

HOUSING REVENUE ACCOUNT

ANNUAL ESTIMATES 2024/25

1. Introduction

- 1.1 The report sets out the estimates and fees and charges for the Housing Revenue Account and the fees and charges for the Housing General Fund.
- 1.2 Once approved, the estimates will be incorporated into the 30-year HRA financial Business Plan which 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 2023/24

- 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 2023/24	
	£000
<u>Supplementary Estimates approved during 2023</u>	
• Increased insurance costs following tendering exercise	15
• Replacement Defibrillators for HRA estate	5
<u>General Management</u>	
• Pre-development work behind original estimate (Parkside)	(495)
• Pre-development work on new sites approved 2023	238
<u>Special Services</u>	
• Parks management charge ceased	(11)
<u>Housing repairs</u>	
▪ Variations in Decent Homes works between financial years	(345)
▪ Major works budget vired for additional void repairs which are unable to be charged to the MRR	200
<u>Other HRA Expenditure</u>	
▪ Increase in depreciation transferred to Major Repairs Reserve (MRR)	570
▪ Increased contribution to MRR	431
<u>HRA income</u>	

• Increase in Interest received due to increased balances and higher interest rates	(495)
Other net changes	(5)
Variation from original to revised budget	112

- 2.2 Initial feasibility and pre-development work on the Parkside regeneration project is ongoing, £0.530m will be spent in the current year (versus £1.025m originally budgeted) funded (initially) from HRA balances. Supplementary Revenue budgets were approved for pre-development work on new sites including Dunkirk and Holly Close.
- 2.3 In major works the Central Heating Programme is progressing faster than anticipated with £0.840m expenditure brought forward from future years budgets. However, £4m 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 Our Lettable Standard (the work we do to a property while empty) has been enhanced as part of our new repairs and maintenance contract. This has cost implications for the Housing Revenue Account and therefore a budget of £0.200m has been moved from major works to cover increases to void repairs expenditure. This is a strategic decision and will include some decoration as part of the works package.
- 2.5 After taking account of changes in 2023/24, including the budget variations detailed in Table 1 the revised estimated balance in the Housing Revenue Account at 31 March 2024 is estimated to be £35.6m.

3. H.R.A. ESTIMATES FOR 2024/25

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 under the major special works and major improvement scheme headings and therefore set out below is the composition of these Major Works for 2024/25.

	£000
Internal Works Programme	
Kitchens & Bathrooms	2,000
Boiler replacement	1,695
Electrical Rewires	240
Fire Door replacement (including Surrey Towers)	450

External Works Programme	
Replacement windows and doors	850
Roofing, Chimneys & rainwater goods (Gutters, downpipes etc)	3,015
External Wall finishes	1,083
Total Major Works budget in 2024/25	9,333

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 (2024/25) and therefore the HRA will need to make a further transfer from the HRA balances as set out in the estimates. This was always planned, but the timing of works has meant that the budgets year on year keep changing to reflect movements in the programme.

3.4 A report from a specialist consultancy is due in mid-January 2024 with proposals for the upgrade of 3 Independent Retirement Schemes. In September 2021 £1.7m was identified within the Housing Revenue Account Business Plan over the next 5 years to support the enhancement of facilities within Independent Retirement Living and the upgrading of alarm call systems (including enabling a switchover to digital calling which will be required by 2025). Indications are that the consultant report is much higher than the initial figure and a report will be submitted to this Committee with costed options as the HRA reserves are currently committed to capital schemes, debt repayment and Decent Homes work.

Debt Charges and Depreciation

3.5 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.

3.6 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 2023 these receipts stood at just over £1,866,000 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 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.

3.8 In December 2023 the Council received a Non-Statutory Best Value Notice from DLUHC. Part of this notice was a recommendation that the Council "*Outline what steps they plan to take to reduce and manage the overall debt of the Council*". Whilst the Council's borrowing is predominantly related to the General Fund, the need to reduce and manage the overall debt of the Council equally applies to the HRA. Opportunities for future borrowing and/or refinancing of existing borrowing

would therefore appear to be limited making the setting aside of additional money for future loan repayments in the HRA Business Plan paramount.

- 3.9 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 is currently being carried out by a firm of external valuers in early 2024 and subsequently will be updated annually for movements in the local property market.
- 3.10 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

- 3.11 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.
- 3.12 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 2024/25. 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

- 3.13 The attached estimates also make provision for the impact of Capital Expenditure on the Housing Revenue Account.
- 3.14 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 2023. 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.
- 3.15 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

most of 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 revised budget for 2023/24 assumes a cost of £767,500 for these works with a further £1,272,500 for 2024/25 being financed from HRA Reserves.

- 3.16 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 2024/25 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.

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 2023 CPI figure was 6.7% which means the Council can increase rents by a maximum of 7.7% however in 2023 the Government capped the increase due to higher than expected inflation. DLUHC confirmed on 4th January 2024 that providers can implement the full 7.7% increase and officers are recommending this with effect from April 2024.
- 4.2 An increase at this level within the Government’s rent settlement means that any tenant who receives assistance through Housing Benefits and or Universal Credits will be entitled to the full increase. Although social rents are significantly below the Local Housing Allowance, regulations mean that an increase over the proposed maximum would result in the Council being penalised through the DWP Housing Benefit subsidy mechanism, thereby potentially cancelling out a significant proportion of any betterment achieved.
- 4.3 Table 3 shows the predicted average rent levels by property bedroom size, based upon an across the board rent increase of 7.7% for 2024/25:

Table 3 - Housing Weekly “Social” Rent Levels			
No. of Beds	Average weekly rent 2023/24	April 2024 increase (7.7%)	Average weekly rent 2024/25
	£	£	£
Bedsit	76.31	5.88	82.19
1 Bed	104.92	8.08	113.00
2 Bed	125.77	9.68	135.45
3 Bed	137.39	10.58	147.97
4 Bed	150.16	11.56	161.72
5+ Bed	169.57	13.06	182.63

- 4.4 The proposed increase in rents will result in an average rent in Runnymede of £133.68 in 2024/25, which is around £9.52 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 2023) let at Affordable rents was £205.34.

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 2024/25.

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.

Heating and Hot Water charges

- 5.4 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.
- 5.5 Members will be aware that energy prices have been highly volatile in the last 2 years, 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.
- 5.6 This bulk buying meant that the Council was able to keep these charges low in comparison to most households but we do need to reflect inflationary increases experienced in the current year and expected in the next, therefore it is proposed that an increase of 7.7% is applied, in line with the rent increase of CPI+1%.

	Current charges		New Charges (£)	
	Weekly	Annual	Weekly	Annual
Beomonds	£9.00	£468.00	£9.70	£504.40
Floral House	£9.00	£468.00	£9.70	£504.40
Heatherfields	£4.90	£254.80	£5.28	£274.56

Use of Guest Bedrooms

- 5.7 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

- 5.8 An increase in line with those proposed for HRA dwellings of 7.7% is recommended for the caravan rents to be effective from the first rent week in April 2024. Table 5 sets out the revised weekly rents accordingly:

	No. of units	2023/24	2024/25
		£	£
Single room mobile homes	11	60.20	64.84
Double room mobile homes	6	90.40	97.36

- 5.9 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 2024 will need to be based upon the January inflation indices issued in February 2024, 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.

Rents of Shared Ownership Properties

- 5.10 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 2023, RPI was 5.3%, it is therefore proposed shared ownership rents should increase by 5.8%.

Shared Houses

- 5.11 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 2023 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 2024. 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

- 5.12 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 2024.

6 HRA RISKS

- 6.1 In setting the budgets for 2024/25 it is important to set out the risks that have been considered and factored into the HRA estimates.

Universal Credits – Approximately 1011 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. With the return to CPI+1% from 2024/25 this reduces the risk in the near future, assuming inflation continues to decrease as forecast.

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 3.6 above). Although still an unknown quantity, the potential future refinancing of existing loans may also become an issue following the receipt of the Non-Statutory Best Value Notice from DLUHC.

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

- 7.1 An increase of 7.5% was proposed to the Bed & Breakfast charges from April 2024, being the first increase since April 2021. However, the Government has announced that from April 2024 the Local Housing Allowance (LHA) will be increased and therefore B&B charges will be increased in line with LHA which is expected to be a higher percentage than the increase to social rents. The Housing Benefit payable only covers a small proportion of the cost of providing B&B and it is important to maximise this income, officers will continue to monitor LHA rates and amend if necessary in subsequent years.
- 7.2 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.
- 7.3 Two new charges have been proposed relating to providing copies of the HMO register – one of £50 for a copy of the register as a whole and one of £6 for an individual entry. This is intended to reflect the officer time and resources required to meet these requests. See attached Equality Impact Assessment form.

8. **H.R.A. - CONCLUSION**

- 8.1 The setting of the estimates for 2024/25 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 7.7% from April 2024 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 increase in the Housing Repairs budget for 2024/25 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.

<u>Description</u>	<u>March 2024</u>	<u>March 2025</u>
HRA working Balances	£35.6m	£23.6m
Major Repairs Reserve	£nil	£nil
Proceeds from Right to Buy Sales		
- Sums set aside for debt repayment	£2.0m	£2.3m
- Retained 1-4-1 receipts	£2.9m	£2.9m
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 2024 and March 2042.
- 8.6 The attached estimates only cover the financial period to March 2025, though it is planned to bring an updated copy of the 30 year HRA Business Plan financial model to the March 2024 meeting of this Committee in which members will be able to consider the longer term financial priorities of the Housing Revenue Account.