

Report to: Housing Review Board



Date of Meeting 18th January 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Draft Housing Revenue Account and Capital Budgets 2023/24

Report summary:

This report presents the draft revenue and capital budgets for 2023/24 for consideration by the Housing Review Board.

Recommendations from this meeting will be presented back to Cabinet on 1st February 2023 when members will finalise budget proposals to recommend to Council.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That the draft HRA revenue and capital estimates are recommended to Cabinet including the proposed rent increases for 2023/24.

Reason for recommendation:

There is a requirement to set a balanced budget and to agree rent levels 2023/24

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting. There are no changes proposed from the current service provisions as a result of the draft budget that will effect individuals.

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: Medium 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.

Links to background information [Budget Book 2023/24](#) [Draft Revenue and Capital Budget Report Cabinet 4th Jan 2023](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

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 meetings will be presented back to Cabinet at its meeting on 1st 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 2023/24.
- 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.

2 Housing Revenue Account Budget

The Overall Financial Picture

- 2.1 The Housing Revenue Account (HRA) is underpinned and influenced by a business plan, this plan needs to be updated with revised financial modelling once the house condition survey work is complete.

The draft 2023/24 budget is similar to the current year with variations as noted below, continuing to invest in our existing properties at a similar level. All planned expenditure is met from available income.

It should be recognised that the house condition survey will lead to a revised investment and maintenance program for properties, at this stage it is considered there are sufficient resources available but it is likely there will need to be movement between budget heads in 2023/24 to reflect the findings of the survey. The Housing Review Board will be updated on any necessary in year reallocation of budgets or use of additional reserves to meet priorities.

- 2.2 The increase in any individual tenants rent is normally 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 2022, which was official registered at 10.1%.

However the Board will be aware that Government have restricted the increase up to 7% for 2023/24. The draft budget assumes an increase in Council House rents to this level in order to meet rising costs, with a factor included for a reduction in stock numbers and voids giving £19.9m, an increase of £1.3m. The same increase has been assumed on garage rents giving an additional £15k in income but members may consider this not to be appropriate.

This increases the current average weekly house rent from £87.01 to £93.10 with the 7% rise. Garages in the main are currently £12.50 per week, a 7% rise will increase this to £13.38.

Draft Revenue Budget 2023/24

- 2.3 The budget book details the draft estimates for 2023/24.
- 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 2023/24 draft budget maintains significant sums for:
- Major repairs totalling £4m 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 £4.6m.

2.5 A sum has been included of £880k in line with the current year as a standalone project within our budgets for carbon reduction. This is challenging, as many of the costs will be absorbed into our standard housing maintenance, planned works and capital programmes. However we have added a budget line for any works funded by external grants and this will also show any match funding we have apportioned to the specific delivery programme.

When rationalising the costs linked to the decarbonisation of our housing stock we have used an industry best practice 'Fabric First, Least Regret' methodology as explained below

- Fabric First – is about addressing issues with and upgrading the actual building such as; insulation, windows, doors, roofing structures etc. in readiness for sustainable heating and hot water solutions. Due to the age and condition of our stock this is by far the most expensive part of the carbon reduction process. This approach has the added benefit of making the current heating systems much more effective and efficient for our tenants. The Stock Condition Survey will give us the data needed to schedule these works appropriately. These costs will sit predominantly within our maintenance/repairs, planned and cap works budget lines.
- Least Regret – relates to the replacement of systems and components, within each building, at point of 'failure' (expected replacement date). So following on from the above works and again using the Stock Condition Survey data, we will plan the incremental upgrade of all our heating systems in line with each systems/boilers expected replacement date. So for example, when a gas boiler is due for replacement we will remove it and fit a sustainable system in its place, reducing the cost implications of carbon reduction as we will effectively be just bridging the gap in cost between replacing a standard gas boiler and with the cost of fitting an Air Source Heat Pump for example – these costs will sit largely within the planned works budget lines as it is work we would have delivered anywayalbeit in a different way.

HRA BUDGET SUMMARY by SERVICE LINE & ACCOUNTING TYPE				2022	2023	Variance	
Sum of Budget				£	£	£	
Rep Cat 1	Rep Cat 2	Rep Cat 3	Data	2022 YTD	2023	2023	Note
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents		-18,609,260	-19,911,900	-1,302,640	1
		2 Garage Rents		-215,990	-231,110	-15,120	2
	2 Other Income	1 Other Income		-619,600	-658,510	-38,910	
1 INCOME Total				-19,444,850	-20,801,520	-1,356,670	
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance		2,050,770	2,201,058	150,288	3
		2 Annual Programmed Maintenanc		1,019,810	1,039,760	19,950	
	2 Repairs And Maintenance - Special	1 Compliance		791,750	808,600	16,850	
		2 Other		532,000	538,900	6,900	
	3 Supervision And Management	1 Supervision And Mgt General		5,270,670	5,973,526	702,856	4
		2 Supervision And Mgt Special		1,849,000	2,192,480	343,480	4
	4 Other Expenditure	1 Other Exp non Sewerage		233,110	236,680	3,570	
		2 Sewerage		44,250	45,740	1,490	
	5 Capital Charges & Bad Debt	3 Major Repairs Expenditure		4,056,710	4,056,890	180	5
		2 Reval Deprn and Impair		950,420	950,420	0	
2 EXPENDITURE Total				16,798,490	18,044,054	1,245,564	
3 FINANCING	1 Interest on Balances	(blank)		-24,170	-49,000	-24,830	
	2 Loan Principal & Interest repayments	(blank)		2,532,740	2,608,580	75,840	
	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 Cont to Capital		880,000	880,000	0	6
	4 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 FINANCING Total				2,438,140	2,489,150	51,010	

Variations referenced to the above table

- 1&2. Rents on council dwellings have been inflated at the Government capped percentage increase of 7%. This covers Rental income as well as budgeted lost rent due to voids.
3. The Asset Management contract with Ian Williams has been subject to an inflationary uplift in 23/24 by 10.1%.
4. The increase in management charges relate to both Staff related costs, premises costs and increases in overhead recharges back to the general fund for premises and services.

Staff and agency/consultant costs have been based upon a revised predicted establishment provided and the expected salary, pension and national insurance.

Premises costs have also increased most notably utilities costs that are estimated to require an additional £148k of budget in 2023/24.

Overhead recharges explain the remainder of the increase with the impact of significant inflationary uplifts and pressures on central and support services to the HRA that reside within the general fund driving increases.
5. The planned maintenance and major repairs expenditure has been kept relatively consistent year on year due to the unknown factor of the stock condition survey.
6. A large contribution to capital has again been budgeted for in 23/24 for continued climate change work on the council stock.

2.6 The HRA draft budget currently shows a surplus of **£0.268m**; The HRA Balance is currently predicted to be significantly above the £3.1m level at the end of 2022/23 with decisions to be made by members at year end on where to allocate the additional balance. There are competing priorities that members will have to consider. Assuming these decisions are made then the Balance will be back at year end to £3.1m and the £208k surplus identified for 2023/24 can be allocated to priority areas at the end of 2023/24. There is an additional £1.6m being held in the HRA debt Volatility Fund which remains unchanged.

3 Capital Programme

3.1 The attached booklet details the draft capital programme for 2022/23 to 2026/27.

3.2 A summary of the capital funding position is given below for the Council, the HRA proposed expenditure in 2023/24 is £4.906m and as seen below is funded from the HRA. This amount represents the same level of investment as currently provided and seen by the service as suitable to meet all requirements at this time until a full condition survey is completed and maintenance/improvements plans are fully developed.

Capital Programme Financing	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Budget	Budget	Budget	Budget
	£	£	£	£	£
Net Expenditure to be Financed (GF & HRA)	18,792,922	10,070,253	7,187,450	4,736,915	5,139,201
Adjust for unused income from grants/contributions:					
	18,792,922	10,070,253	7,187,450	4,736,915	5,139,201
Financing:					
In year capital receipts General Fund	(100,000)	(200,000)	(100,000)	(100,000)	(100,000)
3rd Party Loan repayments	(674,302)	(76,231)	(1,336,497)	(102,888)	(906,117)
GF Capital Receipts Reserve	0	0	0	0	0
General Fund Capital Receipts	(774,302)	(276,231)	(1,436,497)	(202,888)	(1,006,117)
PWLB loan - EZ - Park and Change	(209,274)				
PWLB loan - EZ - Long Lane	(1,252,712)				
PWLB loan - EZ - Open Innovation Building	(160,000)				
GF Loans	(1,621,986)	0	0	0	0
Section 106 Funding	0	0	0	0	0
GF Grants	0	0	0	0	0
Use of GF Capital Project reserves	0	0	0	0	0
GF Revenue Contributions to Capital Funding	0	0	0	0	0
HRA Released RTB and Misc Capital Receipts	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
HRA contribution - From Major Repairs Reserve	(2,779,780)	(3,127,280)	(3,127,280)	(3,127,280)	(3,127,280)
HRA Cont "Depn"	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)
HRA funding	(4,558,500)	(4,906,000)	(4,906,000)	(4,906,000)	(4,906,000)
New Homes Bonus Funding	(1,000,000)	0	0	0	0
Net (internal borrowing) / Transfer to Capital Reserves balance	(10,838,134)	(4,888,022)	(844,953)	371,973	772,916
GF Loans/Internal Borrowing	(10,838,134)	(4,888,022)	(844,953)	371,973	772,916
Total Funding	(18,792,922)	(10,070,253)	(7,187,450)	(4,736,915)	(5,139,201)

Financial implications:

Financial details are contained in the report

Legal implications:

No legal observations are required