



Enquiries to:
Kelly Baxter

Direct Dial: 024 7637 6619

Direct Email:
member.services@nuneatonandbedworth.gov.uk

Date: 24th July 2023

Dear Sir/Madam,

Cabinet – 26th July, 2023

I refer to **Agenda Item 13: HRA Outturn 2022/23 and 18: Building Maintenance (Corporate) Framework** and attach the reports that was marked to follow on the agenda.

Yours faithfully,

BRENT DAVIS

Chief Executive

To: Members of the Cabinet

Councillor K. Wilson (Leader of the Council and Business and Regeneration)
Councillor C. Golby (Deputy Leader and Housing and Communities)
Councillor S. Croft (Finance and Corporate)
Councillor S. Markham (Public Services)
Councillor R. Smith (Planning and Regulation)
Councillor J. Gutteridge (Health and Environment)

Observer

Councillor C. Watkins (Leader of the Main Opposition Party)

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date:26 July 2023

Subject: Housing Revenue Account Outturn 2022/23

Portfolio:

Finance and Corporate (Councillor S. Croft)

Housing and Communities (Councillor C Golby)

From: Strategic Director – Finance & Governance

Summary:

To provide detail regarding the Housing Revenue Account outturn position for 2022/23.

Recommendations:

That the outturn position and key variances are noted.

That the earmarked reserves balances are approved.

Options:

To accept the report or request further information on the outturn position.

Reasons:

The Council is required to achieve a balanced budget each year.

Consultation undertaken with Members/Officers/Stakeholders

Councillor Croft, Councillor Golby, Management Team and relevant officers

Subject to call-in:

Yes

Ward relevance:

None directly.

Forward plan:

Yes

Building a Better Borough Aim:

Work

Building a Better Borough Priority:

Grow a strong and inclusive economy

Relevant statutes or policy:

Local Government Finance Act 1992

Equalities Implications:

None

Human resources implications:

None

Financial implications:

Detailed in the report.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

The Council analyses risks as part of the budget setting process and ensures an appropriate level of reserves are in place.

Environmental implications:

None

Legal implications:

To achieve a balanced budget each year.

Contact details:

Vicki Summerfield – Director of Finance & Enterprise

Victoria.summerfield@nuneatonandbedworth.gov.uk

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 26 July 2023

From: Strategic Director – Finance & Governance

Subject: Housing Revenue Account Revenue Outturn 2022/23

**Portfolio: Finance & Corporate (Councillor S Croft)
Housing & Communities (Councillor C Golby)**

Building a Better Borough Aim: Work

Building a Better Borough Priority: Grow a strong and inclusive economy

1. Purpose of Report

1.1 To present the final outturn position for 2022/23 for the Housing Revenue Account (HRA) and approve the HRA reserve balances at 31 March 2023.

2. Recommendations

2.1 That the 2022/23 outturn position for the HRA be noted.

2.2 That the reserve balances as detailed in Appendix 2 are approved.

3.0 Body of the Report

3.1 The HRA revenue net expenditure budget for 2022/23 of £1,288k was approved in February 2022 with a drawdown from general reserve expected. The final outturn position has resulted in net expenditure of £1,751k which is an overspend of £463k.

3.2 Although cost pressures have been seen with inflationary rises and utilities, increased expenditure related to this has been offset by other underspends. Savings have been seen and additional income secured.

3.3 The main savings areas to note are within Supervision and Management and dwelling income. The main areas of overspend are repairs and maintenance and capital. Capital expenditure has underspent in recent years and the HRA general reserve and major repairs reserve have been increased in relation to this.

3.4 The following table lists out all of the key variances seen within the HRA during 2022/23:

HRA Key Variances 2022/23	£000
Overspends/ Under-recovery of income	
Additional contractor costs due to inflation and material price increases	463
Increased utilities charges	238
Increased costs for transport	128
Compensation payments	59
Reduced Garage rents	58
Reduced Hostel rents	48
Increased cost of borrowing/reduction in investment income due to funding the repayment of £8.5m loans in year	42
Net other minor income variances	22
Subtotal	1,058
Underspends/ Over-recovery of income	
Salary underspends across HRA (net of agency spend)	(359)
Consultancy budget underspends as works deferred	(316)
Reduction in Bad Debt Provision	(180)
Decarbonisation project work delayed due to capacity	(165)
Increased Dwellings rent	(164)
Increased service charge income	(124)
Reduced cost of legal services & court costs	(73)
Materials savings within repairs service	(53)
Reduced tenant liaison costs - STAR survey completed	(52)
Reduced hostel management costs	(35)
Reduced council tax cost for voids	(23)
Reduced Insurance Claims	(15)
Net other minor expenditure variances	(13)
Subtotal	(1,572)
Capital Financing Items	
Reduced depreciation charges (<i>depreciation charges are contributed to the Major Repairs Reserve and are ring-fenced for capital spend</i>)	(43)
Increased capital expenditure financed by HRA revenue due to a catch up from previous years slippage	726
Subtotal	683
Reduced contribution from Earmarked Reserves	294
Net Variance	463

4.0 Reserves

4.1 Reserves are held for both revenue and capital purposes and although there was a budgeted transfer from earmarked reserves of £275k, this was not required in year however a small transfer into earmarked was made due to a slight underspend on grounds works.

- 4.2 As at 31 March 2023, the HRA held £5,311k in revenue reserves, an increase of £20k. Capital reserves total £3,773k with revenue reserves totalling £1,538k. A detailed list of all of the reserves held is included in Appendix 2.
- 4.4 Capital earmarked reserves are low and could be fully utilised during 2023/24 with the significant capital programme being carried out by the Council.
- 4.5 In addition, due to the scheduled repayment of loans taken out under self-financing, there is a risk that during 2023/24 the HRA may need to borrow externally if internal funds are not available to cover. Although no external borrowing was taken out in year, the HRA has already seen a small increase in borrowing costs.

5.0 Conclusion

- 5.1 It has been a challenging year for the HRA, with cost pressures from contractors being seen. Management of resources however has been good and has helped mitigate these costs. Increased capital expenditure being funded from revenue was inevitable due to underspends in previous years and the slippage on the programme is still likely to cause further revenue strain in future years.
- 5.2 The rise in interest rates and anticipated rise in salary costs are going to add to financial challenges that are already being seen and it is unknown at this point whether the rent increase will be capped for 2024/25 as was set for 2023/24. If a repeat of the cap for 2023/24 is put in place, this will add further pressure to funding the increased costs for repairs and improvements.
- 5.3 An updated medium-term financial strategy will be presented to Cabinet including the known risks and potential pressures in November 2023.

6.0 Appendices

- 6.1 Appendix 1 – HRA Outturn 2022/23
- 6.2 Appendix 2 – HRA Reserves 2022/23

7.0 Background Papers

- 7.1 General Fund and HRA Budget 2022/23 reported February 2022

APPENDIX 1

	BUDGET 2022/23 £000	OUTTURN 2022/23 £000	VARIANCE 2022/23 £000
<u>Expenditure</u>			
Supervision & Management (General)	6,568	5,517	(1,051)
Supervision & Management (Special)	3,397	3,591	194
Repairs & Maintenance	5,581	6,059	478
Depreciation	8,724	8,681	(43)
Capital Expenditure	2,297	3,023	726
Interest Payable	1,945	1,950	5
Total Expenditure	28,512	28,821	309
<u>Income</u>			
Dwellings Rent Income	(24,244)	(24,360)	(116)
Interest Receivable	(37)	-	37
Non Dwelling Rent Income	(584)	(519)	65
Other Income (Services & Facilities)	(2,086)	(2,192)	(106)
Total Income	(26,950)	(27,070)	(121)
NET HRA Expenditure	1,563	1,751	188
<u>Adjustments</u>			
Voluntary Contributions to Major Repairs Reserve	0	0	-
Transfers to/(from) Earmarked Reserves	(275)	0	275
Total Adjustments	(275)	-	275
Net HRA	1,288	1,751	463

APPENDIX 2

<u>Housing Revenue Account</u>	Opening Balance 2021/22 £000	Net Transfer £000	Closing Balance 2021/22 £000
Revenue Reserves			
Housing & Planning Act Changes	(350)	0	(350)
Service Delivery Improvements	(152)	0	(152)
Planning for the Future	(179)	0	(179)
Grounds Maintenance & Tree Works	(40)	(20)	(60)
Other Revenue Reserves	(797)	0	(797)
Total Revenue Reserves	(1,518)	(20)	(1,538)
Capital Reserves			
General Capital	(3,160)	0	(3,160)
Computer Strategy	(613)	0	(613)
Total Capital Reserves	(3,773)	0	(3,773)
Total Housing Revenue Account Reserves	(5,291)	(20)	(5,311)

Report Summary Sheet

Date: 26th July 2023

Subject: Building Maintenance (Corporate) Maintenance Framework

Portfolio: Business and Regeneration

From: Principal Building Surveyor

Summary:

Building maintenance and improvements are currently procured on an ad-hoc basis. A Framework contract with several contractors available for differing lots of work, will enable cost effective and timely repairs and maintenance to be carried out for the authority.

Recommendations:

1. Procurement of a new Corporate Building Maintenance Framework for the Corporate Assets Service, using existing revenue budgets be commenced.
2. That delegated authority be given to the Strategic Director – Economy and Transformation to award the procurement of a new Infrastructure Maintenance Framework and enter into a Framework Agreement with multiple contractors.

Options:

Accept the recommendation(s) and continue with the establishment of an Infrastructure Framework.

Do nothing: This may place the Council in breach of its Contract Procedure Rules & Financial Standing Orders.

Reasons:

To ensure ongoing compliance with Contract Procedure Rules, Financial Standing Orders & to contribute to the discharge of our duty to comply with health & safety legislation.

Consultation undertaken with Members/Officers/Stakeholders

The portfolio holder for Finance & Corporate has been consulted, alongside Management Team.

Subject to call-in: Yes

Ward relevance: All

Forward plan: Yes

Building a Better Borough Aim:

Aim 1: Live

Aim 3: Visit

Building a Better Borough Priority:

Priority 1: Sponsor a sustainable green approach.

Priority 4: Improve the physical environment.

Relevant statutes or policy:

Nuneaton and Bedworth Borough Council Contract Procedure Rules & Financial Standing Orders.

Equalities Implications:

(Does this require an Equalities Impact Assessment? If so, please append.)

N/A

Human resources implications:

Framework contract and associated management implications are within existing Corporate Assets team structure.

Financial implications:

We have assumed a zero-inflation approach to budgeting (currently £223k p/a combined) for the lifetime of the contract/framework from existing revenue budgets.

Health Inequalities Implications:

The maintaining of our buildings supports people using, visiting, and working within them, providing a safe environment.

Section 17 Crime & Disorder Implications:

None

Risk management implications:

Management and maintenance of NBBC's (Nuneaton and Bedworth Borough Council) building and structures minimises the risk of assets failing and causing potential injury to the public and damage to public and/or private property.

Environmental implications:

Correct and timely maintenance of our infrastructure will ensure buildings and structures have the longest lifetime value and will reduce unnecessary spending on new assets due to poor maintenance.

Legal implications:

Procurement and tendering process will be followed as per NBBC (Nuneaton and Bedworth Borough Council) policies.

Contact details:

Glenn Hooper – Principal Building Surveyor (Corporate Assets)

Telephone 024 7637 6314

Email: glenn.hooper@nuneatonandbedworth.gov.uk

AGENDA ITEM NO.18

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report: Cabinet

From: Principal Building Surveyor

Subject: Corporate Building Maintenance Framework 2023-2027

Portfolio: Finance & Corporate – (Councillor S. Croft)

Building a Better Borough Aim: 1 – Live, 2 Work, 3 – Visit.

Building a Better Borough Priority: 3 – Sponsor a sustainable green approach, 4 – Support Local Businesses, 1 Create a vibrant & Diverse Town Centre.

1. Purpose of Report

- 1.1 To seek approval for the creation of a Corporate Building Maintenance Framework for works on Corporate, Civic and Commercial (Non HRA) buildings.

2. Recommendations

- 2.1 That a procurement exercise for a Corporate Building Maintenance Framework for works on Corporate, Civic and Commercial (Non HRA) buildings be undertaken.
- 2.2 That delegated authority be given to the Strategic Director - Economy and Transformation to award a new Building Maintenance Framework and enter into Framework Agreements with multiple contractors.

3. Background

- 3.1 Building maintenance and improvements are currently procured on an ad-hoc basis. A Framework contract with several contractors will enable cost effective and timely repairs and maintenance to be carried out.

4. Body of Report

- 4.1 The Corporate Building maintenance framework will use revenue budgets from the 1901 Corporate Assets budget and 4416 Major Repairs budget.

- 4.2 Currently Building maintenance (the repair and improvement of non HRA buildings and structures, etc.) is carried out on an ad-hoc basis and is not part of a call-off framework. The Council employs several local contractors to carry out work in public open spaces, often through a competitive quote process or, if below the procurement threshold, a direct award.
- 4.3 We have assumed a zero-inflation approach to the budgets referred to in paragraphs 4.1. for the lifetime of the contract/framework in preparing this report. However, the contracts will have an annual uplift provision in them (based upon Sept CPI or as agreed with procurement). This will mean that over the lifetime of the contract(s) the quantity of work that can be undertaken will diminish in real terms.
- 4.4 The framework will be 2yrs +1+1 and latest extension will be to December 2027.
5. Conclusion
- 5.1 A new Corporate Building Maintenance Framework will provide a cost effective and value for money framework. Using a framework will make the potential works more attractive to local small & medium sized enterprises (SME's), who will be able to bid for one or more lots in the framework, depending on their specialty and capacity.
6. Appendices (if none, state none)
- 6.1 None.
7. Background Papers (if none, state none)
- 7.1 Procurement and Accounts Payable Strategy Report – Cabinet 8th March 2023
- 7.2. General Fund Revenue Budget 2023/24 – Cabinet 8th February 2023
- 7.3. Housing Revenue Account Budget 2023/24 – Cabinet 8th February 2023.