

Arun District Council

REPORT TO:	Policy and Finance Committee - 13 December 2022
SUBJECT:	Housing Revenue Account - Revised Budget 2022/23
LEAD OFFICER:	Carolyn Martlew – Interim Group Head of Finance & Section 151 Officer
LEAD MEMBER:	Councillor Shaun Gunner
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: Delivering the Right Homes in the Right Places	
DIRECTORATE POLICY CONTEXT: The Council's Budget 2022/23 was approved by Full Council in March 2022	
FINANCIAL SUMMARY: The purpose of the report is to consider the projected outturn for the Housing Revenue Account (HRA) in order to make recommendations to Full Council for a revised revenue budget for 2022/23. The HRA is projected to go below a critical balance at 31 March 2023 unless the corrective actions recommended in the report are adopted. The proposed changes, which mainly relate to the financing of capital expenditure should result in an estimated outturn balance of a minimum of £600k. Additional ways of changing capital financing and accounting will continue to be explored with the Council's external auditors as part of the Accounts Closure process for 2022/23.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is for the Policy and Finance Committee to consider the financial position in relation to the Housing Revenue Account (HRA) in order to make recommendations to Full Council for a revised budget for 2022/23 for approval at its meeting on 18 January 2023.

2. RECOMMENDATIONS

1.2. The Policy and Finance Committee is requested to recommend to Full Council that the Revised HRA Revenue Budget set out in Appendix 1 is approved; and that

1.3. Any required changes to the financing of HRA capital expenditure including potential borrowing are agreed.

2. EXECUTIVE SUMMARY

2.1. The report analyses the key the issues that have led to the anticipated overspend and the resulting depletion of the HRA balance by 31 March 2023 unless the recommended action is taken. The report requests that the committee recommends a revised budget for approval by Full Council.

3. DETAIL

- 3.1. The Council approved a Housing Revenue Account (HRA) deficit budget of £1.396m for 2022/23. Since the start of the financial year the situation has deteriorated with significant budget pressure on both repairs budgets (additional £2m) and supervision and management budgets (this includes the housing transformation programme and CIVICA ICT project).
- 3.2. The budget for 2022/23 assumed significant revenue contributions to finance capital expenditure and an additional contribution to the Major Repairs Reserve to finance the 2022/23 HRA capital programme, which is not required due to slippage in the capital programme.
- 3.3. The capital element of the CIVICA ICT/ transformation programme (including the requested increase and agreed increases to the programme during 2022/23) has been reprofiled. It is assumed that the capital expenditure relating to 2022/23 will be financed through other sources of capital finance than originally planned. This will result in a reduction in revenue spend of (£933k) for 2022/23. However, it should be noted that there remains pressure on the capital budget for 2023/24 and future years which must be funded.
- 3.4. The proposed changes to the revenue budget for 2022/23 are summarised in the table below:

	£'000	£'000
Additional Expenditure on Repairs	2,003	
Additional Expenditure on Supervision and Management	600	
Shortfall in income	227	
Other	(3)	
Total estimated additional net expenditure		2,827
Changes in Capital Financing		(933)
Total Additional Estimated Net Expenditure 2022/23		1,894

- 3.5. The additional net expenditure of £1.894m results in an estimated outturn deficit of £3.290m.

The HRA Reserve Movement estimated outturn 2022/23 is summarised in the table below:

	Original Budget £'000	Revised Budget £'000
Opening Balance 1 April 2022	4,921	3,891 *
Movement in Reserve for 2022/23	(1,396)	(3,290)
HRA Balance at 31 March 2023	3,525	601

* Excludes HRA Major Repairs Reserve balance of 1 April 2022 £2,886k (capital reserve)

The original budget shows the estimated HRA opening balance on 1 April 2022. The revised budget for 2022/23 reflect the actual opening balance (Revenue and Capital Outturn Expenditure 2021/22 report to the Policy and Finance Committee on 6 September 2022).

- 3.6. The revenue expenditure of the HRA will continue to be examined for areas that meet the definition of capital expenditure. Currently an additional £200k is under consideration to be capitalised for compartmentation. The Housing Revenue Account has its own business plan and financial model. It is vital that these are updated to ensure the affordability of these changes in the capital financing recommended in this report.

4. CONSULTATION

- 4.1. No consultation has been undertaken with external bodies.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. Alternative options are not available, failure to act on the recommendations will result in failure of the HRA.

6. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

- 6.1. The HRA balance is at a critically low level. The HRA budget for 2023/24 and future years will be under increased pressure to fund the changes in capital expenditure.
- 6.2. The planning to bring repairs expenditure under control is critical for the long term financial sustainability of the Housing Revenue Account.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. The report identifies significant risks to the future of the HRA which must be brought under control as part of the HRA Business plan and future budgets.

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

8.1. The Housing Revenue Account is a separate account that all local authorities with housing stock are required to maintain. This account contains all transactions relating to local authority owned housing. The Local Government and Housing Act 1989 prohibits the Council operating its HRA at a deficit. The Council has a legal duty to ensure its expenditure can be met by its income, inclusive of reserves. The proposed balanced budget meets this obligation.

For items 10 – 17 below, there are no direct impacts arising from this report.

9. HUMAN RESOURCES IMPACT

10. HEALTH & SAFETY IMPACT

11. PROPERTY & ESTATES IMPACT

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14. CRIME AND DISORDER REDUCTION IMPACT

15. HUMAN RIGHTS IMPACT

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

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BACKGROUND DOCUMENTS:

Budget Book 2022/23