

**REPORT TO:** CABINET

**DATE:** 16 FEBRUARY 2023

**TITLE:** HOUSING REVENUE ACCOUNT BUDGET 2023/24

**PORTFOLIO HOLDERS:** COUNCILLOR JAMES LEPPARD, PORTFOLIO  
HOLDER FOR FINANCE

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**This is a Key Decision**

**It is on the Forward Plan as Decision Number I013865**

**The decision is not subject to Call-in Procedures for the following reason:**

The decision stands as a recommendation to Full Council

**This decision will affect no ward specifically.**

**RECOMMENDED** that Cabinet recommends to Full Council to:

- A** Approve the Housing Revenue Account (HRA) estimates as set out in Appendix 1 to the report.
- B** Approve a working balance of £3.529 million for the HRA (set out in paragraph 23 of the report).
- C** Approve that tenant rents are increased by 7 percent with effect from 3 April 2023. This equates to an average weekly rent of £104.18 an increase of £6.82 (set out in paragraph 3 of the report).
- D** Approve that the rents and personal charges for temporary accommodation are increased with effect from 3 April 2022 as set out in paragraph 4 of the report.
- E** Approve that garage rents within the 'retain and invest' category are increased by 5 percent with effect from 1 April 2023. This equates to an average weekly rent of £12.35, an increase of £0.56. Also approve the proportionate increases for other garages, car ports and car spaces (set out in paragraph 5 of the report).

- F** Approve that tenant service charges are increased to recover full cost with effect from 3 April 2023 (see paragraphs 6 to 8 of the report and Appendix 2 attached to the report).
- G** Approve that other housing related support charges for sheltered accommodation are increased to recover full cost with effect from 3 April 2023 (see paragraphs 9 to 13 of the report and Appendix 2 attached to the report).
- H** Approve that the leasehold service charges are increased with effect from 1 April 2023 to ensure that all leaseholder costs are recovered (see paragraphs 16 to 19 of the report and Appendix 2 attached to the report).
- I** Approve that all other tenant charges are increased with effect from 3 April 2023 in order to recover cost (see Appendix 2 attached to the report).

## **REASON FOR DECISION**

- A** The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government & Housing Act 1989 to account separately for local authority housing services. It is a ring fenced account containing the costs of managing the Council's housing stock which is offset by tenants' rents, tenants' and leaseholders' service charges and other contributions. The Council has a statutory responsibility to set a balanced HRA budget and avoid any deficits.

## **BACKGROUND**

1. The HRA Business Plan 2022-2052 is included elsewhere on this agenda. The 2023/24 budget presented in this report has been reflected in the new Business Plan.

### **HRA Business Plan Assumptions 2023/24**

2. The assumptions in the Business Plan 2022-2052 are as follows.
  - a) Implementation of the Rent Standard (2022), increasing dwelling rents by a maximum of 7 percent from April 2023.
  - b) The rental income estimates assume that in 2023/24 there will be 50 right-to-buy sales and that the percentage number of voids will be 1.27 percent of total stock.
  - c) Increases in garage rents by 5 percent annually.
  - d) Full recovery of all utility and other premises costs from tenants and leaseholders through service charges.
  - e) Implementation of the staff pay award in accordance with current Government policy with effect from 1 April 2023.

- f) Depreciation continues to be calculated based on the Existing Use Value for Social Housing (EUVSH) spread over the estimated life of the asset.
- g) Renewal of the Public Works Loan Board (PWLB) debt of £208.837 million when it becomes due and additional borrowing taken when necessary as reflected in the current capital programme.
- h) Maintaining a minimum HRA working balance with effect from 31 March 2023 of £3.529 million, complying with the “industry average” of £389 per property.
- i) Retaining and enhancing the housing asset management plans as outlined below:
  - i) Maintain compliance of the Council’s housing stock with the housing regulatory requirements. Continue with the replacement regime (based on stock condition survey) for internal and external property components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes. Undertake catch-up works.
  - ii) Prioritise resources to safeguard the well-being and safety of the Council’s tenants in their homes with regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, damp/mould asbestos management and lift maintenance
  - iii) Prioritise energy efficiency initiatives that alleviate fuel poverty.
  - iv) Prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually.
  - v) Target resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy to remain within available resources.
  - vi) Realise further efficiencies from responsive repairs programmes and scopes of works.
  - vii) Continue to develop a “House Building Programme” to outline the aspirations for the delivery of new housing in accordance with housing need, local plan priorities, regeneration priorities, and affordability/viability.

## **ISSUES/PROPOSALS**

### **Rents – Tenants**

3. The Rent Standard 2019, introduced on 1 April 2020, allows all registered providers of social housing to increase rents by CPI plus 1 percent. However, CPI in September 2022 was 10.1 percent, and, following a consultation period over the Summer, the Government imposed a rent cap of 7 percent for 2023/24 given the cost-of-living crisis being experienced by many people across the Country.

Therefore, from 3 April 2023, housing rents will increase by 7 percent. The average rent will increase from £97.36 to £104.18 per week.

### **Rents - Temporary Accommodation**

4. It is proposed that the following rents in respect of Homelessness Services will be increased with effect from 3 April 2023 which will still fall within the local house allowance and benefit levels.
  - a) The rent charged for temporary accommodation in the HRA for a single room will increase from £37.52 to £41.53 per week and from £53.89 to £59.33 for a double room. In addition, the weekly personal charge and recharge for council tax will increase from £22.03 to £22.38 per room.
  - b) The rent charged for nightly lets will increase from £135.24 to £144.71 per week for a one bed studio/property, from £152.14 to £162.80 for a two bed property and from £194.53 to £208.15 for a three bed property.
  - c) The rent charged for bed and breakfast accommodation will increase from £133.14 to £135.14 per week.
  - d) The rent charged for non HRA temporary accommodation will increase from £135.24 to £144.71 per week for a one bed studio/property, £152.14 to £162.80 for a two-bed property and from £194.53 to £208.15 for a three bed property.

### **Rents – Garages**

5. It is proposed to increase the rent on garages held as "retain and invest" and related charges by 5 per cent. The rent of a standard garage would rise by £0.59 per week to £12.35.

### **Service Charges – Tenants**

6. Service charges are made in addition to rents. In total nine separate service charges are applied and the Council has published a range of service standards to support the implementation of service charges. These are reviewed in consultation with tenants to ensure the principles of service charges in terms of transparency, improved service delivery and greater accountability are delivered in practice.
7. The key features to the calculation of service charges are:
  - a) Actual, not estimated, costs of service charges are recovered from both tenants and leaseholders, subject to the availability of reasonable data. This means that any difference between the actual cost and estimated cost will be collected or refunded two years after the closure of accounts, for example, any difference in 2021/22 charges will be collected/refunded in 2023/24.
  - b) Charges should be consistent to tenants and leaseholders and be fully recovered wherever possible.

8. A schedule of proposed service charges is set out in Appendix 2 to the report.

### **Service Charges – Supported Housing**

9. The Council's Supported Housing service consists of 16 sheltered housing schemes, one extra care scheme for the frail elderly, and a community support function for 800 private clients living independently across the town.
10. Housing Related Support (HRS) forms part of the Government's Health and Social Care agenda that promotes older persons' wellbeing and independence. The Act does not stipulate specific services to fulfil this requirement. The Council, in addition to its role as landlord, delivers HRS services to older vulnerable people.
11. Officers continue to work with service users of HRS, consulting widely with them and their families to ensure awareness has been raised of the funding gaps, signposting benefit entitlement, as well as possible financial support from other agencies, in order to protect service users whilst increasing service income.
12. A schedule of proposed HRS charges is set out in Appendix 2 to the report.
13. In October 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published a new National Statement of Expectations for supported housing. This sets out the Government's expectation of the standard, quality and value for money in supported housing for vulnerable people. Initially, MHCLG funded five pilot schemes to improve quality, enforcement, oversight and value for money in supported housing. There is no announcement for Harlow but it is anticipated that there will be developments in the future in supply of homeless accommodation.

### **Service Charges - Heating**

14. Heating charges are made in respect of blocks of flats and clustered properties where communal heating and hot water is provided via a District Heating System. The Council supplies the gas used to run the communal boilers and re-charges residents for the energy they use within their homes.
15. The Council remains committed to tackling fuel poverty for residents. The cost of energy that is passed on to tenants is assessed each year to ensure the Council is not putting its residents at risk of fuel poverty, however despite the Council's energy being purchased on the wholesale market to ensure the best price, due to the significant increase in energy rates, forecasts should be treated with an element of caution and risk.

### **Service Charges - Leaseholders**

16. All leaseholders are provided with details of their weekly services charges at the beginning of the financial year.
17. The charge for the registration of a sublet will increase to £101.02 (£91.75 in 2022/23). The charge applies to individuals who acquire a leasehold property for the purpose of sub-letting. Under the terms of the leases, all landlords must advise the

Council of any under lease and these must be registered appropriately, for which a fee may be charged.

18. Tenants who exercise their Right to Buy (RTB) make a one off contribution into an In Perpetuity Fund for grounds maintenance, amenity cleaning and litter picking. The contribution to the fund is intended to cover future maintenance for 80 years. It is proposed that this charge will increase in line with September 2022 CPI which was 10.1 percent. This equates to a contribution of £6,372 an increase of £585.
19. It is proposed that leasehold legal charges are also increased by September CPI with effect from 1 April 2023. A schedule of proposed increases in leaseholder legal costs is set out in Appendix 2 to the report.

### **Revised HRA Budget 2022/23**

20. The Quarter 2 HRA finance report to Cabinet highlighted the following predicted variations to the approved budget:
  - a) An underspend of £1.429 million in General Management (mainly due to a reduction in the required pension contribution);
  - b) An underspend of £425,000 in Special Management;
  - c) A reduction of £140,000 in the Provision for Bad Debts;
  - d) An increase of £315,000 in the Major Repairs Contribution;
  - e) A reduction of £168,000 in Capital Financing Charges;
  - f) A shortfall of £173,000 in rent income;
  - g) HTS P and E Ltd approved 2022 Business Plan five-year efficiencies saving £255,000; and
  - h) Other, smaller, operational variations totalling £16,000.
21. In addition, the report highlighted that variations in the HRA Capital Programme at Quarter 2 would increase the requirement for a Revenue Contribution to Capital Expenditure by £1.899 million. The Quarter 2 predictions and other variances identified above have been taken into account in preparing the 2023/24 estimates and updating the 2022-52 HRA 30-Year Business Plan.

### **HRA Estimates 2023/24**

22. The draft HRA estimates 2023/24 are set out in Appendix 1 to the report and they have been prepared on the same basis as the business plan assumptions which have been set out in paragraph 2.

## Working Balances

23. Section 25 of the Local Government Act 2003 requires the Head of Finance to report on the adequacy of reserves. In January 2022, Cabinet approved the recommendation to set a minimum HRA working balance £4.563 million for the HRA. Since an “industry average” of £389 per property is generally accepted, it is recommended that this can be set at £3.529m. This will be kept under review.
24. Based on the budget figures set out at Appendix 1 to the report, the movements in HRA working balances are shown in Table 1 below.

Table 1 - Estimated Movement in Working Balances

Operating Account	2021/22 Actual £'000s	2022/23 Original £'000s	2022/23 Revised £'000s	2023/24 Estimates £'000s
Balance as at 1 April	15,646	7,217	12,372	6,581
Surplus/(Deficit) for Year	(3,274)	(2,614)	(5,791)	(3,052)
Balance as at 31 March	12,372	4,603	6,581	3,529

## Major Repairs Reserve

25. Authorities are required, under the Accounts & Audit Regulations 2015, to maintain a Major Repairs Reserve (MRR) which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The regulations require the MRR to be credited with an amount equivalent to the total depreciation charge for all HRA assets.
26. The regulations require that the MRR can be used either to finance the capital programme or to repay housing debt. The HRA Business Plan 2022-2052 assumes that all the contributions will be used to finance the capital programme.
27. The Housing Capital Programme (HCP) can be found as a separate item on this agenda. It is estimated that there will be a small balance of £214k on the MRR at 31 March 2023, as £11.329 million will be used to finance the Housing Capital Programme in 2022/23.
28. In 2023/24, the estimated sum of £12.631 million will be used to finance the HCP. The balance on the MRR as at 31 March 2024 will be nil. The movement in the MRR is set out in Table 2 below.

Table 2 - Estimated Movement in Major Repairs Reserve

Operating Account	2021/22 Actual £'000s	2022/23 Original £'000s	2022/23 Revised £'000s	2023/24 Estimates £'000s
Balance as at 1 April	1,574	0	0	214
MRR Contribution	11,027	11,228	11,543	12,417
Financing of Capital Exp	(12,601)	(11,228)	(11,329)	(12,631)
Balance as at 31 March	0	0	214	0

## Significant Risks/Opportunities

### Risks

29. The Covid-19 pandemic has had a significant impact on the HRA budget in 2021/22 and 2022/23 and, whilst recovery plans are still in place and improving the situation, risks remain nationally, regionally, and locally together with the ongoing issues emerging from the increased “cost of living”. For the HRA, the risks would include:
- a) A level of void turnaround settling higher than in previous years. Although overall numbers are reducing, and it is expected these overall numbers to settle at normal business plan levels by the end of March 22/23.
  - b) A reduction in rent and service charge income due to inability to pay.
  - c) A review of the service charge major works process means a re-profiling based on “components”, resulting in a re-profiling over a longer period of service charge income.
  - d) HTS P and E Ltd “service Improvement Plans” not delivering increases to efficiencies and improvements to the “Customer Experience” to repairs and maintenance services that tenants and leaseholders receive with ongoing business recess, management, and supply issues.
  - e) Ongoing business recess, management, and supply issues.
  - f) Increased homelessness pressures continue to increase both locally and nationally with Temporary Accommodation numbers expected to rise by 20 percent in the next 12 months due to the demand in service.
30. There is a risk that some tenants and leaseholders may struggle to pay the 7 percent increase in their rent, or struggle to pay the higher service charges brought about by increases in costs (around energy in particular). The situation will need to be carefully monitored.
31. The proposals in the New Social Housing Regulation Bill, when it becomes legislated, will enhance local standards the Council would need to adhere to. Increased regulatory framework, enhanced Regulator inspection powers, and wider building safety requirements will need for more resources to be used. Further details

are yet to be provided by the Regulator and budgets and the HRA Business Plan will need to be reviewed at that time in terms of resource requirements are known.

## **Opportunities**

### **Review of Rent Policy**

32. Consideration still needs to be given to setting some rents on newly acquired or newly built properties at affordable rent levels. This will improve viability on schemes and create a “mixed tenure”.

### **Homelessness Prevention**

33. Due to the limited supply of suitable housing within Harlow, the Council needs to consider all available accommodation options for applicants who are owed an accommodation duty.
34. Therefore in line with the Localism Act 2011 and the amended Section 193 of the Housing Act 1996 which gave local authorities the power to discharge the housing duty by way of a private rented sector offer, such as an assured shorthold tenancy for a minimum 12 month period, it is recommended that the council look to incorporate this option into its range of different prevention tools.
35. In extending the Council’s options to discharge its homeless duty into the private rented sector, it will enable the Council to build on providing a range of different housing options available to assist and prevent households that are faced with homelessness.
36. Accessing the private sector in this way will potentially reduce the number of households placed in temporary accommodation and therefore reduce the cost of this provision. It will also provide applicants and their families a more settled life style, as some households can remain in temporary accommodation for extended periods of time, due to the lack and availability of permanent accommodation.

## **Consultation**

37. Whilst face to face Tenant and Leaseholder Panels were initially suspended due to Covid restrictions, the Councils Housing Standards Board and Property and Tenancy Panels have, over the last year reconvened and continue to monitor performance and service delivery against the consumer standards applicable to the Councils housing service and regulated by the Regulator for Social Housing.
38. Dialogue with Tenant and Leaseholder representatives continue allowing them to make contributions, provide feedback, and ask questions relating to Cabinet reports. In addition, briefing papers relating to the Cabinet reports have been presented to the Housing Standards Board.

## **Conclusion**

39. The HRA budget estimates for 2023/24 reflect the complex and ongoing fluid environment that stock owning local authorities are experiencing. Significant risks and uncertainties have been outlined in the report and will be kept under review and reported in subsequent reports. Updates will be advised to Cabinet as part of its performance management/budget monitoring process.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

As contained within the report.

**Author: Andrew Bramidge, Chief Executive**

### **Finance**

As contained within the report.

**Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance**

### **Housing**

As contained within the report

**Author: Andrew Murray, Director of Housing**

### **Communities and Environment**

No specific implications.

**Author: Jane Greer, Director of Communities and Environment**

### **Governance and Corporate Services**

As contained in the report.

**Author: Simon Hill, Director of Governance and Corporate Services**

## **Appendices**

Appendix 1 – HRA Estimates 2023/24

Appendix 2 – Service & Housing Related Support Charges 2023/24

## **Glossary of terms/abbreviations used**

CPI – Consumer Price Index

DLUHC – Department for Levelling Up, Housing & Communities

EUVSH – Existing Use Value for Social Housing

HCP – Housing Capital Programme

HRA – Housing Revenue Account

HRS – Housing Related Support

HTS – Harlow Trading Services (Property and Environment) Ltd

MRR – Major Repairs Reserve

PWLB – Public Works Loan Board

RTB – Right to Buy