

- 3.2 The Council, as landlord to properties within the Housing Revenue Account is required to review rent levels and advise tenants of their rent for the forthcoming year ahead as part of the budget setting process.

Rent Setting

- 3.3 In 2015, the government announced a revised rent policy which would apply for 4 years from 2016/17. The objective of this policy was to assist the public with their rental expenditure. The policy reduced social housing rent by 1% per year. This has now come to an end.
- 3.4 For 2021/22 it is proposed to increase rent by 1.5% (equates to September CPI +1%). This is in line with the government guidance and the HRA Business Plan.
- 3.5 Based on the above, rents for 2021/22 have been calculated on the following basis:
- Social housing and supported housing rent will increase by 1.5%.
 - Void loss assumption of 1.75%.
 - An assumption that 30 dwellings will be sold.
- 3.6 After factoring in the above, the forecast rental income for 2021/22 is £12,851,130. This is an increase of £216,470.

Budget Summary

- 3.7 The original Housing Revenue Account budget for 2020/21, revised budget for 2020/21 (based on October 2020 outturn) and the proposed budget for 2021/22 is set out in Appendix 1.
- 3.8 The original Housing Repairs Account budget for 2020/21, revised budgets for 2020/21 (based on October 2020 outturn) and the proposed budget for 2021/22 is set out in Appendix 2.

Revised 2020/21 Budget

- 3.9 The original budgets for 2020/21 have, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. The position in Appendix 1 is based on the October Outturn position and updated for the latest rent forecast.
- 3.10 Appendix 1 identifies an increase in spend for the year of 134,973. This increase is explained below:-

| | £ |
|--|----------------|
| Additional piper alarm income | (26,000) |
| Additional Employee costs (partly covid related) | 107,500 |
| Additional dwelling rental income | (4,000) |
| Council Tax overspend | 35,000 |
| Reduction recharges to other services | 17,000 |
| Reduction room hire income (covid related) | 6,000 |
| Other minor variances | (527) |
| TOTAL | 134,973 |

This will result in an estimated HRA balance as at 31st March 2021 of £719,170 against the original estimate of £843,537. In 2021/22, the estimated contributions to the regeneration reserve will be reduced to ensure that HRA balance equates to around £250 per property.

- 3.11 In addition, Appendix 2 summarises the Housing Repairs Account to year end. The movement between the original budget and the revised budget is due to contractual commitments that were carried forward from the prior year. Currently the Account is expected to be underspent by £115,000. This is due nature of the response repairs.

2021/22 Budget

Service Priorities and links to other documents

- 3.12 The 2021/22 budget has been created with clear links to the Council's strategic and service objectives.
- 3.13 In addition to the Corporate Plan, the overarching strategic document for the HRA is the HRA Investment Plan which was approved by Council in November 2018. The key objectives for future housing provision outlined in this document were taken into account in producing both the revenue and capital HRA budgets. These are as follows:

- Continue to invest in existing stock to maintain good quality homes
- Where affordable, invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
- Refurbishment/regeneration of stock which no longer meets needs.
- Review the potential for further investment in new housing stock.

Budget Assumptions and the Budget Strategy

- 3.14 The 2021/22 Housing Revenue Budget has been prepared following a robust process outlined in the 2021/22 Budget Strategy.
- 3.15 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. For contractual commitments, an inflation rate of 1.5% has been used, unless otherwise specified within the terms of the specific contract.
- 3.16 The salaries and wages budgets form one of the most significant elements of the revenue budget. For pay costs, the 2021/22 estimates have been based on the latest pension valuation and assumes a 0% pay award. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2020/21.

Housing Revenue Account 2021/22

- 3.17 The estimated surplus for 2021/22 for the HRA is £196,932. This will result in a forecast balance at the year end of £916,102. After allowing for rent changes included in section 3.5, other major changes are summarised below: -

| | £ |
|---|----------------|
| Employee salary costs (pay award, NI Pension) | 36,850 |
| Reduction External Interest payable | (64,470) |
| Reduction in recharges to other sections | 41,920 |
| Increase support services charges | 24,750 |
| Additional Piper Alarm income | (25,900) |
| Reduction in Interest on HRA Balances | 55,000 |
| Additional Council Tax budget for voids | 30,000 |
| Additional lump sum pension contributions | 16,850 |
| Reduction Depreciation. This has no net impact. The change in depreciation is offset by the change in the repairs reserve which is used to fund capital expenditure | (65,880) |
| Other minor variations | (1,300) |
| TOTAL | £47,820 |

Housing Repairs budgets 2021/22

- 3.18 The housing repairs operational budgets (Planned and Responsive repairs) have been prepared taking into account forecast need and the capacity for this to be delivered in 2021/22.
- 3.19 Programmed and Responsive repairs budgets have been increased in-line with inflation. Allowing for a £425,000 contribution to reserves gives an operating surplus of £17,230 in the year which will mean a forecast balance of £396,793 as at 31st March 2022.

Working balances

- 3.20 The Council has the following policies relating to levels of balances and reserves in the HRA:
- Maintain HRA balances (non earmarked) of £250 per property by the 31st March 2022. For 2021/22, this equates to a minimum balance of £803,000 based on 3,212 properties.
 - Maintain a breakeven position within the Housing Repairs Account with all surpluses transferred to earmarked reserves.
 - Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
 - There should be no direct contribution from revenue to capital except for specific identified projects.
- 3.21 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31st March 2022 based on the minimum balance thresholds outlined in 3.20. Required transactions to achieve minimum balances for 2020/21 will be considered as part of the outturn process.

| | 2020/21 ORIGINAL ESTIMATE | 2020/21 LATEST ESTIMATE | 2021/22 ORIGINAL ESTIMATE |
|--------------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | £ | £ | £ |
| Opening Balance at 1st April | (889,385) | (899,991) | (719,170) |
| Closing Balance at 31st March | (843,537) | (719,170) | (916,102) |

3.22 The Housing Repairs Account balance is forecast as follows:

| | 2020/21 ORIGINAL ESTIMATE | 2020/21 LATEST ESTIMATE | 2021/22 ORIGINAL ESTIMATE |
|--------------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | £ | £ | £ |
| Opening Balance at 1st April | (198,026) | (212,703) | (379,563) |
| Closing Balance at 31st March | (263,696) | (379,563) | (396,793) |

Reserves

3.23 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2020/21 and 2021/22. Based on these calculations, it is estimated that the Council will hold £6,950,827 in earmarked HRA reserves as at 31st March 2021 and £6,586,335 at 31st March 2022. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

The following transfers to reserves require approval by Council:

| Reserve | Transfer £ | Use |
|-----------------------|---------------|---|
| 2020/21 | | |
| Piper Alarm Reserve | 25,000 | Reserve set aside for additional costs that may be incurred on provision of the Control Centre service. |
| Regeneration Reserve | 1,950,000 | This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account. |
| Pension Reserve | 3,520 | This reserve has been set aside to fund any future pension liability for the HRA. |
| Major Repairs Reserve | 256,108 | This amount together with the depreciation budget will be set aside to fund capital expenditure. (This entry is now required due to a change in accounting regulations). |
| 2021/22 | | |
| Piper Alarm Reserve | 30,000 | Reserve set aside for additional costs that may be incurred on provision of the Piper |

| Reserve | Transfer £ | Use |
|-----------------------|---------------|---|
| | | Alarm service. This service is currently under review by the Council |
| Regeneration Reserve | 1,925,000 | This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account. |
| Pension Reserve | 3,520 | This reserve has been set aside to fund any future pension liability for the HRA. |
| Major Repairs Reserve | 246,068 | This amount together with the depreciation budget will be set aside to fund capital expenditure. (This entry is now required due to a change in accounting regulations). |

- 3.24 It is proposed that HRA reserves will only be used for capital purposes in 2021/22. Full details are included in the Capital Programme.

HRA Business Plan

- 3.25 The HRA Business and Investment Plan outlines how the HRA business will deliver services and capital projects over a 30 year period. The plan has been updated to reflect the budget for 2021/22 and the current affordable housing programme which is included within the capital programme report.

4. Exemptions in accordance with the Access to Information procedure rules

- 4.1 Report taken in open session.

5. Financial implications [IB]

- 5.1 Contained in the body of the report

6. Legal implications [MR]

- 6.1 This budget is drawn up and approved in accordance with the Statutory requirements as to the keeping of a Housing Revenue Account (HRA), as contained in the Local Government and Housing Act 1989 ('the Act'). It is a duty of each local authority to approve its HRA budget in the January and February immediately before the commencement of the financial year to which it relates.
- 6.2 The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Account must relate to the income of the authority for the year from rents and other charges in respect of houses and other property within their Housing Revenue Account and the expenditure of the authority for the year in respect of the repair, maintenance, supervision and management of such property and any other requirements of the Secretary of State.

7. Corporate Plan implications

- 7.1 The proposed budgets will allocate resources to enable the Council to achieve its objectives for its own housing stock

8. Consultation

- 8.1 Relevant council officers have been consulted in the preparation of the budgets.
- 8.2 A full consultation exercise on priorities for Housing Investment was conducted in 2013/2014, the results of which were considered in the preparation of the Housing Investment Plan.

9. Risk implications

- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

| Management of Significant (Net Red) Risks | | |
|--|--|---------|
| Risk Description | Mitigating Actions | Owner |
| That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget | <p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances are maintained to ensure financial resilience</p> | J Kenny |

10. Knowing your community – equality and rural implications

- 10.1 The budget will allow management and maintenance of Council Properties throughout the Borough.

11. Climate implications

- 11.1 There are no direct implications arising from this report

12. Corporate implications

- 12.1 By submitting this report, the report author has taken the following into account:
- Community Safety implications
 - Environmental implications
 - ICT implications
 - Asset Management implications
 - Procurement implications

- Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector
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Background papers: Civica Reports
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