

TITLE Housing Revenue Account Budget 2024/25

FOR CONSIDERATION BY Executive on Thursday, 22 February 2024

WARD None Specific;

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The revenue and capital budgets for 2024/25 are set and tenants rent levels are set for 2024/25 to ensure sound finances and value for money in providing housing services for council tenants.

RECOMMENDATION

That the Executive endorse and recommend to Council for approval:

- 1) The Housing Revenue Account budget for 2024/25 (Appendix A);
- 2) Council house dwelling rents be increased by up to 7.7% effective from 1st April 2024 in line with the council's Rent Setting Policy that was approved by Executive on 26th October 2023.
- 3) Garage rents to be increased by 8.33% effective from April 2024;
- 4) Shared Equity Rents to be increased by 7.7% effective from April 2024;
- 5) Tenant Service Charges to be increased over the next three year to achieve full cost recovery effective from April 2024;
- 6) The Housing Major Repairs (capital) programme for 2024/25 as set out in Appendix B;
- 7) Sheltered room guest charges for 2024/25 remain unchanged at £9.50 per night per room.

EXECUTIVE SUMMARY

The proposed Housing Revenue Account (HRA) for 2024/25 is set out for consideration and recommendation to Council. The budget proposed includes the revenue budget (Appendix A) and the capital budget (Appendix B). An indication of the budget for 2025/26 and 2026/27 is provided for information. Proposed 2024/25 rent levels for council housing and council owned garages are also set out for recommendation to Council.

Details of the HRA reserves are also set out in Appendix C.

BACKGROUND

HOUSING REVENUE ACCOUNT 2024/25

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, the rent reduction stopped and has been replaced with rental increases of CPI + 1%. This would have been 11.1% for 2023/24, the government however restricted the rent increase for 2023/24 to a maximum of 7%, while the council decided to apply 5.99% for 2023/24.
3. For 2024/25 rental increases of CPI + 1% is to be reinstated, resulting in a rent increase of 7.7%. 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.
4. Every year, the Council produce an updated 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 £5.8m of debt is to be repaid. The estimated debt as at the 31st March 2027 is £111m. This includes the additional borrowing related to the Gorse Ride Redevelopment project agreed by Executive in February 2022. Revenue budget provision for debt repayment is included under the HRA voluntary revenue provision line in Appendix A.
5. The Council will need to consider its appetite for debt over the 30 year period in light of legislative changes, economic uncertainty and level of future borrowing. Key features of the HRA budget submission are;
 - a) The HRA Capital Programme for 2024/25 will be £10.6m plus any carry forwards from 2023/24, followed by indicative budgets of £20.5m in 2025/26 and £19.0m in 2026/27. This additional increase in the capital programme compared to previous years is due to the Gorse Ride Redevelopment project. The capital programme excluding Gorse Ride has remained at similar levels to previous years. The programme assumes all retained right to buy receipts are utilised.
 - b) Rental income will be based on government requirements for increase of 1% + Consumer Price Inflation (CPI) as at the end of September 2023.

Garage Rents

6. It is proposed to increase garage rents by 8.33% for 2024/25 (5.99% for 2023/24) in line with council wide fees and charges increases. Charges will be rounded to the nearest £0.10p.

Shared Equity Rents

7. It is proposed to increase shared equity rents by 7.7% for 2024/25 (5.99% for 2023/24) effective from April 2024.

Service Charges

8. Costs are continuing to be above inflation which combined with previous years decisions to not increase service charges has left a gap between cost and recovery. The proposed three-year budget looks to put these back in line by 2026/27 with the percentage varying a little between properties and across the three years in order to achieve this.

2024/25 Budget Assumptions & Risks

9. The Housing Revenue Account budget for 2024/25 is shown at Appendix A. The budget has been drawn up on a self-financing basis and reflects interest charges of £3.0m, depreciation of £5.0m as determined by the Council's 30-year business plan under the self-financing system. The 2024/25 budget also includes expenditure of £4.6m for repairs and maintenance. Interest costs in relation to the additional borrowing for Gorse Ride will be capitalised during the construction period.

Housing Major Repairs (Capital Programme)

10. 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.

Reserves

11. Reserves are held to provide a contingency for unavoidable and unseen expenditure or fall in income and stability for longer term planning for the HRA. The level of reserves over the next three years are estimated to remain in line with our reserves policy, and staying around £1.1m in 2024/25 through to 2026/27.

Further details are included in Appendix C.

Consultation

12. The draft budget submission will be considered by the Tenants & Landlord Improvement Panel (TLIP) on 25th January 2024.

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 will be reported to the Tenants and Landlord Improvement Panel on 25th January 2024.

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 – *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*

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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