

Item: 12

Education, Leisure and Housing Committee: 7 February 2024.

Housing Revenue Account – Draft Budget.

Report by Corporate Director for Education, Leisure and Housing.

1. Purpose of Report

To consider the draft revenue budget for the Housing Revenue Account for financial year 2024/25.

2. Recommendations

It is recommended:

2.1.

That the draft revenue budget for the Housing Revenue Account for financial year 2024/25, as detailed in Appendix 1 to this report, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

3. Background

3.1.

The Council is required to maintain a separate Housing Revenue Account covering income and expenditure in respect of specified houses, buildings and land. There is a legal requirement for Housing Revenue Account income and expenditure to be in balance at the end of each financial year.

3.2.

The Housing Revenue Account is financed almost entirely by rents and other charges paid by Council tenants. It is not funded in any part from revenue raised through Council Tax.

4. Draft Budget for 2024/25

4.1.

The Council appointed Hub North who commissioned Indigo House Group to review and update the 30-year Housing Revenue Account Business Plan. The review involved particular emphasis on the financial capacity of the Housing Revenue Account to:

- Meet the investment needs of the existing housing stock and enhance housing service delivery.

- Deliver new housing supply particularly over the next 10 years to meet the housing needs identified in the Housing Needs and Demand Assessment.
- Keep rents affordable for tenants and debt obligation affordable for the Housing Revenue Account.

4.2.

The work carried out by Indigo House to review the financial capacity of the Housing Revenue Account, as detailed above, involved a projection of the revenue budgets required to deliver the Housing Revenue Account services over the next 30 years, which have been used to set the draft budget for financial year 2024/25.

4.3.

In setting the Housing Revenue Account budget for financial year 2024/25, the following revenue planning assumptions have been used by Indigo House:

Staff Costs	2.0%
Apportioned Costs	2.0%
Repairs and Maintenance	0.0%
Supervision and Management	4.0%

4.4.

A proposal to increase the rent income on dwellings is the subject of a separate report. The proposed rent increase of 6.7% for financial year 2024/25 is in line with the Consumer Prices Index in September 2023.

4.5.

Application of the proposed rental increase of 6.7% would increase rental income for financial year 2024/25 by £291,000. However, Indigo House have looked in detail at void rent loss, arrears and bad debt, and have calculated the rental income budget for 2024/25 at £4,499,000, which is an increase of £156,200 on the 2023/24 budget of £4,342,800.

4.6.

The annual rental income figure for 2024/25 reflects completion of the 14 units at Carness and 4 units at Moar Drive, with both projects due to complete in 2024.

4.7.

Indigo House have analysed the existing budget for Repairs and Maintenance on a per unit basis and have compared this to a Scotland wide average. The results show that the base budget per unit in Orkney is high when compared to other authorities. Indigo House have, therefore, recommended no increase in this budget for core repairs in financial year 2024/25. However, they have factored in additional budget to cover expenditure on Scottish Housing Quality Standards (SHQS) and Energy Efficiency Standard for Social Housing (EESH).

4.8.

The Loan Charges budget for financial year 2024/25 has been set at £823,000 to cover the principal repayments, debt interest and debt management costs to service existing borrowings.

4.9.

The draft budget for the Housing Revenue Account for financial year 2024/25 is extracted from the Housing Revenue Account Final Report from Indigo House and is included in Appendix 1 to this report. The draft budget is estimated at £4,764,000, an increase of £396,600 or 9.1% over the 2023/24 budget.

5. Corporate Governance

This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's declared five strategic priorities.

6. Financial Implications

The financial implications are detailed throughout the report.

7. Legal Aspects

There are no direct legal implications arising from the recommendations of the report.

8. Contact Officers

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9. Appendix

Appendix 1: Housing Revenue Account – Draft Revenue Budget.

Appendix II – 30 Year HRA Projections

A - HRA REVENUE ACCOUNT PROJECTIONS (1st April 2024 to 31st March 2054)

R2a - HRA - Summary Cashflows - £000s - at Nominal Values											Return to Menu
KPIs	Max Debt	£17,507	Yr	20	30 Yr Cash	£16,289	NPV	£5,327	6%		
HRA SUMMARY CASHFLOWS	1	2	3	4	5	6 - 10	11- 15	16 - 20	21 - 25	26 - 30	
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/34	2034/39	2039/44	2044/49	2049/54	
OPERATING ACTIVITY:											
Income											
Rents	£4,652	£4,923	£5,148	£5,356	£5,572	£30,891	£35,282	£38,954	£42,563	£47,485	
Service & Other Charges	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	
Voids & Bad Debts	-£153	-£141	-£135	-£121	-£112	-£559	-£628	-£694	-£766	-£846	
Other income	£265	£277	£283	£291	£298	£1,604	£1,815	£2,054	£2,323	£2,629	
Total Income	£4,764	£5,058	£5,297	£5,526	£5,757	£31,937	£36,469	£40,314	£44,121	£49,268	
Expenditure (Revenue)											
Management	£927	£971	£1,000	£1,027	£1,056	£5,686	£6,352	£7,013	£7,743	£8,549	
Maintenance	£2,103	£1,923	£1,894	£1,398	£1,741	£8,942	£20,270	£19,038	£15,893	£19,599	
Service Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	
Other stock-related costs	£21	£22	£23	£23	£24	£0	£0	£0	£0	£0	
Other general running costs	£330	£345	£353	£268	£274	£1,455	£1,606	£1,773	£1,958	£2,162	
Total Expenditure (Revenue)	£3,381	£3,261	£3,271	£2,717	£3,095	£16,083	£28,228	£27,825	£25,594	£30,309	
Net Operational Cash Flow from Renting Pre Finance Costs											
	£1,383	£1,797	£2,026	£2,809	£2,663	£15,854	£8,241	£12,489	£18,527	£18,959	
Interest Earned	£0	£10	£10	£25	£10	£50	£50	£50	£50	£414	
Financing Costs	£823	£888	£966	£984	£1,052	£5,948	£5,843	£5,621	£14,839	£5,299	
HRA Surplus/(Deficit)	£560	£920	£1,070	£1,850	£1,621	£9,956	£2,448	£6,918	£3,738	£14,073	