

Indicative Draft Budget 2023/24

HOUSING REVENUE ACCOUNT

December 2022

1. Background and Introduction

- 1.1 The updated Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 – which set the framework for developing draft 2023/24 budget proposals for the Housing Revenue Account (HRA) – was adopted by Cabinet on 10th October 2022.
- 1.2 The October 2022 MTFP identified a projected surplus of £682,000 on the HRA for 2023/24.
- 1.3 The key assumptions in the 2023/24 element of the MTFP included:
 - Inflation – consistency with the General Fund was applied to inflationary assumptions. This included tailored assumptions on Energy costs, an assumed Pay Award of 4.0% and a 12.0% increase on Supplies and Services. On Housing Rents, a 5.0% rent increase was assumed: and
 - Increased Budget Demand – a range of other miscellaneous – unavoidable – budget pressures were embedded, including most notably an additional £1.0 million in respect of Gas and Minor Remedial Works (recent regulatory changes require the frequency of Gas Testing to be increased).
- 1.4 Since reporting to Members in October 2022, officers have now undertaken further – more detailed – work on the underlying assumptions and estimates included in the MTFP for 2023/24 based on the very latest intelligence. In particular, the HRA Business Plan (“Fortress”) has been ‘revisited’ and updated. As reported in the October 2022 MTFP, there were concerns regarding the financial viability of Plan from Year 11 (2033/34) onwards. Consequently, a number of Housing Developments have been re-phased, which has combined with an assumed additional 2.0% Housing Rent increase (up from 5.0% to 7.0%) to restore the long-term viability of the Plan. Future compliance with pre-set parameters is now anticipated, including retaining the minimum HRA balance of £2.0 million and a target interest cover level of 1.25%.

2. Indicative Draft Budget 2023/24: summary position, including movements since October 2022

2.1 The table below presents an initial draft HRA (revenue) budget for 2023/24 – as at December 2022 – which anticipates a surplus of £371,000. This compares to a projected surplus of £682,000 in the MTFP presented in October 2022.

Housing Revenue Account MTFP (@ December 2022)			
Description	2023/24 (@ October 22 MTFP)	Movement	Draft Budget 2023/24 (@ December 22)
	£'s	£'s	£'s
Employees	4,878,375	135,065	5,013,440
Premises	6,224,055	- 110,975	6,113,080
Transport	78,058	2	78,060
Supplies & Services	1,347,199	54,861	1,402,060
Contracted Services	7,360,120	- 162,460	7,197,660
Support Services (GF Recharges)	5,479,193	- 498,493	4,980,700
Debt Management Expenses	65,000	-	65,000
Bad Debt Provision	97,000	2,000	99,000
Depreciation	9,137,000	-	9,137,000
Total Expenditure	34,666,000	- 580,000	34,086,000
Rental Income - Dwellings	- 36,764,000	- 644,000	- 37,408,000
Rental Income - Non-Dwellings	- 936,000	-	- 936,000
Fees and Charges (Charges for Services)	- 2,983,000	190,000	- 2,793,000
Other Contributions (Shared Amenities)	- 383,000	-	- 383,000
Total Income	- 41,066,000	- 454,000	- 41,520,000
Net Cost of Service	- 6,400,000	- 1,034,000	- 7,434,000
Interest Received	- 8,000	- 1,000	- 9,000
Financing Costs	5,686,000	- 76,000	5,610,000
Net Operating Income	- 722,000	- 1,111,000	- 1,833,000
Appropriations:			
HRA Contribution to Capital	40,000	1,422,000	1,462,000
Contribution to/(from) Reserves	-		-
Total Appropriations	40,000	1,422,000	1,462,000
In-Year (Surplus)/Deficit	- 682,000	311,000	- 371,000

2.2 The table above shows an overall – relatively small – net movement of £311,000. However, the net movement is the product of a range of other movements; both positive and negative. The most significant items (in descending order of magnitude) include:

- *Rental Income (Dwellings) (644,000 Positive)* – the MTFP presented in October 2022 was based on an assumed 5.0% inflation assumption on Housing Rents (this was the anticipated Government cap at the time). However, the Government announced in the Autumn Statement 2022 that it was allowing Housing Rent increases of up to 7.0% (which is still significantly below the September 2022 CPI inflation rate of 10.1%). Therefore, a Housing Rent increase of 7.0% is now assumed for 2023/24, which is the maximum allowable increase. Members have the option of choosing a lower rent increase (covered in **Appendix D**)
- *Support Services/GF Recharges (£498,493 Positive)* – the reduction is dominated by two major factors. Firstly, the HRA share of the savings identified as part of addressing the General Fund deficit (covered in Paragraph 2.3 in Appendix A), which amounted to £403,950. And secondly, a change in accounting practice to remove ICT resources of £173,040 deployed exclusively on HRA activities from the Recharges system (there are offsetting savings of the same amount in the General Fund); this increases accounting simplicity and is entirely cost neutral on both the General Fund and the HRA.
- *Fees and Charges (£190,000 Negative)* – the reduction in Fees and Charges is primarily driven by a reduced assumption of £140,000 on the anticipated increase in Utility Costs recharged to tenants/leaseholders following more detailed analyses, although this is offset by a corresponding saving in Premises costs (which is the biggest factor behind the positive change of £110,975 in this expenditure line as presented in the table above).
- *Contracted Services (£162,460 Positive)* – a saving of £162,460 is now anticipated in the Housing Repairs contract (due to a reduction in Qualis overhead charges), triggered by the imminent transfer of the Grounds Maintenance service to Qualis.

HRA BUDGET ANALYSIS

2.3 A more detailed analysis of the draft HRA Budget 2023/24 has been prepared (“Cost Centre Summary”) and is attached at **Annex 1**.

Draft HRA Budget 2023/24: Cost Centre Summary

Housing Revenue Account			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2022/23 (Final)	2023/24 (First Draft)
		£'s	£'s
36250	Housing Resources	244,010	162,530
36260	Housing ICT	-	133,060
36500	Housing Options Group	716,580	805,310
36550	Housing Strategy Team	-	109,640
36600	Housing Older Peoples Group	592,440	568,400
36650	Housing Maintenance Group	782,310	623,830
36660	Housing Asset Strategy Team	-	279,870
36670	Housing Development	-	66,500
36900	Housing Management Group	1,559,270	184,830
36905	Housing Income Management Team	-	473,270
36910	Housing Land & Estates Management Team	-	514,310
36915	Housing Tenancy Team	-	421,330
RM100	Responsive Repairs	117,130	117,130
RM101	Responsive Repairs - Qualis	3,737,430	4,071,000
RM200	Voids Refurbishment	119,400	92,420
RM201	Voids Refurbishment - Qualis	2,315,180	2,500,390
RM300	Planned Maintenance	2,224,650	1,026,670
RM301	Planned Maintenance - Qualis	-	2,168,980
RM400	Engineering Maintenance	252,950	254,660
RM401	Engineering Maintenance - Qualis	-	160,500
RM500	Miscellaneous Projects	24,000	24,000
RM700	Income	192,670	192,670
YA100	Policy & Management	773,400	367,020
YA110	Sale Of Council Houses	-	11,750
YA140	Comp.Costs New Hsg.System	283,480	304,070
YA150	Tenant Participation	27,680	30,740
YA160	Contribution To General Fund	697,920	697,920
YA180	New House Builds	109,280	121,590
YA190	HRA Support Services	2,377,520	2,290,150
YA200	Managing Tenancies	354,600	317,440
YA210	Waiting Lists & Allocations	109,890	115,890
YA300	Rent Accounting & Collection	130,720	133,400
YB100	Heating Expenses	2,030	-
YB110	Staircase Lighting	136,060	290,970
YB120	Caretaking & Cleaning	386,550	411,120
YB140	Minor Sewerage Works	55,960	69,670
YB150	Water Course Maintenance	55,310	55,310
YB200	Other Communal Services	59,700	61,040
YB300	Community Centres	9,330	9,310
YB350	Hemnall House	18,300	30,000
YB400	Grounds Maintenance Services	1,414,280	1,566,960
YB500	Oap Units Management	564,890	933,900
YB520	Community Alarms Mgt.	69,590	63,870
YB540	Area Warden Service - Mgt	25,440	26,670
YB620	Norway House - Management	177,590	366,980
YB800	Other Special Items	46,620	86,620
YC100	Capital Exp Charged To Revenue	5,364,000	1,462,000
YD100	Rents/ Rates/Taxes/Insurance	504,310	506,710
YF100	HRA - ICT Systems	-	47,000
YH100	Increase Bad & Doubtful Debts	93,000	99,000
YJ100	Leasehold Refcus	300,000	-
YJ110	Depreciation	8,958,000	9,137,000
YJ120	Debt Management	58,000	65,000
YN100	Dwellings Rents	-	34,860,830
YN110	Rents - Norway House	-	112,650
YP110	Rents - Other	-	1,760
YP130	Rents - Hardstanding	-	5,920
YP150	Rents Roads Charges	-	7,650
YP190	Rent - Land	-	11,800
YP200	Garages	-	804,420
YP210	Ground Rents	-	11,100
YR100	Heating Income Special Items	-	30,480
YR110	Mortgage References	-	5,660
YR120	Capital Recs Under £10000	-	34,010
YR140	Sewage Related Income	-	28,980
YR170	Repairs Management Income	-	30,830
YR180	Managing Tenancies Income	-	20,400
YR350	Hemnall House	-	2,830
YR400	Grounds Maintenance Services	-	2,000
YR500	Oaps Units Income	-	700,230
YR510	Sheltered Units Support	-	204,080
YR550	Area Warden Support	-	105,130
YR620	Norway House Income	-	63,540
YR800	Other Special Items	-	300,000
YW110	Interest On Revenue Balances	-	6,000
YW130	Self Financing Interest	-	5,613,000
YY100	Estate Ground Maintenance	-	368,000
		3,537,000	371,000