

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL)	AGENDA ITEM: 6
DATE OF MEETING:	08 JANUARY 2024	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	CHARLOTTE JACKSON charlotte.jackson@southderbyshire.gov.uk	DOC: s/finance/committee/2023-24/Jan
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET 2024-25	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HC 01

1.0 Recommendations

- 1.1 The options for Council House Rents for 2024/25 are considered and a preferred option is agreed pending the Government's announcement of the Social Housing rent cap for 2024/25.
- 1.2 That the proposed revenue budget for the Housing Revenue Account (HRA) for 2024/25 as detailed in **Appendix 1**, is considered and recommended to the Finance and Management Committee for recommendation for Council approval.
- 1.3 That the proposed Capital budget for this Committee's services for 2024/25 as detailed in **Appendix 2** is considered and recommended to the Finance and Management Committee for recommendation for Council approval.

2.0 Purpose of the Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2024/25. This includes service delivery proposals, cost pressure and savings of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2024/25 within the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee on 15th February 2024.
- 2.3 The report also sets out proposals for the percentage increase to Social Housing Rents under the responsibility of this Committee for 2024/25.
- 2.4 The details contained within this report are subject to public consultation with the Council's relevant Committees, ratepayers and the public, as part of the Council's own budget process and statutory and wider consultation.

3.0 Introduction

- 3.1 At the inception of the budget setting process, the following three key principles were agreed with Members and set out to Heads of Service to guide the preparation of budget proposals contained within this report:
- **Budgets should support Service Plan and the Council Plan** –That the budget aligns with Service Plans and the Council Plan to ensure that appropriate funding is in place. The intention is to reduce the need for further reports to Committee for additional funding requests throughout the forthcoming year, unless there are specific requests from Members, or other requirements around procurement or approval considerations.
 - **Revenue investment should be based on demonstratable need or be self-funding** - That any cost-pressures (such as inflation pressures on supplies, services, and contracts), additional staff or reductions in income due to lower demand or reduced fees, should, insofar as is possible, be “self-funding”. Services were asked to try as far as is reasonably practical to off-set increases in financial resources by making savings in other areas or alternatively, additional revenue investments should be fully demonstrated. Overall, the budget process sought for proposals that demonstrated an evidence-based business case which set out the service need, how additional revenue funding will seek to meet that need, and where possible, reduce ongoing expenditure or increase income in other areas.
 - **Capital growth will be considered based on need and innovation meaning it is essential for the maintenance of service delivery or will improve service delivery by way of revenue improvement** –That when we are investing to create or enhance an asset, it is because it will improve the Council’s financial position through reducing spend or generating income, or because we must to maintain services.
- 3.2 As part of the Council’s commitment to continuous improvement and good financial governance, the process for budget setting undertaken this year has been adapted. These changes were set out in the “Budget Setting Approach 2024/25” report delivered to the Council’s policy Committees and Overview and Scrutiny at their meetings in September and October 2023.
- 3.3 In line with the principles set out at 3.1, the Council’s Heads of Service and their service managers have been heavily involved in developing proposals relating to the Housing Revenue Account, such as General Management, supporting people, repairs and maintenance. All proposals have undergone assessment and refinement by the Council’s Leadership Team, who have challenged, scrutinised and refined proposals in light of the principles and the overall financial position of the Council.
- 3.4 The revenue budget approach has been ‘incremental’ meaning that the focus is on budget changes compared to the current year (2023/24) position. As such, revenue proposals are categorised to easily explain the changes and also where proposals can be rejected. The categories as set out in the report in **Appendix 1**. They are set out as individual changes.
- **Savings** – savings identified through either a reduction in budgeted expenditure or income that is additional to that budgeted in the current year because of an increase in charges and/or a forecast increase in demand.

- **Cost Pressures** – where additional budget provision is required to cover unavoidable cost increases. One-off items will be funded through earmarked reserves (see 3.5 below).
- **Service Developments** – proposals to enhance service provision and which require a decision around investment. One-off items will be funded through earmarked reserves (see 3.5 below).

3.5 Where increases in spending, either as a cost pressure or a service development are one-off, they will be funded by earmarked reserves. This is following the Section 151 Officer’s phase 1 review. This repurposing of earmarked reserves represents an effective way of managing one-off expenditure, given its very nature, and in the context of the Council wishing to close its budget gap and it having a high level of reserves and earmarked reserves that have been identified as no longer required for the original purpose for which they were set aside.

3.6 Proposals for capital investment are set out in the report on **Appendix 2** along with the existing capital programme commitments.

Budget Development Timetable

3.7 As detailed below this Committee will review standalone proposal decisions, where proposals are of material nature policy decisions are required. This report is tabled alongside any stand-alone report. This is specifically the case where there are proposals to add posts to the establishment, and where this is the case, **Appendix 1** makes this clear.

Table 1 – Committee Timetable

	Consideration of the draft 2024/25 budget	Consideration of stand-alone policy decisions
Housing and Community Services Committee	8 January 2024	1 February 2024

3.8 The final budget will be presented to the Finance and Management Committee in February 2024 who will recommend it to Council for final approval in the same month.

Consultation

3.9 In line with the Council’s statutory requirement to consult with ratepayers, it is proposed that relevant stakeholders in the business community are written to and views on the budget proposals are sought.

3.10 Between (circa) early-December 2023 and mid-February 2024 wider public consultation will take place via the Council’s website and at Area Forums.

3.11 Feedback received will be collated and reported as part of the final budget report in February 2024.

4.0 Detail

4.1 The draft budgeted position for the 2024/25 year is estimated to be a deficit position of £1.23m as set out in **Appendix 1**.

4.2 This is a decrease on the 2023/24 budgeted position of £895k.

4.3 Since the Council budgets on an incremental basis, the individual changes compared to the 2023/24 position are set out in **Appendix 1** is as follows:

- Service developments – proposed to increase spend by £1,244,775. Appendix 1.
- Cost pressures – increasing spend by £848,016. Appendix 1.
- Savings (inc. rent increase) - £2,987,873. Appendix 1.

Service Developments.

4.4 Across the range of proposals service developments have been developed by service areas for review and whilst being tabled as required for the effective delivery of services, they are additional to what the Council currently provide and could be classified as voluntary additional expenditure.

4.5 All service developments are detailed in Appendix 1. The most significant is a proposal to increase the budget for repairs and maintenance of void properties, as a one-off, by £797,000 for the 2024/25 year.

Cost Pressures

4.6 Cost pressures are set out in Appendix 1, with the most significant being:

- Pay Award £96,220
- R&M Fix & Fittings Contracts £153,265 – This represents the contractor's uplift of 7% on the repairs and maintenance contract.
- Contributions County Council £130,000 – Derbyshire County Council have confirmed that they will no longer be contributing to the Careline/Telecare services at Oaklands.

Savings and Income

4.7 Savings, including the additional income from an assumed rent increase is set out in Appendix 1. The most significant of these are:

- Investment income £239,553 – this is based on anticipated returns on HRA balances.
- Interest payable £270,000 – this is based on a reduction in interest payable on the HRA self-financing loans due to the next repayment of £10m being repaid 28th March 2024.
- Contingent Sums adjustments £612,916 – removal of contingent sums, as items are included in the base budget.
- Additional debt repayments – see below.
- Rent increase – see below.

4.8 The assumed additional rental income of £1,102,603 has been included in the budget based on a rent increase in line with the national rent increase formula of CPI + 1%. The anticipated announcement for social rents formula is due in the Autumn budget (22 November 2023). In 2023/24 the cap set on social rents was 7% with SDDC setting their increase at 3%. Work is underway to share comparisons of rent levels with other Councils of similar size and/or region and this will be included in the report in February.

4.9 Rents have been calculated in accordance with the Rent Standard Policy at CPI +1, using September rates the potential increase is 7.3%. Below is an illustration of the forgone income in comparison to 3% and 0 %. It must be noted that the comparison figures do account for the reduction of void losses factored into the medium-term financial plan.

Table 1 – Rent Increase Illustrative Options

	CPI + 1% (7.3%)	3%	0%
2024/25 impact to tenant based on average rent	£6.34	£1.74	0
Foregone income over life of MTFP (5 years)	Nil	£391,788	£503,896

Table 2 – Illustrative weekly increase in rents.

Percentage Increase	Weekly Rental Increase between		Average rental increase per week	Average weekly property rent
0%	£0.00	£0.00	£0.00	£87.30
3%	£1.89	£4.12	£2.62	£89.92
7.3%	£4.60	£10.03	£6.37	£93.67

4.10 The Additional Debt Repayments of £750,000 would ordinarily be set aside for the purpose of repaying debt. This saving proposed based on the Council not redeeming its next maturity loan of £10m due in 2027, recognising the significant shift in the Housing Business Plan since the loan was taken out in 2012 as part of self-financing (including 4 years of 1% rent reduction and a lower than cap increase on rents for 2023/24) and the revenue pressure this places on the HRA and the ability for the loan to be refinanced.

5.0 Capital Programmes

HRA

5.1 The Capital programme for the HRA has had no adjustments to the rolling 5 year programme currently in place.

6.0 Corporate Implications

Employment Implications

6.1 There are no direct employment implications arising from this report. However, a number of the indicative proposals will likely have employment implications through the creation of new posts to be added to the council's staffing establishment. These requests will be considered by this committee on 1st February 2024 and associated employment implications clearly set out.

Legal Implications

6.2 There are no direct legal implications arising from this report. The draft budget has been developed on a series of requirements of the Council in line with legal and

regulatory requirements around service provision. Should indicative proposals have specific legal implications, these will be clearly set out in the forthcoming reports to the relevant committee on 1st February 2024.

Corporate Plan Implications

6.3 This draft budget has been prepared to support the delivery of the Council's new Council Plan.

Risk Impact

6.4 This draft budget has been prepared to support the effective management of service risk. A full risk register will be presented as part of the Council Plan for 2024/25.

7.0 Community Impact

Consultation

7.1 As detailed in the report, relevant stakeholders in the business community have been written to and views on the budget proposals are sought, in line with the council's statutory duty to consult ratepayers.

7.2 In addition, between (circa) early-December 2023 and mid-February 2024 wider public consultation will take place via the Council's website and at Area Forums.

7.3.1 All consultation feedback received will be collated and reported as part of the final budget report in February 2024.

Equality and Diversity Impact

7.4 A full Equalities Impact Assessment (EIA) will be undertaken on the budget and presented to the Finance and Management Committee and Full Council as part of the final budget approval process.

Social Value Impact

7.5 Where relevant, the social value impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

Environmental Sustainability

7.6 Where relevant, the environmental impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

8.0 Background Papers

8.1 Consolidated Draft Budget Report 2024/25 and Medium-term Financial Plan to 2028/29.

8.2 Report to Finance and Management Committee, 5 October 2023, "Budget Setting Approach 2024/25".