

<b>Report of:</b>	<b>Head of Finance / Head of Housing and Partnerships</b>
<b>Contact Officers:</b>	<b>Bob Kean Nirmal Samrai</b>
<b>Telephone No:</b>	<b>01543 464334 01543 464210</b>
<b>Portfolio Leader:</b>	<b>Housing</b>
<b>Key Decision:</b>	<b>No</b>
<b>Report Track:</b>	<b>Cabinet: 30/01/20 Council: 12/02/20</b>

**CABINET  
30 JANUARY 2020  
HOUSING REVENUE ACCOUNT BUDGETS 2019/20 TO 2022/23**

**1 Purpose of Report**

- 1.1 To review the 2019-20 Housing Revenue Account Budget.
- 1.2 To refresh the Housing Revenue Account budgets for the period 2020-21 to 2021-22 and introduce the 2022-23 Draft Budget.
- 1.3 To determine the proposed three year Housing Revenue Account Budget for consideration by Council on 12 February 2020.

**2 Recommendations**

- 2.1 That the revised position with regard to estimated income and expenditure in respect of the 2019-20 Housing Revenue Account Budget and Housing Revenue Account budgets for the period 2020-21 to 2022-23 as summarised in Appendix 1 be noted.
- 2.2 That Council on 12 February 2020 be recommended to:-
  - (i) Determine a minimum level of working balances of £1.796 million for 2020-21 and indicative working balances of £1.817 million and £1.859 million for 2021-22 and 2022-23 respectively.
  - (ii) Approve the HRA Revenue Budgets for 2020-21, 2021-22 and 2022-23 (and note the estimated outturn for 2019-20) as summarised in Appendix 1 of the report.

### 3 Key Issues and Reasons for Recommendation

#### Key Issues

- 3.1 This report considers the proposed three-year HRA budgets for 2020-21, 2021-22 and 2022-23, which have been formulated within the framework provided by the Approved Housing Revenue Account Business Plan.
- 3.2 A review of the 2019-20 HRA budget, together with base HRA budgets for the period 2020-21 to 2022-23 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 2020-21 to 2022-23</b>			
	<b><u>2020-21</u></b> <b>£000's</b>	<b><u>2021-22</u></b> <b>£000's</b>	<b><u>2022-23</u></b> <b>£000's</b>
Income	(19,832)	(20,369)	(20,921)
Expenditure	17,963	18,168	18,591
Revenue Contribution to Capital Outlay	1,808	2,180	2,288
Working Balances Change	61	21	42

- 3.3 A separate report is included as the preceding item on the Agenda in relation to the rent increase for 2020-21, with the budget assuming a rent increase of 2.7% 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.

#### Reason for Recommendations

- 3.6 Cabinet are required to propose a budget in relation to the HRA for submission to Council on the 12 February 2020.

**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 2019-20 “More and Better Housing” Priority Delivery Plan, i.e.
- (i) Increase the supply of affordable housing.
  - (ii) Improving the Council’s social housing stock.

**5. Report Detail**

- 5.1 Cabinet at its meeting of the 7 February 2019 noted that the Approved HRA Business Plan remained valid but a new 30 Year Plan needed to be developed. Work is ongoing to reflect the full implications of the Government’s future Rent policy; a Stock Condition Survey is to be commissioned and a New Build Strategy (including the removal of the borrowing cap on the HRA) is being drafted
- 5.2 The proposed budgets are therefore in accordance with the prevailing HRA Business Plan and reflect ongoing effects of the anticipated outturn in respect of the 2019-20 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 2019-20**

- 5.3 A review of the 2019-20 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 The Revenue Budget has also been amended to accurately reflect the revenue/capital classifications with the following schemes transferred to Repairs and Maintenance:
- Void Properties
  - Asbestos Testing and Removal
  - Fire Assessments
- 5.6 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 2019-20 is now forecast to be £19.626 million and Income £19.788 million with a forecast release from working balances of £0.162 million. The estimated outturn represents a reduction in the net Revenue Contribution to Capital Outlay /Depreciation charge of £0.925 million, as compared to the Original Budget however after taking into account the

reclassification of capital expenditure to revenue the change reflects a net £0.070 million reduction.

**Housing Revenue Account Budgets 2020-21 to 2022-23**

- 5.8 The Approved 30 year HRA Business Plan has been used as the basis for preparing the HRA budgets for the period 2020-21 to 2022-23 which are attached as Appendix 1.
- 5.9 The budgets reflect a continuation of current policies and the maintenance of existing service provision throughout the budget period.
- 5.10 No material changes have been made in relation to inflation and cost pressures, 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 2022-23 following its determination as part of the 2019 Actuarial Revaluation.
- 5.11 Rent income from 2020-21 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”. This has now been reflected in budgets from 2021-22 onwards with an increase of 2.7% in 2020-21 and indicative increases of 3% for the following two years.
- 5.12 A comparison of the latest Revenue Contribution to Capital Outlay (which effectively represents the net income of the HRA account) from the Indicative Budgets set last year to the Draft Budget is reflected in Table below.

<b>Table 2: Reconciliation of RCCO – Indicative to Draft Budget</b>			
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Indicative Budget	3,707	3,827	3,827
Draft Budget	1,808	2,180	2,288
Variance	(1,899)	(1,647)	(1,539)
Of Which			
Depreciation /MRA Adj	(691)	(691)	(792)
Reclassification Capital	(873)	(803)	(809)
Additional / (Reduced) Resources	(335)	(153)	62

- 5.13 The budget has been refreshed to reflect the latest stock numbers with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.
- 5.14 Capital Financing Charges have been amended to reflect the revised Depreciation requirement however as indicated above this has no change in relation to the overall level of resources with a compensating adjustment made to the Revenue Contribution to Capital Outlay.

- 5.15 The 2020-21 Budget and the Indicative budgets for 2021-22 and 2022-23 have been increased to reflect the reclassification of Capital expenditure to Revenue as per paragraph 5.5

### **Proposed Housing Revenue Account Budgets 2020-21 to 2022-23**

- 5.16 Proposed Housing Revenue Account Budgets for the period 2020-21 to 2022-23 are attached as Appendix 1.

### **Effect on Working Balances**

- 5.17 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.

<b>6 Implications</b>
-----------------------

#### **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 Section 17 (Crime Prevention)**

Actions to combat anti-social behaviour on the council's estates funded through the proposed budgets would have positive implications form crime prevention.

#### **6.5 Human Rights Act**

None

#### **6.6 Data Protection**

None

#### **6.7 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. The risk has however been reduced by the decision not to implement the Vacant High Value Housing Payments as originally proposed in the Housing and Planning Act 2016.

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 though regular monitoring of actual and forecast income and expenditure.
- (vi) The implementation of an annual Internal Audit Plan and scrutiny from the External Auditor.

#### **6.8 Equality & Diversity**

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

#### **6.9 Best Value**

None.

### **7 Appendices to the Report**

Appendix 1: HRA Budgets 2019-20 to 2022-23

#### **Previous Consideration**

None.

#### **Background Papers**

None.

Appendix 1

	Original Budget	Approved Budget	Variance	Budget	Budget	Budget
	2019-20			2020-21	2021-22	2022-23
Income	£	£	£	£	£	£
Dwelling Rent	(19,487,000)	(19,391,000)	96,000	(19,434,000)	(19,968,000)	(20,516,000)
Non Dwelling Rent	(359,140)	(348,140)	11,000	(349,140)	(352,140)	(356,140)
Interest	(1,500)	(1,500)	-	(1,500)	(1,500)	(1,500)
Other	(11,890)	(11,890)	-	(12,010)	(12,130)	(12,250)
General Fund Contribution	(35,520)	(35,520)	-	(35,520)	(35,520)	(35,520)
<b>Total Income</b>	<b>(19,895,050)</b>	<b>(19,788,050)</b>	<b>107,000</b>	<b>(19,832,170)</b>	<b>(20,369,290)</b>	<b>(20,921,410)</b>
<b>Expenditure</b>						
Repairs and Maintenance	4,752,300	5,690,890	938,590	5,936,300	5,902,920	6,051,470
Bad Debts Provision	100,000	100,000	-	100,000	100,000	100,000
Supervision & Management						
– General	3,705,950	3,611,250	(94,700)	3,765,660	3,893,720	4,024,350
– Special	918,540	796,410	(122,130)	939,710	970,710	1,003,560
Total Management	4,624,490	4,407,660	(216,830)	4,705,370	4,864,430	5,027,910
Capital Financing	6,460,610	7,157,530	696,920	7,221,670	7,301,130	7,411,820
RCCO	3,894,590	2,269,480	(1,625,110)	1,808,110	2,180,290	2,287,940
<b>Total Expenditure</b>	<b>19,831,990</b>	<b>19,625,560</b>	<b>(206,430)</b>	<b>19,771,450</b>	<b>20,348,770</b>	<b>20,879,140</b>
<b>Working Balance transfer</b>	<b>63,060</b>	<b>162,490</b>	<b>99,430</b>	<b>60,720</b>	<b>20,520</b>	<b>42,270</b>

**Appendix 1 Cont.**

	<b>2019-20</b>			<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Working Balance</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
B/fwd.	(1,530,680)	(1,573,120)	(42,440)	(1,735,610)	(1,796,330)	(1,816,850)
In year	(63,060)	(162,490)	(99,430)	(60,720)	(20,520)	(42,270)
C/fwd.	(1,593,740)	(1,735,610)	(141,870)	(1,796,330)	(1,816,850)	(1,859,120)
Minimum	1,593,740	1,735,610		1,796,330	1,816,850	1,859,120