

Report to: Housing Review Board



Date of Meeting 21st January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Draft Housing Revenue Account Budget 2021/22

Report summary:

This report presents the draft Housing Revenue Account budget for 2021/22 for consideration.

Recommendations from this meeting will be presented back to Cabinet on 3rd February 2021 when members will finalise budget proposals to recommend to Council.

Recommendation:

That the draft revenue and capital estimates are adopted before forwarding back to cabinet for recommendation to Council.

Reason for recommendation:

There is a requirement to set a balanced budget for 2021/22

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Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

Financial details are contained within the report

Legal implications:

No legal implications arise which require comment.

Equalities impact Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting.

Climate change High Impact

The budget approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority.

Risk: Low Risk;

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals. Other specific areas of risk have been highlighted where appropriate within the report and within the budget book at service level.

Links to background information

[Notes on Spending Review 2020](#)

[Financial Plan 2021 -2031](#)

Link to [Council Plan:](#)

- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

1. Process

- 1.1 The Constitution requires Cabinet to approve the draft revenue and capital budget prior to consideration by the Overview and Scrutiny Committees. The Housing Review Board will undertake the same function in relation to the Housing Revenue Account budgets.
- 1.2 Recommendations from these two meetings will be reported back to Cabinet at its meeting on 3rd February, along with any comments from the business community. At this meeting members will be required to recommend to Council a budget and the Council Tax requirement for 2021/22.

- 1.3 At the same time as preparing the draft budget, draft service plans have been prepared for member consideration. Service plans and budgets are aligned and link back to the Council Plan and reflect where possible the recently adopted Statement of Intent.

2 **Housing Revenue Account Proposed Budget 21/22**

The Overall Financial Picture

- 2.1 The Housing Revenue Account (HRA) is underpinned and influenced by a business plan, this plan needs a refresh which has been delayed with other work commitments. The revised Plan needs to:

- Undertake a full conditions survey to inform future programme costs.
- Consider the implication of the new maintenance contract.
- Reflect additional work on asset management planning and compliance requirements,
- Consider the end of rent reductions.
- The implication of Universal Credit,
- Reconsider the debt level and use of Right to Buy Receipts linked to future development ambitions, and
- The implications of the climate change action plan.

This work is progressing for inclusion in the 2022/23 budget, the picture for the draft 2021/22 budget is very much stand still in that it continues to invest in our existing properties at a similar level; it provides an acceptable surplus which will need to be prioritised between competing demands:

- The purchase programme to counteract the impact of continuing Right to Buy (RTB) sales and the development ambitions to significantly add to our stock/social housing. This is a key priority in the Statement of Intent.
- To ensure new compliance requirements are met.
- To implement the carbon reduction actions.

- 2.2 In accordance with central government policy, the increase in any individual tenants rent is limited to inflation + 1% for the forthcoming financial year. Inflation is taken as the Consumer Price Index (CPI) rate at the prevailing rate for September 2020, which was officially registered at 0.5%. The draft budget assumes an increase in Council House rents of 1.5% with a factor included for a reduction in stock numbers and voids giving £17.8m, an increase of £0.264m. The average house rent is currently £82.17 per week with 4,184 dwellings. There are 727 garages with a current rent of £15 per week, no increase is proposed.

Draft Revenue Budget 2021/22

2.3 The budget book details the draft estimates for 2021/22.

2.4 The budget has been prepared to maintain council homes to a high standard with a comprehensive planned programme of expenditure, adaptations and routine repairs. The 2021/22 draft budget maintains significant sums for:

- Major repairs totalling £4.2m covering new doors, boilers, kitchens and bathrooms, including change of tenancy expenditure, replacement of wooden fascias with uPVC and roof replacements.
- Day to day repairs, programme maintenance and one off works totalling £4.3m.

HRA BUDGET SUMMARY by SERVICE LINE & ACCOUNTING TYPE			2020	2021	Variance	
Rep Cat 1	Rep Cat 2	Rep Cat 3	£	£	£	
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents	-17,567,740	-17,831,260	-263,520	
		2 Garage Rents	-425,530	-336,180	89,350	
	2 Other Income	1 Other Income	-542,120	-603,680	-61,560	
1 INCOME Total			-18,535,390	-18,771,120	-235,730	
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance	1,862,440	1,953,350	90,910	
		2 Annual Programmed Maintenance	1,098,260	1,033,300	-64,960	
	2 Repairs And Maintenance - Special	1 Compliance	318,050	790,050	472,000	
		2 Other	859,100	560,730	-298,370	
	3 Supervision And Management	1 Supervision And Mgt General	4,275,600	4,418,290	142,690	
		2 Supervision And Mgt Special	1,738,360	1,994,300	255,940	
	4 Other Expenditure	1 Other Exp non Sewerage	227,900	231,700	3,800	
		2 Sewerage	54,230	54,390	160	
	5 Capital Charges & Bad Debt	2 Reval Deprn and Impair	950,420	950,420	0	
		3 Major Repairs Expenditure	3,876,000	4,226,690	350,690	
2 EXPENDITURE Total			15,260,360	16,213,220	952,860	
3 FINANCING	1 Interest on Balances	(blank)	-39,000	-23,700	15,300	
	2 Loan Principal & Interest repayments	(blank)	2,503,900	2,547,440	43,540	
	3 Other	1 Gain on Disposal		-3,161,910	-3,161,910	0
		2 Loss on Disposal		2,001,980	2,001,980	0
		4 Other		-10	-10	0
		5 MIRS				
		1 Rev Gain on Disposal		3,161,910	3,161,910	0
		2 Rev Loss on Disposal		-2,001,980	-2,001,980	0
	3 Rev Rev, Dep & Impair		-950,420	-950,420	0	
	5 Cont to Capital		830,000	0	-830,000	
3 FINANCING Total			2,344,470	1,573,310	-771,160	
Grand Total			-930,560	-984,590	-54,030	

2.5 Main Variations to highlight:

The Net movement on the budgeted HRA surplus is an overall increase of £54k to £0.985m

Income increased by a total of £254k year on year;

- The predominant driver of the increase is the aforementioned rent increase of £264k.
- These were partially offset by a decrease in forecast income from garages (-£90k) due to unrentable units and a reduction in interest income as a result of the current and forecasted continued suppression of interest rates.

Expenditure increased by £200k year on year;

- Although the allocation of expenditure on premises has shifted year on year to meet demand, incorporating the catch up work required due to COVID restrictions, the total budgeted expenditure remains materially consistent.

The primary driver of the annual increase is within employee costs as new roles are required to meet the demands of the service, notably within the Landlord Services area with the appointment of a Mental Health officer and within the Asset and Property team with the appointment of a Climate Change officer.

- 2.6 The HRA draft budget currently shows a surplus of **£0.985m**; this level of surplus in the past has been directed to replacement housing to match the Right to Buy receipts. It is proposed that this sum is held for the purpose of additional housing and climate change measures. Reports on priority and proposed actions to be considered will be presented to the Housing Review Board through 2021/22.
- 2.7 The HRA Balance is maintained within the adopted range of £2.1m and £3.1m, being projected to be retained £3.1m level at the end of 2021/22. There is an additional £1.6m being held in the HRA debt Volatility Fund which remains unchanged.

Budget Strategy for future years

- 2.8 The HRA Business plan needs refreshing as outlined in 2.1 above to ensure properties can be maintained at a high standard whilst investing in new properties and meet carbon reductions priorities whilst keeping the HRA Reserves within the adopted levels.
- 2.9 The intention is revised Business Plan will be prepared in 2021/22 for approval through the HRB, Cabinet and Council.

3 Housing Revenue Account Current Position & Forecasted Outturn

- 3.1 The data to the end of December 2020 is currently being worked on and an update of the current HRA position and forecasted year end outturn will be presented separately at the meeting.