



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission 26 January 2023
Council 23 February 2023

Wards affected: All

HOUSING REVENUE ACCOUNT BUDGET 2023-24

Report of Head of Finance

1. Purpose of report

1.1 To seek approval of the 2023/24 Housing Revenue Account (HRA) budget, including the Housing Repairs Account.

2. Recommendation

2.1 That Council approves the Rent Policy for 2023/24 as set out in paragraph 3.3 to 3.5.

2.2 That Council approves:

- The revised Housing Revenue and Housing Repairs Account budgets for 2022/23 shown in Appendix 1 and Appendix 2.
- The Housing Revenue and Housing Repairs Account budgets for 2023/24 shown in Appendix 1 and Appendix 2.
- The proposed movement in reserves shown in Appendix 3.

2.3 The Council approves the write off of bad debts totalling £70,630 which will be funded from the provision.

3. Background to the report

3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,211 dwellings. The Housing Revenue Account is the ring-fenced account which presents financial performance for the following activities:

- Income from dwelling rents and associated charges, e.g., utilities.

- Supervision & Management (General), e.g., allocations, housing register, rent collection, tenant consultation,
 - Supervision & Management (Special) e.g., sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property.
 - Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.
- 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 For 2023/24 it is proposed to increase rent by 5%. This is 2% below the Government confirmed the rent cap of 7%. The cap was to support people with the cost of living by limiting from increases in their rents in social housing. Under current rules, rents could have risen by up to 11.1%, the cap was to tackle this. Locally the 5% agreed will offer further support above that suggested by Government.
- 3.4 Based on the above, rents for 2023/24 have been calculated on the following basis:
- Social housing and supported housing rent will increase by 5%.
 - Void loss assumption of 1.75%.
 - An assumption that 30 dwellings will be sold.
- 3.5 After factoring in the above, the forecast rental income for 2023/24 is £13,973,140. This is an increase of £593,360.

Budget Summary

- 3.6 The original Housing Revenue Account budget for 2022/23, revised budget for 2022/23 (based on September 2022 outturn) and the proposed budget for 2023/24 is set out in Appendix 1.
- 3.7 The original Housing Repairs Account budget for 2022/23, revised budgets for 2022/23 (based on September 2022 outturn) and the proposed budget for 2023/24 is set out in Appendix 2.

Revised 2022/23 Budget

- 3.8 The original budgets for 2022/23 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 September Outturn position and updated for the latest rent forecast.
- 3.9 Appendix 1 identifies an increase in spend for the year of £347,330. This increase is explained below: -

	£
Additional Employee costs (£105,000 higher cost of pay award)	143,000
Increase in contribution to Bad Debt provision	170,000
Increased Gas & Electricity charges	70,000
Premises Insurance overspend	18,000
Supplementary budget for safeguarding post	25,000
Additional Rent income	(80,000)
Additional piper alarm income	(30,000)
Carry forwards from 2021/22	42,330
Other minor variances	(11,000)
TOTAL	347,330

This will result in an estimated HRA balance as at 31st March 2023 of £814,612 against the original estimate of £881,172. In 2023/24, the estimated contributions to the regeneration reserve will increase to ensure that HRA balance equates to around £250 per property and resources are set aside to fund future capital expenditure

- 3.10 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, primarily arising from a reduction in repairs during Covid.

2023/24 Budget

Service Priorities and links to other documents

- 3.11 The 2023/24 budget has been created with clear links to the Council's Corporate Plan and service objectives.
- 3.12 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

- 3.13 The 2023/24 Housing Revenue Budget has been prepared following a robust process for the 2023/24 financial year.

- 3.14 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 4% has been used, unless otherwise specified within the terms of the specific contract.
- 3.15 The salaries and wages budgets form one of the most significant elements of the revenue budget. For pay costs, the 2023/24 estimates have been based on the latest pension valuation and assumes a 5% 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 2022/23.

Housing Revenue Account 2023/24

- 3.16 The estimated deficit for 2023/24 for the HRA is £4,471. This will result in a forecast balance at the year-end of £810,141. After allowing for rent changes major changes are summarised below: -

	£
Increase in Employee salary costs (pay award, NI, Pension)	222,210
Reduction External Interest payable	(87,220)
Additional Sheltered Scheme Service Charges	(27,510)
Additional Piper Alarm/Lifeline income	(50,570)
Additional interest on HRA Balances	(115,000)
Increase in gas & electricity costs	393,822
Additional support service recharges	204,066
Reduction lump sum pension contributions	(33,190)
Additional Premises Insurance cost	50,130
Increase in 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	288,810
Other minor variations	7,535
Service Growths	47,500
TOTAL	£900,583

Service Growths listed in the above table are detailed below:-

	£
ASB - Resources previously funded from underspends	15,000
Option appraisal costs for future developments	20,000
IT software Licence costs	12,500
TOTAL	£47,500

Housing Repairs budgets 2023/24

- 3.17 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 2023/24.
- 3.18 Programmed and Responsive repairs budgets have been increased in-line with inflation and latest demands on the service. The estimated operating surplus for the year is £22,201, which will mean a forecast balance of £193,441 as at 31st March 2024.

Working balances

- 3.19 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 2024. For 2023/24, this equates to a minimum balance of £802,750 based on 3,211 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.
- 3.20 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31st March 2024 based on the minimum balance thresholds outlined in 3.19. Required transactions to achieve minimum balances for 2022/23 will be considered as part of the outturn process.

	2022/23 ORIGINAL ESTIMATE	2022/23 LATEST ESTIMATE	2023/24 ORIGINAL ESTIMATE
	£	£	£
Opening Balance at 1st April	(857,230)	(908,000)	(814,612)
Closing Balance at 31st March	(881,172)	(814,612)	(810,141)

3.21 The Housing Repairs Account balance is forecast as follows:

	2022/23 ORIGINAL ESTIMATE	2022/23 LATEST ESTIMATE	2023/24 ORIGINAL ESTIMATE
	£	£	£
Opening Balance at 1st April	(460,364)	(487,000)	(171,240)
Closing Balance at 31st March	(261,794)	(171,240)	(193,441)

Reserves

3.22 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2022/23 and 2023/24. Based on these calculations, it is estimated that the Council will hold £5,876,974 in earmarked HRA reserves as at 31st March 2023 and £1,865,592 at 31st March 2024. 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
2022/23		
Piper Alarm Reserve	30,000	Reserve set aside for additional costs that may be incurred on provision of the Control Centre service.
Regeneration Reserve	2,470,000	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	306,908	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).
2023/24		
Piper Alarm Reserve	30,000	Reserve set aside for additional costs that may be incurred on provision of the Piper Alarm service. This service is currently under review by the Council
Regeneration Reserve	2,253,300	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.

Reserve	Transfer £	Use
Carry Forward Reserve	(43,300)	Write out prior year balance not required.
Pension Reserve	3,520	This reserve has been set aside to fund any future pension liability for the HRA.
Major Repairs Reserve	18,098	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).

- 3.23 It is proposed that HRA reserves will only be used for capital purposes in 2023/24. Full details are included in the Capital Programme.

HRA Business Plan

- 3.24 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 2023/24 and the current affordable housing programme which is included within the capital programme report.

Bad Debt write-offs

- 3.25 As at the 31st March 2022 there was £1.005m in the bad debt provision on the balance sheet. Council is requested to approve a write off of £0.0706 against this provision. Primarily they relate to former tenants that have been evicted or died. This will have no net impact on HRA balances.

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	A budget is produced to ensure that the objectives of the budget exercise are known throughout the organisation. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances are maintained to ensure financial resilience	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. However budget decisions made by members in relation to issues such as rents, fees and charges, and in the longer-term asset investment directly affect the council's abilities to invest in climate change priorities. The financial pressure on the council will mean it become increasing difficult to meet it carbon emergency targets by 2030.
- 11.2 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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