

<b>Joint Report of:</b>	<b>Head of Finance / Head of Housing and Partnerships</b>
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<b>Portfolio Leader:</b>	<b>Housing</b>
<b>Key Decision:</b>	<b>No</b>
<b>Report Track:</b>	<b>Cabinet: 28/01/21 Council: 10/02/21</b>

**Cabinet**  
**28 January 2021**  
**Housing Revenue Account Budgets 2020/21 to 2023/24**

**1 Purpose of Report**

- 1.1 To review the 2020-21 Housing Revenue Account Budget.
- 1.2 To refresh the Housing Revenue Account budgets for the period 2021-22 to 2022-23 and introduce the 2023-24 Draft Budget.
- 1.3 To determine the proposed three-year Housing Revenue Account Budget for consideration by Council on 10 February 2021.

**2 Recommendation(s)**

- 2.1 That the revised position with regard to estimated income and expenditure in respect of the 2020-21 Housing Revenue Account Budget and Housing Revenue Account budgets for the period 2021-22 to 2023-24 as summarised in Appendix 1 be noted.
- 2.2 That Council on 10 February 2021 be recommended to:-
  - (i) Determine a minimum level of working balances of £1.866million for 2021-22 and indicative working balances of £1.908 million and £1.970 million for 2022-23 and 2023-24 respectively.
  - (ii) Approve the HRA Revenue Budgets for 2021-22, 2022-23 and 2023-24 (and note the estimated outturn for 2020-21) as summarised in Appendix 1 of the report.

### 3 Key Issues and Reasons for Recommendations

#### Key Issues

- 3.1 This report considers the proposed three-year HRA budgets for 2021-22, 2022-23 and 2023-24, which have been formulated within the framework provided by the Approved Housing Revenue Account Business Plan.
- 3.2 A review of the 2020-21 HRA budget, together with base HRA budgets for the period 2021-22 to 2023-24 are attached as Appendix 1. The budgets have been formulated in accordance with the assumptions set out in the HRA Business Plan, with projected levels of income and expenditure as summarised below.

<b>Table 1: HRA Summary Budget 2021-22 to 2023-24</b>			
	<b><u>2021-22</u></b> <b>£000's</b>	<b><u>2022-23</u></b> <b>£000's</b>	<b><u>2023-24</u></b> <b>£000's</b>
Income	(20,042)	20,298	20,696
Expenditure	18,662	19,086	19,705
Revenue Contribution to Capital Outlay	1,288	1,170	929
Working Balances Change	92	42	62

- 3.3 A separate report is included as the preceding item on the Agenda in relation to the rent increase for 2021-22, with the budget assuming a rent increase of 1.5% in accordance with the limitations of national policy. A revised rent policy for social landlords beyond 2020 was agreed by the then Department for Communities and Local Government (DCLG) on 4 October 2017, whereby "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020". Rents had previously been subject to a 1% per annum reduction between 2016-17 to 2019-20.
- 3.4 In considering the HRA Revenue Account, consideration needs to be given to the HRA Capital Programme and the level of Working Balances. A key consideration of the Capital Programme is the Revenue Contribution to Capital Outlay (RCCO) and Depreciation Charge. Any change in the latter being compensated by an increase or decrease in RCCO. In accordance with the Approved Business Plan, the RCCO also represents the net surplus on the Revenue Account after determining the level of Working Balances.
- 3.5 In view of the risks associated with the management of the HRA under self-financing, minimum working balances of 10% of net operating expenditure have been assumed throughout the three-year budget period.

#### Reasons for Recommendations

- 3.6 Cabinet are required to propose a budget in relation to the HRA for submission to Council on the 10 February 2021.

#### 4 Relationship to Corporate Priorities

- 4.1 The proposed HRA budgets would contribute to the following strategic objectives, which form part of the Housing Portfolio section within the 2020-21 “More and Better Housing” Priority Delivery Plan, i.e.
- (i) Increase the supply of affordable housing.
  - (ii) Improving the Council’s social housing stock.
- 4.2 The proposed budgets consider the motion detailed from Council on 17th July 2019, where Council agreed to “the expansion of community energy to keep the benefits of our local energy generation in our local economy”, to meet “carbon neutrality by 2030” and to “Continue to work with partners anchored in the area to deliver carbon reductions and grow the local economy”.

#### 5 Report Detail

- 5.1 The impact of COVID 19 in 2020-21 has necessitated that a new 30 year HRA Business Plan be deferred until the Stock Condition Survey is completed: the Climate Change Action Plan is costed; developments in energy efficiency and retrofitting are evaluated, and the ongoing impact of COVID19 determined
- 5.2 The proposed revenue budgets are therefore in accordance with the prevailing HRA Business Plan, but reflecting the ongoing effects of the anticipated outturn in respect of the 2020-21 HRA budget (which is reviewed as part of this report) and other changes in income and expenditure which are projected as a result of the detailed budget formulation work.

#### **The Housing Revenue Account Budget 2020-21**

- 5.3 A review of the 2020-21 Budget is presented as part of Appendix 1.
- 5.4 The budget has been refreshed to reflect the latest stock numbers and average rents for both social and affordable properties with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.
- 5.5 A detailed review of employee budgets has also been undertaken with the latest budgets reflecting the staff turnover experienced in recent years. Supplies and Services budgets have also been refreshed to reflect latest spending patterns.
- 5.7 Estimated expenditure for 2020-21 is now forecast to be £19.663 million and Income £19.775 million with a forecast transfer to working balances of £0.112 million.
- 5.8 The outturn reflects a £0.234 million reduction on the gas maintenance contract (Repairs and Maintenance) as indicated in the 2019-20 outturn, partly offset by a reduction in rental income of £0.049 million arising from an increased void period due to the pandemic. The estimated outturn representing an increase in the net Revenue Contribution to Capital Outlay /Depreciation charge of £0.411 million, as compared to the Original Budget.

### **Housing Revenue Account Budgets 2021-22 to 2023-24**

- 5.9 The budgets reflect a continuation of current policies and the maintenance of existing service provision throughout the budget period .The Approved 30 year HRA Business Plan has therefore been used as the basis for preparing the HRA budgets for the period 2021-22 to 2023-24 which are attached as Appendix 1.
- 5.10 Rent income from 2021-22 follows Government Rent Policy whereby “increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020”. The original estimates for 2021-22 and 2022-23 assumed a 3% increase per annum, in line with projected CPI increases of 2% per annum. The 2021-22 budget (and subsequent year’s budgets) have now been reduced to reflect the 0.5% CPI increase prevailing as at September 2020 with a resultant 1.5% increase in rents now being proposed. A similar cautious increase has been included for 2022-23 with an overall 2.5%increase in 2023-24.
- 5.11 Expenditure budgets for the three year period have been amended to reflect the ongoing impact of the 2020-21 pay award of 2.75% (as compared to the budget provision of 2%) offset by the proposed freeze on public sector pay (above the £24,000 threshold) for 2021-22 . No material changes have been made to future non pay budgets and other assumptions are in line with the indicative budgets set last year with the provision for the 2% per annum increase in employer contributions to the Staffordshire Pension Fund being extended to 2023-24 following its determination as part of the 2019 Actuarial Revaluation.
- 5.12 The budget has been refreshed to reflect the latest stock numbers with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.
- 5.13 Provision exists within the budget for the Compliance Officer and Special Complex Case officer as approved by Cabinet on the 16 July 2020. In addition the draft budget also includes provision for 2 Allocations officers in 2021-22.
- 5.14 Capital Financing Charges have been amended to reflect the revised Depreciation requirement however, this has no change in relation to the overall level of resources with a compensating adjustment made to the Revenue Contribution to Capital Outlay.

### **Proposed Housing Revenue Account Budgets 2021-22 to 2023-24**

- 5.15 Proposed Housing Revenue Account Budgets for the period 2021-22 to 2023-24 are attached as Appendix 1.

### **Effect on Working Balances**

- 5.16 The effect of the proposed budgets on the estimated level of working balances is shown as part of Appendix 1. As previously stated a minimum working balance of 10% of net operating expenditure has therefore also been assumed throughout the three-year budget period.

## **6 Implications**

### **6.1 Financial**

The financial implications have been referred to throughout the report.

### **6.2 Legal**

None.

### **6.3 Human Resources**

The estimated budgets include provision for employees.

### **6.4 Risk Management**

Self-financing increases the risks associated with the management of the HRA and a detailed risk analysis forms part of the 30 Year Business Plan.

The risks relate to income as well as expenditure and any change in Government policy will impact upon the balances available to support the Capital Programme. A number of actions are undertaken to further mitigate risks associated with the management of the HRA which include:-

- (i) The adoption of a prudent approach to budgeting, particularly rent income
- (ii) The maintenance of an adequate level of working balances, comprising a minimum of 10% of net operating expenditure.
- (iii) The adoption of a more realistic approach in assessing staff turnover in determining employee budgets.
- (iv) Housing Revenue Account Business Plan projections together with associated sensitivity analysis.
- (v) Firm budgetary control through regular monitoring of actual and forecast income and expenditure.
- (vi) The implementation of an annual Internal Audit Plan and scrutiny from the External Auditor.

### **6.5 Equality & Diversity**

The draft budget reflects a continuation of current policies and the maintenance of existing service provision throughout the budget period.

### **6.6 Climate Change**

A new 30 Year Action Plan and a Strategy, to reflect the Councils New Build requirement to increase social housing based upon the housing needs of the district and land availability; developing zero carbon new homes (passivhaus standard); and a retrofit (carbon zero programme) for existing stock is currently being developed.

**7 Appendices to the Report**

Appendix 1: HRA Budgets 2020-21 to 2023-24

**Previous Consideration**

None.

**Background Papers**

None.

	Original Budget	Approved Budget	Variance	Budget	Budget	Budget
	2020-21			2021-22	2022-23	2023-24
Income	£	£	£	£	£	£
Dwelling Rent	(19,434,000)	(19,385,000)	49,000	(19,648,000)	(19,900,000)	(20,294,000)
Non Dwelling Rent	(349,140)	(341,000)	8,140	(345,000)	(349,000)	(353,000)
Interest	(1,500)	(1,500)	-	(1,500)	(1,500)	(1,520)
Other	(12,010)	(12,010)	-	(12,130)	(12,250)	(12,370)
General Fund Contribution	(35,520)	(35,520)	-	(35,520)	(35,520)	(35,520)
<b>Total Income</b>	<b>(19,832,170)</b>	<b>(19,775,030)</b>	<b>57,140</b>	<b>(20,042,150)</b>	<b>(20,298,270)</b>	<b>(20,696,410)</b>
<b>Expenditure</b>						
Repairs and Maintenance	5,936,300	5,588,330	(347,970)	5,955,280	5,975,150	6,154,550
Bad Debts Provision	100,000	100,000	-	100,000	100,000	100,000
Supervision & Management						
– General	3,765,660	3,739,870	(25,790)	3,948,430	4,076,600	4,213,470
– Special	939,710	803,230	(136,480)	934,800	965,010	995,980
Total Management	4,705,370	4,543,100	(162,270)	4,883,230	5,041,610	5,209,450
Capital Financing	7,221,670	7,516,920	295,250	7,723,870	7,969,170	8,241,200
RCCO	1,808,110	1,914,350	106,240	1,288,370	1,169,990	929,280
<b>Total Expenditure</b>	<b>19,771,450</b>	<b>19,662,700</b>	<b>(108,750)</b>	<b>19,950,750</b>	<b>20,255,920</b>	<b>20,634,480</b>
<b>Working Balance transfer</b>	<b>60,720</b>	<b>112,330</b>	<b>51,610</b>	<b>91,400</b>	<b>42,350</b>	<b>61,930</b>

	2020-21			2021-22	2022-23	2023-24
Working Balance	Original Budget	Revised Budget	Variance	Budget	Budget	Budget
	£	£	£	£	£	£
B/fwd.	(1,735,610)	(1,662,510)	73,100	(1,774,840)	(1,866,240)	(1,908,590)
In year	(60,720)	(112,330)	(51,610)	(91,400)	(42,350)	(61,930)
C/fwd.	(1,796,330)	(1,774,840)	21,490	(1,866,240)	(1,908,590)	(1,970,520)
Minimum	1,796,330	1,774,840		1,866,240	1,908,590	1,970,520