

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account 2022/23
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	Providing Housing Choices

Purpose:

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2021/22, the base budgets and rent increases for 2022/23.

Executive summary:

The Executive recommended, and the Council approved, in February 2021, the base budget and rent increase for 2021/22, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2021/22 and base budget for 2022/23 along with the capital programme and financing for the years 2021/22 to 2025/26. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2022.

Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance.

Recommendation/Recommended Option:

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 25 February 2022 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 23 with effect from 1 April 2022;

- (b) rents for Council garages be increased by 3.8% with effect from 1 April 2022;
- (c) the revised budget for 2021/22 be approved; and
- (d) the base budget for 2022/23 be approved.

Reason:

To allow the Council to approve the Housing Revenue Account budgets for 2022/23.

Cost of proposals:

As detailed in the report.

Appendices:

- A: Capital Programme and Financing**
- B: Examples of Rent**
- C: Fees and Charges**
- D: Detailed Revenue Budgets**

Background papers: None

Reference papers:

- (a) Executive 1 February 2021 – Housing Revenue Account 2021/22
- (b) Executive 7 June 2021 – Town Centre Property Acquisition
- (c) Executive 5 July 2021 – General Fund and Housing Revenue Account Outturn 2020/21
- (d) Executive 7 December 2021 – Local Authority Delivery phase 2 (LAD2) Funding Scheme for energy efficiency measures to Council Homes – Update
- (e) Executive 7 December 2021 – Fareham Housing Disposal at 12 Hartlands Road and development of land adjacent to 51 Bellfield
- (f) Executive 10 January 2022 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (g) MHCLG - Guidance on Rents for Social Housing February 2019

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Housing Revenue Account 2022/23
Briefing by:	Deputy Chief Executive Officer
Portfolio:	Policy and Resources

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2021/22 and 2022/23 for the Executive to consider. On 10 January 2022, the Executive approved the Council's Finance Strategy for 2022/23 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans along with Rent Standard 2019 and the Policy Statement on Rents for Social Housing from 1 April 2020 onwards.
2. Work to configure the Civica housing system is well underway with testing currently being undertaken for system rollout over the coming financial year.
3. Together these have informed revisions to the 2022/23 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA.

CAPITAL PROGRAMME

4. The five-year capital programme has been updated and is summarised in the following table. More details of the capital schemes and its financing can be found in Appendix A.

Year	£'000
2021/22	6,762
2022/23	7,898
2023/24	5,587
2024/25	4,320
2025/26	4,250
Total	28,817

5. The capital programme was included in the Capital Strategy that was approved at the 10 January 2022 Executive.
6. During the current financial year, the major scheme of 18 new flats at Highlands Road was completed in July 2021. A tender process has been completed for 16 new sheltered housing flats at Station Road; and for 11 houses for Shared Ownership at

Stubbington Lane. Although start of construction works on site has been delayed due to delays arising from the Highway S278 Agreement completion by Hampshire County Council works commenced at Station Road in December 2021. It is anticipated that work at Stubbington Lane will be underway by February 2022.

7. Tender preparation / feasibility work is being undertaken for two new houses at Queens Road and a new house at both Crossfell Walk and Bellfield, along with nine new affordable home ownership flats on the former Coldeast Scout Hut site on Montefiore Drive.
8. There are currently three further development sites as set out in the table below. These have been reported to the Executive and approved in principle for further feasibility and preliminary actions to be undertaken before final schemes and the appropriate funding sources are presented for approval. Consultation with residents is well underway at Assheton Court and will inform further work on this development.

Site
Assheton Court redevelopment (Portchester) Sheltered housing scheme to provide 60 – 70 sheltered flats
Wynton Way (Fareham North West)
Menin House regeneration (Fareham North West)

9. In addition to the capital programme approved in January, town centre property acquisitions for housing were approved at the 7 June 2021 Executive. These have been included in the HRA and General Fund Capital programmes and will be financed by existing Housing Capital Receipts and a small contribution from the Capital Development Fund.
10. The financing of the capital programme is from the Major Repairs Reserve, Housing Capital Receipts, Revenue Contributions to Capital Outlay, the Capital Housing Development Fund and 1-4-1 capital receipts from Right to Buy sales and borrowing. The most appropriate form of borrowing will be established by the Council's Finance Team in consultation with the Deputy Chief Executive Officer in order to fund the development schemes at Stubbington Lane, Station Road and the former Scout Hut site, Montefiore Drive, Park Gate.
11. In addition to these internal resources, grant bids of £484,000 have been approved by Homes England in respect of the Stubbington Lane development (£44,000 per shared ownership property) and £172,000 (£86,000 per social rent property) in respect of the Queens Road development. A grant bid for the 9 flats for Shared Ownership flats at the former Coldeast Scout Hut site on Montefiore Drive is in the process of being prepared and will be submitted at the earliest opportunity.
12. Future developed design reports will detail estimated cost and funding arrangements along with the process toward the appointment of an appropriate contractor. New build Fareham Housing homes could be funded from a combination of the following: -
 - a) Capital Development Fund
 - b) Right to Buy initial receipts and Right to Buy 1-4-1 receipts;
 - c) Other Housing Capital receipts (not combined with Right to Buy 1-4-1 receipts)
 - d) Section 106 monies for the purpose of affordable housing provision; (not combined with Right to Buy 1-4-1 receipts)
 - e) Homes England grant funding (not combined with Right to Buy 1-4-1 receipts); and/or

f) Additional borrowing on the Housing Revenue Account.

13. Although the opportunity for borrowing to enable future development is positive there needs to be caution highlighted. Any additional debt will need to be serviced without undermining the financial stability of the Council's HRA. Careful consideration of the borrowing implications along with flexibility in how the various funding sources are used will be required.
14. At its meetings of the 11 October and 7 December 2021, the Executive discussed the LAD2 funding opportunity to improve Council owned homes. LAD2 is the second phase of the Government Local Authority Delivery scheme. The intention of LAD is to improve the household energy efficiency for those on low incomes. The funding and contract mechanisms were also approved at this meeting to enable the Council to improve the energy efficiency in more of its housing stock.
15. The LAD2 scheme stipulates that the Council will be required to contribute towards improvement costs. This contribution will typically be up to £5,000 or 1/3 of the works, per property. The Executive has approved a total budget of £500,000 to contribute towards the costs of the scheme, over the next 2-3 financial years to ensure this funding opportunity can be utilised. This also allows for a small contingency / flexibility to best use the grant opportunity available. This cost to the HRA will utilise existing budgets for improvements to Council stock rather than any new budgetary provision. In many instances it will allow us to access grant funding toward work that would have already fallen within our planned maintenance programme.

REVENUE BUDGETS

16. The following table summarises the Housing Revenue Account base and revised budgets for 2021/22, and the base budget for 2022/23. A more detailed breakdown is provided in Appendix D.

	Base Budget 2021/22	Revised Budget 2021/22	Base Budget 2022/23
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000
Income	-12,353	-12,510	-12,983
Tenancy Management & Running Costs	3,515	3,724	3,825
Net Interest	1,697	1,697	1,697
Transfer to Debt Repayment Fund	1,140	1,140	1,140
	-6,001	-5,949	-6,321
Revenue Repairs Expenditure	2,600	2,784	2,818
Depreciation set aside into the Major Repairs Reserve	2,706	2,765	3,103
Revenue Contribution to Capital Programme	695	400	400
Transfer to(-)/from HRA Reserve	0	0	0

17. The income budget has been increased to reflect proposed increases in rent and service charges. Changes in circumstances and financial stability for some of our tenants continue to impact on rent being paid, however, the Housing Rents Arrears Officer works closely with customers and in the year to date the level of arrears has largely remained constant. Service Charge actuals have been completed for 2020/21 and were slightly higher than budgeted, this additional income has been included in the revised budget for 2021/22 as these are realised.

18. Within Tenancy Management and Running Costs increases have been made for employee costs and for communal heating and lighting costs. A budget provision has also been made to reflect the overlap of housing systems as we move to full reliance on a new system.
19. The property repairs and maintenance area has seen a return to operations at full capacity and efforts have been made to address backlogs where they have arisen. A budget increase for this area is proposed to reflect the employment costs of our building maintenance team as well as higher costs that our suppliers face and that are inevitably passed on to us.
20. The Revenue Contribution to Capital programme budget has been reduced as we do not anticipate such a high number of former council homes being bought back in the current financial year.
21. The proposed budgets also include a clear set aside of reserves to repay the £49 million housing debt taken on in 2012 when the government changed the national subsidy scheme to a self-financing scheme. These loans become repayable in 30 to 39 years.
22. A summary of all the reserves projected to the end of 2021/22 is set out below:

Reserve	Purpose of Reserve	2020/21 Closing Balance £'000	2021/22 Transfers In £'000	2021/22 Transfers Out £'000	2021/22 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	579	0	0	579
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	4,560	1,140	0	5,700
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	361	0	0	361
Total Revenue Reserves		7,000	1,140	0	8,140
Major Repairs Reserve	To fund capital expenditure on HRA assets	2,318	2,765	2,760	2,323
Housing Capital Development Fund	To fund new developments	1,285	0	748	537
1:4:1 Receipts	To fund 40% of costs of new acquisitions and Station Road development	1,539	0	600	939
Total Reserves		12,142	3,905	4,108	11,939

RENTS

23. In February 2019, after a consultation exercise, the Government issued a Direction to the Rent Standard 2019 along with a Policy Statement on Rents for Social Housing from 1 April 2020 onwards. This permits annual rent increases on both general needs and sheltered housing properties at social and affordable rent of up to CPI (at September of the previous year) + 1 percentage point from April 2020 for a period of at least five years. This rent charge increase will also continue to apply to shared-ownership properties. This means the Council is now able to increase rents, with CPI being at

3.1% in September 2021 and an increase of 4.1% to be achieved from April 2022

24. Rents for Council garages are not covered by the Government's Direction applying to dwellings, but a similar principle is applied. It is proposed that garage rents for 2022/23 increase by 50p per week (3.8%) slightly below that of rent increases.
25. Examples of proposed rents can be seen in Appendix B and the effect on the total rents collected can be seen in Appendix D.

FEES AND CHARGES

26. The current fees and charges for the HRA and the charges for 2022/23, approved at the 10 January 2022 Executive, are set out in Appendix C.
27. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

RISK ASSESSMENT

28. The following list of potential risks indicates that it is essential to preserve the account balance held for the Housing Revenue Account. Reserves are held so the Council can:
 - Continue to manage and maintain homes
 - Improve and redevelop estates
 - Cover any unexpected expenditure
 - Take advantage of new opportunities to meet housing needs
 - Repay the debt
 - Meet the challenges of any change in Government policy
29. Key risks include changes to the rent policy, an increase in arrears, and other increases in void properties and in the cost of repairs. In particular, if the Government amend their current rent policy so that rents will reduce post 2022, this will put further pressure on the HRA finances.

Examples of Potential and Actual Changes	Effect on Expenditure in Year £'000	Effect on Income in Year £'000
Change in rent policy to decrease rents by 1% beyond 2023		122
Loss of income if void rate rises to 5% from 4%		122
Increase of 10% on supplies and service costs	46	
Increase of 10% in the depreciation charge	270	
Increase on rent arrears by 10%		60
Increase of 20% in cost of responsive repairs	520	

Enquiries:

For further information on this report please contact Caroline Hancock (Ext 4589)

CAPITAL PROGRAMME AND FINANCING

Housing Capital Programme	2021/22	2022/23	2023/24	2024/25	2025/26
Improvements to Existing Stock	£	£	£	£	£
Improvements	1,842,000	2,000,000	2,193,200	2,210,000	2,400,000
Voids	643,000	719,000	720,200	798,000	800,000
Modifications	275,000	281,000	286,600	292,000	300,000
Vehicles		40,000			
Acquisitions and New Builds					
Acquisitions	1,247,000	500,000	750,000	750,000	750,000
New Build – Highlands Road	540,000	537,000			
New Build – Station Road	1,000,000	1,149,000	423,000		
New Build – Assheton Court	100,000	100,000			
New Build – Stubbington Lane	1,000,000	1,072,000	378,000		
New Build – Queens Road	50,000	514,000	105,000		
New Build – Crossfell Walk	15,000	255,000			
New Build – Coldeast Scout Hut	50,000	731,000	731,000	270,000	
TOTAL CAPITAL EXPENDITURE	6,762,000	7,898,000	5,587,000	4,320,000	4,250,000
Funded by:					
Improvements to Existing Stock					
Major Repairs Reserve	-2,760,000	-3,000,000	-3,200,000	-3,300,000	-3,500,000
Vehicles – RCCO		-40,000			
Acquisitions and New Builds					
RCCO	-400,000	-400,000	-450,000	-450,000	-450,000
1-4-1 Capital Receipts	-600,000	-660,000	-469,000	-300,000	-300,000
Capital Receipts	-612,000	-255,000			
Capital Development Fund	-748,000	-537,000			
Homes England Grants	-306,000	-764,000	-37,000		
Other Grants and Contributions	-50,000	-342,000	-105,000	-270,000	
Borrowing – Station Road	-600,000	-689,000	-254,000		
Borrowing – Stubbington Lane	-686,000	-830,000	-378,000		
Borrowing – Coldeast Scout Hut		-381,000	-694,000		
TOTAL FUNDING	-6,762,000	-7,898,000	-5,587,000	-4,320,000	-4,250,000

HRA EXAMPLES OF RENT

	Property Type	2021/22 Actual Rent £	2022/23 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	84.85	88.33	3.48	4.1
Grebe Close	2 Bed Bungalow	110.21	114.73	4.52	4.1
Collingwood Court	1 Bed Flat	103.57	107.82	4.25	4.1
Foxbury Grove	2 Bed Flat	92.43	96.22	3.79	4.1
Garden Court	1 Bed Maisonette	82.8	86.19	3.39	4.1
Sicily House	2 Bed Maisonette	89.67	93.35	3.68	4.1
Fairfield Avenue	3 Bed House	107.41	111.81	4.40	4.1
Churchill Close	3 Bed House (shared owner)	93.63	97.47	3.84	4.1
Jubilee Court	4 Bed House	122.74	127.77	5.03	4.1
Average for total stock		93.43	97.26	3.83	4.1
Garages		13.20	13.70	0.50	3.8%

FEES AND CHARGES

	Notes	Fee 2021/22 £	Fee 2022/23 £	% Increase
Sales of Council Houses				
Maximum legal and administration fees in connection with granting a service charge loan	Statutory Charge	100.00	100.00	NIL
Recharge of Officer time in agreeing any consent to freeholders	Fee per occurrence	100.00	100.00	NIL
Repairs to Council Houses				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	50.00	50.00	NIL
Rechargeable works	These will be assessed individually at the time the work is carried out.			
Sheltered Accommodation for the Elderly – Guest Room Charges				
Single occupancy per night	Inclusive of VAT	10.00	10.40	4.0
Per couple per night	Inclusive of VAT	15.00	15.60	4.0
Collingwood Court per room	Inclusive of VAT	25.00	26.00	4.0
Sylvan Court per room	Inclusive of VAT	25.00	26.00	4.0
Sheltered Accommodation for the Elderly – Other Charges				
Keys – Key	Inclusive of VAT	5.20	5.40	4.0
Keys – Fob		8.35	8.70	4.2
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.65	0.70	7.7
Dry		0.55	0.60	9.1

DETAILED REVENUE BUDGET

	Base 2021/22 £'000	Revised 2021/22 £'000	Base 2022/23 £'000
Income			
Rents – Dwellings	-10,766	-10,918	-11,332
Rents – Garages	-331	-335	-348
Rents – Other	-20	-20	-20
Service Charges (Wardens, Extra Assistance, Heating)	-643	-628	-632
Cleaning	-185	-172	-185
Grounds Maintenance	-114	-120	-126
Other Fees and Charges	-61	-41	-61
Leaseholder Service Charges and Insurance	-233	-276	-279
	-12,353	-12,510	-12,983
Expenditure			
Tenancy Management & Running Costs			
General Administrative Expenses	1,853	1,982	2,047
Corporate and Democratic Core	69	74	76
Corporate Management	83	78	88
Corporate Management	20	20	20
Communal Heating Services	115	130	145
Communal Lighting	35	45	55
Rents, Rates and Other Taxes	186	206	186
Communal Cleaning	240	240	242
Grounds Maintenance	235	267	267
Sheltered Housing Service	544	547	564
Bad Debts Provision	50	50	50
Bad Debts Written off	50	50	50
Debt Management Expenses	35	35	35
	3,515	3,724	3,825
Long Term Debt Management			
Interest Payable	1,795	1,817	1,817
Interest Earned on Internal Balances	-98	-120	-120
Transfer to Debt Repayment Fund	1,140	1,140	1,140
Property Repairs and Maintenance			
Revenue Repairs Expenditure	2,600	2,784	2,818
Depreciation	2,706	2,765	2,826
Revenue Contribution to Capital Programme	1,278	1,148	937
Contribution from Capital Development Fund	-583	-748	-537
Surplus(-)/Deficit for Year	0	0	-277