

HOUSING MANAGEMENT ADVISORY BOARD

Report of the Head of Financial Services

ITEM 5 HOUSING REVENUE ACCOUNT BUDGET CONSULTATION 2022-2023

Purposes of the Report

To enable members of the Board to consider the 2022/23 budget before the final budget report goes to Cabinet in February 2022.

Annual budget setting process

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-21	A report is taken to Cabinet to: Advise members of the projected base budget position for 2022/2023. Review the savings and growth proposals put forward for the year 2022/2023, and to begin a period of consultation.
Cabinet February 2022	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 2022/23. 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)

- 1 The draft Original budget position for 2022/23 is a breakeven, after transferring £3.169m Revenue Contribution to HRA Capital. There are no service pressures or savings in the draft budget.
- 2 Rents have been increased by CPI 3.1%+1% in accordance with national guidelines which is a 4.1% increase. The rent increase will be covered by Housing benefit and Universal Credit, subject to benefit eligibility. There are around 1458 tenants thought not to be in receipt of these benefits. The District Valuer is undertaking a valuation and will make a recommendation to the Council on levels to be set.
- 3 Currently, the Council's rent levels are lower at £74.73 per week (52 week rent year) than the business plan peer group (consisting of other local authorities) average of £83.14. The Council's operating surplus is also lower than that of the peer group.
- 4 It may be noted that no savings or pressures are associated with the HRA. A detailed exercise was performed to realign HRA budgets in the previous year and that exercise is considered still valid. The Housing Revenue Account is detailed in Table 3.

HRA balances (reserves)

Principal HRA reserve

- 5 The Section 151 Officer recommends a minimum level of working balances for the HRA of £110 per property. There are 5,489 properties anticipated at 31st March 2023 (anticipating 40 right to buy sales); working balances have been adjusted to reflect this projection at £604k.

HRA Financing Fund

- 6 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 2023 is £9.7m.

Major Repairs Reserve

- 7 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 2023 is £3.2m.
- 8 The HRA draft Capital Programme for 2022/23 is £9.2m. This is fully funded from Depreciation £3.6m, HRA Revenue contribution to Capital (RCCO) £3.2m, and the HRA financing fund £2m, and £0.4m from 1-for-1 capital receipts (HRA Right to buy sales).
- 9 Total HRA balances as at 31 March 2023 are anticipated to be £13.5m.

Table 1

Charge Description	Average weekly charge at 2021/22	Average weekly charge with a 4.1% increase	Increase
Housing rent (52 weeks)	£74.73	£77.79	£3.06 per week (eligible for Universal Credit)

Capital Budgets

10 The 2022/23 Capital Budget for the Housing Revenue Account is detailed in Table 2.

Table 2

	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000
<u>Housing Revenue Account</u>				
Gross Cost HRA Schemes	9,214	7,530	6,519	23,263
Total Cost	9,214	7,530	6,519	23,263
RCCO	3,169	3,169	3,169	9,507
Capital Receipts	450	450	450	1,350
Major Repairs Reserve/HRA Finance Fund	5,595	3,911	2,900	12,406
Total Funding	9,214	7,530	6,519	23,263

RCCO refers to Revenue Contributions to Capital

- 10 The Major Repairs Reserve, or equivalent, effectively represents the amount set aside for depreciation each year and this becomes a cash amount that will be spent on capital works. The draft Housing Revenue Account report shows that in 2022/23 the depreciation budget is £3,641k and the RCCO budget is £3,169k. It can be reasonably assumed that these levels will continue for 2022/23 and 2024/25 so the plan is fully funded.
- 11 The level of capital expenditure will be set so as to ensure that the housing stock is kept in good repair and at a level that allows the Council to service the £79.19m borrowing that it undertook to pay the government in March 2012. As such the HRA Capital Plan will be adequately funded over the three years.

Table 1: Draft HRA 2022/23 Budget

2020/21 Actual	Housing Revenue Account	2021/22 Original Budget	2022/23 Original Budget
£000		£000	£000
	Expenditure		
5,421	Supervision and Management	5,393	5,423
6,427	Repairs and Maintenance	6,752	6,803
261	Rents, Rates and Other Charges	225	291
175	Provision for Bad Debts & Other Charges	383	318
3,464	Depreciation	3,409	3,641
(14,077)	Net Revaluation non-current assets increase	0	0
18	Debt Management Expenses	10	9
1,689	Expenditure Sub-total	16,172	16,485
	Income		
(20,597)	Dwelling Rent Income	(21,100)	(21,366)
(412)	Shops, Land and Garages Rent	(355)	(351)
(52)	Warden Service Charges	(53)	(54)
(286)	Central Heating, Cleaning and Communal Charges	(309)	(303)
(143)	Leasehold Flat and Shop Service Charges	(143)	(143)
(28)	Hostel Service Charges	(24)	(25)
(9)	Council Tax Recharged	(10)	(10)
(21,527)	Income Sub-Total	(21,994)	(22,252)
(19,838)	Net (income)/Cost of service	(5,822)	(5,767)
(82)	Transfer from General Fund – Grounds Maintenance	(85)	(85)
2,701	Interest Payable	2,709	2,698
(45)	Investment Income and Mortgage Interest	(27)	(15)
(17,264)	Net Operating Expenditure/(Income)	(3,225)	(3,169)
0	Revenue Contribution to Capital	3,225	3,169
(96)	Pension Adjustment	0	0
(112)	Accumulated Absence Adjustment	0	0
14,077	Reversal of Gain on Revaluation	0	0
13,869	Appropriations	3,225	3,169
(3,395)	(Surplus)/Deficit for the year	0	0
HRA Balances:			
(610)	HRA Balance at beginning of year	(609)	(609)
(3,395)	(Surplus)/Deficit for the year	0	0
3,396	Transfer to/from Reserves	0	5
(609)	HRA Balance at end of year	(609)	(604)
(8,235)	HRA Financing Fund beginning of year	(11,631)	(11,631)
(3,396)	Transfer to/from Reserves	0	(5)
0	Revenue Contribution to Capital	0	1,954
(11,631)	HRA Financing Fund at end of year	(11,631)	(9,682)
(3,210)	Major Repairs Reserve at end of year	(3,210)	(3,210)
(15,450)	Overall HRA balances end of the year	(15,450)	(13,496)

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