

CABINET

7 FEBRUARY 2023

HOUSING REVENUE ACCOUNT CAPITAL AND REVENUE BUDGETS 2023/24 ADDENDUM REPORT

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services

Report from: Phil Watts, Chief Operating Officer

Katey Durkin, Chief Finance Officer

Author: Mark Breathwick, Head of Strategic Housing

Summary

The report was considered by the Business Support Overview and Scrutiny Committee at its meeting on 25 January 2023 and its comments are set out below.

1. Business Support Overview and Scrutiny Committee – 25 January 2023
 - 1.1. The Committee considered a report presenting the Housing Revenue Account (HRA) capital and revenue budgets for 2023/24 which provided details of proposed rent and service charge levels for 2023/24. It also contained the latest revised forecasts of the HRA Business Plan.
 - 1.2. In introducing the report, the Head of Strategic Housing referred to the proposed 7% increase in rent; the challenges around rent arrears and void turnaround times; and the intended uplift in the repairs and maintenance contract due to inflation.
 - 1.3. Members raised a number of questions and comments which were responded to by the Head of Strategic Housing as follows:
 - **Implications of the 7% rent increase, particularly on the most vulnerable residents:** The officer said that last year the authority had set a rent level below the cap based on the low CPR rate. This year's increase of 7% was considered prudent in light of current challenges.

This increase would impact on residents and housing officers liaised with colleagues in the Revenues and Benefits team to support residents in managing their finances. Consideration would be given to increasing that officer team to ensure the required level of resident support could be maintained. Opportunities to explore further partnerships with the voluntary and community sector would also be explored. The officer said that he would give further thought to the point raised that those on Universal Credit would be disproportionately impacted by the rent increase.

- **Why had there been such a steep increase in rent arrears?:** The officer explained that the figure of £602,000 in the report was a combination of existing and former tenant arrears, i.e. bad debt. He agreed to provide a more detailed breakdown outside the meeting.
- **Repairs and maintenance contract:** The officer said that the structure of this contract with Mears was under consideration to make sure that service delivery can be safeguarded. Work on the re-tendering of the contract, which would expiry in September 2024, had already commenced. Feedback from residents showed that satisfaction levels with repairs remained good. In response to a question on the flexibility to use local SMEs for repairs and maintenance, the officer said that the proposed new structure of the contract did allow for a range of providers particularly where specialist work was required. Feedback had showed that residents were not in favour of such work being sub-contracted by the main contractor. A contractor engagement day had attracted some local businesses.
- **What plans were in place to address the number of void properties?:** The officer advised that, due to labour shortages, the focus for repairs and maintenance needed to be focused on occupied properties. However, it had been made clear to Mears that improvements in respect of repairs to void properties needed to be made so that they could be re-let.
- **Major estate regeneration/joint ventures:** Asked where these was planned, the officer said that options were being appraised but he was not in a position to discuss these in a public forum at this stage. Members were pleased to note that the Council remained open to any opportunities for joint ventures that might arise and urged developers come forward for discussions.
- **Review of the Business Plan:** The officer advised that the Business Plan was reviewed at least annually and agreed that more regular reviews may be required where decisions were being taken around increased borrowing and development.

- **Were existing budgets sufficient to deal with mould in the Council's HRA stock? Were residents provided with advice and guidance on how to reduce mould?** The officer said that Medway's current price per property included a requirement for Mears to undertake a number of repairs including damp and mould. An analysis of the new contract was that there were sufficient funds within the contract to continue to absorb those costs. Envirovent was installed when replacing a kitchen or bathroom to improve ventilation. The Council continually looked at ventilation in properties and replaced any ventilation units that were not working properly. In addition, advice was provided to residents to increase their understanding of the need to ventilate their homes. Landlords also had a responsibility to make sure their properties were as efficient as possible. Proactive steps were being taken to identify the poorest performing properties in terms of energy efficiency.

Asked if there was a regular programme for visiting properties to check if they were up to standard, the officer said that gas safety inspections were carried out every year and the Council was working with Mears to broaden this annual inspection to cover other issues. Work was also in hand to maximise the benefits of any home visits that took place by Council officers so that they looked beyond the principal reason for their visit.

- **What percentage of the Council's HRA stock have prepayment meters?** The number of Council properties with prepayments meters would be established and provided to Members.
- **Why was the number of void properties increasing?:** The officer said that two issues which had impacted on the number of void properties were the pandemic and the lack of labour. At present much of the work on void properties was subcontracted by Mears. This was an area which needed to improve. Asked for a breakdown of the type of properties that were voids, the officer said there were currently between 65 and 70 void properties, the majority of which were flats and bedsits rather than houses. In response to a question on whether there were Key Performance Indicators (KPIs) for how long Mears should take to bring void properties up to standard, Members were advised that although KPIs were in place, one of the shortcomings of the current contract was that there were very few ways in which the authority could penalise Mears for poor performance. This would be addressed in the new contract. Mears had expressed confidence that the position with regard to voids would be improved by the end of March.
- **MHS/ Council joint tenders:** The officer said that conversations were taking pace with MHS to explore opportunities.

- **Household support grant:** Asked how many tenants had applied for this support, the officer said that he would respond outside the meeting.
- **Payment of rent direct to the landlord:** The officer confirmed that such alternative payment arrangements could be made where it was requested by residents in receipt of universal credit.

1.4. The Committee recommend the following to the Cabinet:

- a) A proposed social rent increase of 7% as per the cap set by the Government for year 2023/24 (which is below the allowed CPI of 10.1 plus 1%) for the social rent housing stock as set out in Appendix A (based on 52 collection weeks) with effect from 03 April 2023. All new tenancies issued during 2023/24, to be set at either the formula rent or rent cap for social rent dwellings, whichever is lower.
- b) A proposed affordable rent increase of lower of LHA rate or 7% (which is below the allowed CPI of 10.1 plus 1%) for the affordable rent properties as set out in Appendix B (based on 52 collection weeks) with effect from 03 April 2023. All new tenancies during 2023/24 to be set at either 80% of market rent or the LHA rate for affordable rent dwellings, whichever is lower.
- c) A proposed rent increase of 10% to be applied to all garage tenure types with effect from 03 April 2023 as stated in section 4.
- d) That the service charges increases/decreases as set out in Appendix C of the report for 2024/23 be approved.
- e) That a 50% rebate on the increase from 2022/23 electricity and gas service charges to be issued to the tenants affected by those increases set out in recommendation D.
- f) That the revenue budget for the HRA service for 2023/24 as per Appendix D be approved.
- g) That the proposed new budget of £8.25m (as set out in section 8.5.3 & 8.5.4 which is £2.5m for new purchases, £0.5m for Phase 4 and £5.25m for Phase 6 budgets).
- h) A virement of remaining budget (approximately £0.3m) from Phase 4 to Phase 5 new build programme budget be approved.
- i) That the provision for the estimated repayment of debt based on annuity-based payment of £0.358m, on the HRA's outstanding debt for 2023/24 be approved.

- j) That an estimated repayment of £0.5m of debt from 1-4-1 RTB receipts capital (as explained in section 11.1) on the HRA's outstanding debt for 2023/24 be approved.
- k) 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 during 23/24.
- l) That Members approve the revised 30-year HRA Business Plan model as attached at Appendix E.

1.5. The Committee also agreed to scrutinise the HRA Business Plan on a six-monthly basis, rather than annually.

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Appendices

None

Background papers

None