

Housing Revenue Account – Budget 2022/23

Summary

1. This report sets out the Housing Revenue Account (HRA) budget and the reserves position for 2022/23.
2. Housing and supported accommodation rents are recommended to be increased by 4.9% (CPI+1%) as per central government policy and when a property is re-let the rent will be revised to the formula rent level.
3. Other income and service charges for 2022/23 are recommended to be set on the following basis:
 - Garage rents are increased by RPI of 4.9%
 - Lifeline Service is increased by RPI of 4.9%
 - Housing Related Support charges are increased in line with actual costs
 - Intensive Housing Management charges are increased in line with actual costs
 - Heating, Service and Sewerage charges are increased in line with actual costs
4. The Housing Board reviewed the Housing Revenue Budget for 2022/23 and the five year financial strategy on the 2 November 2021 and the Tenants Forum also reviewed the housing rent and service charge proposals on the 28 October 2021.

Background

5. The HRA budget for 2022/23 reflects the service arrangements and investments in relation to the Council's housing services for the eleventh year under 'Self Financing'.
6. The new financial arrangements enable the service to stand alone financially and take 'local' decisions for housing services.
7. Decisions about the level of expenditure in the HRA continue to be made in the context of a 30 year Business Plan. The current version was updated and approved at Cabinet in January 2016 and is reviewed annually.
8. The Business Plan sets the financial strategy for Housing and the budget proposals are reflected in this report.
9. The Business Plan has been framed in the light of:
 - Estimated rental income is in line with the Government's guidance
 - Appropriate capital investment in maintaining the quality of the housing stock through planned maintenance and replacement works
 - The new build programme and service improvements
 - One for one replacement of Right to Buy sales
 - Servicing and repaying debt so that new borrowing is available for future maintenance works and/or investment in further new build schemes
 - Remodelling and modernising sheltered housing schemes
10. Income and expenditure is budgeted on an incremental and inflationary basis to reflect the financial and operational needs of the housing service.

Debt Cap Removal

11. In August 2018 Uttlesford were one of the ambitious councils who submitted a bid for funds to build more homes. It was the popularity of that bidding process amongst local authorities that led to the Government's unexpected announcement in October 2018 that the HRA borrowing cap had been removed.
12. The removal of the cap is welcomed as it takes away one of the restrictions faced by local authorities looking to invest in their housing stock and build homes. However, the decision to increase HRA borrowing is not just dependent on whether it is permitted; it also needs to be affordable.
13. There is currently a balanced HRA business plan and therefore costs arising from additional borrowing would need to be funded either through additional income or a reduction in costs.
14. The Council is already committed to building homes for local people and since the introduction of self-financing the Council has been able to build, redevelop or directly purchase 163 homes despite the previous borrowing cap.

National Social Rent Policy

15. Since 2001, rents for properties let at 'social rent' have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.
16. In 2011, the government introduced 'affordable rent' which permits rents to be set at up to 80% of market rent. The policy allows the Council to let new build properties at affordable rent where certain conditions apply.
17. The majority of the Council's new build properties are let at affordable rent and the additional income makes it possible to build more homes.
18. In October 2017, government announced its intention to set a long-term rent deal for social housing landlords in England. This new policy permits annual rent increases on both social rent and affordable rent properties of up to consumer price index (CPI) plus one percentage point from 2020, for a period of at least five years.
19. Rents are set in line with Government policy and to that end the Council's social and affordable rents have been modelled at CPI+1% from 2021/22. The Council's HRA Business Plan fundamentally requires this level of increase to take place to remain viable.
20. Where rent is still not at the formula rent level the rent will be revised to the formula rent level when the property is re-let as per our current policy.

Housing Revenue Account Budget 2022/23

21. The following table summarises the HRA budget for 2022/23, a more detailed breakdown is set out in Annex G1. The budget identifies a balanced budget made up of total income of £16.832m and total service expenditure of £13.480m, allowing a revenue contribution to fund the capital programme of £3.590m. To support the total proposed capital spend a drawdown on reserves of £0.238m is required.

	2021/22 Original Budget £'000	2021/22 Restated Budget £'000	2022/23 Original Budget £'000	Increase / (Decrease) £'000
Dwelling Rents	(14,875)	(14,875)	(15,553)	(678)
Rents and Charges (other)	(1,295)	(1,295)	(1,278)	17
Service Income	(16,170)	(16,170)	(16,832)	(661)
Housing Finance & Business Management	80	80	78	(2)
Housing Maintenance and Repairs Service	3,659	3,659	4,070	412
Housing Management and Homlessness	1,082	1,082	977	(105)
Service Expenditure	4,821	4,821	5,126	305
Recharge from General Fund	1,553	1,553	1,747	194
Depreciation and Impairment	4,281	4,281	3,957	(325)
Interest/Costs re HRA Loan	2,601	2,601	2,570	(31)
Other (net)	88	88	80	(8)
Non-Service Expenditure	8,524	8,524	8,354	(170)
Total Expenditure	13,344	13,344	13,480	135
Operating Surplus	(2,826)	(2,826)	(3,352)	(526)
MRP - HRA Loan	2,000	2,000	0	(2,000)
Funding of Capital Programme from HRA	650	3,235	3,590	355
Transfer to/from (-) Reserves	176	(2,409)	(238)	2,171
HRA (Surplus) / Deficit	0	0	0	0

22. The following table sets out the key budget movements from 2021/22 to 2022/23 and paragraphs 24 to 36 provides a breakdown of all the HRA income;

Budget Movements	£'000	£'000
2021/22 Net Operating Surplus		(2,826)
Dwelling Rents Inflationary Increase	(678)	
Rents and Charges	17	
Housing Repairs and Maintenance	373	
General Needs and Sheltered Housing Services	(104)	
Depreciation Charge	(325)	
Loan Interest	(31)	
General Fund/Corporate Core Recharge	194	
Other immaterial variances	28	
		(526)
2022/23 Net Operating Surplus		(3,352)

23. The budget is based on estimates and there are a number of risks and assumptions which could affect the budget, these are set out in Annexe G2.

Housing Rents

24. It is recommended that there is a 4.9% increase in current rents. The average rent in 2021/22 was budgeted as £102.73 and the actual average rent as at September 2021 was £102.59. In 2022/23 the average rent will increase to £106.91.

25. The rent increases will generate an additional rental income of £678,000.

Garage rents

26. The Council manages a total of 450 garages, of these 305 are rented by private residents. It is recommended to increase the garage rents by RPI of 4.9% (as at September 2021). The current weekly rent is £10.99 and this will increase to £11.53 (excluding VAT) per week for 2022/23.

Housing Related Support (HRS) charges and Intensive Housing Management (IHM) charges

25. In 2017 the Council reviewed all support and housing management charges in preparation for further cuts to HRS funding made by Essex County Council (ECC).
26. The review resulted in the introduction of an IHM charge to recover a proportion of the reduction in funding from ECC. The IHM charge is covered by Housing Benefit and its introduction therefore lessened the impact of the cuts to HRS for those tenants on benefits who previously had not contributed to support costs.
27. All HRS funding from ECC ceased from April 2017 and the cost of support and IHM is now recovered in full from all sheltered tenants. The rationale that ECC made for these cuts is that people who require this type of support can claim appropriate benefits to pay for it themselves.
28. It is recommended to continue to calculate the charges for the council's sheltered housing scheme management service, made up from IHM and HRS in line with actual costs. The charges to be set at:

Intensive Housing Management (IHM)	£16.86 per week
Housing Related Support (HRS)	£ 6.26 per week
Total Charge	£23.12 per week

Lifeline Service

29. The Lifeline Service will no longer be delivered by the Council from the 1 April 2022 and this service will be delivered by NHS Provide. As the service does not transfer until the new financial year the Council is required to set the Lifeline charges for 2022/23.
30. It is recommended charges for the Council's Lifeline service are raised by RPI of 4.9%. The current weekly charge is £4.50, and this will increase to £4.72 (excluding VAT) per week for 2022/23. There is an additional cost of £1 for extra sensors.

Heating, service and sewerage charges

31. The Council manages leasehold and freehold properties where service and sewerage charges are payable, and these will continue to be calculated and charged in line with actual costs.
32. General needs and sheltered housing service and sewerage charges are calculated on the same basis as Leasehold/freehold properties.
33. Heating charges will be calculated and charged in line with actual costs.

Garden Welfare

34. The Council provides a gardening scheme for tenants who are unable to maintain their gardens because they have a physical or mental health disability or a long term illness.
35. For some tenants this may be a one-off clearance that then enables them to keep their garden tidy in the future, whilst others may need regular maintenance visits as well. Recommended fees for this service are set out below:

Garden Services	Cost (exc. VAT)	
	2021/22	2022/23
One-off clearance	£45.00	£50.00
One-off clearance (Substantial clearance where the majority of the garden is ➤ higher than 1 metre, this ➤ includes bramble, grass and weeds)	£75.00	£80.00
Grass cutting: Throughout the growing season and includes up to two hedge cuts a year <i>This charge will not be covered by housing benefit and is payable throughout the year</i>	£3.50 per week	£3.75 per week

Reserves

36. The reserves position for 2022/23 is shown in the table below and this is based on the estimated position at the end of quarter 2 of 2021/22.

Reserve £'000	2021/22 Q2 Forecast				2022/23		
	Actual Balance 1st April 2021	Transfer from HRA	Transfer to HRA	Estimated Balance 31st March 2022	Transfer from HRA	Transfer to HRA	Balance 31st March 2023
<u>RINGFENCED RESERVES</u>							
Working Balance	471	43		514	32		546
TOTAL RINGFENCED RESERVES	471	43	0	514	32	0	546
<u>USABLE RESERVES</u>							
Revenue Reserves	180		0	180			180
Revenue Projects	60		0	60			60
	240	0	0	240	0	0	240
<u>Capital Reserves</u>							
Capital Projects	910	216	(249)	877		(270)	607
Potential Projects Reserve	110			110			110
HRA Slippage Reserve	2,650	370	(2,585)	435		(435)	0
	3,670	586	(2,834)	1,422	0	(705)	717
TOTAL USABLE RESERVES	3,910	586	(2,834)	1,662	0	(705)	957
TOTAL RESERVES	4,381	629	(2,834)	2,176	32	(705)	1,503
<u>OTHER RESERVES</u>							
Capital Receipt Reserve	2,186	1,600	(1,674)	2,112	1,600	(1,227)	2,485
Major Repairs Reserve	215	4,281	(3,929)	567	3,957	(3,545)	979
TOTAL OTHER	2,401	5,881	(5,603)	2,679	5,557	(4,772)	3,464

5 Year Budget forecast

37. The 5 year financial forecast for the HRA revenue and reserves position are detailed in the Medium Term Financial Strategy, Appendix C, and the capital programme and associated financing are detailed in the Capital Programme, Appendix F.

Impact

38.

Communication/Consultation	Tenants Forum and Housing Board reviewed the rent, heating, service and sewerage charges Corporate Management Team have reviewed the report
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	Affordable rent levels and appropriate housing supply are an important factor in the sustainability of local communities and in particular rural communities
None Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Property lettings suspended again due to the pandemic	2 – Further lockdowns may require more stringent measures	3 Increase in numbers of people in housing need loss of rental income	Source temporary accommodation in hotels until property lettings resume
Changes in legislation may alter the assumptions contained in the proposed 2022/23 Budget and HRA Business Plan	2 - we are currently unaware of any changes	2 – reduced income and or increased costs	Prudent budget mgt. and assumptions built into the budget, supported by minimum operational balance and earmarked reserves to provide a short term contingency

Rent arrears increase	2 – Long term effects of the pandemic	2 – increased arrears and resources needed to support tenants to manage their payments	Housing officers and Benefit Welfare Officer provide Tenant support for those in financial difficulty.
Failure to deliver major housing and development projects	2 – the Council has an ambitious development programme	3 – schemes do not progress	Robust project planning and resources aligned to deliver projects.
Increase in interest rates	2 – not anticipated that rates will significantly increase in the next year	3 – increase in loan repayment	Prudent budget management. Monitor the situation with our Financial Consultants, Arlingclose and consider fixed rate alternatives
RTB replacements – The HRA will not be able to build up enough receipts to fully finance 40% of the scheduled developments at the time of construction	2 HRA unable to sustain additional borrowing	2 RTB receipts will have to be paid back	Continuous review of the Business Plan and borrowing options Lobby Government to change rules on using RTB receipts

Housing Revenue Account – 2022/23 Budget

£'000	2021/22 Original Budget	2021/22 Current Budget	2022/23 Original Budget	Increase / (Decrease)
Housing Revenue Income				
Dwelling Rents	(14,875)	(14,875)	(15,553)	(678)
Garage Rents	(233)	(233)	(225)	8
Other Rents etc	(1)	(1)	(1)	0
Charges for Services & Facilities	(1,061)	(1,061)	(986)	74
Contributions towards Expenditure	0	0	(66)	(66)
TOTAL INCOME	(16,170)	(16,170)	(16,832)	(661)
Housing Finance & Business Management				
Rents, Rates & Other Property Charges	80	80	78	(2)
	80	80	78	(2)
Housing Maintenance & Repairs Service				
Common Service Flats	224	224	256	32
Estate Maintenance	2	2	2	(1)
Housing Sewerage	13	13	16	3
Newport Depot	0	0	5	5
Property Services	49	49	49	0
Housing Repairs (Norse Services)	3,370	3,370	3,743	373
	3,659	3,659	4,070	412
Housing Management & Homelessness				
Housing Services	536	536	516	(20)
Sheltered Housing Services	546	546	461	(84)
	1,082	1,082	977	(105)
Total Service Expenditure	4,821	4,821	5,126	305
Other Costs				
Bad Debt Provision	100	100	100	0
Depreciation - Dwellings (to MRR)	4,230	4,230	3,935	(296)
Depreciation - Non- Dwellings (to MRR)	51	51	22	(29)
Interest/Costs re HRA Loan	2,601	2,601	2,570	(31)
Investment Income	(2)	(2)	(10)	(8)
Pension Costs - Added Years	0	0	0	0
Pension Deficit - Triennial payment	0	0	0	0
Recharge from General Fund	1,167	1,167	1,387	220
HRA Share of Corporate Core	386	386	360	(25)
Right to Buy Admin Allowance	(10)	(10)	(10)	0
Total Non-Service Expenditure	8,524	8,524	8,354	(170)
TOTAL EXPENDITURE	13,344	13,344	13,480	135
OPERATING (SURPLUS)/DEFICIT	(2,826)	(2,826)	(3,352)	(526)
MRP - Repayment of HRA Loan	2,000	2,000	0	(2,000)
Funding of Capital Programme from HRA				
Capital Schemes Funded from Revenue	650	3,235	3,590	2,940
	650	3,235	3,590	2,940
Transfers to/(from) Reserves				
Capital Projects	216	216	(270)	(486)
Change Management Reserve	0	0	0	0
Potential Developments	0	0	0	0
HRA Slippage Reserve	0	(2,585)	0	0
HRA Slippage Reserve	0	0	0	0
Sheltered Housing Reserve	0	0	0	0
Transformation Reserve	0	0	0	0
Working Balance	(40)	(40)	32	72
Movement in Reserves	176	(2,409)	(238)	(414)
(SURPLUS)/DEFICIT	0	0	0	0

Risks and Assumptions

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
HRA	Voids	Budget is produced based on current year voids. Any changes will effect the rent income levels	L	L	L
HRA	Right To Buy Schemes	Lack of suitable schemes to satisfy the RTB 1-4-1 replacement requirement would result in the council having to repay capital receipts to the Government with interest. The receipts have been utilised to fund HRA loan repayments so additional borrowing may be required to repay government (mechanism for repayment of RTB receipts is currently under government consultation)	M		H
HRA	Rent Reduction	The government have agreed that rents can be increase by CPI plus 1% from 2019/20. However if this decision is reversed it would effect the level of rental income in future years	L		H
HRA	Incremental Weather	Incremental winter weather could effect the level of repairs to the housing stock	M		M
HRA	Delays to Development Schemes (Covid-19 or lack of materials)	Delays to the Schemes will effect the RTB 1-4-1 replacement requirement	M		H