

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 February 2023

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account 2023/24</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	Providing Housing Choices

**Purpose:**

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2022/23, the base budgets and rent increases for 2023/24.

**Executive summary:**

The Executive recommended, and the Council approved, in February 2022, the base budget and rent increase for 2022/23, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2022/23 and base budget for 2023/24 along with the capital programme and financing for the years 2022/23 to 2026/27. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2023.

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 24 February 2023 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 21 with effect from 1 April 2023;

- (b) rents for Council garages be increased by 7% with effect from 1 April 2023;
- (c) the revised budget for 2022/23 be approved; and
- (d) the base budget for 2023/24 be approved.

**Reason:**

To allow the Council to approve the Housing Revenue Account budgets for 2023/24.

**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:**

**Reference papers:**

- (a) Executive 7 February 2022 – Housing Revenue Account 2022/23
- (b) Executive 5 September 2022 – General Fund and Housing Revenue Account Outturn 2021/22
- (c) Executive 9 January 2023 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (d) Executive 7 March 2022 -Assheton Court redevelopment
- (e) Executive 9 January 2023 – Fareham Housing Development of Ophelia Court, Montefiore Drive, Park Gate
- (f) [The Direction on the Rent Standard 2023](#)
- (g) [Policy Statement on rents for social housing](#)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	06 February 2023
<b>Subject:</b>	Housing Revenue Account 2023/24
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2022/23 and 2023/24 for the Executive to consider. On 9 January 2023, the Executive approved the Council's Finance Strategy for 2023/24 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 the Direction on the Rent Standard 2023 and the Policy Statement on rents for social housing from 1 April 2023.
2. Together these have informed revisions to the 2023/24 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA

#### CAPITAL PROGRAMME

3. 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.

<b>Year</b>	<b>£'000</b>
2022/23	7,292
2023/24	5,706
2024/25	4,351
2025/26	3,990
2026/27	3,800
<b>Total</b>	<b>25,139</b>

4. The capital programme was included in the Capital Strategy to be presented for approval at the 6 February 2023 Executive.
5. During the current financial year, the major schemes of 2 new social rent houses at Queens Road, Fareham; 16 new sheltered housing flats at Station Road, Portchester; and for 11 houses for Shared Ownership at Stubbington Lane, Stubbington; are underway with completion due in Spring 2023.

6. A tender exercise has been completed for nine new affordable shared ownership flats on the former Coldeast Scout Hut site on Montefiore Drive, with work anticipated to start on site in Spring 2023. On 9 January the Executive approved a report updating the funding arrangements to deliver the scheme and the process toward the appointment of contractors.
7. Technical work is at an advanced stage for a new house at both Crossfell Walk and Bellfield, with tender exercises anticipated for both schemes in early 2023.
8. On 7 March 2022 a report was presented to the Executive on the funding arrangements for the redevelopment of Assheton Court in Portchester, including the demolition of the existing building and a new building comprising of up to 60No. sheltered housing apartments. Technical work has continued on this scheme, with a full planning application being submitted and approved on 14 December 2022. Detailed technical designs will now be produced by the Architect/Engineers. An Employers Agent will be appointed, detailed requirements for the build identified and, when appropriate, the full contractor tender process undertaken. Depending on the availability of potential contractors and the tender process outcomes, construction could start in Summer 2023.
9. There are currently two 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.

Site
Wynton Way (Fareham North West)
Menin House regeneration (Fareham North West)

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, the former Scout Hut site, Montefiore Drive, Park Gate and Assheton Court.
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.

## REVENUE BUDGETS

14. The following table summarises the Housing Revenue Account base and revised budgets for 2022/23, and the base budget for 2023/24. A more detailed breakdown is provided in Appendix D.

	<b>Base Budget 2022/23 £'000</b>	<b>Revised Budget 2022/23 £'000</b>	<b>Base Budget 2023/24 £'000</b>
<b>HOUSING REVENUE ACCOUNT</b>			
Income	-12,983	-13,374	-14,228
Tenancy Management & Running Costs	3,825	4,472	4,730
Net Interest	1,697	1,630	1,679
Transfer to Debt Repayment Fund	1,140	1,025	1,025
	<b>-6,321</b>	<b>-6,247</b>	<b>-6,794</b>
Revenue Repairs Expenditure	2,818	3,296	3,444
Depreciation set aside into the Major Repairs Reserve	2,826	2,951	3,050
Revenue Contribution to Capital Programme	400	0	300
<b>Transfer to(-)/from HRA Reserve</b>	<b>277</b>	<b>0</b>	<b>0</b>

15. 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, and with the impact of the cost of living crisis arrears are increasing through the current financial year. The housing Rent Recovery Officer continues to work closely with customers and reports regularly from the housing management system which will inform an anticipated increase in the bad debt provision for the current financial year. Service Charge actuals have been completed for 2021/22.
16. Within Tenancy Management and Running Costs increases have been made for employee costs and for communal heating lighting and cleaning costs.
17. The property repairs and maintenance area has seen a further increase in cost and demand. 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.
18. The Revenue Contribution to Capital programme budget has been reduced as we do not anticipate former council homes being bought back in the current financial year.
19. 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.
20. A summary of all the reserves projected to the end of 2022/23 is set out below:

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>2021/22 Closing Balance £'000</b>	<b>2022/23 Transfers In £'000</b>	<b>2022/23 Transfers Out £'000</b>	<b>2022/23 Closing Balance £'000</b>
HRA Revenue Reserve	To fund unexpected operating costs	1,210	0	0	1,210
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	5,700	1,025	0	6,725
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	484	0	0	484
<b>Total Revenue Reserves</b>		<b>8,894</b>	<b>1,025</b>	<b>0</b>	<b>9,919</b>
Major Repairs Reserve	To fund capital expenditure on HRA assets	1,993	2,950	3,000	1,943
Housing Capital Development Fund	To fund new developments	545	0	519	26
1:4:1 Receipts	To fund 40% of costs of new acquisitions and Station Road development	1,879	450	612	1,717
<b>Total Reserves</b>		<b>13,311</b>	<b>3,906</b>	<b>3,612</b>	<b>16,305</b>

## RENTS

21. In November 2022 as part of the Government Autumn Statement it was announced that social housing rent increases would be capped at 7% for 2023/24. A new Direction on the rent standard 2023 has been issued along with an updated Policy statement on rents for social housing from April 2023. This is currently a temporary cap applying from the 1 April 2023 to 31 March 2024. This followed a consultation exercise on limiting rent increases in 2023/24 as the previous Policy Statement on Rents for Social Housing from 1 April 2020 onwards allowed increases of up to CPI + 1 % (using the September rate) amounting to 11.1%. The lower 7% cap balances affordability for tenants with rapidly rising cost and capacity pressures being experienced in the social housing sector and our own service areas.
22. 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 2023/24 increase by 95p per week in line with that of rent increases.
23. Examples of proposed rents, along with a comparison of what the levels would be at 11.1% (CPI+1) can be seen in Appendix B.

## FEES AND CHARGES

24. The current fees and charges for the HRA and the charges for 2023/24, approved at the 9 January 2023 Executive, are set out in Appendix C.
25. 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

26. 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

27. Key risks include future changes to the rent policy, an increase in arrears, other increases in void properties and in the cost of repairs, and in utility costs. In particular, if the Government amend their current rent policy so that rents will reduce post 2023/24, this will put further pressure on the HRA finances.

<b>Examples of Potential and Actual Changes</b>	<b>Effect on Expenditure in Year £'000</b>	<b>Effect on Income in Year £'000</b>
Change in rent policy to decrease rents by 1% beyond 2023		125
Loss of income if void rate rises to 5% from 4%		125
Increase of 10% on employees, and supplies and service costs	464	
Increase of 10% in the depreciation charge	300	
Increase on rent arrears by 10%		80
Increase of 20% in cost of responsive repairs	700	

**Enquiries:**

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

## CAPITAL PROGRAMME AND FINANCING

<b>Housing Capital Programme</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>Improvements to Existing Stock</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Improvements	1,525,000	1,575,000	1,600,000	1,650,000	1,700,000
Voids	1,200,000	1,200,000	1,220,000	1,220,000	1,200,000
Modifications	275,000	275,000	280,000	280,000	300,000
 Civica – Asset Management	 15,000				
Vehicles	40,000	100,000	70,000	70,000	100,000
 <b>Acquisitions and New Builds</b>					
Acquisitions	283,000	500,000	500,000	500,000	500,000
New Build – Station Road	1,531,000	700,000			
New Build – Assheton Court	100,000				
New Build – Stubbington Lane	1,679,000	300,000			
New Build – Queens Road	569,000	75,000			
New Build – Crossfell Walk	5,000	250,000			
New Build - 51 Bellfield	20,000				
New Build – Coldeast Scout Hut	50,000	731,000	681,000	270,000	
 <b>TOTAL CAPITAL EXPENDITURE</b>	 <b>7,292,000</b>	<b>5,706,000</b>	<b>4,351,000</b>	<b>3,990,000</b>	<b>3,800,000</b>
 <b>Funded by:</b>					
<b>Improvements to Existing Stock</b>					
Major Repairs Reserve	-3,000,000	-3,050,000	-3,100,000	-3,150,000	-3,200,000
 <b>Other Assets</b>					
Civica Asset Management	-15,000				
Vehicles	-40,000				
 <b>Acquisitions and New Builds</b>					
RCCO	-100,000	-300,000	-300,000	-300,000	-300,000
1-4-1 Capital Receipts	-612,000	-480,000	-200,000	-200,000	-200,000
Capital Receipts	-248,000	-250,000			
Capital Development Fund	-519,000	0			
Homes England Grants	-239,000	-514,000	-37,000		
Other Grants and Contributions	-840,000	-32,000			
Borrowing	-1,679,000	-980,000	-644,000	-270,000	
 <b>TOTAL FUNDING</b>	 <b>-7,292,000</b>	<b>-5,706,000</b>	<b>-4,351,000</b>	<b>-3,990,000</b>	<b>-3,800,000</b>



# APPENDIX B

## HRA EXAMPLES OF RENT

	Property Type	2022/23 Actual Rent £	2023/24 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	88.33	94.51	6.18	7
Grebe Close	2 Bed Bungalow	114.73	122.76	8.03	7
Collingwood Court	1 Bed Flat	107.82	115.36	7.55	7
Foxbury Grove	2 Bed Flat	96.22	102.96	6.74	7
Garden Court	1 Bed Maisonette	86.19	82.23	6.03	7
Sicily House	2 Bed Maisonette	93.35	99.88	6.53	7
Fairfield Avenue	3 Bed House	111.81	119.64	7.83	7
Churchill Close	3 Bed House (shared owner)	97.47	104.29	6.82	7
Jubilee Court	4 Bed House	127.77	136.71	8.94	7
Average for total stock		97.58	104.41	6.83	7
Garages		13.70	14.65	0.95	7

	Property Type	2022/23 Actual Rent £	2023/24 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	88.33	98.13	9.80	11.1
Grebe Close	2 Bed Bungalow	114.73	127.46	12.73	11.1
Collingwood Court	1 Bed Flat	107.82	119.78	11.97	11.1
Foxbury Grove	2 Bed Flat	96.22	106.90	10.68	11.1
Garden Court	1 Bed Maisonette	86.19	95.76	9.57	11.1
Sicily House	2 Bed Maisonette	93.35	103.71	10.36	11.1
Fairfield Avenue	3 Bed House	111.81	124.23	12.41	11.1
Churchill Close	3 Bed House (shared owner)	97.47	108.29	10.82	11.1
Jubilee Court	4 Bed House	127.77	141.96	14.18	11.1
Average for total stock		97.58	108.41	10.83	11.1
Garages		13.70	15.22	1.52	11.1



## HOUSING FEES & CHARGES

	Notes	Fee 2022/23 £	Fee 2023/24 £	% 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	110.00	10.0
Repairs to Council Houses				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	50.00	55.00	10.0
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	10.40	15.00	44.2
Per couple per night	Inclusive of VAT	15.60	20.00	28.2
Collingwood Court per room	Inclusive of VAT	26.00	30.00	15.3
Sylvan Court per room	Inclusive of VAT	26.00	30.00	15.3
Sheltered Accommodation for the Elderly – Other Charges				
Keys – Key	Inclusive of VAT	5.40	5.90	9.3
Keys – Fob		8.70	9.50	9.2
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.70	0.80	14.2
Dry		0.60	0.70	16.6

## DETAILED REVENUE BUDGET

	Base 2022/23 £'000s	Revised 2022/23 £'000s	Base 2023/24 £'000s
<b>Income</b>			
Rents - Dwellings	-11,332	-11,712	-12,475
Rents - Garages	-348	-362	-388
Rents - Other	-20	-20	-21
Service Charges (Wardens, extra assistance, heating)	-632	-650	-687
Cleaning	-185	-185	-198
Grounds Maintenance	-126	-128	-137
Other Fees and Charges	-61	-37	-37
Leaseholder Service Charges & Insurance	-279	-280	-285
	<b>-12,983</b>	<b>-13,374</b>	<b>-14,228</b>
<b>Expenditure</b>			
<b>Tenancy Management and Running Costs</b>			
General Administrative Expenses	2,047	2,492	2,581
Corporate & Democratic Core	76	82	90
Corporate Management	88	69	75
Unapportioned Overhead	20	0	0
Communal Heating Services	145	247	350
Communal Lighting	55	84	88
Rents, Rates & Other Taxes	186	186	200
Communal Cleaning	242	247	272
Grounds Maintenance	267	267	280
Sheltered Housing Service	564	583	604
Bad Debts Provision	50	150	125
Bad Debts Written off	50	35	35
Debt Management Expenses	35	30	30
Sub-total of management costs	<b>3,825</b>	<b>4,472</b>	<b>4,730</b>
<b>Long Term Debt Management</b>			
Interest Payable	1,817	1,830	1,879
Interest Earned on Internal Balances	-120	-200	-200
Transfer to Debt Repayment Fund	1,140	1,025	1,025
<b>Property Repairs and Maintenance</b>			
Revenue Repairs Expenditure	2,818	3,296	3,444
Depreciation	2,826	2,951	3,050
Revenue Contribution to Capital Programme	937	519	300
Contribution from Capital Development Fund	-537	-519	0
<b>Surplus(-)/Deficit for Year</b>	<b>-277</b>	<b>0</b>	<b>0</b>