

APPENDIX 2

HOUSING REVENUE ACCOUNT BUDGET AND COUNCIL HOUSE RENTS 2024/25

1. Housing Revenue Account (HRA) Budget

The HRA budgets for the 2023/24 revised estimate and 2024/25 base budget are presented below. This shows a projected balance of £2.296m as at 31 March 2025.

	Revised Budget 2023/24 £	Base Budget 2024/25 £
Repairs and Maintenance	5,004,850	4,866,620
Supervision and Management	3,432,900	4,126,920
Special Services	2,323,400	2,489,910
Rents, Rates, Taxes and Other Charges	160,350	162,300
Depreciation and Impairment of Fixed Assets	4,617,000	4,777,900
Increase/Decrease in Impairment of Debtors	80,000	70,000
Total Expenditure	15,618,500	16,493,650
Dwelling Rents (Gross)	(16,972,400)	(18,535,470)
Non-dwelling Rents (Gross)	(289,000)	(279,000)
Tenants' Charges for Services and Facilities	(856,700)	(843,010)
Leaseholders' Charges for Services/Facilities	(94,300)	(110,250)
Other Charges for Services and Facilities	(4,000)	(8,500)
Total Income	(18,216,400)	(19,776,230)
Net Cost of Services	(2,597,900)	(3,282,580)
HRA share of Corporate and Democratic Core	442,540	487,780
HRA share of interest payable and similar charges including amortised premiums/ discounts	2,674,500	3,210,320
HRA Investment Income	(84,700)	(177,400)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	434,440	238,120

	Revised Budget 2023/24 £	Base Budget 2024/25 £
Capital Expenditure Funded by HRA Revenue	-	-
(Increase)/Decrease in HRA Balance	434,440	238,120
HRA Opening Balance	(2,968,659)	(2,534,219)
HRA Closing Balance	(2,534,219)	(2,296,099)

2. Budget Changes

The following matters have been taken into account in the production of the overall budget position. The 2024/25 base budget shows an increase in expenditure of £1.145m compared to the 2023/24 revised budget, whilst income has increased by £1.341m.

Service Area – Expenses	Change (£)
Changes in employee related costs across the HRA including the impact of the pay award in 2023/24 and the anticipated pay award estimated at 4% in 2024/25. The uplift also includes salary increments and establishment changes agreed in 2023/24.	186,000
A net increase in premises costs largely linked to price inflation.	20,000
An uplift in transport related expenditure due to an increase in fleet operating costs (e.g. mechanics pay, fuel and materials), a proportion of which is recharged to the HRA. This is partially offset by a forecast reduction in mileage expenses.	16,000
A net increase in supplies and services costs mainly due: <ul style="list-style-type: none"> The Council's Insurance policy is out to tender and it is expected that premiums will rise significantly due to increased property sums insured linked to rebuild costs. As such, the insurance recharge to the HRA has increased significantly for 2024/25 budget (£156k). A net increase in the sub-contractors' budget based on forecast demand and an expected increase in fees (£74k). A new budget has been created following the Regulator of Social Housing introducing a mandatory charge for local authorities (£35k). 	123,000

Service Area – Expenses	Change (£)
<ul style="list-style-type: none"> • Waste disposal costs across Housing Repairs have been increased based on current and prior year spends (£25k). • An increase in the contingency budget to allow greater flexibility in the budget to respond to urgent issues (£20k). • An increase in the compensation budget following regulatory changes by the Housing Ombudsman (£15k). • A one-off development budget for the EPC project is included in 2023/24 and will fall out of the 2024/25 base budget. Any budget underspend may be carried forward required (£100k). • Consultancy budgets across the HRA have been reduced as one-off budgets for specific projects included in 2023/24 are not replicated in the base budget for 2024/25 (£79k). • The materials budget for day-to-day repairs has been decreased based upon forecasted work required (£22k). 	
<p>Increases in third party payments relate to an increase in grounds maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation and maintaining elderly residents' gardens.</p>	56,000
<p>A net increase in recharges to the HRA for services from the General Fund including ICT, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Mechanics, Payroll, Creditors, Debtors, Internal Audit and Support Services.</p>	46,000
<p>There is a net increase in capital charges. This is because of an increase in depreciation following an increase in HRA dwelling values. There is also an increase in borrowing costs to the HRA based on forecast borrowing for Housing capital expenditure.</p> <p>This is partially offset by a decrease in vehicles and equipment depreciation, with some of these assets being fully depreciated in 2023/24 and therefore no further charges being necessary.</p>	697,000

Service Area – Income	Change (£)
<p>An increase in Housing Rents (Dwelling) income based upon:</p> <ul style="list-style-type: none"> • An opening stock of 4,353 properties; plus 68 acquisitions and new builds across 2023/24 and 2024/25; less 33 estimated sales (Right to Buy) across the two years equals a projected closing stock of 4,388 properties. • Add the impact of a 7.7% rent increase (September CPI+1% as allowed by Regulations). • Less projected void loss of £295,000. <p>See further commentary below for more details.</p>	(1,563,000)
<p>There has been a small reduction in forecasted Garage Rent income. This estimate is primarily based on actual income from 2022/23 and 2023/24 to date. It is also proposed that there would be no increase in garage rent charges in 2024/25 in order to keep charges in line with other suppliers.</p>	10,000
<p>A small reduction in Support Charges (tenants' charges for services) estimated based upon previous actuals and forecast demand for services in 2024/25.</p>	10,000
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> • Investment income to increase in 2024/25 based on forecast interest rates, economic performance and cash flows. • A reduction in the estimated capital salaries recharged to the proposed capital programme in 2024/25. • A reduction in the amount charged by the HRA for General Fund related activities carried out by employees paid by the HRA. This has been reduced because of cost reductions in HRA services and is therefore not a 'true' loss of income as it is offset by cost reduction across HRA services. • A review of the recharge basis that took place in 2023/24 has resulted in a reduction of recharged income within the HRA. Again it should be noted that this is not a 'true' reduction in income as it was simply costs recharged from one HRA service to another so the reduction in income recharges is offset by an equivalent reduction in income expenditure. 	<p>(93,000)</p> <p>12,000</p> <p>36,000</p> <p>248,000</p>
<p>Overall increase/(decrease) in net expenditure compared to 2023/24 revised estimate</p>	<p>(196,000)</p>

Revenue Development – Housing Disrepair

In addition to the above changes to base budgets, there is a request for a new revenue development in 2024/25 and beyond. This budget would fund the addition of two new posts, namely a Disrepairs Inspector and a Disrepairs Assistant. It would also fund the work necessary to correct disrepairs and any compensation due to affected tenants.

The development budget required is £634,300 and includes the cost of the two posts at £84,300, potential additional repair works at £200,000 and settlement and compensation at £350,000. A report was considered by Cabinet in January 2024 to request the addition of the new posts to the establishment.

Cabinet is asked to approve this revenue development.

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.

For 2023/24, in view of the economic situation, the Government capped rent increases at 7%. This restriction does not apply for 2024/25 and therefore a return to the September CPI plus 1% method is proposed, resulting in a proposed increase of 7.7%.

The proposals presented for consideration and approval by Cabinet, on this agenda, include the HRA rent income budgets prepared with a 7.7% rent increase as recommended by the Deputy Chief Executive and Section 151 Officer. For comparison, a lower rent increase at 5% would cost the HRA around £470k in 2024/25 which would then be compounded in future years because it is not included in the base. This loss of income would directly impact upon service delivery and capital investment.

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 7.7% increase would equate to an average weekly rent of £89.98.

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 which has been taken into account in the updated Housing Business Plan and budget figures considered by Overview and Scrutiny Committee on 29/30 January 2024.

4. Summary

The minimum working balance recommended on this account is £1 million. As per the HRA 30-year Business Plan (approved by Cabinet in December 2023), there are forecast to be periods when actual balance exceeds this. This surplus balance will be used to fund future repairs and maintenance (as per the Stock condition survey), to fund capital investments, and to repay borrowing.

The interest cost arising from any prudential borrowing to help finance the capital programme falls on the HRA and is estimated at £3.21m in 2024/25.

Additional borrowing of £20.66m will be required for 2024/25 to 2026/27 to finance the proposed new build housing and housing acquisitions programme, compliance work and to contribute towards the investment and improvements of HRA dwellings included in the capital programme and ensure decent home standards are met.

In order to fund the Capital Programme in 2024/25 it is anticipated that £990k 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.

The HRA 30-Year Business Plan has recently been refreshed and was approved by Cabinet on 5 December 2023. A further annual review will be completed in 2024/25 and reported to Cabinet accordingly.