

TITLE	Housing Revenue Account Budget 2022/23
FOR CONSIDERATION BY	The Executive on Thursday, 17 February 2022
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The revenue and capital budgets for 2022/23 are set and tenants rent levels are set for 2022/23 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 2022/23 (Appendix A);
- 2) Council house dwelling rents be increased by up to 4.10% effective from 4 April 2022 in line with the council's Rent Setting Policy that was approved by Executive on 25 November 2021.
- 3) Garage rents to be increased by 3.80% effective from April 2022 in line with Council's general fees and charges;
- 4) Shared Equity Rents to be increased by 4.86% based on September RPI, effective from April 2022;
- 5) Tenant Service Charges to be set based on cost recovery;
- 6) The Housing Major Repairs (capital) programme for 2022/23 as set out in Appendix B;
- 7) Sheltered room guest charges for 2022/23 remain unchanged at £9.50 per night per room.

EXECUTIVE SUMMARY

The proposed Housing Revenue Account (HRA) for 2022/23 is set out for consideration and recommendation to Council. An indication of the budget for 2023/24 and 2024/25 is provided for information. Proposed 2022/23 rent levels for council housing and council owned garages are also set out for recommendation to Council.

The level of reserves over the next three years are estimated to remain in line with our reserves policy, ranging from £1.3m in 2022/23 to £1m in 2024/25.

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 **2022/23 equals 4.10%** (1.50% in 21/22, and 2.7% in 20/21), although the Council will continue increasing rents to formula rent when properties are re-let whilst still maintaining the compulsory rental changes. Formula 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 £6.0m of debt is to be repaid. The estimated debt as at the 31st March 2025 is £77m. 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 2022/23 will be £5.7m plus any carry forwards from 2021/22, followed by indicative budgets of £8.6m in 2023/24 and £8.0m in 2024/25. 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 albeit the current government policy of 1% + CPI is in place until 2024/25 inclusive.

Garage Rents

5. It is proposed to increase garage rents by 3.80% for 2022/23 (1.16% for 2021/22) in line with the council wide increase to fees and charges. Charges will be rounded to the nearest £0.10p.

Shared Equity Rents

6. It is proposed to increase shared equity rents by 4.86% for 2022/23 (1.13% for 2021/22) based on September RPI, effective from April 2022.

2022/23 Budget Assumptions & Risks

7. The Housing Revenue Account budget for 2022/23 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 £4.5m as determined by the Council's 30-year business plan under the self-financing system. The 2022/23 budget also includes expenditure of £3.5m for repairs and maintenance.

The projected HRA reserve balance (see Appendix C) at 31 March 2023 will be £1.3m.

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 proposed Housing Capital Programme is shown at Appendix B. The capital programme will be funded from the Major Repairs Reserve.

Consultation

9. On 28 October 2021, the Tenants & Landlord Improvement Panel (TLIP) were consulted regarding a 4.10% increase in housing dwelling rents. TLIP agreed the 4.10% rent increase in principle and understood the rationale behind the need to apply the full 4.10% increase.

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
On 28 October 2021, TLIP were consulted regarding a 4.10% increase in housing dwelling rents.

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

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