

# Housing Revenue Account Budget 2024/25 and Business Plan 2023- 2053



<b>Report to:</b>	Cabinet
<b>Date:</b>	15 February 2024
<b>Portfolio Holders:</b>	Councillor James Leppard, Portfolio Holder for Finance and Governance  Councillor David Carter, Deputy Leader and Portfolio Holder for Housing
<b>Lead Officer:</b>	Simon Freeman, Deputy Chief Executive and Director of Finance (01279) 446228
<b>Contributing Officers:</b>	Senior Management Board (01279) 446676
<b>Key Decision:</b>	Yes
<b>Forward Plan:</b>	Forward Plan number I015985
<b>Call In:</b>	This item is not subject to call in procedures because the decision stands as a recommendation to Full Council
<b>Corporate Priority:</b>	Fix council housing
<b>Wards Affected:</b>	No ward specifically

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

- A** Approve the Housing Revenue Account (HRA) estimates as set out in Appendix A to the report.
- B** Approve that tenant rents are increased by 7.7 percent with effect from 1 April 2024. This equates to an average weekly rent of £112.20 an increase of £8.02 as set out in paragraph 2 of the report.
- C** Approve that the rents and personal charges for temporary accommodation are increased with effect from 1 April 2024 as set out in paragraph 3 of the report.

- D** Approve that garage rents within the 'retain and invest' category are increased by 5 percent with effect from 1 April 2024. This equates to an average weekly rent of £12.97, an increase of £0.62. Also approve the proportionate increases for other garages, car ports and car spaces as set out in paragraph 4 of the report.
- E** Approve that tenant service charges are increased to recover full cost with effect from 1 April 2024 (see paragraphs 5 to 7 of the report and Appendix C attached to the report).
- F** Approve that the leasehold service charges are increased with effect from 1 April 2024 to ensure that all leaseholder costs are recovered (see paragraphs 8 to 11 of the report and Appendix C attached to the report).
- G** Approve that all other tenant charges are increased with effect from 1 April 2024 in order to recover cost (see Appendix C attached to the report).
- H** Approve the Housing Revenue Account Business Plan, as set out in Appendix B 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.

### **Other Options**

- A** Considerations of other options do not apply; the agreement of the Housing Revenue Account estimates is laid out in the council's constitution and is a matter for determination by Full Council.

### **Background**

#### **HRA Business Plan Assumptions 2024/25**

1. In line with the 2023/24 corporate priorities, the council has driven dramatic improvements in performance in the Housing service and HRA. This has seen the backlog in housing repairs cut by over 90% with the entire backlog on track to be cleared by the end of March, the average void turnaround fall from 60 days to 22 days, the average repair time fall from nine months to two months with it set to fall further, a new specialist stock condition survey of housing stock commenced to better inform the Housing Investment Plan, tenancy audits of tenants and their properties introduced, a proposed overhaul of the way the council allocates its stock and customer satisfaction on repairs and maintenance move up to 98%.

2. In year, the HRA and capital programmes have been well managed to ensure corporate priorities are delivered and well financed. This has been done through a particularly challenging time with high inflation impacting the cost-of-service service provision, particularly those impacted by construction and material costs.
3. The council is now required to set a new HRA Business Plan for 2023-2053 demonstrating a sustainable 30-year HRA budget with key assumptions factored in. These key assumptions are robust and well evidenced to ensure a realistic and sustainable Business Plan is proposed.
4. The key assumptions in the Business Plan 2023-2053 include:
  - a) Implementation of the Rent Standard, increasing dwelling rents by a maximum of 7.7 percent from April 2024.
  - b) The rental income estimates assume that in 2024/25 there will be 42 right-to-buy sales and that the percentage number of voids will be 1.27 percent of total stock.
  - c) Inflation in line with all other assumptions of budget setting reports the council is making. 5% Inflationary uplift in the HTS contract from 1 April 2024.
  - d) Increases in garage rents in the Retain and Invest programme by 5 percent annually.
  - e) Sustainable financing of the service provision by HTS (Property and Environment) Ltd for repairs and maintenance.
  - f) Full recovery of all utility and other premises costs from tenants and leaseholders through service charges.
  - g) Implementation of the staff pay award in accordance with current Government policy with effect from 1 April 2024.
  - h) Depreciation continues to be calculated based on the Existing Use Value for Social Housing (EUVSH) spread over the estimated life of the asset.
  - i) 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.
  - j) A HRA working balance at 31 March 2025 of £9.302 million, complying with the “industry average” of £389 per property.
  - k) 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 the new 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 and continued improvement 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.
- viii) Significantly increased investment through the Housing Investment Programme.

## **Issues/Proposals**

### **Key highlights of 2024/25 HRA Budget**

5. The key highlights of the proposed HRA budget include:

- a) An overall revenue budget in excess of £59 million to deliver housing services.
- b) A proposed 5% in the budget for repairs and maintenance of council properties through the HTS contract to continue the improvement on repair timeframes and turnaround times on void properties.
- c) Funding to continue the specialist stock condition survey which has commenced in 2023/24.
- d) Funding to continue the tenancy audit programme which has commenced in 2023/24.

- e) A 7.7% housing rent increase in line with government guidelines taking the average rent from £104.18 to £112.20 a week; still the lowest levels of rent among our Peer Group of councils; to allow for further improvements in services to tenants.
- f) A 5% increase in garage rents to allow more investment into existing garages to bring them up to standard and further investment into the garage demolition programme to create new car parking in neighbourhoods.
- g) Investment to further improve grounds maintenance, cleansing and other service provisions for tenants and leaseholders.

## **Rents – Tenants**

- 6. The Rent Standard 2019, introduced on 1 April 2020, allows all registered providers of social housing to increase rents by CPI plus 1 percent. From 1 April 2024, housing rents are proposed to increase by 7.7 percent. The average rent will increase from £104.18 to £112.20 per week. This will continue to represent the lowest rent levels comparable to
- 7. The 7.7 percent figure represents the lowest increase at which the Business Plan remains sustainable. This is evidenced by testing of several rent increase levels ranging from 0 percent to 10 percent. Following this exercise, it was determined that 7.7 percent was the lowest possible increase to ensure that the current assumptions and investments can be met.
- 8. The proposed 7.7 percent increase allows for significant new investment to come forward into the housing stock to further deliver improvements in the services provided for tenants. If a lower increase in rents were to be proposed, then proposed investments would need to be identified to cease as these could not sustainably be funded.

## **Rents - Temporary Accommodation**

- 9. The council continues to manage temporary accommodation pressures well at a time when most councils are facing extraordinary pressures. It is proposed that the following rents in respect of Homelessness Services will be increased with effect from 1 April 2024 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 is proposed to increase from £41.53 to £44.31 per week and from £59.33 to £63.31 for a double room. In addition, the weekly personal charge and recharge for council tax is proposed to increase from £22.38 to £24.29 per room.
  - b) The rent charged for nightly lets is proposed to increase from £144.71 to £155.84 per week for a one bed studio/property, from £162.80 to £175.34 for a two bed property and from £208.15 to £224.18 for a three bed property.

- c) The rent charged for bed and breakfast accommodation is proposed to increase from £135.14 to £145.55 per week.
- d) The rent charged for non HRA temporary accommodation is proposed to 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**

- 10. The council has commenced a significant programme of garage demolitions to create new neighbourhood car parking spaces with a strict criteria for demolishing garages. However, for those garages being retained it is recognised that further investment is required to bring them up to standard. Therefore, 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 £0.62 per week to £12.97.
- 11. If a lower rent increase were proposed, the investment required to improve garage provision could not be met.

## **Service Charges – Tenants**

- 12. 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.
- 13. Significant work has been done this year to improve the provision of services provided through these charges. This includes significant improvements to cleansing and grounds maintenance services. The council will continue to drive improvements over the next financial year.
- 14. 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 2022/23 charges will be collected/refunded in 2024/25.
  - b) Charges should be consistent to tenants and leaseholders and be fully recovered wherever possible.
- 15. A schedule of proposed service charges is set out in Appendix C to the report.

## **Service Charges - Leaseholders**

16. All leaseholders are provided with details of their weekly services charges at the beginning of the financial year. Cabinet approved revisions to leaseholder consultation and engagement before Christmas to further enhance leaseholder consultation.
17. The charge for the registration of a sublet will increase to £107.79 (£101.02 in 2023/24). 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. The charge will be £6,799 (£6,372 in 2023/24).
19. It is proposed that leasehold legal charges are also increased by September CPI with effect from 1 April 2024. A schedule of proposed increases in leaseholder legal costs is set out in Appendix C.

## **HRA Estimates 2024/25**

20. The draft HRA estimates 2024/25 are set out in Appendix A to the report and they have been prepared on the same basis as the Business Plan assumptions which have been set out earlier in this report.

## **Working Balances**

21. Section 25 of the Local Government Act 2003 requires the Director of Finance to report on the adequacy of reserves. In February 2023, Cabinet approved the recommendation to set a minimum HRA working balance £3.5 million for the HRA.
22. Based on the budget figures set out at Appendix A to the report, the movements in HRA working balances are shown in Table 1 below.

**Table 1 - Estimated Movement in Working Balances**

Operating Account	2022/23 Actual £'000s	2023/24 Original £'000s	2023/24 Revised £'000s	2024/25 Estimates £'000s
Balance as at 1 April	12,968	6,581	13,809	8,638
Surplus/(Deficit) for Year	1,822	(3,052)	(5,171)	664
Prior Year's Audit Adjustment	(981)			
Balance as at 31 March	13,809	3,529	8,638	9,302

23. It can be seen from Table 1 that the estimated HRA working balance as at 31 March 2025 will be well above the £3.5 million agreed in February 2023. The level of working balance will be kept under review to ensure that the HRA is sustainable.

## Implications

### Equalities and Diversity

This report is to note the financial position of Harlow Council and does not require an Equality Assessment as the recommendations will not have a disproportionate adverse impact on anybody with a protected characteristic.

### Climate Change

This report has no direct impact on climate change, however individual projects and service will have an impact and would have been considered within the commentary of the report.

### Communities and Environment

As contained within the report.

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### Finance

As contained within the report.

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### Governance and Corporate Services

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### Housing

As contained within the report.

Author: Cara Stevens, Assistant Director – Housing Operations



## **Strategic Growth and Regeneration**

As contained within the report.

Author: James Gardner, Assistant Director – Regeneration

## **Appendices**

Appendix A – HRA Estimates 2024/25

Appendix B – HRA Business Plan 2023/53

Appendix C – Service Charges 2024/25

## **Background Papers**

None.

## **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

HIP – Housing Investment 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