

APPENDIX 2a

HOUSING REVENUE ACCOUNT

	<u>2020/21</u> <u>Revised</u> <u>Budget</u> <u>(at</u> <u>September</u> <u>2020)</u> <u>£</u>	<u>2021/22</u> <u>Base</u> <u>Budget</u> <u>£</u>	<u>Variance</u> <u>£</u>
Repairs & Maintenance	3,473,725	3,414,590	
Supervision & Management	2,764,710	2,870,889	
Special Services	2,033,876	2,068,479	
Rents, Rates, Taxes & Other Charges	109,490	120,930	
Depreciation & Impairment of Fixed Assets	4,166,200	4,211,000	
Increased/Decrease in Impairment of Debtors	110,000	110,000	
Contingency	30,000	30,000	
Total Expenditure	12,688,001	12,825,888	137,887
Dwelling Rents (Gross)	(15,226,170)	(15,268,290)	
Non-dwelling Rents (Gross)	(301,810)	(272,260)	
Tenants' Charges for Services & Facilities	(741,640)	(794,300)	
Leaseholders' Charges for Services & Facilities	(79,980)	(65,510)	
Other Charges for Services & Facilities	(85,690)	(15,500)	
Contributions Towards Expenditure	0	0	
Total Income	(16,435,290)	(16,415,860)	19,430
Net Cost of Services	(3,747,289)	(3,594,972)	157,317
HRA services' share of Corporate and Democratic Core	391,620	406,840	
HRA share of interest payable and similar charges including amortisation of premiums and discounts	2,488,690	2,394,890	
HRA Investment Income	(171,650)	(125,720)	
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	(1,038,629)	(913,962)	124,667
Capital expenditure funded by the HRA	2,087,550	2,158,300	
(Increase)/Decrease in the HRA Balance	1,048,921	1,244,338	195,417
HRA Opening Balance	(4,625,557)	(3,576,636)	
HRA Closing Balance	(3,576,636)	(2,332,298)	

The change in the 2021/22 base budget for the decrease in the HRA balance when compared with the 2020/21 revised estimate is primarily a consequence of the following items:

<u>Description</u>	Change £
Changes in employees costs including:-	
· Impact of pay award of those earning less than £25k in accordance with the Government's announcement relating to public sector pay.	36,760
· Impact of increments and full year impact of restructures occurring in 20/21	64,595
· Independent Cleaning to be offset in part by a reduction in contractor cleaning costs	
· Housing Allocations & Options and Housing Strategy & Performance	
· Restructure of Housing Repairs Management (further to New Head of Service post.	
· Other minor reductions including of Recruitment Advertising budget (£4.5k) put in place for 20/21 only	(6,570)
Reduction in Premises Related Expenditure:-	
· Independent Living refurbishment reduction	(35,000)
· Fire safety risk assessment work further to completion of some works. Remainder of budget (£25k) moved back to Repairs & Maintenance.	(29,930)
· Legionella Testing budget further to work being completed.	(10,000)
· Reduction in cleaning costs by external contractor	(12,000)
· Other net variances	(4,030)
Reduced in costs associated with providing Transport to Housing	(5,870)
Changes in supplies & services costs:-	
· Net increase in repairs & maintenance (Direct Stores, Materials and Sub-contractors)	(23,340)
· Reduction in direct software charges (will be offset by an increase in ICT recharges for corporate software.	(36,340)
· Reduction in Waste Disposal.	(17,990)
· Reduction in Contributions to Local Authorities due to ending of Choice Based Letting Partnership (will be offset by a reduction in income collected from housing associations which was distributed within the partnership).	(37,050)
· Telephones and Mobiles no longer a direct charge. Now form part of ICT recharge	(57,210)
· Additional Insurance Premium	10,620
· Leaseholder costs associated with rolling out the next phase	7,000
· Other net variances	30,771
Third party payments - Increase in Grounds Maintenance charges. These charges include amounts for maintaining HRA non-residential	

land, land at Independent Living Accommodation sites and maintaining elderly residents gardens.	40,025
Reassessment of charges from the HRA to the General Fund. Increase in income to the HRA	(22,730)
An increase from the General Fund to the HRA primarily relating to ICT charge (£26k - offset from lower direct charges) Legal Services (£38k) Property Administration (£16k), and Governance Services (£68k) New Head of Assets (£15k) Mechanics recharge (£34k). Internal Audit £7k, HR reduction (-£16k)	189,916
Total increase in Service Expenditure (Repairs and Maintenance, Supervision and Management and Special Services)	81,627

Rent, Rates, Taxes and Other charges	
<ul style="list-style-type: none"> · Increase in Council Tax charges. These are incurred by the Council when properties are void. · Reduction in business rates charges 	16,500 (5,060)
Total increase in Rent, Rates, Taxes and Other Charges	11,440

A increased estimate for Depreciation and Impairment of Fixed Assets.	44,800
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<p>An increase in Housing Rent (Dwelling) income based upon:-</p> <ul style="list-style-type: none"> · Projected Opening Stock of 4410 properties plus 10 purchased properties, less 15 estimated Right to Buy sales = Projected Closing Stock 4405 properties · Impact of rent increase based upon CPI (0.5%) +1% = 1.5% · Less projected void loss of £329,920 · Less income relating to properties owned by the General Fund. 	(42,120)
<p>See narrative after this table for further information</p> <p>An increase in Support Charges (Tenants Charges for Services):-</p> <ul style="list-style-type: none"> · 4 new level of charges increasing the total amount chargeable. · Housing Committee 18th November 2020 outlined re-designation of some Independent Living Properties to General Needs therefore some support charges will be no longer chargeable. It is difficult to assess but of those highlighted in 	(52,660)

<p>the report 25% are considered to move to General Need properties.</p> <ul style="list-style-type: none"> Less projected void loss of £23,990 	
<p>A reduction in garage rent income (Non-dwelling rents) based upon:-</p> <ul style="list-style-type: none"> Projected Opening Stock 827 garages less 72 demolitions = Projected Closing Stock 755 Increase of charges of 1.5% from April 2021 based on the September 2020 CPI (0.5%) + 1% = 1.5%. Overall reduction of garage rent income. <p>See narrative after this table for further information</p>	29,550
Decrease in Leaseholder Charges based upon number the provided figures.	14,470
<p>Reduction in other Charges for Services & Facilities</p> <ul style="list-style-type: none"> Reduction in take-up of tenants insurance provided through the Council Reduction in recharge income for Void Repairs. Reduction in Guest Room income (longer term impact of COVID) Choice Based Letting partnership resulting in income being collected for Broxtowe BC rather than 3 partners 	<p>8,000</p> <p>25,000</p> <p>4,500</p> <p>32,690</p>
Total reduction in Income	(19,430)
Increase in Democratic Core and Corporate Administration Costs	15,220
Reduction in HRA share of interest payable and similar charges including amortisation of premiums and discounts	(93,800)
A decrease in HRA share of investment income received by the Council	45,930
An increase in HRA capital expenditure to be financed by direct revenue contributions from the HRA.	70,750
Overall increase in net expenditure compared to 20/21	195,417

Supplementary Comments to the Housing Revenue Account Budget

- 1) Special Services includes all costs associated with providing Independent Living Accommodation. These services are shared with tenants within Independent Living sites. Special Services also includes the costs of providing Grounds Maintenance service to Elderly Tenants within the general housing stock..
- 2) There have been movements within the Council with some support functions combining and new services being established separately. A further review of allocation of costs is required once the changes have embedded. This may change the allocation of recharges at the out-turn position.
- 3) A further review of the allocation of costs between the three main headings will be undertaken against the Service Expenditure Reporting Code of Practice (SERCOP) as part of refining the process in preparation for the 2022/23 budget process. This has not been possible during 2020/21 due to extra pressures working on COVID matters.

Housing Rents and Associated Income

- 4) The 2020/21 housing rents were charged over a 49 week period. For 2021/22, rents revert back to being charged for 48 week period. Due to the current economic conditions the CPI rate (rent policy is for charges to increase by September CPI plus 1%) the rate has fallen to 0.5%. The amount of lost rent due to properties being empty has been increased in line with current performance.

Non dwelling (Garage Rents) Income

- 5) Some garage sites are currently being considered as sites for new build housing development. The process involved is complex and an effective date is difficult to determine for when garages would be demolished and new properties available for let. As this project develops, a re-assessment of garage income will need to be undertaken as part of financial project assessment.

Housing Revenue Account Business Plan

- 6) The HRA Business Plan is currently being updated. The projected balance as at the end of 2021/22 is £2,332,298. The Council has set its minimum balance as £1,000,000. A review of current housing delivery and financing of the capital programme is being undertaken in order that the housing function can operate without breaching the minimum balance requirement.