion scheme in the Basic Need – Primary programme to address the overspend reported in the Round 1 budget monitoring.
- 3.2. Cabinet recommended the addition of £155 of Section 106 developer contributions (Land South Side Lower Rainham Road MC/20/1800 - monies have been received) to the completed Rowans Primary Support scheme in the Basic Need – Primary programme to address the overspend reported.
- 3.3. Cabinet recommended the addition of £35,000 of Section 106 developer contributions (Berengrave Nursery MC/17/3687) to the completed Robert Napier Bulge scheme in the Basic Need – Secondary programme to address the overspend reported.
- 3.4. Cabinet recommended the addition of £114,500, funded from the Council's General Reserves to the Lordswood Community Hub scheme in the Regeneration, Culture & Environment programme. The initial £250,000 granted for the refurbishment of Lordswood Community Hub from the capital budget for 2022/23 will enable the facility to have a basic refit and refresh. To maximise the opportunity of these refurbishment works and create a building that is significantly enhanced to meet the various needs of residents in the Lordswood area, additional funding would be required. The current facility incorporates some youth provision and facilities. With additional investment this offer could be enhanced in order to develop the Council's strategic vision

by extending Child-Friendly facilities into the new Community Hub. The additional funding will also significantly extend the life of the building offering a fuller refurbishment, enhanced security, and updated furniture and fittings.

- 3.5. Cabinet recommended the removal of the uncommitted balance of £12.957million from the Regeneration Investment Fund scheme in the Regeneration, Culture & Environment programme. There are no schemes identified to spend the balance of this scheme, which was funded through Prudential Borrowing.
4. Rent setting for HRA new build and purchased properties for Affordable Rent and Social Rent
 - 4.1. Currently officers are in the process of completing the Phase 4 development programme consisting of 28 properties, as well as the purchase of 16 new build properties, 3 properties under the Rough Sleepers Accommodation Programme and one former housing association property for just over £4.25million from the approved phase 4 budget. The approximate completion dates for completion/purchasing of these properties are between November 2022 and April 2023.
 - 4.2. Rent setting is a matter for Full Council and approval of the proposed rent for these properties is required before they can be advertised and let to tenants. Social and affordable rents must be set in accordance with the Government's Policy Statement on Rents and Social Housing (issued 2019). The policy states that the rent for the affordable rent houses must not exceed 80% of market rent (inclusive of service charges) and should not be lower than the potential formula rent. Social rent is set using the Rent Formula as per the above-mentioned policy. Social rent calculations do not include any service charges that are set against the dwelling.
 - 4.3. There has been a significant increase in the valuation of weekly market rental over the last few years. For example, new build two-bedroom property rent being valued at £276.92 per week, which when calculated for affordable rent at 80% market value is £221.54 per week, £48.94 per week above the current Local Housing Allowance. All Affordable rent calculations for phase 4 and each purchase have been independently valued by Harrisons Chartered Surveyors to ensure the rental values are correctly set against current market rent.
 - 4.4. It is proposed that social and affordable rent will be increased in line with the social housing rent policy each year. When a tenancy of affordable rent is relet to a new tenant, it will be based on the new market rent valuation to ensure new rent is no more than the 80% of the market rent at that time.
 - 4.5. The tables overleaf set out the proposed rent for these social and affordable properties:

Phase 4 - Woodchurch Crescent (Social Rent - 52 weeks)

Property Type	Number of Properties	2022/23 Local Housing Allowance	2022/23 Market Rent	2022/23 Affordable Rent (80%)	2022/23 Average Target Rent	2022/23 Proposed Social Rent
1 Bed Bungalow	9	£136.93	£219.23	£175.38	£97.83	£97.83

Phase 4 - Eastcourt Green & Lynsted Road former garage site (Affordable Rent - 52 weeks)

Property Type	Number of Properties	2022/23 Local Housing Allowance	2022/23 Market Rent	2022/23 Affordable Rent (80%)	2022/23 Average Target Rent	2022/23 Proposed Affordable Rent
2 Bedroom House	19	£172.60	£276.92	£221.54	£113.21	£172.60

New build purchase - 2/2a Borough Road (shared) 1 Copenhagen Road (flats) (Affordable Rent - 52 weeks)

Property Type	Number of Properties	2022/23 Local Housing Allowance	2022/23 Market Rent	2022/23 Affordable Rent (80%)	2022/23 Average Target Rent	2022/23 Proposed Affordable Rent
1 Bed flat	3	£136.93	£196.15	£156.92	£96.16	£136.93
2 Bed flat	6	£172.60	£258.46	£206.77	£115.26	£172.60
Shared Accommodation	7	£72.24	£101.00	£80.80		£72.24
Overall Average*	16	£122.00	£177.89	£142.31	£108.89	£122.00

*(Total rental income / total number of properties)

Rough sleeper accommodation programme (RSAP) - 111/111a Upper Luton Road & 13 Derwent Way (Affordable Rent - 52 weeks)

Property Type	Number of Properties	2022/23 Local Housing Allowance	2022/23 Market Rent	2022/23 Affordable Rent (80%)	2022/23 Average Target Rent	2022/23 Proposed Affordable Rent
1 Bed flat	3	£136.93	£183.00	£146.40	£96.33	121.50*

*charge allows an exit strategy for in-house support services once the Homes England funding expires March 2024.

Registered Providers of Housing acquisitions 87 Johnson Avenue (Affordable Rent - 52 weeks)

Property Type	Number of Properties	2022/23 Local Housing Allowance	2022/23 Market Rent	2022/23 Affordable Rent (80%)	2022/23 Average Target Rent	2022/23 Proposed Affordable Rent
4 Bed House	1	£276.16	£327.00	£261.60	£130.23	£261.60

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Capital schemes – risk of further overspend	Further works and increases costs could result in additional overspends.	Robust monitoring to ensure the project is delivered on budget and schedule	C2
Loss of Rental Income to the HRA	Properties remain vacant and unlet until rent accounts are set up	Ensure rent accounts are set up early and ICT systems set up to ensure letting of new properties take place as quickly as possible	D3

Likelihood	Impact:
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

6. Financial implications

6.1. The financial implications relating to the amendments to the Capital Programme are fully analysed in the report and summarised in the table below:

Capital Programme changes – additions	£
Halling Primary Expansion scheme	975
Rowans Primary Support scheme	155
Robert Napier Bulge scheme	35,000
Lordswood Community Hub scheme	114,500
Total	150,630

Removal from the Capital Programme	£
Uncommitted balance of the Regeneration Investment Fund	12,957,000

7. Legal implications

- 7.1. Under Section 24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. This is a decision for Full Council as it forms part of the Council's budget and policy framework.
- 7.2. Amendments to the Capital programme are matters for Full Council as set out above.
- 7.3. The Council is required to operate as a minimum with a balanced Budget and therefore matters such as required amendments to the Capital programme are necessarily kept under review throughout the year. Where appropriate that monitoring may necessitate changes which fall to be considered by Full Council.

8. Recommendations

- 8.1. Council is asked to approve the addition totalling of £150,630 to the capital schemes detailed in sections 3.1 to 3.4 above and remove the unspent budget of £12.957million, as set out in section 3.5 of the report, from the Capital Programme.
- 8.2. Council is asked to approve the rents set for the new build and purchased HRA properties as set out in section 4 of the report.
- 8.3. Council is asked to delegate authority to the Director of Place and Deputy Chief Executive to agree weekly rental values presented by the Head of Housing for any in-year completed HRA acquisitions and/or new builds in the future.

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Appendices

None

Background papers

None