

## Indicative Draft Budget 2022/23

### HOUSING REVENUE ACCOUNT

*December 2021*

#### 1. Background and Introduction

- 1.1 The updated Medium-Term Financial Plan (MTFP) 2022/23 to 2026/27 – which set the framework for developing draft 2022/23 budget proposals for the Housing Revenue Account (HRA) – was adopted by Cabinet on 11th October 2021.
- 1.2 The October 2021 MTFP identified a projected deficit of £2.755 million on the HRA for 2022/23, although was almost entirely offset by an initial surplus of £2.651 million in 2021/22.
- 1.3 The key assumptions in the 2022/23 element of the MTFP included:
- Inflation – consistency with the General Fund was applied to inflationary assumptions (e.g. through a core 2.0% increase on expenditure). On Housing Rents, a 3.0% rent increase was assumed
  - Increased Budget Demand – a range of other miscellaneous budget pressures were embedded, including the loss of income from the “Telecare” service (£268,740 in 2022/23), which is now a free service provided by Essex County Council; and
  - Reduced Budget Demand – there were also some positives to note. For example, the new HRA Business Plan had identified some improved assumptions for rental income, with new properties coming into the property portfolio.
- 1.4 Since reporting to Members in October 2021, officers have undertaken further – more detailed – work on the underlying assumptions and estimates included in the MTFP for 2022/23 based on the very latest intelligence. This includes further work on known budget pressures such as Housing Repairs as well as the underlying emerging HRA Business Plan and the subsequent release of CPI statistics for September 2021 (which have a major bearing on Housing Rent assumptions for 2022/23 and beyond).

#### 2. Indicative Draft Budget 2022/23: summary position, including movements since October 2021

- 2.1 The table below presents an initial draft HRA (revenue) budget for 2022/23 – as at December 2021 – which anticipates a deficit of £2.963 million (to be offset by an estimated surplus of £2.651 million in 2021/22 as at 30th September 2021). This compares to a projected deficit of £2.755 million in the MTFP presented in October 2021.

Housing Revenue Account: Draft Budget 2022/23 (Indicative)			
Description	MTFP 2022/23 (@ October 2021)	Movements	Draft Budget 2022/23 (@ December 2021)
	£'s	£'s	£'s
Employees	4,455,088	- 474,797	3,980,291
Premises	3,456,809	157,307	3,614,116
Transport	68,954	1,960	70,914
Supplies & Services	943,166	633,836	1,577,002
Contracted Services	6,106,887	597,513	6,704,400
Support Services (GF Recharges)	4,578,097	646,568	5,224,665
Debt Management Expenses	58,000	-	58,000
Bad Debt Provision	92,000	1,000	93,000
Depreciation	8,958,000	-	8,958,000
<b>Total Expenditure</b>	<b>28,717,000</b>	<b>1,563,388</b>	<b>30,280,388</b>
Rental Income - Dwellings	- 34,883,000	- 241,000	- 35,124,000
Rental Income - Non-Dwellings	- 827,000	- 9,000	- 836,000
Fees and Charges (Charges for Services)	- 1,500,000	- 16,000	- 1,516,000
Other Contributions (Shared Amenities)	- 364,000	- 4,000	- 368,000
<b>Total Income</b>	<b>- 37,574,000</b>	<b>- 270,000</b>	<b>- 37,844,000</b>
<b>Net Cost of Service</b>	<b>- 8,857,000</b>	<b>1,293,388</b>	<b>- 7,563,612</b>
Interest Received	- 4,000	- 1,000	- 5,000
Financing Costs	5,595,000	23,000	5,618,000
<b>Net Operating Income</b>	<b>- 3,266,000</b>	<b>1,315,388</b>	<b>- 1,950,612</b>
<b>Appropriations:</b>			
HRA Contribution to Capital	6,021,000	- 1,107,388	4,913,612
Contribution to/(from) Reserves	-	-	-
<b>Total Appropriations</b>	<b>6,021,000</b>	<b>- 1,107,388</b>	<b>4,913,612</b>
<b>In-Year (Surplus)/Deficit</b>	<b>2,755,000</b>	<b>208,000</b>	<b>2,963,000</b>

2.2 The table above shows an overall – relatively small – net movement of £208,000. However, the net movement is the product of a range of other movements; both positive and negative. The most significant items include:

- Employees (£474,797 Positive) – the Homelessness cost centre has been transferred to the General Fund, which eliminates the need for the relevant recharge and reduces staffing costs in the HRA by £474,797, which is the largest cost
- Premises (£157,307 Negative) – additional Planned Maintenance costs of £132,000 have been added to more accurately reflect the full costs of miscellaneous items (e.g. painting) that sit outside of the Qualis contract

- Supplies and Services (£633,836 Negative) – there are two major factors behind the increased budget requirement here. Firstly, an urgent need has been identified to commission an independent Stock Condition Survey of the Housing Stock, which has not been undertaken for many years. This is a major – but vital – undertaking, with the cost of procuring a survey based on a 50% sample estimated at £392,500. And secondly, the Year 1 costs of implementing the new Housing Asset Management (HAM) system are estimated at £273,280 and have now been included. Once implemented, the ongoing revenue costs are expected to reduce to £56,080
- Contracted Services (£597,513 Negative) – the most significant factor in the rise in these costs relates to estimated additional Responsive and Void Repairs costs of £426,000. The cost of Void Repairs especially has been challenging for the Council for several years now, and the contract with Qualis, after a short-term cost increase, is expected to deliver substantial savings on Housing Repairs costs over the medium and longer term
- Support Services/GF Recharges (£646,568 Negative) – the most significant factor here is the transfer of the Homelessness budget as noted above; the overall impact, including a reduction in Employee costs of £474, 797, is £566,180; and
- Rental Income (Dwellings) (241,000 Positive) – the MTFP presented in October 2021 was based on a conservative 3.0% inflation assumption on Housing Rents. However, September 2021 CPI inflation was recorded at 3.1%. Therefore, in accordance with the extant legal Rent Standard (April 2020), a rent increase of 4.1% (CPI+1.0%) is assumed, which is the maximum allowable increase. Members have the option of choosing a lower rent increase (covered in **Appendix D**).

### 3. HRA Business Plan (“Fortress”) update

- 3.1 Members will recall from the MTFP report in October 2021, that officers are still refining the updated HRA Business Plan using the “Fortress” model.
- 3.2 Continued progress has been made with more granular detail – especially data on Housing Rents – being added as part of the development of this budget. The completion of the Stock Condition Survey though remains a major priority as, once complete, it will further enhance the accuracy of the outputs from the model and will also enable the Plan to be extended from 30 to 40 years. At the time of preparing this report, the survey has now been commissioned on a 50% sample basis, which is a large enough sample to provide robust data upon which future HRA strategy can be built with added confidence.