

APPENDIX 2

HOUSING REVENUE ACCOUNT BUDGET AND COUNCIL HOUSE RENTS 2022/231. Introduction

The Housing Revenue Account (HRA) shows a projected surplus balance in hand at 31 March 2022 of £2,963,272.

2. Budget Changes

The following have been taken into account in the production of the overall budget position for 2022/23:

- An increase of £198,800 in employee related costs, which includes the impact of the anticipated pay award, currently estimated at 2%; a planned increase in the rate of employers' National Insurance contributions from April 2022; and the full-year impact of salary increments within pay scales.
- A net reduction in premises costs of £9,100 including a saving on the Council's decoration scheme. A new scheme was introduced based upon contract and painting packs being provided rather than issuing decoration vouchers. The budget reduction reflects the current levels of spending in this area.
- A net increase of £204,500 the Repairs and Maintenance budgets (including direct materials, stores and sub-contractor costs) due to a 15% inflationary uplift in prices and an increased use of sub-contractors pending an examination of an in-house solution for void properties.
- An increase of £34,200 in other supplies and services costs.
- A change to the provision of the tenant's contents insurance scheme which will be provided directly by the insurer from April 2022. The reduction in premiums paid and collected are offset and are now shown at nil.
- An increase of £30,950 in grounds maintenance charges for maintaining HRA non-residential land, Independent Living Accommodation and elderly residents' gardens.
- A re-assessment of support services provided by the Council has led to a net increase in charges to the HRA of £69,900. These services include ICT Services, Governance, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Vehicle Mechanics, Payroll, Creditors, Debtors, Support Services and Internal Audit.
- An increase of £121,000 in estimated depreciation and impairment of fixed assets reflecting the 31 March 2021 valuation of the Council's housing stock.

- An increase of £274,900 in the HRA share of interest payable and similar charges.
- A decrease of £33,480 in the HRA share of investment income received by the Council.
- A decrease of £2,065,200 in HRA capital expenditure to be financed by HRA revenue contributions when compared to the revised estimate for 2021/22 (although noting that the 2021/22 revised estimate includes £1,693,200 of 'direct revenue financing' for the schemes carried forward from the 2020/21 Capital Programme).

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 2022/23 this will equate to an increase of 4.1%.
- 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, the 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' (acquisitions) and 'new build properties' based upon developments likely to be completed during 2022/23 (increasing the rent income budget as well as a projected loss due to void properties). The net increase in rental income due between 2021/22 and 2022/23 is £415,360.

There has been changes to the Council garages provision which has included renovating some units but also demolishing others to increase available sites for new build housing. It is proposed that garage rents will increase by 4.1%.

However, the reduction in the number of garages available for letting in 2022/23 will see income received at similar levels to the current year.

4. Summary

The minimum working balance recommended on this account 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 HRA and is estimated at £2,669,790 in 2022/23. Additional borrowing of £3,292,000 is required for 2022/23 to fund the proposed new build housing programme and housing acquisitions in the Housing Capital Programme. A revenue contribution of £1,786,300 to the Capital Programme is anticipated in 2022/23.

In order to fund the Capital Programme in 2022/23 it is anticipated that £748,000 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 will be increasingly significant in terms of having sufficient funds available to meet the cost of potential new build properties and other commitments.

A re-visit of the HRA 30 Year Business Plan will be undertaken in 2022/23.