Welwyn Hatfield Borough Council **Appendix G**
Housing Revenue Account – Budget Changes 2019/20

Dwelling Rents - Increase in income of (£358k)
£480k reduction in income - The final year of the statutory rent reduction of 1% has been incorporate into the budget, reducing rental income generated. (£900k) additional income - The financial year 2019/20, is a 53 week year in terms of rent collection, which will yield additional income. (£88k) additional income - Hostel income is anticipated to increase due to high occupancy levels, and this additional income has been incorporated into the budget. £150k reduction in income – A net adjustment to the total income has been made, for loss of rent on right to buy sales (reduction in income), the additional rent arising from buyback of properties and completion of new build projects (additional income), and the longer void rates due to bringing open market purchases up to the required standard and into use (reduction in income).
Non Dwelling Rents - Increase in income of (£28k)
(£19k) additional income - The financial year 2019/20, is a 53 week year in terms of ret collection for garage rents, which will yield additional income, along with the 2.5% proposed increase in charges. (£8k) additional income – An additional letting at the Jim McDonald Centre is likely to generate £8k income.
Tenants charges for services and facilities – Increase in income of (£284k)
(£260k) additional income – An increase in the anticipated occupancy rates of hostels, and inflation linked increases to the hostel and community facilities charges, are expected to generate additional income. (£9k) additional income - A modest increase in fares for community buses is proposed, which will generate an additional £9k income. (£15k) additional income is being generated from alarm monitoring, due to a combination of an increase in weekly charge for lifelines.
Leaseholders charges for services and facilities – Decrease in income of £288k
(£288k) reduction in income - This budget reflects the recharged works to leaseholders for major works included in the capital programme. In 2018/19 major works budget was exceptionally high and included roofing works, door entry, rewiring, and works on Woodhall House. In 2019/20, lower expenditure is anticipated on works relating to leasehold properties, in turn, reducing the amounts recharged to leaseholders. The key works expected to be recharged relate to door entry replacement, rewiring and Queensway House lift replacement.

Repairs and maintenance – Net increase in expenditure of £357k
£220k growth – This increase relates to contractual inflation on repairs and maintenance, a significant element of this relates to the Mears contract, which is the highest area of repairs spend. £100k growth – Arising from the Hackitt report (publish May 2018), additional fire risk assessments have been undertaken during 2018/19, and additional remediation works will be required, such as fire compartmentalisation of lofts. This additional budget is required to carry out these safety works. £157k growth – During 2018/19, it was identified by Hertfordshire County Council (HCC) that a number of the street lamps within Welwyn Hatfield, belonged to the Borough Council as part of its Housing estate. Historically, HCC have been undertaking repairs and maintenance to these lights, but as they are not the owners, they have passed the responsibility back to the Council. This is estimated to cost £157k including servicing and bulb replacement. (£120k) efficiency - A reduction has been made to professional fees budget of £120k reflecting a lower requirement for such fees, now that novation of the contracts from the Trust to Council is complete.
Supervision & Management- Increase in expenditure of £286k **Special Services- Increase in expenditure of £93k** **Core & Democratic Core – Increase in expenditure of £25k** **Net increase in Management costs of £404k**
These three headings encompass total management costs but are disclosed separately in line with accounting regulations. The key year on year variances are outlined below: (£170k) efficiency – This efficiency has been driven from the Housing Transformation programme, which saw the review of Housing Operations service/structure. (£290k) removal of one off budget – For 2018/19, a budget was set to fund the one off costs relating to the Housing Transformation programme, which saw the review of Housing Operations service/structure. This programme is now complete, and the one off budget item has been removed. £403k growth – In line with the nationally agreed pay award, and contractual obligations, salary costs have been increased for the pay award and increments. Included in this is a £33k increase relating to staffing changes within the service, which are offset by additional income generated from these changes. £250k growth – Historically, the Council capitalised Housing Salaries for staff working on specific capital projects. This has no overall impact on the HRA and working balances, as there is a significant revenue contribution to capital to support the funding of the capital programme. Capitalising these salaries is an added accounting complication, which provides no financial benefit for the Council, so will cease from 2019/20. £211k growth – Inflation linked increases have been applied to various costs, including utilities, general maintenance and cleaning.

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Rents, Rates, Taxes and Other Charges - Increase in expenditure of £93k
£47k growth - Based on the historical value and volume of insurance claims, and the current insurance market, it is expected that insurance premiums will rise during 2019/20. £46k growth - Council tax on void properties has been increased to accommodate the void periods on the decanting of schemes such as Minster House prior to re-development, and the buyback properties undergoing void repairs prior to being let.
Bad Debts Provision - Decrease in expenditure of (£225k)
(£225k) efficiency – A review of the bad debt provision budget was undertaken for the 2018/19 budget, prior to the implementation of Universal Credit. During 2018/19, a fundamental review of former tenant arrears was undertaken, to cleanse the position, and new debt management policies and procedures have been introduced following the Housing Transformation project to enhance debt management. Since introduction of Universal Credit in December 2017, we have seen current debt levels rising although they are being actively managed, and are not at levels originally anticipated. Based on this, the bad debt assumptions had already been increased sufficiently for 2018/19 in relation to this area. A full review of the provision has now been undertaken following the roll out of Universal Credit, the former tenant arrears review and the updated procedures. Overall, following the review of the baseline, this is expected to reduce the bad debt provision requirement.
Depreciation - Increase in expenditure of £504k
£504 growth - The depreciation charge to the HRA is a statutory charge based on the value of the Councils housing stock, and increases in line with its stock value. This charge is credited to the capital account and is used towards funding the HRA capital programme and repayment of borrowing. This is funded from a reduction to the revenue contribution to capital also used for the same purposes.
Revenue Contribution to Capital - Reduction in expenditure of (£4.386m)
(£4.386m) reduction in contribution - The balance on the HRA each year is contributed to capital to support the capital expenditure programme, specifically the Affordable Housing Programme and repayment of existing borrowing. This is this is done to make best use of funds, and to minimise the borrowing requirement and associated borrowing costs. This amount will vary each year dependant on rent policy, scheduled loan repayments, depreciation charges and other factors. A minimum balance is maintained on the Housing Revenue Account in line with the Councils Medium Term Financial Strategy.