

## APPENDIX 2a (ii)

## HOUSING REVENUE ACCOUNT

Cost Centre	Revised Estimate 2021/22 £	Base Budget 2022/23 £
Repairs & Maintenance	3,402,680	3,843,630
Supervision & Management	2,917,799	2,931,420
Special Services	2,068,479	2,098,100
Rents, Rates, Taxes & Other Charges	120,930	146,270
Depreciation & Impairment of Fixed Assets	4,211,000	4,332,000
Increase/Decrease in Impairment of Debtors	135,000	135,000
Contingency	0	0
<b>Total Expenditure</b>	<b>12,855,888</b>	<b>13,486,420</b>
Dwelling Rents (Gross)	(15,268,290)	(15,683,650)
Non-dwelling Rents (Gross)	(272,260)	(273,500)
Tenants' Charges for Services & Facilities	(794,300)	(823,450)
Leaseholders' Charges for Services & Facilities	(65,510)	(67,650)
Other Charges for Services & Facilities	(20,500)	(25,500)
Contributions Towards Expenditure	0	0
<b>Total Income</b>	<b>(16,420,860)</b>	<b>(16,873,750)</b>
<b>Net Cost of Services</b>	<b>(3,564,972)</b>	<b>(3,387,330)</b>
HRA services' share of Corporate/Democratic Core	406,840	415,690
HRA share of interest payable and similar charges including amortisation of premiums and discounts	2,394,890	2,669,790
HRA Investment Income	(125,720)	(92,240)
<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement</b>	<b>(888,962)</b>	<b>(394,090)</b>
Capital expenditure funded by the HRA	3,851,500	1,786,300
<b>(Increase)/Decrease in the HRA Balance</b>	<b>2,962,538</b>	<b>1,392,210</b>
<b>HRA Opening Balance</b>	<b>(5,925,810)</b>	<b>(2,963,272)</b>
<b>HRA Closing Balance</b>	<b>(2,963,272)</b>	<b>(1,571,062)</b>

The changes in the 2022/23 base budget for the decrease in the HRA balance when compared with the 2021/22 revised estimate is primarily a consequence of the following items:

Service Area	Change (£)
Changes in employee related costs including: <ul style="list-style-type: none"> <li>• The impact of the anticipated pay awards in 2021/22 and 2022/23 that are still to be agreed, currently estimated at 2% in each year.</li> <li>• A planned increase in employers' National Insurance contributions from April 2022.</li> <li>• The impact of salary increments within pay scales.</li> </ul>	198,769
Reduction in premises related expenditure: <ul style="list-style-type: none"> <li>• Budget decrease on the Internal Decoration Scheme to reflect current levels of spending. A new scheme introduced based upon a contract and painting packs rather than vouchers being issued</li> <li>• Other net variances, including uplift in contract costs</li> </ul>	(13,000) 3,880
Increase in costs associated with travelling expenses and providing transport to Housing	2,010
Changes in supplies and services costs: <ul style="list-style-type: none"> <li>• Net increase in repairs and maintenance costs (materials and direct stores and sub-contractors) which includes 15% inflationary uplift in prices and an increase in use of sub-contractors pending an examination of an in-house solution for Void properties.</li> <li>• Increase in direct software charges, which now includes rent texting module as part of rent system package.</li> <li>• Telephones and mobile phone costs re-introduced as a direct charge (rather than part of the ICT recharge</li> <li>• Change to provision of Tenant's Contents Insurance Scheme which will be provided directly by the insurer. The reduction in premiums paid to nil will be offset by a reduction in premiums collected to nil.</li> <li>• Other net variances, including uplift in contract costs</li> </ul>	204,525 6,715 24,450 (47,000) 3,004
Third party payments relating to an increase in Grounds Maintenance charges. These charges include maintaining HRA non-residential land, land at Independent Living accommodation sites and maintaining elderly residents' gardens.	30,965

<b>Service Area</b>	<b>Change (£)</b>
Reassessment of charges from the HRA to the General Fund – an increase in income to the HRA	(13,703)
A net increase in recharges for services from the General Fund to the HRA for costs including ICT Services, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Mechanics, Payroll, Creditors, Debtors, Support Services and Internal Audit.	83,577
<b>Total increase in Service Expenditure (Repairs and Maintenance, Supervision and Management and Special Services)</b>	<b>484,192</b>
Rent, Rates, Taxes and Other charges <ul style="list-style-type: none"> <li>Increase in Council Tax charges. These are incurred by the Council when properties are void.</li> </ul>	25,340
Depreciation/Impairment of Fixed Assets – Increased estimate	121,000
<b>Total increase in Expenditure</b>	<b>630,532</b>
An increase in Housing Rent (Dwelling) income based upon: <ul style="list-style-type: none"> <li>Projected opening stock of 4,380 properties plus 10 purchased properties, less 30 estimated Right to Buy sales equals projected closing stock 4,360 properties.</li> <li>Impact of rent increase based upon CPI (3.1%) +1% = 4.1%</li> <li>Less projected void loss of £436,730</li> <li>Less income relating to properties owned by the General Fund.</li> </ul> See narrative after this table for further information	(415,360)
A reduction in garage rent income (Non-dwelling rents) based upon: <ul style="list-style-type: none"> <li>Projected opening stock 828 garages (692 units to let) less 72 demolitions equals the projected closing stock 756.</li> <li>Increase of charges of 4.5% from April 2022.</li> <li>Overall slight increase in garage rent income.</li> </ul> See narrative after this table for further information	(1,240)

Service Area	Change (£)
<p>An increase in Support Charges (Tenants Charges for Services):</p> <ul style="list-style-type: none"> <li>• Four new level of charges increasing the total amount chargeable. The Housing Committee on 18 November 2020 outlined the 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 the report 25% are considered to move to General Need properties.</li> <li>• Less projected void loss of £47,979</li> <li>• Reduced income from change in provision of Tenant's Contents Insurance Scheme which will be provided directly by the insurer. The reduction in premiums paid to nil will be offset by a reduction in premiums collected to nil.</li> <li>• Projected income from rechargeable works on relet properties</li> </ul>	<p>(66,570)</p> <p>47,420</p> <p>(10,000)</p>
Increase in Leaseholder Charges based upon provided figures.	(2,140)
<p>Increase in Other Charges for Services and Facilities</p> <ul style="list-style-type: none"> <li>• Projected income from rechargeable works on repairs</li> </ul>	(5,000)
<b>Total increase in Income</b>	<b>(452,890)</b>
Increase in Democratic Core and Corporate Administration Costs	8,850
Increase in HRA share of interest payable and similar charges including amortisation of premiums and discounts	274,900
A decrease in HRA share of investment income received by the Council	33,480
<p>A decrease in HRA capital expenditure to be financed by direct revenue contributions from the HRA.</p> <p>(Note: 2021/22 revised estimate includes £1,693,200 of Direct Revenue Financing as part of the schemes carried forward from the 2020/21 Capital Programme)</p>	(2,065,200)
<b>Overall increase/(decrease) in net expenditure compared to 2021/22 revised estimate</b>	<b>(1,570,328)</b>

**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 a grounds maintenance service to elderly tenants within the general housing stock.
2. There have previously been movements within the Council with some support functions combining and new services being established separately. A further review of allocation of costs will be required once the changes have embedded. This may change the allocation of recharges at the outturn 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 2023/24 budget process.

**Housing Rents and Associated Income**

4. The 2021/22 housing rents were charged over a 48-week period, which is similarly the case for 2022/23. Due to the current economic conditions the CPI rate (rent policy is for charges to increase by September CPI plus 1%) the rate has increased to 4.1%. The amount of lost rent due to properties being empty has been provided 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. An element of the annual HRA Capital Programme is financed by direct revenue contributions from the HRA. The revised estimate for 2021/22 includes £1,693,200 of Direct Revenue Financing (DRF) for schemes carried forward from the outstanding 2020/21 Capital Programme. Whilst the budget figures above include a total revised estimate of £3,851,500 for DRF in 2021/22, this is unlikely to be fully committed given the anticipated slippage on the capital programme.
7. The HRA Business Plan is currently being updated. The projected balance as at the end of 2022/23 is £1,571,062. 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.