

**Addendum to Housing Revenue Account Budget and Rent Review 2023/24  
report  
For Housing Scrutiny Committee 17 January 2023 and Cabinet 18 January  
2023**

**Recommendation change:**

The Housing Scrutiny Committee is asked to note the addendum and make any recommendations to the Cabinet.

Having considered the addendum, the Cabinet is asked to agree the following recommendation in the place of recommendation (e) in the report

**(e ) Agree to increase heating pool scales by 175%, to defer repayment of the 2022/23 heating pool deficit into future years and apply credits to bring the net increase down to 125% and to agree an in-year review of charges during 2023, rather than January 2024.**

**Context and options**

1. As noted in the main report, confirmed gas & electricity prices up to end of September 2023 are showing an increase of 261% and 83% respectively. This has created a forecasted deficit in the heating pool for 2022/23 of £4.9m. The main report sets out a proposal to increase costs by 220% for 2023/24 and to defer repayment of the 2022/23 deficit to future years (from 2024/25 onwards).
2. It is recognised that 220% is a significant increase therefore officers have been working on alternative options (175%, 150% and 125%):
  - **Option 1: 175% increase**  
Prices from LASER are fixed up to end September 2023. The 220% increase is predicated on an assumed 20% increase in gas prices during the period Oct 23 to Mar 24. However, the Council could assume that prices will remain flat for that duration reducing the gas forecast by £3m and enabling the base case option to be limited to 175%.
  - **Option 2: 150% increase (175% increase with one-off credit to limit increase to 150%)**  
The Council could take the base case of a 175% increase then cap this increase temporarily for 2023/24 to a 150% increase. This would be funded by applying one-off funding of £1.7m in credits to tenants' rent accounts.
  - **Option 3: 125% increase (175% increase with one-off credit to limit increase to 125%)**  
The Council could take the base case of 175% increase then cap this increase temporarily for 2023/24 to a 125% increase. This would be funded by applying one-off funding of £3.5m in credits to tenants' rent accounts.

Option 3 is being put forward for decision in light of the cost of living pressures on tenants and the consultation with DMCs summarised below.

3. Tenants on meters and leaseholders will continue to be billed as normal.

### Illustration

4. The table below shows the impact of these options, using A1 scale (heating, hot water, cooking gas 365 days 24/7) for a two-bedroom property.

2022/23 A1 scale 2 bed: £19.71/week

Options	Weekly increase	Revised weekly charge
Current report 220%	£43.36	£63.07
Option 1- 175% increase	£34.49	£54.20
Option 2- 150% increase	£29.57	£49.28
Option 3- 125% increase	£24.64	£44.35

### Risks and mitigations

5. The options above seek to strike a balance between ensuring that the HRA budget is balanced for the gas/electricity costs in 2023/24 by the income from residents in the heating pool and the impact on the household's ability to pay the increased cost.
6. The Council is currently operating in a volatile energy market meaning all the options set out carry some risk. Much of this risk is unpredictable as it is based on future unknown energy prices and tenants' ability to pay. It is likely that this uncertainty will be carried through to at least the latter part of the year when prices from Oct 23 onwards are confirmed and the national economic picture becomes clearer.
7. It is therefore recommended that Cabinet consider an in-year review of charges, rather than waiting until next January 2024. In addition to the one-off credits required to implement the alternative options above the Council is exploring strategies that could release value from its under-utilised commercial assets and held as a backstop to protect against future energy price risks. This would be held back as a contingency and only drawn upon as a last resort if required.
8. On the 9 January 2023 the government announced that there will be an Energy Bills Discount Scheme (EBDS) for 2023/24. Initial review of this shows it may provide some risk mitigation should prices continue to climb steeply but that current LASER prices are below this cap. [Energy Bills Discount Scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/energy-bills-discount-scheme)
9. The options at 150% and 125% involve applying one-off credits to heating pool tenants who pay based on scales to their rent accounts. From 2024/25, the base scales would no longer include the credit, but these charges will be subject to separate consideration next year.

10. The impact of the recommended option on equalities has been considered and although it will mitigate some of the impacts described in the Equalities Impact Assessment (EIA) in Appendix D of the report, it does not change the EIA's findings.

### **Consultation**

11. DMCs were consulted at the January DMC on 11<sup>th</sup> January 2023.
  - Two DMCs supported Option 3 - 125%;
  - One DMC supported Option 2 - 150%;
  - One DMC supported Option 1 - 175% and;
  - One DMC rejected all options.
12. Feedback included questions about the funding being utilised and whether it could be used for the benefit of more tenants and/or to improve energy efficiency as a longer-term investment.
13. It was noted once the credits are removed, tenants may need to find extra money to pay depending on the prices in 2024/25. It was also asked if the credits could be a temporary loan to the pool to be repaid over time (similar to the heating pool deficit).
14. Many DMCs asked for the Council to consider the longer-term strategy of the heating pool – to move to greener more efficient solutions and options that give tenants more control over their actual usage. The Council has plans to actively roll out meters and is reviewing the retrofit strategy for the estates. Whilst a number of pilots are underway, this will take time to develop. All DMCs had concerns about the impact on affordability and the risk of growth in the level of arrears due to the high increases.

### **Note**

This addendum impacts a number of tables in the Cabinet paper, therefore updated tables are provided below.

Table 2 Pressures and potential funding

	Pressures £'m	Potential Funding £'m
Inflation & corporate (NI)	7.21	
Restore interest budget used in 20.21 for fire safety	3.30	
Building Safety	0.59	
Energy Costs	23.37	
Energy Fund	0.30	
Heating charges leaseholders and metered	-	8.38
Heating pool charges- 175%	-	12.93
Rent increase- 7%	-	8.25
Tenants Service Charges increases	-	2.31
MTFS savings	-	2.86
Other efficiencies	-	0.05
	<b>34.77</b>	<b>- 34.77</b>

## Appendix A- HRA budget

<b>Expenditure:</b>	<b>2022/23 Budget latest £'000s</b>	<b>2023/24 Budget £'000s</b>	<b>Change in Budget £'000s</b>
Repairs and Fire Safety	60,126	61,770	1,644
Housing Management Services	25,914	27,758	1,845
Commercial Properties	1,758	1,778	19
Housing Needs	1,309	1,321	12
Supported Accommodation	2,587	2,941	354
Estate Management	17,558	18,939	1,381
Power	11,182	35,475	24,293
Rent and Rates	5,669	5,141	(528)
Tenant Mgmt Organisations	2,537	2,570	33
Debt/Capital Outlay/Contingency	63,880	68,830	4,950
Bad Debts Provision	3,570	2,694	(876)
Corporate & Democratic Core	4,399	4,470	72
<b>Total Expenditure</b>	<b>200,489</b>	<b>233,687</b>	<b>33,198</b>
<b>Income:</b>			
Dwelling Rents	(140,405)	(140,836)	(432)
Shops, Garages, Sheds and Parking	(13,530)	(13,813)	(284)
Charges for Services	(45,704)	(54,446)	(8,741)
HRA Investment Income	(850)	(1,000)	(150)
<b>Total Income</b>	<b>(200,489)</b>	<b>(210,096)</b>	<b>(9,607)</b>
Proposed rent increase		(8,254)	(8,254)
Proposed garage increase		(131)	(131)
Proposed increase in tenant service charges		(2,280)	(2,280)
Proposed increase in heating charge	-	(12,926)	(12,926)
<b>Total HRA budget</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>

## Appendix C -Heating Pool

HEATING POOL	2021/22 Actuals £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2023/24 Forecast £'000	2023/24 Forecast £'000
			Option 1 175%	Option 2 150%	Option 3 125%
<b>New average price net of credits</b>		£19.71	£54.20	£49.28	£44.35
Average weekly increase	£0.00	£2.57	£34.49	£29.57	£24.64
Increase (Decrease) in scales charges from 1 April	<b>0.0%</b>	<b>15.0%</b>	<b>175.0%</b>	<b>150.0%</b>	<b>125.0%</b>
Fuel Costs	6,810	19,254	27,769	27,769	27,769
Bad Debt Costs	353	437	1,093	1,093	1,093
Maintenance & Infrastructure Costs	682	821	813	813	813
<b>TOTAL EXPENDITURE</b>	<b>7,845</b>	<b>20,511</b>	<b>29,675</b>	<b>29,675</b>	<b>29,675</b>
<b>TOTAL INCOME</b>	<b>(8,506)</b>	<b>(12,027)</b>	<b>(29,643)</b>	<b>(27,911)</b>	<b>(26,178)</b>
(Surplus)/Deficit for Year	<b>(661)</b>	<b>8,484</b>	<b>32</b>	<b>1,764</b>	<b>3,497</b>
<b>Movement in Reserves</b>					
<b>(Surplus) / Deficit Brought Forward</b>	<b>(3,405)</b>	<b>(3,858)</b>	<b>4,935</b>	<b>4,935</b>	<b>4,935</b>
Surplus/Deficit in year	(661)	8,484	32	1,764	3,497
One-off funding 23/24	0	0	0	(1,732)	(3,465)
Heat Compensation Loss of Service	120	150	150	150	150
Heat Refunds	88	159	104	104	104
<b>Reserves Carried Forward</b>	<b>(3,858)</b>	<b>4,935</b>	<b>5,221</b>	<b>5,221</b>	<b>5,221</b>