

AGENDA MANAGEMENT SHEET

Report Title: Draft Housing Revenue Account Capital & Revenue Budgets 2022/23 and Medium Term Financial Plan 2022-26

Name of Committee: Cabinet

Date of Meeting: 6 December 2021

Report Director: Chief Officer - Finance and Performance and Chief Officer – Communities and Homes

Portfolio: Communities, Homes, Digital and Communications

Ward Relevance: All

Prior Consultation: Not applicable

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Public or Private: Public **Error! Bookmark not defined.**

Report Subject to Call-In: Yes **Error! Bookmark not defined.**

Report En-Bloc: No **Error! Bookmark not defined.**

Forward Plan: Yes **Error! Bookmark not defined.**

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
Corporate Strategy 2021-2024
 This report does not specifically relate to any Council priorities but

Summary:	The primary purpose of this report is to present a first draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2022/23, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C).
Financial Implications:	As detailed within the report and appendices.
Risk Management/Health and Safety Implications:	None as a direct result of this report
Environmental Implications:	A full Climate Change and Environmental Impact Assessment will be presented with the final budget report at Council on 08 February 2022
Legal Implications:	As detailed within the report
Equality and Diversity:	A full Equality Impact Assessment will be presented with the final budget report at Council on 08 February 2022
Options:	None as a direct result of this report
Recommendation:	The draft revenue and capital budgets for 2022/23 and the updated medium term at Appendices A, B and C be noted.
Reasons for Recommendation:	To give Cabinet an initial view of the Housing Revenue Account revenue and capital budgets for 2022/23 onwards

Cabinet - 6 December 2021

**Draft Housing Revenue Account Capital & Revenue Budgets
2022/23 and Medium Term Financial Plan 2022-26**

**Public Report of the Chief Officer - Finance and Performance
and Chief Officer - Communities and Homes**

Recommendation

The draft revenue and capital budgets at Appendices A and B for 2022/23 and the Medium-Term Financial Plan 2022/23-2025/26 at appendix C be noted.

INTRODUCTION

1.1 The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act ensures that the HRA does not fall into a deficit position.

1.2 In accordance with the constitution, the Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change.

1.3 The Council has a retained housing stock of c3,450 homes currently available to let and manages an additional 59 leasehold properties with an annual rent roll of approximately £16m.

1.4 The primary purpose of this report is to present an initial draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2022/23 based on budget submissions, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C) ahead of the final budget presentation and rent setting at Full Council on 8 February 2022.

BUDGET AND POLICY FRAMEWORK

2.1 Significant activities within or impacting upon the Housing Revenue Account in 2021/22 to date include:

- The completion of 19 property acquisitions so far this year including and
- A further 9 agreements on S106 properties.

2.2 The two-part review of the Decent Homes Standard, being carried out by Government, remains a work in progress and does have the potential to impact on future investment requirements. Part 1 will run from Spring to Autumn 2021 and will seek to understand the case for change to criteria within the Decent Homes Standard. If the case for change is made, part 2 will run from Autumn 2021 to Summer 2022 and will consider how decency should be defined. Government anticipate that the main outcome will be a refreshed Decent Homes Standard.

2.3 The Council's approach to reducing the carbon footprint of the housing stock is an evolving one which is heavily reliant on quality data analysis in respect of the existing stock. Consultants have been appointed to carry out this piece of work, with the detail to be used to inform investment plans and a pipeline of projects for which funding can be applied for. This data will also feed into the emerging HRA business plan and the review of the Asset Management Strategy which is due for completion in 2022.

2.4 Secondary legislation on the Fire Safety Act 2021 is anticipated in 2022 with an expected emphasis in inspections of fire doors, lifts, fire fighting equipment and the development of personal evacuation plans. As detail of the legislation emerges, officers will be better placed to make an informed assessment on HRA investment requirements.

2.5 Rent guidance allows increases of CPI + 1% for the four years up to 2024. CPI as of September 2021 was 3.1% meaning that the indicative rise in rents for current tenants will be 4.1% (3.1% plus 1%). For the purposes of financial planning within the Medium-Term Financial Plan rent uplifts are estimated at 3% (Bank of England CPI target of 2% + 1%).

2.6 On 1 April Ministry of Homes, Communities and Local Government (MHCLG), now known as Department of Levelling Up, Housing and Communities (DLUHC), introduced a set of reforms to the rules around the use of retained additional Right to Buy receipts to supply replacement housing. The changes have been made in response to the 2018 Consultation on the use of Right to Buy Receipts. The changes are as follows:

- i. Pooling of RTB receipts will take place annually. Deadlines for spending retained receipts will also be calculated on an annual basis.
- ii. The timeframe local authorities have to spend new and existing Right to Buy receipts is extended from 3 years to 5 years. This is hoped to make it easier for local authorities to undertake longer-term planning, including remediation of larger plots of land.
- iii. The percentage cost of a new home that local authorities can fund using Right to Buy receipts increases from 30% to 40%. This is hoped to make it easier for authorities to fund replacement homes using Right to Buy receipts, as well as making it easier to build homes for social rent.
- iv. Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent, to help them build the types of home most needed in their communities.
- v. A cap will be introduced on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from 1 April 2022 and phased in over 2022/23 to 2024/25.

The medium-term plan for the HRA has incorporated these changes

2.7 The Council has a local limit on indebtedness to ensure compliance with the Prudential Code for Capital Finance in Local Authorities. It is recommended that the level remains at £152m approved in 2019/20 which will provide:

- Capacity to increase the Council's HRA Capital Financing Requirement to meet any significant unexpected capital expenditure; and
- Subject to support for the schemes above, capacity to increase the stock base via bids on developer affordable housing projects and/or Council projects.

2.8 The Biart Place and Rounds Garden's schemes have had a significant impact on the borrowing requirement of the HRA. To maximise the opportunity to provide a financially viable scheme, Council took advantage of the PWLB certainty rate to secure £66m at an interest rate of an average of 1.4%. As part of the Treasury Management Strategy, the Council has been managing the difference between the cost of the loan and the investment income that is being generated whilst the final schemes are being established.

2.9 To ensure that the Council has continuing earmarked balances to support the scheme as other major development (notwithstanding central Government financial support) in 2022/23, it is proposed that £3.678m that would otherwise have been set aside for the repayment of debt as part of the HRA Medium Term Financial Plan will be utilised as Revenue Contributions to Capital Expenditure.

2.10 The updated HRA Medium Term Financial Plan (Appendix C) also contains continuing Revenue Contributions to Capital Expenditure in place of voluntary debt repayments. Adjustments have also been made for temporary rent loss and additional interest on debt where timelines can be estimated.

3. REVIEW OF HRA BALANCES

3.1 The HRA draft budget for 2022/23 (Appendix A) allows for CPI + 1% rent increases for each year until 2024/25. The 30-year HRA financial plan has also been updated to reflect changes, including high-rise site redevelopment, where the impact can be forecast.

HRA Revenue Balance

3.2 The estimated HRA Revenue balance on 31 March 2022 will be £4.963m. This level is considered prudent to meet further revenue costs arising from potential risks moving forward over the term of the HRA Medium Term Financial Plan.

Major Repairs Reserve

3.3 The Major Repairs Reserve (MRR) reflects the need to replace major components as they wear out. This funding, together with previous allocations of supported borrowing and revenue contributions, has enabled the Council to maintain the housing stock in a good condition. Balances will require reviewing considering any regulatory changes in future years.

3.4 The forecast MRR balances reflecting the capital programme proposals at Appendix B are as follows:

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Balance b/fwd.	1,506	1,869	2,854	3,794
Depreciation/Appropriation from HRA Revenue	3,239	3,336	3,436	3,539
Capital Financing	(2,876)	(2,351)	(2,496)	(3,017)
Balance c/fwd	1,869	2,854	3,794	4,316

Housing Repairs Account

3.5 The Housing Repairs Account is an earmarked reserve used to mitigate the risks associated with cyclical and responsive repairs over time. The forecast balance over the period of the medium-term financial plan is £0.316m.

Housing Capital Investment Balances

3.6 In addition to the above, the Council has also made revenue contributions set aside for capital investment in prior years to fund new build, estate regeneration and other works. The forecast balances over the period of the medium-term financial plan are as follows:

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Balance b/fwd	7,638	10,129	12,934	15,721
Contributions from HRA	3,678	4,021	3,958	4,709
Capital Financing for New Build / Acquisitions / Other Projects	(1,187)	(1,216)	(1,171)	(1,071)
Balance c/fwd	10,129	12,934	15,721	19,359

Right-to-Buy (RTB) Capital Receipts

3.7 The Council has a 1-4-1 retention agreement with DLUHC allowing it to retain a greater proportion of receipts upon the condition that they are utilised in provision of replacement housing within 5 years. Receipts that are not utilised must be returned to Her Majesty's Treasury (HMT) and incur an interest charge of Bank of England Base Rate plus 4%. Following on from the update in policy, 40% of the expenditure incurred on replacement housing may be financed from RTB receipts and as a cap is being introduced the reliance on this form of financing will be reduced during the next 3 years.

3.8 It is assumed that 35 homes will be sold under the Right-to-Buy scheme per year over the period of the medium-term financial plan producing an average receipt of £0.120m per property (prior to pooling). Forecast balances over the period are as follows:

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Balance b/fwd	8,674	11,708	14,742	17,776
Net Pooling Contribution	3,708	3,708	3,708	3,708
Capital Financing for New Build / Acquisitions	(674)	(674)	(674)	(674)
Balance c/fwd	11,708	14,742	17,776	20,810

4 MEDIUM TERM FUNDING OPTIONS

4.1 An updated HRA medium term financial plan reflecting the above position is included at Appendix C. The remainder of the report concentrates on proposals for 2022/23 including:

- Rent
- Service Charges
- Performance management – voids and debt collection
- Expenditure assumptions
- Housing repairs and capital programme
- Capital financing

4.2 RENT

Background

Rent guidance allows increases of CPI + 1% for the four years up to 2024, based on the September 2021 rate of inflation this equates to an increase of 4.1%. The guidance is not mandatory and Members can set any annual increase. The table below identifies the loss of rental income that would be generated if a lower increase is adopted

	Impact on income £000s
0%	633
1%	479
2%	324
3%	170

Any below inflationary increase has a number of consequences, the first being the compound impact on future generated income. As previously reported, the impact of the rent reduction between 2016/17 and 2019/20 led to the Council receiving £5.107m less income than it would have with an annual inflation increases during the period.

Any reduced income will have an impact in future service provision as it is this income which provides funding for the activity in the capital programme. The capital programme in appendix B identifies capital schemes of around £5m a year across the MTFP and as well as delivering Decent Homes standards, the Council as a responsible Social Landlord is striving to deliver improvements to deliver the Climate

emergency requirements and strive to have a positive impact on tenants energy bills. The 30-year programme will be dependent on the income generated from rents to support the programme that has been identified.

Currently, 64% of council tenants receive help with the payment of their rent through Universal Credit or Housing Benefit. The financial support received will be adjusted to take into account any changes in rent or eligible service charges.

Rent estimates for 2022/23 assume a stock level of 3,454 available to let HRA properties at the start of April 2022. It is estimated that stock will fall by an estimated 23 Right-to-Buy sales in year. It is also assumed that the Rounds Gardens site will be fully decanted by 31 March 2022. The fall in numbers will be mitigated by the acquisitions available on the open market (including purchases from developers as part of S106 provisions). A void rate of 1.00% is estimated for 2022/23.

4.3 Rent Calculation

The calculations for rents are based on average rents over the entire year. The percentages applied to this may not be the same as the ones applicable when considering a 48 or 49-week rent year.

The following calculations are based on stock numbers as of October 2021.

	2021/22 £'s	2022/23 £'s	Average % Increase	Average £ Increase
Average Weekly Rent (52-week basis)	87.34	90.92	4.1	3.58

4.4 Since 2022/23 is a 48-week rent year the rents will be charged accordingly and therefore the figures shown here are for illustrative purposes. Estimated rental income from dwellings of £16.107m for 2022/23 has been included within the draft HRA revenue budgets as shown in Appendix A. The estimate is based on the central business case of:

- An average 1% void rate across the stock;
- Full decant of Rounds Gardens by March 2022
- 35 Right-to-Buy sales in 2022/23;
- Acquisition of 10 new build properties; and
- 150 re-lets where rent is uplifted to target rent

4.5 For each 1% change in the void rate the HRA rent loss is equivalent to £0.163m. Each additional RTB sale produces an average rent loss of £4,730 in a full year. The average target rent in 2022/23 (52-week basis) will be £96.29 as compared to the average current rent of £90.92 (see above.)

4.6 Although the average increase is £3.58 a week, the Council is still the landlord with the lowest rents in the Borough with rents on average 8% lower than other social housing providers, although this differential will increase where registered providers are charging affordable rent (rent charged up to 80% of market rents).

4.7 SERVICE CHARGES

In line with government guidance, service charges are de-pooled from rent charges which enables tenants to see the estimated amount spent on services. Income from service charges is estimated at £0.903m in 2022/23 (including a void allowance of 1.00%).

The average weekly impact upon utilities and cleaning service charges arising from the estimates of costs associated with that service in 2022/23 (on a 52-week basis) is as follows:

Charge Type	Average Charge p/w (52 wk basis) £	Average Change p/w £
Communal Lighting - Electricity (Rebateable – eligible for Housing Benefit)	0.96	0.05
Communal Heating - Gas (Rebateable – eligible for Housing Benefit)	0.42	0.02
Communal Cleaning (Rebateable – eligible for Housing Benefit)	2.80	-0.13
Communal Heating – Gas (Non-Rebateable – Very Sheltered Housing only – not eligible for Housing Benefit)	7.96	1.06
Subtotal	12.14	1.00
Independent Living Co-ordinator	8.94	0.35
Concierge	2.28	0.00
Control centre operators	N/A	N/A

4.8 Gas price increases have been included on the basis of a 12% increase in prices (information from household energy price increases in September 2021). This will continue to be monitored.

4.9 Control centre operator charges are no longer chargeable as the Multi-Storey flats will have been decanted. Independent Living Co-ordinator charges will rise in line with rent levels at 4.10% in 2022/23.

4.10 PERFORMANCE MANAGEMENT

The financial management of the HRA is directly linked to key performance in several operational areas – void management, rent collection and arrears recovery.

4.11 Void Management

There is a direct relationship between the time a property remains void and the rent foregone. Consequently, ensuring that homes are re-let in the most efficient manner is a key priority for housing and property repairs service staff.

For 2022/23 the target for void property rent and service charge loss will be set at 1.00%, equating to £0.163m. Most recent performance data shows void loss running at 2.6%. Where rechargeable works are identified at the point of tenancy termination, tenants are offered the opportunity to make good, or will be billed for the costs. Void rechargeable repairs (the works identified through this process) year to date are £0.048m.

4.12 Rent Collection/Bad Debt Provision

The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that must be set aside. The HRA is currently undertaking an exercise will be undertaken to write off all irrecoverable tenant arrears, therefore reducing the bad debt provision.

Arrears greater than 4 weeks amounted to £0.911m as at November 2021 and 53% of this total (£0.479m) relates to current tenants. The level of rent arrears has been reviewed in year and will be monitored until final budget setting in February. The HRA's contribution to the bad debt provision is currently estimated at £0.048m in 2022/23 reflecting the above circumstances.

5 EXPENDITURE – ASSUMPTIONS

5.1 Employee costs

The HRA budgets are based on the current staffing establishment. The pay award for 2021/22 has not yet been agreed and pay negotiations are currently ongoing. An increase in pay of 2.00% has been included in the budget for 2022/23. Progression through pay scales and increased employer contributions to the Local Government Pension Scheme and Employers National Insurance have also been included in the base budget.

This will be reviewed in line with the announcement of any pay negotiations and updated for the next report to Cabinet

Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

5.2 Utility Costs

Gas prices have risen due to an increase in demand and lower levels of stored gas which has influenced the wholesale price of gas. This has led to an increase in the last month of around 12%. Electricity prices have also increased – the latest information for the Office of National Statistics shows that this was 4.8% for September inflation figures.: Utility inflation continues to be a significant risk for the HRA, the impact of prices increasing higher than the assumed rates will incur a budget pressure in the year.

	Inflation Rate
Gas	12.0%
Electricity	4.8%

5.3 Central Recharges

These costs are currently estimated at £2.636m in 2021/22 and include the HRA's proportion of Corporate Property, ICT, Legal, Human Resources, Payroll and other costs. Due to the timetable of work for the General Fund, the estimated costs for 2022/23 will feature in the February update report.

5.4 Charges for Capital

Depreciation is used to provide a measure of the cost of the economic benefits embodied in an asset that have been consumed during the year. Estimates for 2021/22 charges are based around Chartered Institute for Public Finance and Accountancy (CIPFA) and DLUHC guidance. If there is a variance on final depreciation charge the excess or deficit is transferred to the Major Repairs Reserve to ensure the smoothing of costs for major works over the medium term.

5.5 Amounts set aside for the repayment of debt/ Revenue Contributions to Capital Expenditure

The HRA business plan initiated at the point of self-financing assumed that all in-year surpluses would be utilised in the repayment of debt, subject to the maintenance of a prudent HRA working balance. Prior to the introduction of the 1% rent cut and the redevelopment projects at high rise sites, estimates were that the HRA self-financing debt allocation of £72.949m would be repaid in 2024 (12 years following the settlement). As noted above, sums set aside for the voluntary repayment of debt have been diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment costs. In the absence of significant government financial support or grant funding from Homes England, the revised debt repayment schedule will now extend to 2049/50, subject to sensitivity around project timelines and cost estimates.

Unlike the General Fund, there is no statutory requirement to set aside money from revenue for debt repayment within the HRA allowing flexibility to adjust debt repayment considering HRA business planning needs in future years.

6 HOUSING REPAIRS & MAJOR WORKS

6.1 Housing Repairs

Housing repairs expenditure covers both planned and responsive maintenance, some of which is capital funded. The funding is split between:

- the Housing Repairs Account for revenue expenditure such as boiler servicing, electrical inspections, etc.; and
- the Major Repairs Reserve (MRR) for capital works including the replacement of significant components (kitchens, bathrooms, central heating, etc.)

The transfer to the Housing Repairs Account in 2022/23 is estimated at £3.831m (£3.991m 2020/21). Works within this total include:

- Gas servicing and maintenance works – (£0.346m);
- Responsive repairs and voids (£2.532m);
- Repainting schemes - (£0.060m); and
- Electrical inspections and maintenance (£0.367m).

6.2 Capital Programme

6.3 Transition to Net Zero

The Council is required to produce a capital programme which takes account of the requirement for major works for the period of the MTFP. As part of a wider capital strategy, schemes over the next 10 years are being coordinated to aid strategic planning. The plan will be established to incorporate to outline how the capital programme for the HRA can help the Council to deliver the climate change commitments as identified in the Corporate Strategy. In achieving this there will also be benefits to the tenants as the schemes will support them with lower cost utilities and energy efficient homes.

This is a complex exercise and officers are working with external agencies and government departments to establish a plan of works for the short medium and long term. At this stage there is no proposed schemes in the capital programme, this work will continue over the period leading up to the second report on the HRA 2022/23 budget which will be presented to Cabinet on 07 February 2022 and this will include updated capital proposals.

As part of the authority's strategy to be net zero by 2030, the Council has adopted a 4-phase approach.

Carbon Management-officers have engaged with consultants to produce a Carbon Management plan to supersede the previous one which expired in 2017. This will focus on the Corporate Estate and Fleet vehicles. Their final report is due in early December 2021. In order to deliver on climate change commitments a Climate Change Strategy is currently being drafted which will include provisions to decarbonise housing.

Local Authority Delivery Scheme 2 (LADS 2)-Funding of £0.507m has been secured from the Midlands Energy Hub (MEH) with a further £0.232m in match funding contributed by the Council to target approximately 90 properties with lower EPC ratings with a range of measures including Air Source Heat Pumps and Solar PV. The scheme is being carried out with E. ON as a delivery partner and now commenced it is expected to be completed during 2022.

ECO3-In conjunction with E. ON, 95 properties have been targeted to benefit from cavity wall insulation, loft insulation and loft insulation top ups. The only Cost the authority being £7,000 for the top ups, the rest being funded by ECO3. This is also expected to be completed during 2022.

Social Housing Decarbonation Fund (SHDF) officers have submitted a bid to obtain grant funding for 47 properties to benefit from External Wall insulation. The result of this bid will be known by 31st December 2021.

6.4 To further support the Councils aspirations, officers have engaged Parity Projects to carry out a stock modelling exercise on the social housing stock. This has been completed and will allow RBC to do the following.

- identify potential measures for each property
- Reach a baseline of stock performance and profile
- Select the most cost-effective way to reach energy targets
- Model the effect of planned installs and identify additional measures that may be added to the programme
- Provide indicative costs to reach set SAP ratings or reach Carbon neutrality.

This will also guide future bids for funding streams with further training on the system being scheduled.

6.5 High rise replacement

As further analysis is taking place on the replacement of Rounds Gardens and Bart Place, there is currently no costs built into the capital programme detailed in appendix B. Officers will use future reports to update members on potential spend profiles.

6.6 Major Works

The full 2022/23 capital proposal of £4.737m is included at Appendix B. Material items within the programme include:

Bathrooms (£0.376m)

The proposals for 2022/23 include a bathroom replacement programme of approximately 145 properties to ensure continuing compliance with Decent Homes standards. A further 290 replacements will be undertaken in the period 2023/24 to 2025/26 at an approximate 145 properties per year. Funding is via the Major Repairs Reserve.

Kitchens (£0.683)

The proposals for 2022/2023 will allow a replacement programme of just under 190 kitchens to ensure compliance with Decent Homes (i.e., replace after 20 years). A similar number of renewals will be required for 2024/2025 and 2025/2026. Following this, a requirement of approximately 400 replacements for 2026/2027 will be required

Acquisitions (£1.685m)

To maintain compliance with its retained Right-to-Buy 1-4-1 Agreement with MHCLG, and to access homes made available via S106 agreement with developers the Council will acquire approximately 10 properties in 2022/23. The average cost of acquisition is estimated at £140,000 of which a maximum 40% (£56,000) is currently funded via Right-to-Buy sales receipts. The balance (60%) is funded via Housing Capital Investment balances. Where larger new build or acquisition schemes are envisaged, reports will be brought to Council outlining operational and financing recommendations.

7. Conclusion

7.1 The estimates contained within this report represent the most up-to-date information and sensitivity analysis available to officers. Further changes may arise from the following operational and policy areas:

- Revisions to cost estimates, project timelines, and external funding in relation to the capital schemes
- Staffing and other changes arising from a review of costs
- Revisions to inflation estimates impacting construction industry materials and labour costs; and
- Direct and indirect impact of efficiency measures arising from:
 - Digitalisation measures
 - Structure and delivery mechanisms of support service recharges
- Updated requirements for the capital programme

7.2 Officers will continue to research the impact of any changes that may have an impact on the costs included in this report and provide an update in the report that will be presented to Cabinet on 7 February before the formal rent setting report to Council.

Name of Meeting: Cabinet

Date of Meeting: 6 December 2021

Subject Matter: Draft Housing Revenue Account Capital & Revenue Budgets 2022/23 and Medium Term Financial Plan 2022-26

Originating Department: Communities and Homes

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

DRAFT REVENUE BUDGETS 2022/23 SUMMARY**HOUSING REVENUE ACCOUNT**

	2021/22 Draft Budget £000s	2021/22 Revised Budget £000s	2022/23 Draft Budget £000s	Notes
INCOME :-				
Rent Income From Dwellings	(15,716)	(15,716)	(16,107)	1
Rent Income From Non - Dwellings	(127)	(127)	(123)	2
Charges For Services	(946)	(946)	(903)	3
Contributions Towards Expenditure	(215)	(162)	(161)	4
Total Income	(17,004)	(16,950)	(17,294)	
EXPENDITURE :-				
Transfer To Housing Repairs Account	3,991	4,267	3,897	5
Supervision & Management	5,543	5,490	5,159	6
Rents, Rates, Taxes & Other Charges	5	5	125	
Depreciation and Impairment	2,878	2,878	3,239	7
Debt Management Cost	24	24	24	
Provision For Bad or Doubtful Debt	57	57	48	
Total Expenditure	12,498	12,720	12,492	
HRA Share of Corporate & Democratic Core Costs	254	254	254	
NET COST OF HRA SERVICES	(4,252)	(3,976)	(4,548)	
HRA SHARE OF OPERATING INCOME & EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME & EXPENDITURE ACCOUNT				
Interest Payable & Similar Charges	1,839	1,838	1,515	8
Interest & Investment Income	(783)	(694)	(694)	
NET OPERATING EXPENDITURE	(3,196)	(2,832)	(3,727)	
Revenue Contributions to Capital Expenditure	3,147	2,783	3,678	5
Contributions to (+) / from (-) Reserves	49	49	49	
Surplus(-)/Deficit for year	0	0	0	

Notes

- 1 Rent estimates based on rent increase of 4.1% and estimated 35 Right to Buy sales and 15 purchases in year.
- 2 Garage rents have been increased in line with national guidance but this has been offset by an increase in the number of void/empty properties.
- 3 The net change in service charge income reflects any inflationary rises noted within the report and includes a void allowance of 1.00%.
- 4 An adjustment has been made in year to correct an income item relating to capitalised salaries, this has also been corrected within Supervision and Management.
- 5 A supplementary budget for £0.276m was approved for 2021/22 only for additional resources within the Property Repairs Service to deal with a backlog of repairs and voids work.
- 6 The main adjustments from the supervision & management revised budget for 2022/23 are:

	£
Insurance	57
Salaries (incremental and pay award costs)	84
Reduced service costs for multi-storey flats	(94)
Reduced security required for decanted multi storey flats	(399)
Other net changes less than £10,000	21
Total change in Supervision & Management budget	<hr style="width: 100%; border: 0.5px solid black;"/> (331)

- 7 MHCLG and CIPFA have produced guidelines regarding council dwelling depreciation to co-incide with the introduction of HRA self-financing. Estimates for 2021/22 have been prepared on this basis.
- 8 A number of loans will be paid off during 2022/23 resulting in a lower interest charge.

Proposed Housing Revenue Account (HRA) Capital Programme 2022/23 and onwards

	Revised 2021/22 Capital Programme £000s	Proposed 2022/23 Capital Programme £000s	Proposed 2023/24 Capital Programme £000s	Proposed 2024/25 Capital Programme £000s	Proposed 2025/26 Capital Programme £000s
Improvements & Capitalised Repairs					
Bathrooms	440	376	358	358	65
Bathrooms - Voids	107	125	100	100	100
Bathrooms - Unplanned Renewals	50	50	50	50	50
Fire Risk Prevention Works	117	105	100	100	100
Fire Risk Prevention Works Voids	0	70	70	70	70
Fire Risk Prevention Works - Unplanned Renewals	0	40	50	60	60
Heating Upgrades	2,166	21	20	60	20
Kitchen Improvements	143	683	560	655	1,510
Kitchen Improvements - Voids	191	200	200	200	200
Kitchen Improvements Unplanned Renewals	0	52	52	52	52
Driveways	50	25	25	25	25
Rewiring	90	168	160	160	160
Rewiring Unplanned Renewals	0	100	100	100	100
Patterdale Sheltered Scheme	42	0	0	0	0
CCTV Upgrades	0	0	0	0	0
Soffit / Gutter Improvements	77	100	100	100	100
Roofing	0	50	50	50	50
Replacement Footpaths	118	100	100	100	100
External Walls	81	50	50	50	50
Housing Window Replacement	26	0	0	0	0
Roof Refurbishment - Lesley Souter House	0	0	0	0	0
Roof Refurbishment - Tanser Court	175	0	0	0	0
Entrance Doors / Door Entry Systems	360	126	0	0	0
Electrical Upgrades - Community Rooms	190	0	0	0	0
Boiler Works - Tanser Court	0	114	0	0	0
LED Lighting	13	0	0	0	0
Laundry Equipment	100	105	0	0	0
Housing Management System	296	60	60	60	60
Carbon Management Plan	739	0	0	0	0
Mobysoft	39	0	0	0	0
Disabled Adaptations	209	216	206	206	206
Lifeline Renewal Programme	47	30	60	60	0
Property Repairs Vehicle Replacement	300	86	85	40	0
Roof Refurbishment Victoria House	70	0	0	0	0
Purchase of Council Homes	11,593	1,685	1,685	1,685	1,685
Rugby Gateway Houses - CALA Homes	251	0	0	0	0
Rounds Gardens Capital	2,358	0	0	0	0
Rounds Gardens Demolition	5,000				
Biart Place	1,151	0	0	0	0
Biart Place Demolition	81	0	0	0	0
HRA Garage Sites	0	0	0	0	0
Bell House Redevelopment	1,521	0	0	0	0
TOTAL	28,191	4,737	4,241	4,341	4,763
Draft Financing: -					
Revenue Contributions / RTB Receipts	23,446	1,861	1,890	1,845	1,745
Major Repairs Reserve	4,745	2,876	2,351	2,496	3,018
TOTAL	28,191	4,737	4,241	4,341	4,763

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2022/23- 2025/26

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
EXPENDITURE				
Supervision & Management	5,159	5,288	5,420	5,556
Repairs & Maintenance	3,897	3,997	4,097	4,197
Rents, Rates, Taxes	125	125	125	125
Charges for Capital	3,239	3,336	3,436	3,539
Debt Management	24	25	25	26
Provision for Bad Debts	48	49	50	52
HRA Share of Corporate & Democratic Core Costs	254	260	267	274
Revenue Contributions to Capital Expenditure	3,678	4,020	3,958	4,709
Net Interest Payments	821	1,167	1,446	1,532
Contribution to/from(-) reserves	49	50	52	54
Total	17,294	18,318	18,877	20,063
INCOME				
Dwelling Rent	(16,107)	(17,121)	(17,649)	(18,803)
Non Dwelling Rent	(123)	(122)	(120)	(119)
Service Charges	(903)	(910)	(937)	(965)
Contributions towards expenditure	(161)	(166)	(171)	(176)
TOTAL	(17,294)	(18,318)	(18,877)	(20,063)

Impact on Average Rent (52 week basis):	£	£	£	£
Prior Year	87.34	90.92	93.65	96.46
Current Year	90.92	93.65	96.46	99.35
Increase £'s	3.58	2.73	2.81	2.89
Increase %	4.10	3.00	3.00	3.00