

Joint Report of:	Head of Finance Head of Housing and Partnerships
Contact Officer:	Tim Willis Nirmal Samrai
Telephone No:	01543 464 412 01543 464 210
Portfolio Leader:	Housing, Heritage & Leisure
Key Decision:	No
Report Track:	Cabinet: 02/02/22 Council: 16/02/22

Cabinet
2 February 2022
Housing Revenue Account Budgets 2021/22 to 2024/25

1 Purpose of Report

- 1.1 To review the 2021-22 Housing Revenue Account (HRA) Budget.
- 1.2 To propose an HRA Budget for 2022-23 and Indicative Budgets for 2023-24 and 2024-25.
- 1.3 To determine the proposed three-year Housing Revenue Account Budget for consideration by Council on 16 February 2022.

2 Recommendation(s)

- 2.1 That the revised position with regard to estimated income and expenditure for the 2021-22 HRA and budgets for the period 2022-23 to 2024-25 as summarised in Appendix 1 be noted.
- 2.2 That Council on 16 February 2022 be recommended to:-
- (i) Determine a minimum level of working balances of £1.929 million for 31 March 2023 and indicative working balances of £1.975 million and £2.030 million for 31 March 2024 and 2025 respectively.
 - (ii) Approve the HRA Revenue Budgets for 2022-23, 2023-24 and 2024-25 (and note the forecast outturn for 2021-22) 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 2022-23 to 2024-25, which have been formulated within the framework provided by the Approved HRA Business Plan.
- 3.2 Projected levels of income and expenditure for 2022-25 are summarised below:

Table 1: HRA Summary Budget 2022-23 to 2024-25

	2022-23 £000's	2023-24 £000's	2024-25 £000's
Income	(20,587)	(20,889)	(21,491)
Expenditure	19,292	19,749	20,304
Revenue Contribution to Capital Outlay	1,207	1,094	1,131
Working Balances Change	88	46	56

- 3.3 A separate report is included on the agenda in relation to the rent increase for 2022-23, with the budget assuming a rent increase of 4.1% 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.

When reviewing the HRA Revenue position, consideration needs to be given to the HRA Capital Programme and the level of Working Balances, including 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.

- 3.4 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.

Reason for Recommendations

- 3.5 Cabinet is required to propose a budget in relation to the HRA for submission to Council on the 16 February 2022.

4 Relationship to Corporate Priorities

- 4.1 The proposed HRA budgets will contribute to the delivery of new social housing, the maintenance of housing standards and enable our residents to live healthy and happy lives, as reflected in the Council's Corporate Plan.

5 Report Detail

- 5.1 A new 30-year HRA Business Plan is proposed to 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 reflect the ongoing effects of the anticipated outturn in respect of the 2021-22 (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 2021-22

- 5.3 A review of the 2021-22 Budget is included in Appendix 1.
- 5.4 The forecast reflects 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.
- 5.6 Estimated expenditure for 2021-22 is now forecast to be £19.697 million and Income £19.826 million with a forecast transfer to working balances of £0.129 million.
- 5.7 The forecast outturn reflects a reduction in dwelling rental income of £0.215m arising from an increase in void properties, partly offset by £0.077m forecasted salary underspends due to vacancies. The forecast outturn further reflects a decrease in the net Revenue Contribution to Capital Outlay/ Depreciation charge of £0.170m against the Original Budget.

Housing Revenue Account Budgets 2022-23 to 2024-25

- 5.8 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 2022-23 to 2024-25 which are attached as Appendix 1.
- 5.9 Rent income for 2022-23 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 2022-23 and 2023-24 assumed increases of 1.5% and 2.5% respectively, in line with prevailing CPI increases at the time of 0.5%. The 2022-23 budget now includes an assumed 4.1% rent increase to reflect the 3.1% CPI increase prevailing as at September 2021. The 2023-24 and 2024-25 budgets assume rent increase of 1.5%.
- 5.10 Expenditure budgets reflect anticipated pay awards for 2021-22 and 2022-23. When setting the budget for 2021-22 it was understood that no pay award would be made as part of a two year pay freeze for those employees above the £24,000

threshold. However, a pay award of 1.75% has been offered and declined; negotiations are ongoing. 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.

- 5.11 The budget has been refreshed to reflect the latest stock numbers with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.
- 5.12 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.
- 5.13 Proposed Housing Revenue Account Budgets for the period 2022-23 to 2024-25 are attached in Appendix 1.

Effect on Working Balances

- 5.14 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 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 strategy and action plan is being developed to reflect the Council's New Build requirement to increase social housing based upon the housing needs of the district and land availability; also to develop zero carbon new homes (passivhaus standard) and a retrofit (carbon zero programme) for existing stock.

7 Appendices to the Report

Appendix 1: HRA Budgets 2021-22 to 2024-25.

Previous Consideration

None.

Background Papers

None.

HRA Budgets 2021-22 to 2024-25

	Original Budget	Revised Budget	Variance	Budget	Budget	Budget
	2021-22	2021-22	2021-22	2022-23	2023-24	2024-25
	£	£	£	£	£	£
Income						
Dwelling Rent	(19,648,000)	(19,433,000)	215,000	(20,190,000)	(20,488,000)	(21,085,000)
Non-Dwelling Rent	(345,000)	(344,000)	1,000	(348,000)	(351,000)	(355,000)
Interest	(1,500)	(1,500)	-	(1,500)	(1,520)	(1,540)
Other	(12,130)	(12,130)	-	(12,250)	(12,370)	(12,490)
General Fund Contribution	(35,520)	(35,520)	-	(35,520)	(35,520)	(36,590)
Total Income	(20,042,150)	(19,826,150)	216,000	(20,587,270)	(20,888,410)	(21,490,620)
Expenditure						
Repairs and Maintenance	5,955,280	5,942,010	(13,270)	6,282,230	6,229,710	6,401,560
Provision for bad debts	100,000	100,000	-	100,000	100,000	100,000
Supervision and Management						
General	3,948,430	3,995,650	47,220	4,208,660	4,347,950	4,492,830
Special	934,800	817,630	(117,170)	974,170	1,005,290	1,036,880
Total Management	4,883,230	4,813,280	(69,950)	5,182,830	5,353,240	5,529,710
Capital Financing	7,723,870	7,561,200	(162,670)	7,727,080	8,065,830	8,272,470
RCCO	1,288,370	1,281,030	(7,340)	1,207,570	1,093,960	1,131,390
Total Expenditure	19,950,750	19,697,520	(253,230)	20,499,710	20,842,740	21,435,130
Working Balance transfer	91,400	128,630	37,230	87,560	45,670	55,490
Working Balance						
B/fwd	(1,774,840)	(1,713,020)	61,820	(1,841,650)	(1,929,210)	(1,974,880)
In year	(91,400)	(128,630)	(37,230)	(87,560)	(45,670)	(55,490)
C/fwd	(1,866,240)	(1,841,650)	24,590	(1,929,210)	(1,974,880)	(2,030,370)