

## APPENDIX 2

<b>HOUSING REVENUE ACCOUNT BUDGET AND COUNCIL HOUSE RENTS 2023/24</b>
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1. Housing Revenue Account Budget

The Housing Revenue Account (HRA) budgets for the 2022/23 revised estimate and the 2023/24 base budget are presented below. This shows a projected surplus balance in hand of £2.657m at 31 March 2024.

	Revised Estimate 2022/23 £	Base Budget 2023/24 £
Repairs & Maintenance	3,989,630	4,562,250
Supervision & Management	2,920,390	3,425,430
Special Services	2,183,100	2,290,870
Rents, Rates, Taxes & Other Charges	146,270	160,350
Depreciation & Impairment of Fixed Assets	4,332,000	4,617,000
Increase/Decrease in Impairment of Debtors	110,000	80,000
<b>Total Expenditure</b>	<b>13,681,390</b>	<b>15,135,900</b>
Dwelling Rents (Gross)	(15,683,650)	(16,972,400)
Non-dwelling Rents (Gross)	(273,500)	(289,000)
Tenants' Charges for Services & Facilities	(823,450)	(856,700)
Leaseholders' Charges for Services & Facilities	(67,650)	(94,300)
Other Charges for Services & Facilities	(14,780)	(4,000)
<b>Total Income</b>	<b>(16,863,030)</b>	<b>(18,216,400)</b>
<b>Net Cost of Services</b>	<b>(3,181,640)</b>	<b>(3,100,500)</b>
HRA services' share of Corporate/Democratic Core	415,690	442,540
HRA share of interest payable and similar charges including amortisation of premiums and discounts	2,669,790	2,674,500
HRA Investment Income	(92,240)	(84,700)
<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement</b>	<b>(188,400)</b>	<b>(48,160)</b>
Capital expenditure funded by the HRA	1,786,300	1,719,104

	Revised Estimate 2022/23 £	Base Budget 2023/24 £
<b>(Increase)/Decrease in the HRA Balance</b>	<b>1,597,900</b>	<b>1,670,944</b>
<b>HRA Opening Balance</b>	<b>(5,925,810)</b>	<b>(4,327,910)</b>
<b>HRA Closing Balance</b>	<b>(4,327,910)</b>	<b>(2,656,966)</b>

## 2. Budget Changes

The following have been taken into account in the production of the overall budget position for 2023/24. The 2023/24 base budget shows an increase in expenditure of £1.538m compared to the 2022/23 revised budget, whilst income has increased by £1.465m:

<b>Service Area – Expenses</b>	<b>Change (£)</b>
Changes in employee related costs including: <ul style="list-style-type: none"> <li>The impact of the pay award in 2022/23 and anticipated 2023/24, currently estimated at 5%, salary increments and various small structure changes agreed in 2022/23. There is also a 1% increase in Pension Fund primary contributions in 2023/24.</li> <li>Changes following phase 1 of the Housing Repairs restructure that was recently agreed at Cabinet.</li> </ul>	585,000  146,000
A net increase in premises costs linked to price inflation	19,000
Increases in Transport related expenditure is due to an increase in transport running costs (e.g. Mechanics pay, materials, fuel), a proportion of which is recharged to the HRA. This is partially offset by a reduction in travelling expenses (mileage) based on previous year expenditure.	25,000
Third party payments relating to an increase in grounds maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation sites and maintaining elderly residents' gardens.	85,000

<b>Service Area – Expenses</b>	<b>Change (£)</b>
A net increase in Supplies and Services costs:	
<ul style="list-style-type: none"> <li>• An increase in sub-contractor costs based on forecast demand and an expected increase in fees</li> </ul>	284,000
<ul style="list-style-type: none"> <li>• Material costs are expected to rise by up to 15% due to the current economic climate</li> </ul>	42,000
<ul style="list-style-type: none"> <li>• Waste disposal costs for void properties have been increased based on current year expenditure</li> </ul>	20,000
<ul style="list-style-type: none"> <li>• An increase in Leaseholder spending due to fees related to the registration of leases with the Land Registry</li> </ul>	32,000
<ul style="list-style-type: none"> <li>• New Home Release scheme budget approved at Cabinet</li> </ul>	20,000
<ul style="list-style-type: none"> <li>• The development budget of £100k for the EPC programme in 2022/23 was a one-off budget and is not required in 2023/24.</li> </ul>	(100,000)
A net increase in recharges for services from the General Fund to the HRA for costs including ICT Services, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Mechanics. Payroll, Creditors, Debtors, Support Services and Internal Audit.	110,000
An increase in capital charges due to an increase in HRA property values and the HRA share of vehicle purchases. This is partially offset by a reduction in capital expenditure to be financed by HRA revenue contributions when compared to 2022/23.	223,000
Increase in Democratic Core and Corporate Administration Costs	27,000

<b>Service Area – Income</b>	<b>Change (£)</b>
An increase in Housing Rents (Dwelling) income based upon:	
<ul style="list-style-type: none"> <li>• An opening stock of 4,367 properties; plus 20 acquisitions; less 52 estimated Right to Buy sales across 2022/23 and 2023/24 equals projected closing stock 4,335 properties.</li> <li>• Impact of rent increase at 7% (capped by legislation).</li> <li>• Less projected void loss of £331,000.</li> <li>• Less income relating to General Fund properties.</li> </ul>	(1,289,000)
See narrative after this table for further information	

<b>Service Area – Income</b>	<b>Change (£)</b>
<p>An increase in garage rent income (non-dwelling) based upon:</p> <ul style="list-style-type: none"> <li>Opening stock 828 garages (692 units to let) less 37 demolitions in 2023/34 (a reduction in forecast demolitions compared to 2022/23) equals the projected closing stock of 655 units available to let.</li> <li>No increase in fees in 2023/24.</li> </ul> <p>See narrative after this table for further information.</p>	(15,500)
<p>An increase in Support Charges (tenants' charges for services):</p> <ul style="list-style-type: none"> <li>No changes to Support Charges or scheme re-designations anticipated.</li> <li>A projected void loss of £25,000, a reduction of £22,000 when compared to the 2022/23 budget due to previous re-designations and anticipated demand for 2023/24.</li> </ul>	(44,000)
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> <li>Salaries recharged to the capital programme in 2022/23.</li> <li>A reduction in the Bad Debt Provision for Housing Repairs charges to tenants based on previous years' actual costs.</li> <li>An increase in the amount charged by the HRA to the General Fund for GF related activities carried out by employees paid by the HRA.</li> <li>Various smaller variances.</li> </ul>	(46,000) (26,000) (19,000) (25,000)
<b>Overall increase/(decrease) in net expenditure compared to 2022/23 revised estimate</b>	<b>73,000</b>

### 3. Rents and charges proposals

With effect from 1 April 2020, local authorities are able to set their own rent levels, though Government Guidance recommends that rent increases should be not more than the Consumer Price Index (CPI) plus 1% from 2020/21 for the following five years. On 2 February 2021, the Housing Committee approved the Council's Rent Setting Policy which in summary stated Housing Rents are to increase by September CPI plus 1%. This policy has been reflected in the financial model that accompanies the HRA 30-year Business Plan.

In view of current economic conditions and high inflation, the Government has announced a social housing rent cap of 7% for 2023/24, following consultation.

The proposals presented for consideration and approval by Cabinet, on this agenda, include the HRA rent income budgets prepared with a 7% rent increase as recommended by the Council's Section 151 Officer.

The increase in rents will impact on all tenants. It will also have an impact on the welfare bill as it is anticipated that housing benefit payments will increase in proportion to the increase in rental income.

About two-thirds of tenants receive Housing Benefit or the rent element of Universal Credit, although not all will get the full amount. An increase of 7% increase would equate to an average weekly rent of £83.15. This increase is below inflation and will provide vital in additional revenues to help manage the cost of staffing and further investment in repairs and maintenance.

The Government's Universal Credit programme continues to be rolled out across the Borough, which sees Universal Credit replacing a number of benefits with one. The amount due is paid directly to the claimant which is a substantial change for some claimants where housing benefits were previously paid to the landlord such as the Council. The Council is working with tenants and other agencies to ensure a smooth transition.

The budget proposals also include estimates for a freeze in Garage Rents and other charges which have been taken into account in the updated Housing Business Plan and budget figures considered by Overview and Scrutiny Committee on 31 January 2023.

Whilst the changes in Housing rent levels will affect all tenants while the changes to Garage rents will only affect those specific tenancy types. An Equality Impact Assessment was undertaken for the proposed changes in policy during earlier budget setting exercises. This indicated that there are no recognised groups within the Equalities Act that would be adversely affected by any changes. No further changes would affect this conclusion.

#### 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 £2.674m in 2023/24. Additional borrowing of £7.941m will be required for 2023/24 to finance the proposed new build housing and housing acquisitions programme and to contribute towards the investment and improvements of HRA dwellings included in the capital programme. A HRA revenue contribution of £1.719m to the Capital Programme is anticipated in 2023/24.

In order to fund the Capital Programme in 2023/24 it is anticipated that £2.498m will be required from HRA capital receipts.

It is recommended that a HRA 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 capital investment commitments.

A review of the HRA 30-Year Business Plan is underway and will be reported to Cabinet in spring 2023.