

## **Item: 7**

**Education, Leisure and Housing Committee: 3 February 2021.**

**Housing Revenue Account – Draft Budget.**

**Joint Report by Executive Director of Education, Leisure and Housing and Head of Finance.**

### **1. Purpose of Report**

To consider the draft revenue budget for the Housing Revenue Account for financial year 2021/22.

### **2. Recommendations**

**It is recommended:**

#### **2.1.**

That the draft revenue budget for the Housing Revenue Account for financial year 2021/22, attached as 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 financial year 2021/22**

#### **4.1.**

In setting the Housing Revenue Account budget for financial year 2021/22, the Council's budget strategy assumptions for inflation have been applied, as follows:

Staff Costs	2.0%
Apportioned Costs	2.0%
Supplies and Services	2.0%
All Other Costs	1.0%

#### 4.2.

Application of the inflationary assumptions shown above has increased the gross expenditure budget by £30,000.

#### 4.3.

A proposal to increase the rent income on dwellings is the subject of a separate report. The proposed rent increase of 2.0% for financial year 2021/22 is based on the long-term government target for the Consumer Prices Index. This equates to an increase in the average rent figure from £81.29 to £82.92 per week, over the 48-week period that rents are charged during the year. The Council charges rent over 48 weeks of the year with four weeks being referred to as “free weeks” – one at the beginning of the financial year, two over the festive break and one at the end of the financial year.

#### 4.4.

Application of the proposed rental increase of 2.0% would increase rental income for financial year 2021/22 by £77,000, from £3,849,800 to £3,926,800.

#### 4.5.

Based on the approved capital programme and the Council’s Fixed Asset Register, the following assumptions on house numbers have been factored into the budget calculations:

Actual number of dwellings at 1 April 2020.	944.
Add: New builds completed during 2020/21	0.
Add: Properties purchased during 2020/21.	2.
Estimated number of dwellings as at 31 March 2021.	946.

#### 4.6.

The purchase of two houses during the year increases the rental income by a further £8,400 to £3,935,200.

#### 4.7.

Repairs and Maintenance costs are calculated on a range of £821 to £1,642 per property based on an aged analysis from 0 to 16 years plus and have been inflated by 5.5%, resulting in an overall increase of £81,900 to £1,547,600.

#### **4.8.**

Due to delays with the Carness project, very limited borrowing has been required from the Loans Fund over the last three financial years. In addition, there has been accelerated debt repayment on the existing borrowings for previous projects in the House Build Development Programme.

#### **4.9.**

The reduced borrowings and acceleration of debt repayments has reduced the Loan Charges budget in respect of repayment of debt by £20,700 to £1,575,300 for 2021/22.

#### **4.10.**

Attached as Appendix 1 to this report is the draft Housing Revenue Account budget for financial year 2021/22, estimated at £3,959,600, an increase of £85,400 or 2.2% over the 2020/21 figures.

### **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 this report.

### **8. Contact Officers**

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### **9. Appendix**

Appendix 1: Draft Revenue Budget for financial year 2021/22.

