

The 2019/20 Proposed Housing Revenue Account Budget

The main income and spend types in the HRA are:

Income	Spending
• Gross Rent	• Capital investment in homes
• Service charges	• Revenue repairs to homes
• (Rent loss on Voids)	• Management & Service costs
• Useable Capital receipts	• Debt costs
• Other revenue income	• Bad debts

The assumptions and resulting figures for the 2019/20 budget are set out below:

1a. Income

Gross rent: The forecast rental income for 2019/20 is £113.318m, based on the following key factors:

- a. The requirement to reduce social rents by 1% per annum for the four year period from 2016/17 to 2019/20 (Government policy effective from 2016)
- b. The average rent 2019/20 would be £78.70, there are 53 rent weeks in 2019/20
- c. An average stock figure, excluding leaseholders, in 2019/20 of 27,166 (this factors in expected right to buy sales of 180 properties per year, and new build completions of 37 2018/19, and 79 in 2019/20).

The 30yr Business Plan assumes that after 2020 rent increases will return to CPI +1%.

Service charges: Service charge income can only cover costs, not exceed them, so service charges generally rise in line with cost increases. Forecast services charge income for 2019/20 is £8.5m, based on service costs increasing by:

- d. the agreed BCC staff salary increase of 2%; and
- e. the expected increase in utilities costs of 33%, which will mean a 5% increase in the prepayment for tenants who pay heating charges.)

Voids: The proposal for the 2019/20 budget is to increase the standard of work completed on void properties, and maintain the 18/19 budget for the associated rent loss of £1.5m. This budget represents 1.36% of gross rental income.

Capital receipts: These are from the sale of council homes under the Right to Buy (RTB) to sitting tenants at a discount. Sales for 2019/20 are forecast to be 180, with an average sale price after discount of £97k. The receipts will be reinvested to build new council homes, enabling a greater percentage to be retained.

Total RTB receipts forecast to be received in 2019/20 are £16.9m with £2.1m to be repaid to government, leaving £14.8m useable receipts (£10.9m 'additional 1-4-1' and £3.9m 'normal' RTB receipts).

The forecast for useable receipts to be applied to fund the 2019/20 capital programme is **£4.5m** of 'additional 1-4-1 receipts', used to fund 30% of the eligible costs from the new build programme in

2019/20. The remaining receipts will be added to balances and carried forward to help support the capital programme in future years.

In 2018 Government removed the HRA borrowing cap (a Government-set limit determining how much money could be borrowed). With the removal of the headroom cap on local authorities, it has meant a larger and quicker development programme can be enabled. As part of determining the Council's capital financing requirement for 2019/20 and later years the HRA has added the requirement for an additional £43m borrowing to finance the next phase of its new build programme. For 2019/20 new homes will be financed by a mix of an extra £4.8m in borrowing and previously committed HRA funding, including RTB receipts.

Other revenue income: This consists of charges for other assets, including garages and shops, and interest on balances.

Interest on balances is calculated using the consolidated interest rate the council receives (which is currently at 1% for 2019/20) applied to the average level of balances forecast for 2019/20 resulting in a budget of **£1.4m**

Other income from commercial leases, shop rents, ground rents, garages etc. have been left as per 2018/19 pending further review.

The total budget for other income in 2019/20 is therefore **£2.5m**

A commercial review of non-dwelling assets is planned for 2020 to ensure non-dwelling assets are effectively utilised and income is maximised.

1b. Expenditure

Capital & Revenue repairs:

The detail of these budgets can be found in the Housing Investment Plan or H.I.P. (formerly known as the CRIP).

The total **Capital** (i.e. major investment that improves homes) investment in new and existing homes = **£51.8m**.

Total **revenue** repairs and maintenance = **£30.6m**.

For accounting purposes funding capital investment is split into two broad categories, **depreciation** and **other**. Depreciation is an accountancy term and is the calculated level of basic re-investment needed to keep homes in reasonable repair (calculated using lifecycles / element costs as per our investment planning approach). This sets the minimum level of revenue funding to capital investment in homes that must be applied in that year (or set aside in a separate reserve account to be invested in homes in the future). Depreciation is shown as an expenditure item in revenue, and an income item in capital and the figure for 2018/19 is **£25.6m**.

Management and service costs: The budget structure splits these costs into two sections, management costs which are direct overheads to the HRA (including recharges) and service costs which are rechargeable to tenants. Budget proposal for 2019/20 is **Management costs: £29.538m, Service costs £9.16m**

Debts costs: These are the forecast for interest payments on the £249m debt on the HRA, (including the new borrowing) these generally relate to long-term loans on fixed rate interest charges. The budget for debt costs in 2019/20 is **£11.5m**.

Bad debts: This figure is not the level of arrears, but is rather the amount of money set aside to cover bad debts (i.e. older former or current tenants' arrears that are not collectable). The bad debts

figure of £2.9m represents **2.6%** of gross rent and is higher than performance in previous years. This reflects the initial likely impact of welfare benefit reforms – as c.70% of tenants are in receipts of housing benefit. This figure is a high risk factor and will need to be monitored closely. The budget for bad debts 2018/19 is **£2.9m**.

Other: Other costs of **£1.8m** include other rents and rates and council tax payments on void properties

ICT systems: Developing and improving housing ICT systems, including significant systems update, improved digital offer and mobile working options.

2. Resulting budget 2019/20

Table 1: 2019/20 Budget

Income Revenue	£m	Revenue Spending	£m
Gross Rent	113.3	Revenue repairs	30.6
Voids	(1.5)	Management costs	29.6
Net Service charges	8.5	Service costs	9.1
Other revenue income	2.5	Debt costs	11.6
		Bad debts	2.9
		Other	1.8
		Depreciation	25.6
		Other revenue financing of capital	11.6
Revenue Income Total	122.8	Revenue Spend Total	122.8
Revenue (Deficit) funded from HRA Balances			-
Income Capital			
		Capital spending	
Depreciation	25.6	Capital investment	29.9
Other revenue financing of capital	11.6	New Build	21.0
Useable 141 Capital receipts	4.5	ICT systems development and improvements	0.9
Normal RTB Receipts	5.3		
New Borrowing	4.8		
Capital Income Total	51.8	Capital Spend Total	51.8

3. Medium Term Financial Plan

Table 2: Revenue 5 year budget

2018/19	HRA Revenue Budget	2019/20	2020/21	2021/22	2022/23	2023/24
		£'000	£'000	£'000	£'000	£'000
	Income					
(111,439)	Gross Rent	(113,318)	(114,674)	(118,236)	(121,966)	(125,356)
1,504	Voids	1,504	1,525	1,573	1,622	1,667
(8,214)	Net Service charges	(8,502)	(8,327)	(8,409)	(8,492)	(8,575)
(1,762)	Other revenue income	(2,463)	(2,565)	(3,019)	(3,105)	(3,456)
(119,910)	Total Income	(122,779)	(124,041)	(128,091)	(131,941)	(135,720)
	Expenditure					
32,092	Revenue repairs	30,614	30,785	30,717	30,779	30,775
27,408	Management costs	29,538	29,834	30,132	30,435	30,737
8,555	Service costs	9,101	9,192	9,284	9,377	9,470
11,203	Debt costs	11,543	11,741	12,044	12,034	11,976
2,936	Bad debts	2,936	3,474	3,554	3,636	3,718
1,874	Other	1,800	1,836	1,873	1,911	1,949
24,641	Depreciation	25,630	26,322	27,085	27,742	28,583
11,200	Other revenue financing of capital	11,617	9,545	13,402	16,027	14,842
-	Transfer to Reserve	-	1,312	-	-	3,670
119,910	Total Expenditure	122,779	124,041	128,091	131,941	135,720
-	Total HRA Balances	-	-	-	-	-

Table 3: Capital 5 year Summary & Financing

2018/19	HRA Capital Budget	2019/20	2020/21	2021/22	2022/23	2023/24
£'000		£'000	£'000	£'000	£'000	£'000
	Investment					
27,369	Capital Programme	29,890	30,627	31,272	27,997	26,063
12,175	New Build	21,042	28,376	41,449	25,231	21,238
-	ICT	900	-	-	-	-
39,544	Total Capital Investment	51,832	59,003	72,721	53,228	47,301
	Financing					
	Usable RTB 141 Receipts	4,513	7,841	8,122	3,672	3,876
25,000	Depreciation	25,630	26,322	27,085	27,742	28,583
11,000	Other Revenue Funding	11,617	9,545	13,402	16,027	14,842
-	New Borrowing	4,818	15,295	22,974	-	-
3,544	Other Capital Receipts	5,254	-	1,138	5,787	-
39,544	Total Capital Financing	51,832	59,003	72,721	53,228	47,301

4. Business Plan

The business plan has been updated to reflect the 2019/20 draft budget figures as year 1. The impact of the various proposals has meant that the capital programme is now only fully funded throughout the life of the Business Plan; further work is being carried out to refine the assumptions.