

Welwyn Hatfield Borough Council
Housing Revenue Account – Budget Changes 2020/21

Appendix G

Dwelling rents - Increased income of (£531k)
<p>£900k decrease in rental income - The 2019/20 financial year was a 53 week year for rental purposes, so included a one year increase in the income generated. This income has been removed for 2020/21.</p> <p>(£1.431m) increase in rental income - For the financial year 2020/21, rents will increase by September's CPI + 1% and as a result this increases the income on dwelling rents. This equates to 2.7% and gives a forecast average rent of £106.16. This figure variance also includes the net adjustments to the base stock position, including reductions due to right to buy and redevelopments, and increases due to new properties.</p>
Tenants charges for services and facilities – Decreased income of £98k
<p>There are a number of small variances within the charges for services and facilities. The key contributor to the reduced level of budgeted income is:</p> <p>£67k decrease in service charge income - Due to planned redevelopments at Minister House and Howlands House, properties will be vacant and service charges will not be charged.</p>
Leaseholders charges for services and facilities – Increased income of (£204k)
<p>There are a number of small variances within the charges to leaseholders. The key contributor to the increased level of income is:</p> <p>(£183k) for leasehold service charges – This is due to uplifting each charge by 2% and based on the current Section 20 consultation estimates for major works. These major works charges will vary each year dependant on the proportion of leaseholders within blocks where works are undertaken.</p>
Contribution towards expenditure – Increased income of £161k
<p>There are a number of small variances within the charges to leaseholders. The key contributor to variance is:</p> <p>(£200k) Budget virement – Previously, the Council budgeted for some contributions made towards expenditure within the supervision and management line, leaving net expenditure on this line. To increase transparency between income and expenditure, the income budgeted has been moved to this line on HRA statement.</p>
Repairs and maintenance – Increased expenditure of £214k
<p>£214k Mears Increased expenditure due to contract inflation which is uplifted annually by September's inflationary figures.</p>
Supervision and management – Increased expenditure of £272k
<p>There are a number of minor variances within supervision and management. The key contributors to this variance are:</p> <p>£200k Budget virement – Previously, the Council budgeted for some income contributions made towards expenditure within the supervision and management line, leaving net expenditure on this line. To increase transparency between income and expenditure, the income budgeted has been moved to the "Contributions towards Expenditure" line on HRA statement.</p>

£88k increase in salary costs – In line with general assumptions on pay growth, salaries have been uplifted by inflation and incremental progression.

Special services – Increased expenditure of £61k

There are a number of minor variances within special services. The key contributor to this variance is:

£56k increase in salary costs – In line with general assumptions on pay growth, salaries have been uplifted by inflation and incremental progression.

Depreciation – Increased expenditure of £663k

£663k increased depreciation charge - The depreciation charge to the HRA is a statutory charge based on the value of the Council's dwelling stock and it increases in line with its stock value. This charge is credited to the capital account (ie Major repairs reserve) and used towards funding the HRA capital programme and repayment of borrowing.

Interest payable and similar charges – Decreased expenditure of £119k

£119k reduction to interest payable – The Council's capital programme, includes financing and borrowing forecasts. These forecasts show a net reduction to the HRA borrowing requirement. This, alongside the slight reduction in interest rates between loans being repaid and new loans, led to a reduction in the budget required for interest charges.

Financing and investment income – Increased income of £69k

£69k increase in interest receivable – The interest income was prudently set for 2019/20, and actual interest received, along with cash balances, have been higher than budgeted. The budget has been revised on this basis, and has been based upon anticipated balances.

Revenue Contribution to Capital – Increased expenditure of £156k

£156k increase in contribution to capital - The balance on the HRA each year is contributed to support the capital expenditure programme, specifically the Affordable Housing Programme and repayment of existing borrowing. This is done to make best use of funds, minimise the borrowing requirement and associated costs. This amount will vary each year dependent on rent policy, scheduled loan repayments, depreciation charges and other factors.

The Council's Medium-Term Financial Strategy sets medium term minimum working balance on the HRA at 5% of turnover. The revenue contribution is therefore calculated as the difference between 5% of total income and all other items of income and expenditure.