

DRAFT 2022/23 HOUSING REVENUE ACCOUNT (HRA)

Cabinet Member(s): Cllr Bob Evans (Cabinet member for Housing & Property),
Cllr Andrew Moore (Cabinet member for Finance)
Responsible Officer(s): Andrew Jarrett – Deputy Chief Executive (S151),
Simon Newcombe – Corporate Manager for Public Health,
Regulation and Housing

Reason for Report: To present proposals for the second draft of the Housing Revenue Account budget for 2022/23.

Recommendation: That the PDG recommend to Cabinet to agree the rent increase proposed and the other budget proposals for 2022/23.

Financial Implications: A balanced and realistic budget must be set for 2022/23 in order to maintain a sustainable Housing Revenue Account with adequate investment for necessary maintenance.

Budget and Policy Framework: This report forms part of the Council's annual process of setting balanced budgets across all areas of income and expenditure.

Legal Implications: It is a statutory requirement for the local authority to set a balanced budget each year.

Risk Assessment: Service Managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current and estimated future demand patterns. In addition, prudent levels of reserves will also continue to be maintained.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

Relationship to Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the Corporate Plan; prioritising the use of available resources brought forward and any future spending will be closely linked to key Council pledges from the updated Corporate Plan.

Impact on Climate Change: The HRA budget contains significant investment in order to work towards the Council's Carbon Reduction Pledge.

1.0 Introduction/Background

1.1 The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).

1.2 This report will set out management's proposals for a draft HRA budget for 2022/23 and members will see from Appendix 1 that, as it stands, the budget has been balanced and so nets to nil. The report will outline the key issues affecting the HRA today, along with how they impact on the setting of a budget for 2022/23.

2.0 **Key Issues**

COVID-19

2.1 The global pandemic that has been, and continues to be, experienced has had an obvious and significant impact on the local economy. In terms of the direct impact on the HRA, at the time of compiling this report indicative markers such as arrears levels and debts written off are not notably different from the previous year, however this does not suggest there won't be an impact going forward, therefore the budget (as reflected in the round 1 draft) has been prudently updated.

2.2 At present it is unclear how and when many economic uncertainties will be resolved and so medium term planning is also affected. The HRA Medium Term Financial Plan (MTFP) (presented to Members at the previous PDG) is based on the draft budget for 2022/23 with inflationary assumptions and known pressures or savings built in for future years.

Rent Policy

2.3 Rent policy set out by central government states that existing rents can be increased annually by the previous September's CPI rate, plus an additional 1%. Although this calculation has been applied (giving a rent increase of 4.1%) the overall increase in the dwelling rent budget is less for the following reasons.

- Increased void turnaround times mean that more properties sit empty at any one time, thus generating no rent. We therefore assume a lower collection rate in line with that applied to Council Tax.
- Similarly, the transition to Universal Credit means that some rents that would have been received automatically are now recoverable from the tenant. Where tenants suffer a financial impact from the current climate, arrears are likely to increase with the potential for further write-offs, which represent a cost to the Council.

2.4 It is unclear precisely to what extent our arrears will be affected and for what duration. For purposes of this draft budget, it has been assumed that arrears will continue to be higher than during pre-covid years.

Other Income

2.5 The garage rents budget is based on rent levels remaining at £10.71 per week (based on a 52 week year) and customer numbers remaining at current levels. Should customer numbers change significantly there would clearly be an impact on the budget position, either adverse or favourable.

- 2.6 Due to the current economic climate it is proposed to keep garage ground rents at their current level, £275 per annum. This will be reviewed again in a year's time.
- 2.7 Income generated from interest where cash balances have been invested have reduced sharply due the historic low interest rates. However it has performed a little better than forecast. Given the recent increase in the Bank of England Base Rate, the budget target has been increased by a further £15k from the first round (draft) budget.

Building Services carrying out Major, Cyclical and non-HRA works

- 2.8 Each year any low demand periods experienced by our operatives are put to good use by carrying out works that might otherwise require Mid Devon to use an external contractor and so incur additional cost. In doing so, the Repairs team are able to transfer a significant amount of their costs to the relevant area and so reduce the overall Repairs team budget.
- 2.9 For 2022/23, the Building Services team have budgeted to carry out major voids upgrades, installations of both traditional and renewable heating systems, update fire safety measures and undertaken work to decarbonise the estate, along with other major work, cyclical servicing and remedial fixes. This should result in a transfer of £1,278k of their costs to other areas as well as £750k of disabled adaptations work.

Staffing costs

- 2.10 In line with Council policy for the General Fund, our estimates for HRA establishment costs assume a pay award of 2% for 2022/23. In addition, there is also the new 1.25% increase in National Insurance contributions. Combined, this has resulted in a £157k pressure on the brought forward budget.
- 2.11 In 2022/23 there is a proposal to bolster the complement of staff within Tenancy Services arising from the planned increase in housing units over the next 5 years. In addition, two posts have transferred from Property Services into the HRA as the majority of their workload was HRA related – this cost will be slightly offset by recharging the General Fund for any work undertaken on non HRA property.

Housing Maintenance Fund

- 2.12 Any surpluses generated by the HRA are usually used to contribute to the Housing Maintenance Fund (HMF). This fund is designed to meet any spikes in the cost of major works in the HRA's plan to 2048. However, in the 2022/23 proposed budget, it is proposed to create a budget for further decarbonisation work on the estate. This is £190k.

3.0 Recommendation

- 3.1 It is recommended that Members consider the proposals for this draft HRA budget along with the details laid out in this report.

3.2 However, it should be noted that some items within the budget may change between now and the final budget being agreed by Full Council and these changes could come as a result of members' suggestions, management proposals or central government instructions.

4.0 Future Issues

4.1 Within the 2022/23 Medium Term Financial Plan, there will be four further years of the September CPI plus 1% rent increases. After that, it is unclear what rent policy central government will set out for us to follow. Clearly, there is great uncertainty of how costs of running the service will increase with inflation over the coming years and so it is hoped that rent collected will be sufficient to meet the needs of the service.

5.0 Conclusion

5.1 This report has set out a proposed balanced budget for the HRA for 2022/23, with appendices attached showing the following.

1. Appendix 1 – The overall makeup of the budget at summary level
2. Appendix 2 – The proposed rent for 2022/23
3. Appendix 3 – The proposed fees and charges for 2022/23

5.2 It is recommended that Members agree the contents of this report and details of the proposed budget to be forwarded to Cabinet prior to approval by Full Council in February 2022.

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Circulation of the Report: Cllr Bob Evans, Cllr Andrew Moore, Leadership Team

List of Background Papers: N/A