

HOUSING MANAGEMENT ADVISORY BOARD

11 January 2023

Report of the Head of Financial Services

Item 4 HOUSING REVENUE ACCOUNT BUDGET
CONSULTATION 2023/24

Purposes of the Report

To enable members of the Board to consider the 2023/24 budget before the final budget report goes to Cabinet in February 2023.

Annual budget setting process

1. Each year the Council sets budgets for the following year. An indication of the process and the timescales for the key events that drive the process are set out in the below table:

Event	Description
Cabinet Meeting Dec-22	A report is taken to Cabinet to: Advise members of the projected base budget position for 2023/2024. Review the savings and growth proposals put forward for the year 2023/2024, and to begin a period of consultation.
Cabinet February 2023	This report sets out the proposed General Fund and Housing Revenue Account budgets which together represent the financial spending plans for all services of the Council. The report also presents the proposals to increase rent and service charges within the Housing Revenue Account.
Council	The report sets out the recommendations of the Cabinet regarding the proposed General Fund and HRA Revenue Budgets for 2023/24. These budgets represent the financial spending plans for all services of the Council, and it is a legal requirement to set a balanced budget each financial year. The report also includes the original budget for the Housing Revenue Account together with changes to rent and service charges.

Housing Revenue Account (HRA)

2. The draft original budget position for 2023/24 is a surplus of £616k after transferring £3.3m Revenue Contribution to finance the HRA Capital Programme. The net increase for service pressures and savings total £12.9k.
3. The council is still waiting for government guidance on setting Rents and Service Charges, following recent public consultation. These draft figures have been prepared using an estimate of a 7% increase and a void of 4.82%. The rent increase will be covered by Housing benefit and Universal Credit, subject to benefit eligibility. There are around 2,000 tenants thought not to be in receipt of these benefits.
4. Between 2022/23 and 2023/24, employee costs have increased by £744k, based on pay awards (both 2022/23 actual and 2023/24). Utilities costs have been increased by £365k. There is a significant increase in Investment income interest, from £15k in 2022/23 to £720k in 2023/24 which is based on predicted interest rate returns on the HRA cash balances. This will be kept under regular review. The HRA budget is detailed in Table 1.
5. The draft rent increase is based on current government guidance. The maximum rent increase possible is 7%, rather than the September CPI% +1% which would be 11.1%. CPI + 1% has been the government guidance since 2020/21.

HRA Service Pressures and Saving

6. Service Pressures total £22.9k and comprise £15k increase in Housing Ombudsman Fees and £7.9k contract inflation, offset by service savings of (£10k) relating to car allowances. The net increase is £12.9k.

HRA balances (reserves)

Principal HRA reserve

7. The Section 151 Officer recommends a minimum level of working balances for the HRA of £110 per property. There are 5,447 properties anticipated at 31st March 2024 (anticipating 40 right to buy sales); working balances have been adjusted to reflect this projection at £599k.

HRA Financing Fund

8. The HRA Financing Fund was set up in order to set aside monies to cover future HRA expenditure. This includes the repayment of external debt principal of the £79m incurred when the self-financing regime came about in 2012. This costs the HRA approximately £2.7m in interest payments each year. The first of these loans is due for settlement during 2024/25. The anticipated balance of the HRA Financing Fund at 31 March 2024 is £13.2m.

Major Repairs Reserve

9. The Major Repairs Reserve is a statutory fund and can only be used to finance capital expenditure and debt repayment. The anticipated balance at 31 March 2024 is £4.2m.
10. The HRA draft Capital Programme for 2023/24 is £7.7m. This is fully funded from Depreciation £3.9m, HRA Revenue contribution to Capital (RCCO) £3.3m, and £0.5m from 1-for-1 capital receipts (HRA Right to buy sales)
11. Total HRA balances as at 31 March 2024 are anticipated to be £18.09m.

Draft HRA 2023/24 Budget

Table 1.

2021/22 Actual	Housing Revenue Account	2022/23 Original Budget	2023/24 Original Budget
£000		£000	£000
	Expenditure		
5,762	Supervision and Management	5,438	6,410
7,088	Repairs and Maintenance	6,803	7,129
277	Rents, Rates and other charges	291	291
97	Provision for Bad and Other Charges	318	118
3,680	Depreciation	3,641	3,942
(5,488)	Net Revaluation increase of non-current assets	0	0
10	Debt Management Expenses	10	16
11,426	Expenditure Sub-total	16,501	17,906
	Income		
(20,637)	Dwelling Rent Income	(21,368)	(22,781)
(348)	Shops, Land and Garages Rent	(390)	(388)
(49)	Warden Service Charges	(51)	(47)
(312)	Central Heating and Communal Charges	(310)	(320)
(196)	Leasehold Flat and Shop Service Charges	(143)	(160)
(27)	Hostel Service Charges	(25)	(23)
(8)	Council Tax recharged	(9)	(8)
(21,577)	Income Sub-total	(22,296)	(23,727)
(10,151)	Net (income)/Cost of service	(5,795)	(5,821)
	Transfer from General Fund - Grounds		
(91)	Maintenance	(85)	(90)
2,700	Interest Payable	2,698	2,751
(45)	Investment Income and Mortgage Interest	(15)	(720)
(7,587)	Net Operating Expenditure/(Income)	(3,197)	(3,880)
0	Revenue Contribution to Capital	3,197	3,264
(859)	Pension Adjustment	0	0
16	Accumulated Absence Adjustment	0	0
5,488	Reversal of Gain on Revaluation	0	0
4,645	Appropriations	3,197	3,264
(2,942)	(Surplus)/Deficit for the year	0	(616)
(609)	HRA Balance at beginning of year	(606)	(602)
(2,942)	(Surplus)/Deficit for the year	0	(616)
2,945	Transfer to/from Reserves	(362)	619
0	Adjustments to 2022/23 Budget	366	0
(606)	HRA Balance at end of year	(602)	(599)
(11,631)	HRA Financing Fund at beginning of year	(14,576)	(12,627)
(2,945)	Transfer to/from Reserves	362	(619)
0	Revenue Contribution to Capital	1,587	0
(14,576)	HRA Financing Fund at end of year	(12,627)	(13,246)
(4,248)	Major Repairs Reserve at end of year	(4,248)	(4,248)
(19,430)	Overall HRA balances at end of the year	(17,477)	(18,093)

Table 2

Charge	Average weekly charge 2022/23	Average weekly charge 7% increase	Increase
Housing rent (48 weeks)	78.37	83.86	£5.49 per week (Eligible for Universal Credit)

Capital Budgets

10 The 2023/24 Capital Budget for the Housing Revenue Account is detailed in Table 3.

Table 3

	2022/23	2023/24	2024/25
	Current Budget	Current Budget	Current Budget
	£	£	£
Major Adaptations	700,000	450,000	450,000
Minor Adaptations	50,000	50,000	50,000
Stairlifts	60,000	60,000	60,000
Major Voids	420,000	280,000	280,000
<u>Compliance</u>			
Asbestos Removal	250,000	100,000	60,000
Communal Area Improvements	300,000	75,200	75,200
Communal Area Electrical Upgrades	200,000	68,000	68,000
Smoke/CO & Heat Detection	149,800	149,800	149,800
Fire Safety Works	100,000	100,000	100,000
<u>Stock Maximisation</u>			
Garages	50,000	370,000	0
<u>Decent Homes</u>			
Kitchens	767,000	837,000	112,500
Bathrooms	1,478,100	957,700	675,000
Electrical Upgrades	212,500	505,300	505,300
Window Replacement	213,300	44,800	223,800
Heating	710,400	504,000	831,600
Sheltered Housing Improvements	50,000	100,000	0
Door Replacement	850,000	700,000	700,000
Roofing Works & Insulation	920,000	250,000	250,000
Major Structural Works	250,000	250,000	250,000
<u>General Capital Works</u>			
Estate and External Works	205,000	200,000	200,000
Housing Capital Technical Costs	312,000	438,100	438,100
Door Entry Systems	230,000	27,000	27,000
Acquisition of Affordable Housing to meet housing need	3,302,700	1,123,800	1,123,800
Acquisition of Dwellings - S106	1,200	0	0
Mobility Scooter Storage	15,000	15,000	15,000
Delivery of Stock Condition Survey and Associated Costs	204,000	0	0
Digital Filing - HRA Software	33,200	0	0
<i>Sub-total Live Schemes</i>	12,034,200	7,655,700	6,645,100
HRA - Total	12,034,200	7,655,700	6,645,100

Officer to contact:

Ian Allwyn
Group Accountant
Financial Services
ian.allwyn@charnwood.gov.uk
01509 634824