

## APPENDIX 2

**HOUSING REVENUE ACCOUNT BUDGET AND COUNCIL HOUSE RENTS 2021/22**1. Introduction

The Housing Revenue Account (HRA) shows a projected surplus balance in hand at 31 March 2022 of £2,332,298.

2. Budget Changes

The following have been taken into account in the production of the overall budget position for 2021/22:

- An estimated pay award of 2% from April 2021 for those employees earning less than £24,000 per annum as per the Chancellor of the Exchequer's announcement in the Spending Review 2020 (an increase of £36,750).
- An allowance for increments and the full year impact of a number of restructures that took place in 2020/21 including in Independent Living, Housing Allocations and Options and Housing Strategy and Performance (an increase of £64,600).
- A reduction in premises costs of £90,950 including the re-phasing of some budgets into subsequent years.
- A reduction of £23,350 in the Repairs and Maintenance budget due to an expectation of lower direct materials, Stores and sub-contractor costs.
- An increase of £30,750 in other supplies and services costs.
- Increase in Grounds Maintenance charges for maintaining HRA non-residential land, Independent Living Accommodation and maintaining elderly residents' gardens (£40,050).
- A re-assessment of support services provided by the Council has led to an increase in charges to the HRA of £190,000. These relate mainly to ICT Services Legal Services, Property Administration and Governance Services.
- An increase of £44,800 in estimated Depreciation and Impairment of Fixed Assets reflecting the 31 March 2020 valuation of the Council's housing stock.
- A reduction of £93,800 in the HRA share of interest payable and similar charges.
- A decrease of £43,950 in the HRA share of investment income received by the Council.
- An increase of £70,750 in HRA capital expenditure to be financed by HRA revenue contributions.

### 3. Rent and charges proposals

With effect from 1 April 2020, local authorities were able to set their own rent levels, though Government Guidance recommends that rent increases should be not more CPI plus 1%.

On 18 September 2019 the Housing Committee approved the Council's new Rent Setting Policy which in summary stated Housing Rents are to:-

- Increase by September Consumer Price Index (CPI) plus 1%. For 2021/22 this will equate to an increase of 1.5%.
- Where a property becomes vacant the rent chargeable for the next tenancy will be at *Formula Rent*. Formula Rent is based upon a 'formula set by the Government and is based upon:-
  - 30% of a property's rent is based on relative property values.
  - 70% of the property's rent is based on relative local earning.
  - A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.
- New build properties and property acquired (buy-back properties) will be charged at Formula Rent.
- If the Council is in receipt of grant from Homes England to develop Council Housing for Rent, it is a requirement of the grant that rent is set at *Affordable Rent* level. This is equivalent to 80% of market rent.

In determining the budget, Right to Buy sales (reducing the rent income budget) have been estimated using the HRA Business Plan. The budget also has assumed a level of 'buy back properties' and 'new build properties' based upon developments likely to be completed during 2021/22 (increasing the rent income budget as well as a projected loss due to void properties. The net increase in rental income due between 2020/21 and 2021/22 is £42,100.

There has been a major overall to the Council Garages which has including renovating some but also demolishing others to increase available sites for new build housing. It is proposed that garage rents also increase by 1.5%. However, the reduction in the number of garages available in 2021/22 has reduced the income due for the year by £29,550.

### 4. Summary

The minimum working balance recommended on this account in 2021/22 is £1 million. To the extent that the predicted balance exceeds this, it is proposed to use any surplus resources to increase the revenue contribution towards financing the capital programme, thereby reducing the potential need for prudential borrowing by a similar amount.

The interest cost arising from any prudential borrowing to help finance the capital programme falls on the revenue account and is estimated at £2,394,890 in 2021/22. Additional borrowing of £1,400,000 is required for 2021/22 to fund proposed housing acquisitions in the the Housing capital programme.. A

revenue contribution of £2,158,300 to the Capital Programme is anticipated in 2021/22.

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In order to fund the capital programme in 2021/22 it is anticipated that £2,218,000 will be required from HRA capital receipts.

It is recommended that a working balance of at least £1 million is maintained in future years to ensure that sufficient provision exists to meet unexpected needs. This is will be increasingly significant in terms of, for example, having sufficient funds available to meet the cost of potential new build properties and other commitments.

A re-visit of the HRA Business Plan is underway as a result of the material increases in expenditure to the 2021/22 budget.