

Committee Name and Date of Committee Meeting

Cabinet – 13 February 2023

Report Title

Housing Revenue Account Rents and Service Charges 2023/24

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

Report Author(s)

Kathleen Andrews, Finance Manager (Housing)

kathleen.andrews@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The purpose of the report is to seek approval for the proposed values of the housing rents, non-dwelling rents, District Heating and service charges and the draft Housing Revenue Account Budget for 2023/24.

This report should be considered alongside the HRA Business Plan report for 2023/24.

It is proposed that the Council retain the policy of realigning rents on properties at below formula rent, to the formula rent level when the property is re-let.

Recommendations

That the Cabinet note the content of the report and recommends to Council: -

1. That dwelling rents are increased by 7% in 2023/24 (Option 1) in line with the latest Government policy on rents for social housing which caps rent increases to 7% for 2023/24.
2. That shared ownership rents are increased by 7% in 2023/24 (Option 1) as per the increase on Council dwelling rents.
3. That there is a 6% increase in charges for garages and parking spaces, communal facilities, cooking gas and use of laundry facilities.

4. That Cabinet note the £1.65m 'cushioning' effect that the Council has put in place through the District Heating Scheme in 2022/2023 rising to £2.593m for 2023/2024 subject to Recommendation 6 below.
5. That the Council retain the Energy Bill Relief Scheme amounts to offset some of the deficit incurred in cushioning tenants from energy price rises.
6. The unit charge per Kwh is increased by 186.43% and weekly prepayment charges are increased by 44% to 150%, depending on property size, for District Heating Schemes in 2023/24 (Option 1) to enable the Scheme to break even in the long term.
7. Approve the draft Housing Revenue Account budget for 2023/24 as shown in Appendix 2.
8. That the Council retain the policy of realigning rents on properties at below formula rent, to the formula rent level when the property is re-let.

List of Appendices Included

- Appendix 1 Non-dwelling rent, service charges and Furnished Homes charges 2023/24
- Appendix 2 Draft Housing Revenue Account Budget 2023/24
- Appendix 3 Part A - Initial Equality Screening Assessment form
- Appendix 4 Part B – Equality Analysis form
- Appendix 5 Carbon Impact Assessment

Background Papers

Ministry of Housing, Communities & Local Government – Policy Statement on rents for social housing (February 2019).
District Heating Scheme Charges Review – Full Council (13 December 2017).

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Cabinet – 20 February 2023
Council – 1st March 2023

Council Approval Required

Yes

Exempt from the Press and Public

No

Housing Revenue Account Rents and Service Charges 2023/24

1. Background

- 1.1 This report sets out the proposals for the rents, service charges and District Heating Charges and presents the draft Housing Revenue Account (HRA) budget for 2023/24. The HRA is a self-financing ring-fenced account which retains and uses the rental income to fund its revenue services, deliver the capital programme and invest in housing.
- 1.2 During the year there have been significant financial challenges resulting from unprecedented increases in gas and electricity costs. The current financial and economic position has resulted in other high inflationary factors which have impacted the HRA in 2022/23 and will continue into 2023/24. CPI inflation at 10.1% and RPI inflation at 12.6% have resulted in high increases in management and repair costs and the costs of housing development programmes.
- 1.3 A critical consideration is to set rents and service charges at a level which enables the Council to meet its priorities and to manage and maintain properties and deliver services effectively.
- 1.4 In developing these proposals, a balance has been considered between achieving sufficient income to manage and maintain properties effectively and to provide housing services versus the impact any increase will have on tenants.
- 1.5 Ongoing work mitigating the effects of the cost-of-living crisis is a priority. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. The Council will continue to support tenants to continue to pay their rent; by offering additional support to vulnerable tenants to help with money, benefits and debt advice.
- 1.6 The Council currently manages approximately 19,807 properties of which 8,482 (43%) are currently at formula rent (sometimes referred to as Target Rent). Government guidance states that where properties have not reached formula rent by April 2015 it is expected that the rent is moved up to formula rent when the property is re-let following vacancy. This Policy was adopted by the Council at the Cabinet meeting on 14th January 2015.
- 1.7 From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their rents by 1% each year for four years, 2019/20 being the final year. In April 2020 the Government set a long-term rent policy for both local authority landlords and housing associations. This permits annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from April 2020, for a period of five years.
- 1.8 The Government rent policy allows providers to set rents at up to 5% above formula rent. This flexibility is not applied in Rotherham.

- 1.9 Due to current and predicted inflation rates, the Government have completed a consultation on a cap on rent increases to ensure social rents remain affordable for tenants and to limit growth in the welfare budget. From April 2023 the Government has set in place a cap of 7% increases on social rent. This is the maximum increase allowed on social housing rents in 2023/24 and replaces the current Government policy for one year.
- 1.10 Under the Government rent policy prior to the cap, Councils would have been permitted to increase rents by CPI + 1%, an increase of 11.1%. The cap significantly reduces the income that Councils can raise to fund Housing services and manage and maintain properties. The Local Government Association have made representations to the Department for Levelling up, Housing and Communities to highlight the impact this will have on Housing finances. It should be noted that no Government support is provided to Councils to mitigate the impact of the lower rent income. For Rotherham, the cap means a reduction in expected housing income of at least circa £3.3m in 2023/24, with this loss being compounded over the lifetime of the HRA Business Plan.
- 1.11 This report also considers the charges in 2023/24 for services including garages, garage plot sites, cooking gas, communal facilities, laundry services, and District Heating charges and summarises the draft HRA budget for 2023/24.

2. Key Issues

2.1 Housing Rents

- 2.1.1 There are three rent types within the HRA – Social Rent, Affordable Rent and Shared Ownership Rent.
- 2.1.2 **Social Rent:** The majority of Council dwellings are social rent properties. The average social rent in 2022/23 is currently £79.12 when aggregated over 52 weeks. The 2023/24 average weekly rent based on the Government policy of a rent cap of 7% would be £84.66, an average increase of £5.54 per week.
- 2.1.3 This is the maximum that rents could be increased in 2023/24 in line with the existing Government policy.
- 2.1.4 When there are tenancy changes on Social Rent properties these will be relet at formula rent, as approved by Cabinet on 14th January 2015. The average additional rent for re-lets to formula rent being £5.76 per week. Approximately 900 properties are re-let each year; it is anticipated that this approach will generate additional income of approximately £135k in 2023/24.
- 2.1.5 **Affordable Rent:** The average Affordable Rent in 2022/23 is currently £103.36 per week when aggregated over 52 weeks. The 2023/24 average weekly rent based on the Government policy of a rent cap of 7% would be £110.59, an average increase of £7.23 per week.

- 2.1.6 Where the Council has been successful in securing grant income from Homes England (HE) to deliver Affordable Rent properties, the new properties will be managed in line with our existing policies, for example mutual exchange, succession, subletting etc. The key difference for grant funded properties, compared to Social/Formula rent properties, is the method of managing the rent values which is prescribed by Government. These are contained within the Capital Funding Guide for Homes England grant and the Rent Standard Guidance.
- 2.1.7 The Council is required to rebase (revalue) the Affordable Rent value on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let.
- 2.1.8 All Affordable Rent properties are revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let. The rebased Affordable Rent will only apply to new tenants or tenancies.
- 2.1.9 The actual rents for existing tenants in Affordable Rent properties will only be adjusted in April each year as per the existing annual rent and charges review process.
- 2.1.10 There are 16,227 tenancies in receipt of Housing Benefit/Universal Credit who would not be directly affected by an increase in rent and circa 3,580 tenancies that would be directly affected by a rent increase, as they would pay themselves from their household income. The tenants in receipt of benefit (Housing Benefit or UC) who would see their benefit entitlement adjusted to meet an increase in rent are.
- 8,673 households who are on Universal Credit
 - 4,577 households who are on full Housing Benefit entitlement
 - 2,977 households who are on part Housing Benefit entitlement
- 2.1.11 **Shared Ownership Rent:** The Council has provided a number of Shared Ownership properties to increase the availability of affordable housing in Rotherham. Rent increases in respect of shared ownership properties are subject to a different formula of RPI (as at September 2022 = 12.6%) plus 0.5%. Currently there are 81 shared ownership properties that would be affected where rents would increase on average by £6.06 per week from £46.23 to £52.29.
- 2.1.12 The total housing net rent income generated through Social, Affordable and Shared Ownership rents is currently £81.675m in 2022/22. If rents were increased in line with the Government policy this would result in rent income of an estimated £87.116m, an increase of £5.441m compared with 2022/23 rent levels, based on 52 weeks.
- 2.1.13 This report also considers the potential increase in HRA non dwelling rent fees and charges for 2023/24 and proposes a 6% increase in line with the

overall review of fees and charges proposed across the Council, as part of the annual budget setting process.

- 2.1.14 The RMBC District Heating scheme has been significantly impacted in 2022/23 by unprecedented increases in fuel costs. This report considers the proposed increases to the District Heating unit charge and weekly pre-payment charge. Proposals for increases ensure that the average cost to tenants remains within the government price cap of an average of £3,000 for fuel charges.

3. Options considered and recommended proposal

3.1 Housing Rents

3.1.1 Option 1 – 7% increase on all rent tenures (Recommended)

Social and Affordable Rents: In line with the Government cap on rents for social housing this option would increase rents by 7% in 2023/24. This would result in an average rent increase of £5.54 per week from £79.12 to £84.66 per week.

- 3.1.2 Whilst this increase may appear significant it is necessary to allow continued investment in housing growth, ensure compliance with statutory functions, achieve Energy Performance Rating C across the housing stock by 2030, maintain the decent homes standard and sustain current levels of investment in frontline services. It is vital that the funding is available to maintain good quality homes and services for the tenants of Rotherham. Housing growth is a key priority in order to replace Council homes lost through right-to-buy and have homes available for people on the housing register.

- 3.1.3 The HRA Budget for 2022-23 was developed against a very different financial landscape to that which the Council and wider community is currently experiencing. Any lowering of the base rent below 7% will have a permanent effect on the finances available to support the HRA as any future increases will be from the lower rent level. This will lead to a long-term risk that HRA reserves will be lower and future shocks, such as the unforeseen energy increase of the last year, will be more difficult to weather. This is a key consideration in the recommendation to increase rents by 7%.

- 3.1.4 The increase at CPI + 1% would have resulted in a rent of £87.90, an increase of £8.78. This would have provided the Council with £3.341m more in rental income when compared to the income to be achieved under the 7% cap on rent increases.

- 3.1.5 Government policy for rent increases in respect of shared ownership properties are subject to a different formula of RPI (as at September 2022 = 12.6%) plus 0.5%. It is proposed to increase shared ownership rents by a voluntary rent cap of 7%, rather than following the government formula. Currently there are 81 shared ownership properties that would be affected where rents would increase on average by £3.24 per week from the current average weekly rent of £46.23 to £49.47.

- 3.1.6 If approved this would result in an increase in rent income of an estimated £5.442m compared with 2022/23 rent levels based on 52 weeks.
- 3.1.7 The HRA does not receive funding from Government for the management and maintenance of its properties. It is therefore self-financing and the rental income stream makes up the majority of funding available to the HRA. Option 1 provides the optimum level of funding to support the ongoing maintenance of properties and management services for Council dwellings.
- 3.1.8 Option 1 is recommended because it provides opportunities to contribute to the housing growth agenda and continues investment maintaining the estate environment throughout the borough. It also maintains existing build standards for the housing growth programme. Furthermore, it sets out the Council's ambition to build new homes and in doing so creates a long-term new homes programme allowing for longer term planning and greater buying power. Further details are contained within the HRA Business Plan report for 2023/24.
- 3.1.9 **Option 2 – 5% increase on all tenures**
- Social and Affordable Rents: The Government Consultation on a cap on rent for social housing considered a potential increase on rents of 5% in 2023/24. The 5% cap was not implemented. This option would result in an average rent increase of £3.96 per week from £79.12 to £83.08 per week.
- 3.1.10 Government policy for rent increases for shared ownership properties are subject to a different formula of RPI (as at September 2022 = 12.6%) plus 0.5%. Shared Ownership rents could also be increased by 5%, rather than following the government formula. Currently there are 81 shared ownership properties that would be affected where rents would increase on average by £2.31 per week from the current average weekly rent of £46.23 to £48.54.
- 3.1.11 If approved this would result in an increase in net annual rent income of an estimated £3.865m compared with 2022/23 rent levels based on 52 weeks.
- 3.1.12 As the HRA is self-financing, the rental income stream makes up the majority of the funding available to the HRA. Option 2 provides a lower amount of funding to support the ongoing maintenance of properties and management services for Council dwellings. This would not cover the inflationary increase in HRA costs for 2023/24.
- 3.1.13 This option deviates from the previously agreed policy position of following the Government's rent standard.
- 3.1.14 A 5% rent increase would require a £1m irreversible cut to Housing budgets. This would impact on the Council's ability to manage and maintain properties effectively. Statutory housing obligations such as ensuring full compliance with fire safety, landlord regulatory standards and maintaining Council housing to the Decent Homes Standard would be maintained. However, non-statutory activity would have to be reduced or deferred. In addition, reductions

would be required to service budgets, including staffing budgets, which would impact on service capacity and the ability of the service to respond to current and future service demands.

- 3.1.15 Non statutory works that would be reduced, would include for example undertaking improvements to garage sites and environmental improvements to housing estates. Works such as off-street parking, improvements to the street scene etc. would no longer be affordable. Other examples of works that could be cut would be boundary fencing schemes to open plan bungalow complexes, unadopted pathway repairs. This is not an exhaustive list and would be subject to ongoing appraisal.
- 3.1.16 It would also require a reduction in the specification and space standards of the Council's new build properties as a saving of circa £18k per property is required. This would mean reducing the average house size by circa 100 square feet to circa 750 square feet. Properties would also no longer be built to be zero carbon ready.
- 3.1.17 Option two is not recommended due to the irreversible cuts that would be required to investment in estates across the borough and a reduction in build standards.

Table A – Rent Increases	Option 1 7% increase	Option 2 5% increase
Social Rent properties	£	£
Current Average rent 2022/23	79.12	79.12
Proposed Average rent 2023/24	84.66	83.03
Weekly Increase	5.54	3.91
Affordable rent properties	£	£
Current Average rent 2022/23	103.36	103.36
Proposed Average rent 2023/24	110.59	108.52
Weekly Increase	7.23	5.16
Shared Ownership properties	£	£
Current Average rent 2022/23	46.23	46.23
Proposed Average rent 2023/24	49.47	48.54
Weekly Increase	3.24	2.31
Net annual rent income	£m	£m
Net annual income 2022/23	81.674	81.674
Potential Net annual income 2023/24	87.116	85.539
Annual increase	5.442	3.865

3.1.18 **Furnished Homes charges**

The recommended option for dwelling rents will also apply to tenants with a Furnished Tenancy. As such, Furnished Homes charges are subject to the same inflationary increase as standard rents (7% for Option 1 or 5% for Option 2). If Option 1 is approved these charges will increase by 7%. This would generate additional income of £464k in 2023/24. A full list of Furnished Homes charges and proposed values for 2023/24 is included in Appendix 1.

3.2 **Non-Dwelling Rents and Service Charges**

- 3.2.1 In line with the review of fees and charges across the Council it is proposed to increase non-dwelling rents and service charges by 6% in 2023/24.
- 3.2.2 The proposed increase of 6% would generate additional income of approximately £61k in 2023/24 compared with current charges.
- 3.2.3 There are a number of leasehold management charges that are based on the full recovery of actual costs, and these are excluded from this report as they are not standard charges that are subject to an inflationary increase. These are included for information in Appendix 1.
- 3.2.4 Appendix 1 shows the full list of non-dwelling rents and service charges and outlines the recommended increases for 2023/24.

3.3 **District Heating Charges**

- 3.3.1 There are currently 18 different schemes and approx. 1,260 properties which receive heat through the Council's District Heating programme.
- 3.3.2 During 2017/18 there was an extensive review of district heating pricing to ensure that charges are fair and reasonable to all tenants. A revised schedule of charges was approved by the Council on 13th December 2017. Scheme charges remained unchanged until April 2022 when a tapered increase over 4 years was agreed.
- 3.3.3 The energy market has seen unprecedented increases in prices for gas and electricity and this has had a significant impact on the costs of operating the Council's District Heating Scheme in 2022/23. The market remains volatile with significant swings daily. The uncertainty is anticipated to continue into 2023/24.
- 3.3.4 The total direct cost (fuel only) of running the District Heating Scheme in 2021/22 resulted in an overall deficit of £29.5k and the latest forecast for 2022/23 is that the Scheme will incur a deficit of around £1.626m as the Council did not levy an in-year increase to scheme charges. This equates to support of £1.291k per District Heating user.
- 3.3.5 It should be noted that the prepayment charge is the amount a tenant would pay to their rent account on an annual basis. The annual cost to the tenant will depend on their actual usage, therefore the annual cost could be higher or lower than the amounts in Table B below. Tenants will be advised of their average annual usage.
- 3.3.6 District Heating users will receive the same Government support with their energy bill that is provided to all residents. Tenants who require support can also access the Council's Energy Crisis scheme to receive further cash support.

- 3.3.7 **Option 1 – Government cap from April 23 (recommended)**
- 3.3.8 This option would see the unit rate increase from 7.22p to 20.68p and would mean an average annual cost per user of £1,610. There would be average support of £2,057 per user as full cost recovery would not be achieved. This would result in a potential pressure on District Heating budgets of £2.593m.
- 3.3.9 Legislation allows full cost recovery of fuel costs. However, the proposed option maintains average costs for tenants within the Government cap (£3,000 for gas/electricity) so does not recover the fuel costs for the District Heating service. The proposed unit rate will bring District Heating charges more closely in line with those costs being faced by other tenants.
- 3.3.10 Table B below shows the impact of this proposal in terms of the actual unit charge and both weekly and annual prepayment charges per type of property.
- 3.3.11 A tapered increase to the weekly pre-payment charges have been applied based on property size to ensure the charges are reasonable. Tenants will be advised of their usual annual usage so that they can consider their payment options.
- 3.3.12 **Option 2 – continue with tapered increase to unit rate agreed by Cabinet on 20 December 2021 (not recommended)**
- 3.3.13 This option would see the unit rate increase from 7.22p to 8.09p. The average annual cost per user would be £630. There would be an average subsidy of £3,014 per user as full cost recovery would not be achieved. This would result in a potential pressure of £3.798m. This level of subsidy is not sustainable for the HRA.
- 3.3.14 Table B below shows the impact of this proposal in terms of the actual unit charge and both weekly and annual prepayment charges per type of property.
- 3.3.15 **Option 3 - increase per current year government cap (not recommended)**
- 3.3.16 This would result in a unit rate of 17.17p, an increase of 9.95p. The average annual cost per user would be £1,337. There would be an average support of £2,324 per user as full cost recovery would not be achieved. This would result in a potential pressure of £2.929m.
- 3.3.17 Table B below shows the impact of this proposal in terms of the actual unit charge and both weekly and annual prepayment charges per type of property.

Table B		Option 1	Option 2	Option 3
District Heating Schemes	Current charges 2023-23	Government Cap from April-23	12% tapered increase	Government Cap - ends March-23
	£	£	£	£
Expenditure (Fuel only)	2,451,994	4,738,346	4,738,346	4,738,346
Net Income	-825,716	-2,145,759	-940,186	-1,809,609
Deficit (subsidy)	1,626,278	2,592,587	3,798,160	2,928,736
Unit rate KWh (Inc VAT)				
	7.22p	20.68p	8.09p	17.17p
Increase 22/23 vs 23/25				
		13.46p	0.87p	9.95p
Percentage Increase to unit rate				
		186.43%	12.05%	137.81%
Pooled Schemes Weekly Prepayment Charge (inc VAT)				
	£	£	£	£
Bedsit	11.11	16.00	12.44	22.22
1 Bed	12.94	25.88	14.49	25.88
2 Bed	14.84	32.65	16.62	29.68
3/4 Bed	17.17	42.93	19.23	34.34
Weekly prepayment charge % increase		44%-150%	12%	100%
Annual Prepayment charge (inc VAT)				
	£	£	£	£
Bedsit	577.72	831.92	647.05	1,155.44
1 Bed	672.88	1,345.76	753.63	1,345.76
2 Bed	771.68	1,697.70	864.28	1,543.36
3/4 Bed	892.84	2,232.10	999.98	1,785.68
Annual average Bill (inc VAT)				
	563	1,611	630	1,337
"Subsidy" per user				
	1,290.70	2,057.61	3,014.41	2,324.39

3.4 **Energy Bill Relief Scheme (EBRS)**

3.4.1 As a result of the increased cost of gas and electricity to consumers the government brought forward legislation to cap the cost of gas and electricity for consumers. Whilst the Council does not benefit from the domestic scheme it does receive a benefit under EBRS, the scheme for businesses and public bodies. This scheme runs until the end of March 2023 only after which time it will be replaced by an updated scheme which is still being consulted on by government.

3.4.2 Although, the Council are benefiting with a reduction through this scheme as the result of a mid-contract reconciliation it is also experiencing an uplift in contract rates. Therefore, the overall result with the uplift and the EBRS discount, will still be an increase to the energy contracts and an additional budget pressure.

- 3.4.3 Under the Energy Prices Act 2022, the government has established a requirement that any energy price support is passed on to end users. This means that intermediaries in the UK in receipt of support from the EBRs must pass on the benefit obtained to the end users, as the intended beneficiaries of the relevant schemes. A heat supplier (which the Council is) which has been provided with a benefit under the EBRs is counted as an intermediary. A heat network consumer is counted as an end user.
- 3.4.4 The guidance states that if District Heating suppliers have continued to charge a lower rate and they are incurring a loss due to the high cost of fuel then it is determined that it is just and reasonable to not provide a “pass-through” amount (refund) to DH users.
- 3.4.5 During 2022/23 the Council have experienced significant price increases on fuel costs and have not passed these on to District Heating users. The unit rate of 7.22p per kwh has been retained. Financial forecasts indicate that there will be a potential deficit at year-end of around £1.626m before taking into account the EBRs. This equates to an average support of £1.291k per District Heating user.
- 3.4.6 The discount received up to the end of November 2022 was £97k and the discount for December 2022 was £15k.
- 3.4.7 **Option 1 – retain the EBRs support to fund the District Heating scheme (recommended)**
- 3.4.8 This option is recommended as the Council has not passed on any of the fuel price increases to District Heating users in 2022/23. Existing users have effectively already benefitted from the Council not increasing the unit rate in year as they are paying less than the benefit the Council is receiving. District Heating users will have received the same Government support with their energy bill that is provided to all residents.
- 3.4.9 This option would not see a reduction in the forecast deficit of £1.626m.
- 3.4.10 **Option 2 – pass on the EBRs discount to District Heating users (not recommended)**
- 3.4.11 The value of the EBRs benefit is not known to the Council until after the billing period. It is calculated each month, based on a number of factors in the contract which can affect the benefit delivered.
- 3.4.12 This option is not recommended as the Councils continued to charge a lower rate for District Heating than the cost of operating the scheme. Even with the benefit of EBRs the annual deficit is forecast to be £1.626m. Therefore, in line with the regulations it is considered reasonable to not provide a “pass-through” amount (refund) to DH users, given the support already been provided to customers through the lower rate being charged.

4. Consultation on proposal

4.1 The Council has a strong track record of tenant engagement and has recently been recognised by the Tenant Participation and Accreditation Service for the excellent framework that is in place to consult and work with tenants on how services are developed and improved.

4.2 The Housing Involvement Panel will be updated in respect of rents and charges on 18th January 2023.

5. Timetable and Accountability for Implementing this Decision

5.1 This report will be considered by the Council on 1st March 2023 and subject to approval, would be implemented from Monday 3rd April 2023.

5.2 Legislation requires tenants to be advised of the change at least 4 weeks prior to the date of that change.

6. Financial and Procurement Advice and Implications

6.1 Appendix 2 of this report presents the 2023/24 detailed Draft Operating Statement which is effectively “The HRA Budget”.

6.2 Table C below presents an overall summary position of the Income and expenditure budgets based on rent increases of 7% (Option 1) and service charge increases of 6%.

Table C	Current Budget 2022/23	Proposed Budget 2023/24	Difference
Housing Revenue Account	£'000	£'000	£'000
Expenditure	84,186	94,972	10,786.00
Income (including service charges)	-89,112	-96,701	-7,589.00
Net Cost of Service	-4,926	-1,729	3,197
Interest Received	-7	-200	-193.00
Net Operating Expenditure	-4,933	-1,929	3,004.00
Revenue Contribution to Capital Outlay	2,896	1,929	-967.00
Transfer to Reserves	2,037	0	-2,037.00
Surplus/Deficit for the Year	0	0	0

6.3 Based on the recommended 7% increase (option 1) in dwelling rent income and an increase in service charges of 6%, the budgeted income of £96.701m is anticipated to be collected in 2023/24 and this is offset by £94.972m of budgeted expenditure, which represents the net cost of delivering the service.

6.4 As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £1.929m to the service after interest received.

6.5 Based on a review of the HRA business plan a Revenue Contribution to Capital of £1.929m has been made towards the approved HRA Capital investment Programme. Therefore, there will be no requirement for a transfer to/from the HRA Reserves to provide an overall balanced budget for 2023/24. The proposed budget has been provided for within the revised HRA Business Plan.

6.6 There are no direct procurement implications within this report.

7. Legal Advice and Implications

7.1 Under section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and the Council must from time-to-time review rents and make such changes as circumstances may require. The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

8. Human Resources Advice and Implications

8.1 There are no Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 No direct implications.

10. Equalities and Human Rights Advice and Implications

10.1 The Local Authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration. An initial equalities screening has been carried out to assess the impact of the proposals within the report to increase Housing Rents and services charges for 2023/24 and an Equality Impact Assessment put in place. This will ensure the Council continues to promote positive impact and reduce or remove any negative impact as a result of the proposed increase in charges. An Equalities Analysis is attached at Appendix 3 and 4.

11. Implications for CO2 Emissions and Climate Change

11.1 This report recommends increases to the unit and prepayment charges for tenants on the Councils District Heating Schemes and this may impact on their future energy usage. A completed Carbon Impact Assessment is attached to this report at Appendix 5.

12. Implications for Partners

12.1. No direct implications for partners and other directorates.

13. Risks and Mitigation

- 13.1 The greatest risk and uncertainty is the current volatility of fuel costs. Unprecedented increases have occurred in 2022/23 and it is anticipated that further significant increases will be levied in 2023/24. The proposed increase in District Heating charges goes some way to cover the costs, but still leaves a significant anticipated deficit on the service.
- 13.2 The level of rent income received into the Housing Revenue Account is a key risk for the HRA. This is dependent upon the number of properties available to generate income.
- 13.3 The level of properties is directly affected by the level of sales and demolitions which may vary to those used in the budget assumptions. Rules regarding Right to Buy (RTB) receipts were implemented in April 2012 included increasing the discount cap, which is currently £87,200. This has seen the number of RTB sales increase significantly because of the higher discount available. Total sales in 2021/22 were 208. It is estimated that there will be 254 RTB sales during 2022/23 and the HRA Business Plan assumes a further increase of 206 sales in 2023/24.
- 13.4 Strategic Housing Investment plans involve the acquisition or build of 137 new properties for council rent in 2023/24 and 40 new shared ownership properties which will also bring in additional rent income. This will assist in mitigating against lost rental income for RTB sales.
- 13.5 The changes to the rent formula from 2016/17 has resulted in the Council receiving less income in the last five years, therefore impacting on the 30-year business plan.
- 13.6 The Government's changes to welfare benefits and the introduction of Universal Credit could impact on the level of rent income collected including the level of arrears and therefore be reflected in the Housing Revenue Account balances.
- 13.7 All budgets carry a certain level of risk in that unforeseen circumstances may arise, causing additional pressures on the level of resources applied.

14. Accountable Officers

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health
ian.spicer@rotherham.gov.uk
James Clark, Assistant Director of Housing
james.clark@rotherham.gov.uk

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	Date
Chief Executive	Sharon Kemp	30/01/23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	26/01/23
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	26/01/23

*Report Author: Kathleen Andrews Kathleen Andrews, Finance Manager
(Housing)*

kathleen.andrews@rotherham.gov.uk

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