

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 05 February 2024

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account 2024/25
Report of:	Assistant Chief Executive Officer
Corporate Priorities:	Provides Housing Choices

Purpose:

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2023/24, the base budgets and rent increases for 2024/25.

Executive summary:

The Executive recommended, and the Council approved, in February 2023, the base budget and rent increase for 2023/24, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2023/24 and base budget for 2024/25 along with the capital programme and financing for the years 2023/24 to 2027/28. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2024. In particular it highlights the increased expenditure needed to maintain the Council's housing stock in the next 2 years, and meet the LAHF commitments to deliver three homes for Afghan families and one home for temporary accommodation to be held in the Housing Revenue Account. This will mean that we will not be able to fully continue with our debt repayment put aside in these years. However, any surpluses that do arise will be considered for this purpose.

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. Actions continue to be taken by officers to reduce expenditure where possible. There will also be increased budget monitoring introduced for this period.

Recommendation/Recommended Option:

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 23 February 2024 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 27 with effect from 1 April 2024;
- (b) rents for Council garages be increased by 7.7% with effect from 1 April 2024;
- (c) the revised budget for 2023/24 be approved;
- (d) the base budget for 2024/25 be approved; and
- (e) the Fees and Service Charges at Appendix E be approved.

Reason:

To allow the Council to approve the Housing Revenue Account budgets for 2024/25.

Cost of proposals:

As detailed in the report.

Appendices:

- A: Capital Programme and Financing**
- B: Detailed Revenue Budgets**
- C: Examples of Rent**
- D: Published Housing Fees and Charges**
- E: Confidential Fees and Charges 2024/25****

** Fees and Charges 2024/25 Appendix E (Confidential) – By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person and category 7A (information which is subject to an obligation of confidentiality) of Schedule 12A Local Government Act 1972 and the Council's Access to Information Procedure Rules. It is not in the public interest to publish this information as it would harm the Council's ability to achieve best value by way of negotiations where there may also be an obligation of confidence in relation to the financial and technical content for any procurement exercise. Disclosure could adversely affect competitive bids and remove the necessary element of market competition that drives best value principles.

Background papers: None

Reference papers:

- (a) Executive 6 February 2023 – Housing Revenue Account 2023/24
- (b) Executive 3 July 2023 – General Fund and Housing Revenue Account Outturn 2022/23
- (c) Executive 8 January 2024 – 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) Executive 9 October 2023 – Town Centre property acquisition
- (g) Executive 9 October 2023 – Facilitating the use of the Local Authority Housing Fund
- (h) [The Direction on the Rent Standard 2023](#), Department for Levelling Up, Housing & Communities
- (i) [Policy Statement on rents for social housing](#), Department for Levelling Up, Housing & Communities

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	05 February 2024
Subject:	Housing Revenue Account 2024/25
Briefing by:	Assistant Chief Executive Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2023/24 and 2024/25 for the Executive to consider. On 8 January 2024 the Executive approved the Council's Finance Strategy for 2024/25 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 Government's Direction on the Rent Standard 2023 and their Policy Statement on rents for social housing from 1 April 2020.
2. Together these have informed revisions to the 2024/25 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA.

HOUSING CAPITAL PROGRAMME

3. The five-year Housing capital programme has been updated and is summarised in the following table.

Year	£'000
2023/24	7,800
2024/25	6,107
2025/26	4,870
2026/27	4,740
2027/28	4,840
Total	28,357

4. More details of the capital schemes and their financing can be found in Appendix A, with the highlights given below. The Housing capital programme was included in the Council's Capital Strategy presented for approval at the 8 January 2024 Executive.

Affordable Housing Delivery

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 Sir Randal Cremer House,

Portchester; and 11 houses for Shared Ownership at Capella Close, Stubbington; have been completed.

6. Work commenced on site for 9 new affordable shared ownership flats at Ophelia Court, the Executive having approved a report updating the funding arrangements to deliver the scheme in January 2023.
7. Work is anticipated to start in March 2024 for a new social rent house at Bellfield. A tender process has been completed with prices for design and build coming in within the original budget of £350,000 for the scheme. However, if final on costs such as consultancy and utility matters are as high as 15%, these would exceed that budget approval. These costs will be monitored and if necessary, a further report will be presented to the Executive if the budget is likely to be significantly exceeded.
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 60 sheltered housing apartments. Technical work has continued on this scheme, with a full planning application approved on 14 December 2022, containing detailed technical designs produced by the Architect/Engineers and demolition of the existing building. A tender process is currently underway for design and build of the scheme which will then further inform the budget setting needed within the Capital Programme.
9. The Affordable Housing Delivery Team have secured Homes England grant funding for the Ophelia Court development and are also working closely with Homes England on securing significant grant funding for the Assheton Court development, both as part of the Affordable Homes Programme 2021-26. To secure the funds development needs to be completed by March 2026.
10. There are currently further development / acquisition 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. Future capital projects and regeneration opportunities are likely to include council owned sites allocated within the Local Plan.

Site
Town centre acquisition (Fareham East)
Wynton Way (Fareham North West)
Menin House regeneration (Fareham North West)

Improvements to Existing Housing Stock

11. The budget for component planned maintenance and improvements to existing properties has been increased for the current and future financial years covered by the capital programme. The Capital Strategy has been increased to reflect this revised figure of £4million (previously £3million). This is due to this being an area of significant cost pressures that have not been at this level for many years. Contributory factors include continually increasing costs of materials and labour, an ageing stock profile and a need to make the stock greener, along with increased regulation whilst maintaining service standards. A Stock Condition Survey is currently underway to inform future years required budget and spending pressures, with full stock coverage over a 5 year

period (20% of stock per year).

Financing Options

12. The financing of the Housing capital programme is from the Major Repairs Reserve, Housing Capital Receipts, HRA Revenue Contributions to Capital Outlay (RCCO and 1-4-1 capital receipts from Right to Buy sales and borrowing. The HRA must be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income. The ringfencing of the HRA ensures that all the income and expenditure in relation to managing the council housing stock is separate to the General Fund and there is no cross subsidy between either fund (tenants and the taxpayer and vice versa).
13. In addition to these internal and borrowed resources, grant bids will be sought wherever possible.
14. New build Fareham Housing homes could be funded from a combination of the following: -
 - a) Right to Buy initial receipts and Right to Buy 1-4-1 receipts;
 - b) Other Housing Capital receipts (not combined with Right to Buy 1-4-1 receipts)
 - c) Section 106 monies for the purpose of affordable housing provision; (not combined with Right to Buy 1-4-1 receipts)
 - d) Homes England grant funding (not combined with Right to Buy 1-4-1 receipts); and/or
 - e) Additional borrowing on the Housing Revenue Account.
15. Additional borrowing for large schemes would come from the Public Works Loan Board (PWLB). A new discounted PWLB rate is currently available until the end of June 2025 for authorities borrowing for the HRA.
16. 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.
17. The most appropriate form of borrowing will be established by the Council's Finance Team in consultation with the Chief Executive Officer in order to fund the development schemes at Ophelia and Assheton Court and similar schemes.
18. Future reports are being developed which will detail estimated cost and funding arrangements along with the progress toward the appointment of an appropriate contractor.

REVENUE BUDGETS

19. The following table summarises the Housing Revenue Account base and revised budgets for 2023/24, and the base budget for 2024/25. A more detailed breakdown is provided in Appendix B.

	Base Budget 2023/24 £'000	Revised Budget 2023/24 £'000	Base Budget 2024/25 £'000
HOUSING REVENUE ACCOUNT			
Income	-14,228	-14,391	-15,316
Tenancy Management & Running Costs	4,730	4,740	4,972
Net Interest	1,679	1,650	1,650
Transfer to Debt Repayment Fund	1,025	0	542
	-6,794	-8,001	-8,152
Revenue Repairs Expenditure	3,444	3,636	3,747
Depreciation set aside into the Major Repairs Reserve	3,050	3,130	3,205
Revenue Contribution to Capital Programme	300	1,235	1,200
Transfer to(-)/from HRA Reserve	0	0	0

20. The income budget has been uplifted to reflect proposed increases in rent and service charges. Changes in circumstances and financial stability for some tenants continue to impact on rent being paid, and with the impact of the cost of living crisis still being experienced, 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.
21. The provision made for bad debts was increased significantly in the 2022/23 financial year. Assessing current debt levels, the provision will not need such a high increase for 2023/24 and 2024/25 and so this budget has been revised downwards.
22. Within Tenancy Management and Running Costs increases have been made for employee costs, impacting General Administration, Sheltered Housing, Grounds Maintenance and Communal Cleaning areas. An increase has been allowed for Council Tax incurred against void properties. The budgets for Communal Heating and Lighting have been reduced, recognising the reduction in gas costs being charged from October 2023 to October 2024.
23. A budget increase for the property repairs and maintenance and materials area is proposed to reflect the employment costs of the building maintenance team as well as higher costs that suppliers face and that are inevitably passed on to the Council. Leaseholder Service Charge actuals have been completed for 2022/23, income was higher than originally anticipated with repairs arising from the external decoration programme, this is also reflected in the income budget.
24. The Revenue Contribution to Capital programme budget has been increased significantly to fund the higher value of Capital Improvements work and former council homes being bought back in the current financial year to deliver the LAHF programme commitments. This is a government initiative that supports the government's humanitarian obligations to provide safe and suitable housing to those fleeing Afghanistan, alongside helping to deliver DLUHC's commitment to help those who are homeless to secure accommodation. The Council has secured matched funding to provide three 2 – 4 bed properties for the resettlement of Afghan families and one temporary accommodation home. In order to meet the criteria of the funding, the properties must be in the ownership of the Council by 29 March 2024.

25. This increase has a direct impact on the set aside of reserves for repayment of debt, the budget provision of £1.025 million for this has therefore had to be removed for 2023/24. However, if any budget surplus does arise for the year this may be considered for this use. Increased budget monitoring will be introduced to try and achieve this position.
26. The proposed budgets do include a clear, albeit reduced, set aside of reserves in 2024/25 towards repayment of 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 28 to 37 years and to date there has been approximately £7 million put aside for this purpose.
27. A summary of all the reserves projected to the end of 2023/24 is set out below:

Reserve	Purpose of Reserve	2022/23 Closing Balance £'000	2023/24 Transfers In £'000	2023/24 Transfers Out £'000	2023/24 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	1,337	0	0	1,337
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	6,840	0	0	6,840
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	620	0	0	620
Total Revenue Reserves		10,297	0	0	10,297
Major Repairs Reserve	To fund capital expenditure on HRA assets	157	3,125	-3,230	52
1:4:1 Receipts	To fund 40% of costs of new acquisitions and Station Road development	1,703	250	-105	1,848
Total Reserves		12,157	3,375	-3,335	12,197

RENTS

28. 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 was issued along with an updated Policy statement on rents for social housing from April 2023. This was a temporary cap applying from the 1 April 2023 to 31 March 2024. For 2024/25, an increase of 7.7% is proposed, in line with allowed increases of up to CPI + 1% (using the September 2023 CPI rate of 6.7%).
29. A recent change in policy from the Department for Levelling Up, Housing & Communities (DLUHC) came into effect from 12 October 2023 changing the basis of the annual rent review for relevant Shared Ownership leases from a maximum of RPI + 0.5% to CPI + 1.0%, thereby aligning Shared Ownership rents with the maximum annual rent increase for Social and Affordable rented homes. For 2024/25, an

increase of 7.7% is proposed, in line with allowed increases of up to CPI + 1% (using the September 2023 CPI rate of 6.7%).

30. 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 2024/25 increase by 7.5% (£1.10 per week) in line with that of rent increases.
31. Examples of proposed rents can be seen in Appendix C.

FEES AND CHARGES

32. The current published fees and charges for housing and the charges for 2024/25, approved at the 8 January 2024 Executive, are set out in Appendix D. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.
33. Service Charges for the HRA and Careline customers for 2024/25 are set out in confidential Appendix E for Executive approval. These are mainly set to recover the costs the Council incurs. In some cases, it has been possible to reduce the charges this year due to costs going down.

RISK ASSESSMENT

34. 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
35. 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 2024/25, this will put further pressure on the HRA finances. Costs from the Regulator of Social Housing are also likely to increase with expenses relating to Tenant Satisfaction Measures along with costs of carrying out the required surveys.
36. Stock maintenance, both revenue and capital areas of spend are also experiencing significant cost pressures that have not been at this level for many years. Contributory factors include continually increasing costs, an ageing stock profile and a need to make the stock greener along with increased regulation whilst maintaining service standards. A Stock Condition Survey is currently underway to inform future years required budget and spend prioritisation with full stock coverage over a 5 year period (20% of stock per year).

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 2024		130
Loss of income if void rate rises by 1%		130
Increase of 10% on employees, and supplies and service costs	494	
Increase of 10% in the depreciation charge	320	
Increase on rent arrears by 10%		80
Increase of 20% in cost of responsive repairs	760	

37. Mitigating actions continue to be taken by the service to try to reduce costs where they can. Particular projects currently underway are reviewing the responsive repair framework of suppliers and also the voids process to reduce the periods that properties are vacant leading to reduced income and increased costs.
38. However, there remains considerable pressure on the Housing Revenue Account. Increased budget monitoring is therefore to be introduced for the foreseeable future.

ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT

39. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

Enquiries:

For further information on this report please contact Caroline Hancock, 01329 824589

HOUSING CAPITAL PROGRAMME AND FINANCING

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Improvements to Existing Stock					
Improvements	1,500,000	1,600,000	1,600,000	1,700,000	1,800,000
Voids	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Modifications	500,000	500,000	500,000	500,000	500,000
Vehicles	130,000	100,000	40,000	40,000	40,000
Acquisitions and New Builds					
Acquisitions	1,400,000	500,000	500,000	500,000	500,000
New Build – Sir Randal Cremer House	227,000				
New Build – Assheton Court	500,000				
New Build – Capella Close	393,000				
New Build – Queens Road	115,000				
New Build - 51 Bellfield	35,000	270,000	30,000		
New Build – Ophelia Court	1,000,000	1,137,000	200,000		
TOTAL CAPITAL EXPENDITURE	7,800,000	6,107,000	4,870,000	4,740,000	4,840,000
Funded by:					
Improvements to Existing Stock					
Major Repairs Reserve	-3,230,000	-3,300,000	-3,300,000	-3,400,000	-3,500,000
RCCO	-770,000	-800,000	-800,000	-800,000	-800,000
Other Assets					
RCCO - Vehicles	-130,000	-100,000	-40,000	-40,000	-40,000
Acquisitions and New Builds					
RCCO	-335,000	-300,000	-300,000	-300,000	-300,000
1-4-1 Capital Receipts	-105,000	-308,000	-212,000	-200,000	-200,000
Capital Receipts	-500,000				
Homes England Grants	-372,000		-200,000		
Other Grants and Contributions	-946,000				
Borrowing	-1,412,000	-1,299,000	-18,000		
TOTAL FUNDING	-7,800,000	-6,107,000	-4,870,000	-4,740,000	-4,840,000

DETAILED REVENUE BUDGET

	Base 2023/24 £'000s	Revised 2023/24 £'000s	Base 2024/25 £'000s
Income			
Rents - Dwellings	-12,475	-12,430	-13,371
Rents - Garages	-388	-388	-410
Rents - Other	-21	-5	-5
Service Charges (Wardens, extra assistance, heating)	-687	-816	-795
Cleaning	-198	-198	-215
Grounds Maintenance	-137	-137	-150
Other Fees and Charges	-37	-35	-35
Leaseholder Service Charges & Insurance	-285	-371	-323
Government Grant	0	-11	-12
	-14,228	-14,391	-15,316
Expenditure			
Tenancy Management and Running Costs			
General Administrative Expenses	2,581	2,600	2,745
Corporate & Democratic Core	90	90	90
Corporate Management	75	75	75
Unapportioned Overhead	0	10	10
Communal Heating Services	350	270	270
Communal Lighting	88	80	80
Rents, Rates & Other Taxes	200	254	279
Communal Cleaning	272	269	289
Grounds Maintenance	280	310	323
Sheltered Housing Service	604	612	641
Bad Debts Provision	125	100	100
Bad Debts Written off	35	35	35
Debt Management Expenses	30	35	35
Sub-total of management costs	4,730	4,740	4,972
Long Term Debt Management			
Interest Payable	1,879	1,900	1,900
Interest Earned on Internal Balances	-200	-250	-250
Transfer to Debt Repayment Fund	1,025	0	542
Property Repairs and Maintenance			
Revenue Repairs Expenditure	3,444	3,636	3,747
Depreciation	3,050	3,130	3,205
Revenue Contribution to Capital Programme	300	1,235	1,200
Surplus(-)/Deficit for Year	0	0	0

HRA EXAMPLES OF RENT

	Property Type	2023/24 Actual Rent £	2024/25 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	94.51	101.79	7.28	7.7
Grebe Close	2 Bed Bungalow	122.76	132.21	9.45	7.7
Collingwood Court	1 Bed Flat	115.36	124.24	8.88	7.7
Foxbury Grove	2 Bed Flat	102.96	110.89	7.93	7.7
Garden Court	1 Bed Maisonette	82.23	88.56	6.33	7.7
Sicity House	2 Bed Maisonette	99.88	107.57	7.69	7.7
Fairfield Avenue	3 Bed House	119.64	128.85	9.21	7.7
Churchill Close	3 Bed House (shared owner)	104.29	112.32	8.03	7.7
Jubilee Court	4 Bed House	136.71	147.24	10.53	7.7
Average for total stock		111.79	120.40	8.61	7.7
Garages		14.65	15.75	1.10	7.5



HOUSING FEES & CHARGES

	Notes	Fee 2023/24 £	Fee 2024/25 £	% 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	55.00	58.00	5.5
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	15.00	16.00	6.7
Per couple per night	Inclusive of VAT	20.00	21.00	5.0
Collingwood Court per room	Inclusive of VAT	30.00	32.00	6.7
Sylvan Court per room	Inclusive of VAT	30.00	32.00	6.7
Sheltered Accommodation for the Elderly – Other Charges				
Keys – Key	Inclusive of VAT	5.90	6.30	6.7
Keys – Fob		9.50	10.10	6.3
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.80	0.85	6.3
Dry		0.70	0.75	7.1