

HOUSING REVENUE ACCOUNT

ANNUAL ESTIMATES 2023/24

1. Introduction

- 1.1 The report sets out the estimates and fees and charges for the Housing Revenue Account activities of the Housing Committee.
- 1.2 Once approved, the estimates along with any growth agreed as part of the Housing Service Area Plan for 2023/24, will be incorporated into the 30-year HRA financial Business Plan. This Business Plan will also be amended to reflect the aims and objectives of the new Corporate Business Plan and will be presented to the March meeting of this committee.
- 1.3 Equality impact assessments have been prepared for the services delivered by this Committee. An equality impact assessment is required for new policies included in the draft estimates. These will be prepared by the Budget Manager for the service at the appropriate time.

2. Revised estimates 2022/23

- 2.1 The revised estimates have been prepared on a similar basis to the original estimates. The major income and expenditure variations to the original budget are listed below:

Table 1 – Major Variations to the original HRA budget in 2022/23	
	£000
<u>Planned Underspends 2021</u>	
• Void repair works behind schedule	321
• LA Green Homes grant – RBC Contribution – Deadline extended	300
<u>Supplementary Estimates approved during 2022</u>	
• New Housing system licence fees	7
• LA Green Homes grant – Additional RBC Contribution	100
<u>General Management</u>	
• Feasibility revenue expenditure – new builds (Parkside)	1,025
• Increase in IT costs from dual running systems during upgardes	50
<u>Other HRA</u>	
• Increased contribution to corporate fraud expenses	14
<u>Mobile Home Site</u>	
• Higher than anticipated sales commission received 2022/23	(10)
<u>Housing repairs</u>	
▪ Variations in works between financial years (£3,679) Less amounts of those items funded from Major Repairs Reserve (£3,700)	(64)
<u>HRA income</u>	

• Increase in Interest received on balances, due to substantially higher than anticipated levels of interest rates	(750)
Other net changes	(10)
Variation from original to revised budget	983

- 2.2 Initial feasibility and pre-development work on the Parkside regeneration project has begun and is estimated that £1.25m will be spent in the current year funded (initially) from HRA balances.
- 2.3 In major works the Central Heating Programme is progressing faster than anticipated with £1.16m expenditure brought forward from future years spend. However, £5m of other major works is now expected to take place in future years – the majority of this is roof replacement and associated works. This will be largely offset by adjustment to the transfer from the Major Repairs Reserve (MRR).
- 2.4 After taking account of changes in 2022/23, including the budget variations detailed in Table 1 the revised estimated balance in the Housing Revenue Account at 31 March 2023 is estimated to be £29.4m, with a further balance of £4.7m in the Major Repairs Reserve.

3. H.R.A. ESTIMATES FOR 2023/24

Basis of Estimates

- 3.1 The attached estimates take account of the proposed changes in housing rent levels and other charges, details of which are set out in this report.

Housing repairs - Major works programme

- 3.2 In previous years the Committee has requested details of what is included in the Major Repairs budget and therefore set out below is the composition of the Major Works budget for 2023/24.

Table 2 – Major works budget for 2023/24	
	£000
Internal Works Programme	
Kitchens & Bathrooms	1,700
Boiler replacement	1,160
Electrical Rewires	200
Fire Door replacement (including Surrey Towers)	400
External Works Programme	
Replacement windows and doors	750
Roofing, Chimneys & rainwater goods (Gutters, downpipes etc)	3,350
External Wall finishes	500
Total Special Works budget in 2023/24	8,060

- 3.3 As a consequence of the large increase in the level of major works and improvements to our Housing stock there will be insufficient funds in the Major Repairs Reserve during

the coming year (2023/24) and therefore the HRA will need to make a further transfer from the HRA balances as set out in the estimates.

Debt Charges and Depreciation

- 3.4 In late March 2022 the Council was required to make its first repayment of the sums borrowed from the Public Works Loan Board (PWLB) in March 2012. This initial payment was fully covered by retained sums arising from Right to Buy sales since 2012. The next repayment of £10m is not due until March 2027, followed by further repayments of £90m that is due to be repaid between March 2032 and March 2042.
- 3.5 Based on current assumptions, the HRA is likely to be able to make the 2027 repayment of £10m in full, using both money set aside for this purpose and using HRA Balances, however it is highly likely that the HRA will have to take out replacement loans in order to service the large repayments between 2032 & 2042 (totalling £90m). The refinancing of these loans may leave the HRA open to increased financing costs.
- 3.6 When we sell properties under the Right to Buy, as well as receiving a set aside sum that needs to be used to re-provide new housing the Council also receives an element to cover the assumed debt on the property. As at April 2022, following the repayment in March, these receipts stood at just over £709,000 and these funds have been set aside in the accounts to cover the PWLB loan repayments as they fall due. It is therefore unlikely that the Council will be able to make future repayments in full on the due dates unless it starts setting additional money aside for the purpose.
- 3.7 As part of the Self-Financing settlement we are expected to set aside an annual sum in respect of the depreciation of our stock. This is based upon prevailing property valuations, which are revalued at the 31 March each year. A new revaluation of our stock based on the "Beacon" principle was carried out by a firm of external valuers in early 2020 and has been updated annually for movements in the local property market.
- 3.8 The sums calculated for depreciation are transferred to the Major Repairs Reserve (MRR) where they can be used to fund any major works carried out to maintain our stock, or to pay off HRA debt as required. However, if there is any balance in the reserve at the end of one year this will automatically be carried forward for use in the next financial year. (A summary of movements in the Major Repairs Reserve can found in the detailed estimates)

Other Budgetary changes

- 3.9 In the current year's budget a provision is included to enable the transfer of up to £30,000 of HRA funds to help top up the DHP contribution received from the DWP. The attached estimates also propose that the Council continues to increase the DHP contribution by a sum of £30,000. Under current rules the Council is obliged to seek permission from the Secretary of State to agree to the proposed transfer to the DHP fund on an annual basis, and therefore officers will contact the Secretary of State at the appropriate time to obtain permission to transfer the proposed £30,000. Members should note that any contribution from the HRA can only be used to help HRA tenants who require assistance, and this assistance is granted using the same criteria as set out in the Councils DHP policy.
- 3.10 Officers are also considering using some of the current Homelessness grants received from the Government to further increase the homelessness prevention fund pot, though as these will be funded from General fund grants they are not detailed in the attached estimates, but will be detailed in the Committee's General Fund estimates.
- 3.11 In recent years we have also included a provision of £20,000 to help those households in financial difficulties who do not meet the criteria of the DHP policy, for example those not on Housing Benefit, and it is proposed to continue making this provision in 2022/23.

This pot will be administered by the Housing Services Manager and Head of Housing & Business Planning to allocate on a case by case basis, using similar guidelines as contained in the Council's DHP policy.

HRA Capital Expenditure

- 3.12 The attached estimates also make provision for the impact of Capital Expenditure on the Housing Revenue Account.
- 3.13 In March 2021 this committee agreed to set up a development fund of £25m (net) over the next five years. This has now been allocated into several schemes which have all been included in the Capital Programme based on the indicative costs for the developments as at the end of November 2022. The sums associated with each scheme will only be released following approval of each scheme by this Committee and, due to the sums involved, the approval of both the Corporate Management Committee & Full Council. For estimation purposes, assumptions have been made about each schemes financing and draft figures for the use of HRA working balances has been included in the estimates.
- 3.14 On 18 October 2022 this committee, and latterly Full Council, approved a budget of £5m to appoint consultants to progress the Parkside Regeneration project. Due to the very nature of such development proposals, in line with local government accounting requirements, these costs will fall on the HRA Revenue budget until such time as the scheme progresses to full construction. When full construction begins these costs will be recharged to the new capital construction budget and the HRA revenue budget will be recredited with the costs transferred. Should it not be possible for the scheme to progress for any reason any expenditure incurred to that point will remain a cost to the revenue account. The budget for 2023/24 assumes a cost of £1.250m being financed from HRA Reserves.
- 3.15 For several years the Council has been acquiring properties in order to help replace those properties sold under the Right to Buy, and to extinguish 1-4-1 receipts. An annual budget of £1.3m for these purchases remains in the Capital Programme for 2023/24 in case of delays to the development schemes. 40% of these costs is met from set aside Capital Receipts, the residual costs of around £780,000 are funded from HRA balances, as detailed in the HRA Estimates summary.
- 3.16 A summary of the effect of the financing of these schemes on the HRA balance can be found in the table at the bottom of page 34 of the appendix.

Housing Growth items

- 3.17 The Housing Area Business Plan 2023.24 set out elsewhere on this agenda includes the following revenue growth items:

Growth Title	£000
One-off fire safety works for compliance with Building safety Act	20
New tenancy agreement – legal advice & consultation	10
Discretionary hardship fund increased	25
Tenant incentive scheme (part of financial wellbeing strategy)	10
HRA - Revenue Only Growth	65

- 3.18 On the assumption that Members are inclined to agree to these, a line with the above total amount has been included on the HRA Summary page to ensure that the costs are included in the budget. Should members wish not to approve any of these growth requests, the budget will be amended accordingly.

- 3.19 For completeness, the growth request also includes the following capital schemes for which it is assumed there will be no additional ongoing associated revenue costs:

	23/24	24/25	25/26
Growth Title	£000	£000	£000
Housing estate paths	200	TBC	TBC
IRL boiler replacement	500	-	-
IT enhancements - NEC Housing	50	50	50
Housing HRA - Capital	750	50	50

4 RENT REVIEWS

- 4.1 Current guidance from the government allows providers of Social Housing to increase rents by a maximum of CPI + 1%. (The September 2022 CPI figure was 8.8% which means the Council could potentially have increased rents by 9.8%). However, in the Autumn statement, November 2022 the Chancellor announced social rents would be capped at 7% for the year 2023/24 in order to mitigate the impact of rising inflationary pressures on social tenants. After considering future repayments to the PWLB, and the high level of Housing repairs required in the near future, officers are recommending a rent increase of the full 7% with effect from April 2023.
- 4.2 An increase at this level means that any tenant who receives assistance through Housing Benefits and or Universal Credits will continue to receive similar levels of benefit next year. In a normal year without a cap any increase over the proposed maximum will result in the Council being penalised through the DWP Housing Benefit subsidy mechanism, thereby potentially cancelling out a significant proportion of any betterment achieved. As we are capped at 7% this does not apply this year.
- 4.3 Table 3 shows the predicted average rent levels by property bedroom size, based upon an across the board rent increase of 7% for 2023/24:

No. of Beds	Average weekly rent 2022/23	April 2023 increase (7%)	Average weekly rent 2023/24
	£	£	£
Bedsit	71.32	4.99	76.31
1 Bed	98.06	6.86	104.92
2 Bed	117.54	8.23	125.77
3 Bed	128.40	8.99	137.39
4 Bed	140.34	9.82	150.16
5+ Bed	158.48	11.09	169.57

- 4.4 The proposed increase in rents will result in an average rent in Runnymede of £124.16 in 2023/24, which is around £7.91 more than in the current year.
- 4.5 The above table does not include those properties let on Affordable rents which it is also proposed will increase in line with the guidance where this is possible, within the current

affordability limits. The average rents for the 38 units (at April 2022) let at Affordable rents was £190.66. This includes the 9 new units at St George's Road.

5 OTHER HRA RENTS AND CHARGES

5.1 Rents and charges are set out in the schedule that follows the estimates. The levels of income generated from the proposed charges are included in the estimates for 2023/24.

Tenant Service Charges

5.2 Government policy recommends that services that are over and above that required for general management and maintenance are separately identified and charged to tenants. Local authorities retain discretion to decide what services it is appropriate to charge for. The government expects authorities to increase service charges by no more than inflation (CPI + 1.0%) unless there are clearly identified reasons for a change (e.g. different level of service, energy price increases).

5.3 As in previous years the charges have been reviewed to reflect changes in the costs of services provided at each estate. Details of the new proposed charges are included in the attached fees & charges schedule.

5.4 During the coming year officers are proposing to introduce tenants service charges on temporary accommodation lettings and initially this will only be levied on new tenancies. The charges which will be calculated on a property by property basis, by Housing officers, will be based upon relevant costs so as to ensure that where applicable the tenants will be able to claim Housing Benefits to cover these costs. Once introduced the relevant charges will be included in subsequent years fees and charges tables.

Heating and Hot Water charges

5.5 Charges are made for heating and hot water at Independent Retirement Living (IRL) properties that do not have separate meters. The charges at Beomonds and Floral House cover heating and hot water. The charge at Heatherfields covers heating only as the hot water supplies are separately metered. All three schemes have communal gas boilers.

5.6 Members will be aware that energy prices have been highly volatile recently and it is difficult to predict future movements with any real certainty. Although the Council is able to buy energy supplies in bulk, we are not immune to these price changes.

5.7 This bulk buying meant that the Council was able to leave the charges paid by tenants unchanged for 2022/23 however as anticipated last year these charges now need to increase in-line with inflationary pressures and the standard corporate inflationary increase of approximately 35% has been applied for 2023/24.

	Current charges		New Charges (£)	
	Weekly	Annual	Weekly	Annual
Beomonds	£6.70	£348.40	£9.00	£468.00
Floral House	£6.70	£348.40	£9.00	£468.00
Heatherfields	£3.60	£187.20	£4.90	£254.80

Use of Guest Bedrooms

5.8 A charge is made for the use of guest bedrooms in IRL accommodation. This charge was last increased in April 2019 resulting in a charge of £13.00 a night (including VAT).

This charge normally generates around £500 pa, and no increase is proposed for the coming year.

Heathervale Way Mobile Home Site

- 5.9 An increase in line with those proposed for HRA dwellings of 7% is recommended for the caravan rents to be effective from the first rent week in April 2023. Table 5 sets out the revised weekly rents accordingly:

	No. of units	2022/23	2023/24
		£	£
Single room mobile homes	11	56.30	60.20
Double room mobile homes	6	84.45	90.40

- 5.10 As previously reported, in January 2015 the government introduced new regulations to limit the level of increase in Mobile Home pitch fees (site rents), and this generally limits any uplift to the level of increase in the Retail Price Index (RPI). A further complication is that any increase from April 2023 will need to be based upon the January inflation indices issued in February 2023, and so it is proposed that officers calculate the appropriate increase in late February so that we can advise the residents of the site accordingly. The attached estimates are based upon an increase of 7.0% to match the other capped charges in this report.

Rents of Shared Ownership Properties

- 5.11 Shared Ownership rents are not covered by the 7% cap announced by the Government in November. As set out in the terms of most lease agreements, rents are permitted to increase by a maximum of the Retail Prices Index (RPI) for a given month plus 0.5%. In November, RPI was 14%. This means that rents could increase by as much as 14.5% in 2023-24. This particularly high increase would come at a time when shared owners will also be facing other pressures on their household finances, including rising interest rates. It has therefore been decided to cap this increase in 23/24 to 7%.

Shared Houses

- 5.12 The Council has adapted two properties into Shared houses, which each provide four separately rented rooms. The cost of these works was met from the repairs budget and the intention is that where possible we will use these properties as an alternative to Bed & Breakfast accommodation. Rents for these eight rooms average around £107.00pw plus service charges in 2022 and in order not to breach the affordable rents (80% of market rents) and bearing in mind cost of living pressures, it is proposed that these rents will not be increased in April 2023. It is necessary to limit these rents as otherwise the charges would not be eligible for 100% Housing Benefits assuming the tenant's personal circumstances met the necessary criteria, which could negate one of the main points of creating these facilities.

Other charges

- 5.13 In April 2018 the Council introduced a new Management charge of £17 for the tenants of the IRL schemes, which was created to replace the former Supporting People charge that was covered by a subsidy from Surrey CC. For those tenants in receipt of benefits the costs are picked up as a Service Charge for benefit purposes. In light of the current cost of living climate and the ongoing review of the working arrangements for the IRL managers no change to this charge is proposed for April 2023.

6 HRA RISKS

- 6.1 In setting the budgets for 2023/24 it is important to set out the risks that have been considered and factored into the HRA estimates.

Universal Credits – Approximately 865 households are currently in receipt of Universal Credit. Wherever possible we encourage the rental element for these payments to be made directly to the Council. Officers use an analytic system through NEC to monitor and recover rent arrears.

Inflation – Traditionally in Housing, inflation was not regarded as a problem as rents tended to be linked to inflation, meaning that when costs increased so did the rents charged. Between April 2016 and March 2020 this was an issue as our rents were reduced annually by 1% while the Government's favoured inflation indices (CPI) was increasing by 2-3% pa. Following the government's decision to once more allow Councils to increase social rents for 5 years from April 2020, it was hoped that inflation would not create such issues in the near future, however rents were capped at 7% for 23/24 whilst inflation was running at 9.6% in October.

Debt Repayment – Due to the enforced reduction in rent levels between April 2016 and March 2020 and the need to build new affordable housing in order to utilise the retained "1-4-1 Right to Buy receipts", there is some uncertainty if there will be sufficient funds between 2032 & 2042 with which to pay down the £90m of PWLB loans that fall due in that period. (See also Para 3.5 above).

Major Insurance incident – While any costs from a major claim will generally be met in the form of an insurance claim, the disruption caused to the Housing department and tenants within our already constrained stock, places a large imposition on the work force and inevitable disruption to households affected.

7 GENERAL FUND FEES AND CHARGES

Other Housing charges

- 7.2 Following an increase in April 2021 no further changes to the Bed & Breakfast charges have been proposed for the coming year. As a consequence the weekly (and daily) accommodation charges for the use of Bed & Breakfast Accommodation remain unchanged at £182 (daily £26). It is necessary to keep this charge below the LHA rate in order that users of the service can obtain HB support to cover the costs of their stay for this accommodation, and officers will keep an eye on LHA rates with a view to amend charges in subsequent years.
- 7.3 As our charges in respect of Houses in Multiple occupation licences (HMO fees) are already felt to be high, no increase has been proposed for next year.

8. H.R.A. - CONCLUSION

- 8.1 The setting of the estimates for 2023/24 is based upon the assumptions included within the HRA Business Plan (unless specified above), having been updated for developments that have occurred over the last year.
- 8.2 The proposed rent increase of 7% from April 2023 is consistent with government guidance, which will also ensure that the authority will not be penalised through the loss of Rent Rebates subsidy entitlement.
- 8.3 The large increase in the Housing Repairs budget for 2023/24 represents the continuation of a multiyear programme of reversing the low level of expenditure for several years, and will help the authority meet its Decent Homes obligations and includes deferred expenditure from the current year.

- 8.4 The table below shows the HRA estimated balances and reserves at the 31 March each year.

Table 6: HRA estimated balances and reserves £m		
<u>Description</u>	<u>March 2023</u>	<u>March 2024</u>
HRA working Balances	£32.6m	£29.4m
Major Repairs Reserve	£4.7m	£nil
Proceeds from Right to Buy Sales		
- Sums set aside for debt repayment	£1.0m	£1.3m
- Retained 1-4-1 receipts	£1.5m	£0
HRA PWLB loan borrowings	£100.0m	£100.0m

- 8.5 The above table illustrates that while there are considerable balances in the Housing Revenue Account, it should be noted that this needs to cover both current and future spending plans, new developments that may be agreed by this Committee, and also the future need to service the £100m of borrowings between April 2022 and March 2042.
- 8.6 The attached estimates only cover the financial period to March 2024, though it is planned to bring an updated copy of the 30 year HRA Financial model to the March 2023 meeting of this Committee in which members will be able to consider the longer term financial priorities of the Housing Revenue Account.

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