

TITLE	Housing Revenue Account Budget 2021/22
FOR CONSIDERATION BY	The Executive on Thursday, 18 February 2021
WARD	None Specific;
LEAD OFFICER	Director Communities, Insight and Change – Keeley Clements
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The revenue and capital budgets for 2021/22 are set and tenants rent levels are set for 2021/22 to ensure sound finances and value for money in providing housing services for council tenants.

RECOMMENDATION

That the Executive approve and recommend to Council:

- 1) The Housing Revenue Account budget for 2021/22 (Appendix A).
- 2) Council house dwelling rents be increased by up to 1.50% effective from April 2021 in line with the Welfare Reform and Work Act 2015;
- 3) Garage rents to be increased by 1.16% effective from April 2021 in line with Council's general fees and charges;
- 4) Shared Equity Rents to be increased by 1.13% based on September RPI, effective from April 2021;
- 5) Tenant Service Charges to be set based on cost recovery;
- 6) The Housing Major Repairs (capital) programme for 2021/22 as set out in Appendix B;
- 7) Sheltered room guest charges for 2021/22 remain unchanged at £9.50 per night per room.

EXECUTIVE SUMMARY

The proposed Housing Revenue Account (HRA) for 2021/22 is set out for consideration and recommendation to Council. An indication of the budget for 2022/23 and 2023/24 is provided for information. Proposed 2021/22 rent levels for council housing and council owned garages are also set out for recommendation to Council.

For 2021/22, the HRA will need to borrow to help fund its 70% share of capital investment into new housing stock in order to utilise the right to buy receipts. The level of reserves are expected to increase from £0.9m in 2020/21 to £1.1m in 2023/24.

BACKGROUND

HOUSING REVENUE ACCOUNT 2021/22

Housing Ring Fence

1. The Housing Revenue Account (HRA) is a ring-fenced fund. This means that the HRA must be self-financing and expenditure must be paid for by Council tenants through rent and service charges. HRA expenditure cannot be funded by council tax and similarly HRA income should not be used to pay for general fund services.

Rent Restructuring, Convergence, Housing Self Financing and the End of the Rental Reduction

2. For four years, commencing in 2016/17 the Government introduced a compulsory 1% reduction in Social and Affordable rents. There was no discretion in making this change and it applied to all council tenants. The 1% reduction was implemented in April 2016 and was followed by a further 1% cumulative reduction from April each year for the three years to 2019/20. From 2020/21 onwards, the rent reduction stopped and has been replaced with rental increases of CPI + 1% which for **2021/22 equals 1.50%** (2.70% in 20/21), although the Council will continue increasing rents to target rent when properties are re-let whilst still maintaining the compulsory rental changes. Target rent is a calculation by Government to ensure all properties of a similar nature (e.g. location, no. of bedrooms) have similar rent levels for tenants.

3. The Council has prepared a 30-year business plan for the HRA. The allocated debt is based on a notional valuation of the Council's housing stock and a 30 year notional business plan of income and expenditure. The HRA will incur an annual interest charge and principal debt repayment over the majority of the plan. Over the next three years a further £7.5m of debt is to be repaid. The estimated debt as at the 31st March 2024 is £83m, this includes a new loan to be taken out in 2021/22 to fund the 70% expenditure needed for the use of RTB receipts and borrowing to fund future years capital budgets. Revenue budget provision for debt repayment is included under the HRA principal repayments line in Appendix A.

4. The Council's 30 year business plan is being reviewed and updated to reflect known changes including the rent policy issues highlighted above. The Council will need to consider its appetite for debt over the 30 year period in light of legislative changes and the removal of the borrowing cap for local authorities. Key features of the HRA budget submission are;

- a) The HRA Capital Programme for 2021/22 will be £7.0m plus any carry forwards from 2020/21, followed by indicative budgets of £7.5m in 2022/23 and £7.8m in 2023/24. The programme assumes all retained right to buy receipts are utilised.
- b) Rental income will be based on government requirements for an increase of 1% + Consumer Price Inflation (CPI) in future years.

Garage Rents

5. It is proposed to increase garage rents by 1.16% for 2021/22 (2.38% for 2020/21) in line with the council wide increase to fees and charges.

Shared Equity Rents

6. It is proposed to increase shared equity rents by 1.13% for 2021/22 (2.43% for 2020/21) based on September RPI, effective from April 2021.

2021/22 Budget Assumptions & Risks

7. The Housing Revenue Account budget for 2021/22 is shown at Appendix A. The budget has been drawn up on a self-financing basis and reflects interest charges of £2.7m, depreciation of £3.8m as determined by the Council's 30-year business plan under the self-financing system. The 2021/22 budget also includes expenditure of £3.3m for repairs and maintenance.

The projected HRA reserve balance (see Appendix C) at 31 March 2022 will be £0.9m.

Housing Major Repairs (Capital Programme)

8. The Council is required to fund major repairs from the rental income. The intention over the 30 year business plan is to generate additional resource to help the Council meet the decent homes standard and also to invest further in the redevelopment and regeneration of the council's housing stock.

The breakdown of the funding of the £7.0m capital expenditure in 2021/22 is:

- a) Major Repairs Reserve £4.9m
- b) Right to buy receipts £0.6m
- c) Borrowing £1.5m

The proposed Housing Capital Programme is shown at Appendix B.

Consultation

9. The draft budget submission has been considered by the Tenants & Landlord Improvement Panel on 28 January 2021.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See attached reports	Yes	Revenue and Capital
Next Financial Year (Year 2)	See attached reports	Yes	Revenue and Capital

Following Financial Year (Year 3)	See attached reports	Yes	Revenue and Capital
-----------------------------------	----------------------	-----	---------------------

Other Financial Information
None

Stakeholder Considerations and Consultation
Budget proposals have be reported to the Tenants & Landlord Improvement Panel

Public Sector Equality Duty
The specific projects and programmes of work will be assessed individually prior to implementation. Rent increases follow Government legislation.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
Climate change within the HRA is being looked at on a number of levels. Housing Officers attend the Council’s climate change meetings and are also members of the retro fitting working group. As we know domestic homes contribute to the emissions of the country and we will need to reduce these emissions over time. Projects will be coming forward but social housing providers are still awaiting guidance and associated funding from central government. Any future investments to meet climate change agenda will be factored into future budget papers.

List of Background Papers
Appendix A – HRA Revenue Budget Appendix B – HRA Capital Budget Appendix C – HRA Reserves

Contact Simon Price	Service Housing Services
Telephone 07500 951702	Email simon.price@wokingham.gov.uk