

HOUSING MANAGEMENT ADVISORY BOARD

10 JANUARY 2024

Item: HOUSING REVENUE ACCOUNT BUDGET CONSULTATION
2024/25

Purposes of the Report

To enable members of the Board to consider the 2024/25 budget before the final budget report goes to Cabinet in February 2024.

Annual budget setting process

1. Each year the Council sets budgets for the following year. An indication of the process and the timescales for the key events that drive the process are set out in the below table:

Event	Description
Cabinet Meeting Dec-23	A report is taken to Cabinet to: Advise members of the projected base budget position for 2024/25. Review the savings and growth proposals put forward for the year 2024/25, and to begin a period of consultation.
Cabinet February 2024	This report sets out the proposed General Fund and Housing Revenue Account budgets which together represent the financial spending plans for all services of the Council. The report also presents the proposals to increase rent and service charges within the Housing Revenue Account.
Council	The report sets out the recommendations of the Cabinet regarding the proposed General Fund and HRA Revenue Budgets for 2024/25. These budgets represent the financial spending plans for all services of the Council, and it is a legal requirement to set a balanced budget each financial year. The report also includes the original budget for the Housing Revenue Account together with changes to rent and service charges.

Housing Revenue Account (HRA)

1. The draft original budget position for 2024/25 is breakeven. The 2024/25 budget funds the capital programme through a contribution of £2.8m Revenue Contribution to HRA Capital and the Major Repairs Reserve through a £4.3m Depreciation Charge. This is detailed in Appendix 1. There are Service pressures of £0.9m which are £0.4m inflationary pressures (Appendix 2 - Table 1) and ongoing additions of £0.5m (Table 2). Note that an additional £98.6k has been added since the draft Housing Revenue Account budget presented to Cabinet on 14 December 2023 (Item 7 - Draft General Fund and HRA Budget 2024/25).
2. Rents have been increased by CPI+1% in accordance with national guidelines which is a 7.7% increase. The rent increase will be covered by Housing benefit and Universal Credit, subject to benefit eligibility. There are approximately 1,344 tenants (as on 21 November 2023) thought not to be in receipt of these benefits. This is detailed in Table 3, Appendix 2.

HRA balances (reserves)

Principal HRA reserve

3. Section 151 Officer recommends a minimum level of working balances for the HRA of £110 per property. There are 5,428 properties anticipated on 31st March 2025 (anticipating 22 right to buy sales); working balances have been adjusted to reflect this projection at £597k.

HRA Financing Fund

4. The HRA Financing Fund was set up to set aside monies to cover future expenditure. Cabinet have approved a facility whereby a further £0.5m can be drawn down from the Financing Fund each year. (Recommendation 2 – Landlord Services Capacity - 1 June 2023). The budget as presented excludes this additional £0.5m which is held in reserve until required. The anticipated balance of the HRA Financing Fund on 31 March 2025 is £13m although this will reduce to £12.5m if it is drawn down during 2024/25.

Major Repairs Reserve

5. The Major Repairs Reserve is a statutory fund and can only be used to finance capital expenditure and debt repayment. The anticipated balance on 31 March 2025 is zero. This is because the projected brought forward balance of £4.5m will be used to fund the 2024/25 capital programme alongside a £1m loan payment to the Public Works Loan Board. This is the first of the loans maturing from the £79m self-financing settlement of 2012.
6. The HRA draft Capital Programme for 2024/25 is £13.9m. This is funded from Depreciation £4.3m, HRA Revenue contribution to Capital (RCCO) £2.9m,

and the HRA financing fund £2.8m, the Major Repairs Reserve £3.5m and £0.4m from 1- for-1 capital receipts (HRA Right to buy sales).

7. Note that this is £0.6m higher than the draft Housing Revenue Account budget presented to Cabinet on 14 December 2023 (Item 7 - Draft General Fund and HRA Budget 2024/25). The proposed capital programme has been increased by that amount since the original report was written. The changes to the capital programme financing and additional service pressures have reduced the anticipated investment income by £20k.
8. The capital programme for 2024/25 is detailed in Appendix 4.
9. Total HRA balances on 31 March 2025 is anticipated to be £13.6m

APPENDIX 1: DRAFT HRA BUDGET 2024/25

Amended post 14/12/23 Cabinet.

2022/23 Actual	Housing Revenue Account	2023/24 Original Budget	2024/25 Original Budget
£000		£000	£000
	Expenditure		
6,052	Supervision and Management	6,512	7,215
7,626	Repairs and Maintenance	7,429	8,385
505	Rents, Rates and Other Charges	291	408
13	Provision for Bad Debts & Other Charges	118	333
3,991	Depreciation	3,942	4,278
(331)	Net Revaluation non-current assets increase	0	0
22	Debt Management Expenses	16	22
17,878	Expenditure Sub-total	18,308	20,641
	Income		
(21,001)	Dwelling Rent Income	(22,711)	(24,582)
(398)	Shops, Land and Garages Rent	(402)	(387)
(47)	Warden Service Charges	(49)	(53)
(316)	Central Heating, Cleaning and Communal Charges	(328)	(361)
(198)	Leasehold Flat and Shop Service Charges	(160)	(198)
(24)	Hostel Service Charges	(23)	(25)
(8)	Council Tax Recharged	(8)	(8)
(21,992)	Income Sub-Total	(23,681)	(25,614)
(4,114)	Net (income)/Cost of service	(5,373)	(4,973)
(80)	Transfer from General Fund – Grounds Maintenance	(90)	(97)
2,737	Interest Payable	2,738	2,738
(501)	Investment Income and Mortgage Interest	(506)	(497)
(1,958)	Net Operating Expenditure/(Income)	(3,231)	(2,829)
0	Revenue Contribution to Capital	3,231	2,829
(605)	Pension Adjustment	0	0
18	Accumulated Absence Adjustment	0	0
331	Reversal of Gain on Revaluation	0	0
(256)	Appropriations	3,231	2,829
(2,214)	(Surplus)/Deficit for the year	0	0
HRA Balances:			
(606)	HRA Balance at beginning of year	(603)	(598)
(2,214)	(Surplus)/Deficit for the year	0	0
2,217	Transfer to/from Reserves	(882)	1
0	Adjustments to 2023/24 Budget	887	0
(603)	HRA Balance at end of year	(598)	(597)
(14,576)	HRA Financing Fund beginning of year	(16,793)	(15,911)
(2,217)	Transfer to/from Reserves	882	1
0	Revenue Contribution to Capital	0	2,869
(16,793)	HRA Financing Fund at end of year	(15,911)	(13,041)
(4,475)	Major Repairs Reserve at end of year	(4,475)	0
(21,871)	Overall HRA balances end of the year	(20,984)	(13,638)

APPENDIX 2 – SERVICE PRESSURES

Table 1 HRA Inflation				£
Head of Service	Service	Cost Centre	Account	Amount
Head of Landlord Services	Responsive Repairs	H001	HRA - General Repairs	326,300
Head of Landlord Services	Tenancy & Estate Management	H020	Contract Cleaning	18,000
Head of Landlord Services	Housing Income Team	H015	Software Annual Charges	19,300
				<u>363,600</u>
				£

Materials, deliveries, labour and contractor inflationary cost increases. Inflationary costs recovered by a higher service charge. For software covering rental analytics which supports the identification of rent arrears cases that income officers need to focus on. It was introduced in 2020 and rent collection and arrears performance has improved year on year since.

Table 2 HRA - Pressures Ongoing				£
Head of Service	Service	Cost Centre	Account	Amount
Head of Landlord Services	Responsive Repairs	H001	Door Entry Maintenance	15,000
Head of Landlord Services	Responsive Repairs	H001	Legal Costs / Court Fees	200,000
Head of Landlord Services	Responsive Repairs / Capital Team	H001 / H055	Salaries	129,900
				£
Head of Landlord Services	Housing Income Team	H015	Salaries	43,300
				£
Head of Landlord Services	Tenancy & Estate Management	H020	Estate Maintenance	98,600
Head of Landlord Services	Tenancy & Estate Management	H020	Estate Maintenance	38,100
Head of Landlord Services	Business Support	H025	Salaries	12,600
				<u>537,500</u>
				£
Total				<u>901,100</u>

Description

Demand led service which is expected to increase. Repair costs rapidly increasing due to Barrister charges. Nationally, there has been an increase in disrepair claims.

Three additional resident liaison officers are needed to both prevent and support the response to complaints and improve the customer experience around repairs. The context is a national increase in housing repairs complaints of around 78%, and a relatively new requirement under the Housing Ombudsman's Complaint Handling Code to respond to each complaint formally in writing.

To make permanent a temporary post - Universal Credit Officer. This post was introduced several years ago to support tenants to transfer on to and claim Universal Credit successfully and therefore to sustain rental income and prevent evictions. The government roll out of Universal Credit has been intermittent, however continues. The post has been resourced on an annual basis from underspends, with the duration of the post each year. This pressure clarifies the correct budget for the continuation of the post.

Declassification of properties designated for allocation to people aged 45 years + Demand led service - more items are being discarded in communal areas at Council accommodation. The Council must keep these areas clear to comply with its fire safety duties.

To strengthen the resilience of the Leaseholder service. Spend to save.

Appendix 3 Table 3 – Impact of proposed rent increase

Charge	Average weekly charge 2023/24	Average weekly charge 7.7% increase	Increase
Housing rent (52 weeks)	84.33	90.82	£6.49 per week (Eligible for Universal Credit)

Appendix 4 – HRA Capital Programme 2024/25

	2024/25
	Total €
Major Adaptations	450,000
Minor Adaptations	50,000
Stairlifts	60,000
Major Void Works	280,000
<u>Compliance</u>	
Asbestos Removal	200,000
Communal Area Improvements	75,200
Communal Area Electrical Upgrades	68,000
Fire Safety Works	100,000
<u>Stock Maximisation</u>	
Garages	100,000
<u>Decent Homes</u>	
Kitchens	1,794,100
Bathrooms	2,900,900
Electrical Upgrades	100,000
Window Replacement	345,000
Central Heating & Boiler Installation	1,292,000
Sheltered Housing Improvements	190,000
Redevelopment Sheltered Accommodation - St Michael's Court, Thurmaston	1,600,000
Door Replacement	700,000
Roofing Works	600,000
Insulation	250,000
Major Structural Works	250,000
<u>General Capital Works</u>	
Estate and External Works	215,000
Housing Capital Technical Costs	438,100
Door Entry Systems	73,000
Acquisition of Affordable Housing to meet housing need	1,123,800
Mobility Scooter Storage	15,000
Create a 'Warm Homes' Fund - HRA tenants	100,000
<i>Sub-total Live Schemes</i>	13,370,100
Acquisition of Affordable Housing to meet housing need	0
Replacement of the Lifeline Priority Notification Centre ('PNC')	30,000
Create fund to purchase 'Off Development' properties	500,000
<i>Sub-total Provisional Schemes</i>	530,000
Housing & Wellbeing - HRA - Total	13,900,100

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