

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 3 February 2025

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account Budgets, Fees & Charges 2025/26
Report of:	Assistant Director (Finance & ICT)
Corporate Priorities:	Provides Housing Choices

Purpose:

This report seeks agreement from the Executive to recommend to Council the approval of the revised budget for the Housing Revenue Account for 2024/25, plus the base budgets, fees and charges and rent increases for 2025/26.

Executive summary:

The Executive recommended, and the Council approved, in February 2024, the base budget and rent increase for 2024/25, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2024/25 and base budget for 2025/26. The housing capital programme and financing for the years 2024/25 to 2028/29 is also included for information as this impacts on the revenue budget. The report also proposes the increases in rents and fees and charges for 2025/26.

The report highlights the issues affecting the Housing Revenue Account. In particular it highlights the increased expenditure needed to maintain the Council's housing stock in the next 2 years. This will mean that we will not be able to continue with our debt repayment put aside in these years. However, any surpluses that do arise will be considered for this purpose. Due to these pressures increased budget monitoring has been introduced for this period and a specific HRA Opportunities Plan has been drawn up which contains actions that have been identified to help reduce net expenditure.

Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and outside the Council's control. Scenario analysis has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This has been included to support the need to maintain a prudent level of reserves and a working balance.

Recommendation/Recommended Option:

- 1) It is recommended that the Executive agrees and recommends to the meeting of the Council to be held on 14 February 2025 that:
 - (a) rents be approved for Council Dwellings as set out in paragraph 28 with effect from 1 April 2025;
 - (b) rents for Council garages be increased by 2.7% with effect from 1 April 2025;
 - (c) the revised budget for 2024/25 be approved;
 - (d) the base budget for 2025/26 be approved;
 - (e) the Fees and Service Charges at Appendix E be approved.

Reason:

To allow the Council to approve the Housing Revenue Account budgets for 2025/26, and ensure that the HRA remains financially robust and not of risk of being in deficit.

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 2025/26**
- E: Confidential Fees and Charges 2025/26****

** Fees and Charges 2025/26 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 5 February 2024 – Housing Revenue Account 2024/25

- (b) Executive 1 July 2024 – General Fund and Housing Revenue Account Outturn 2023/24
- (c) Climate Change Scrutiny Panel 15 October 2024 - Climate Change Action Plan Update Annual Review 2023/24
- (d) Executive 13 January 2025 – General Fund Revenue Budgets and Finance Strategy 2025/26
- (e) Executive 13 January 2025 – Capital Programme and Capital Strategy 2025/26
- (f) Executive 7 March 2022 - Assheton Court redevelopment
- (g) Executive 9 January 2023 – Fareham Housing Development of Ophelia Court, Montefiore Drive, Park Gate
- (h) Executive 9 October 2023 – Town Centre property acquisition
- (i) [The Direction on the Rent Standard 2023](#), Department for Levelling Up, Housing & Communities
- (j) [Policy Statement on rents for social housing](#), Department for Levelling Up, Housing & Communities

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	3 February 2025
Subject:	Housing Revenue Account Budgets, Fees & Charges 2025/26
Briefing by:	Assistant Director (Finance & ICT)
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2024/25 and 2025/26 for the Executive to consider. On 13 January 2025 the Executive will be asked to approve the Council's Finance Strategy for 2025/26 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. At the time of writing, a government consultation is underway on the future social housing rent policy which focuses on the introduction of a new rent policy from 1 April 2026.
2. Together these have informed revisions to the 2025/26 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.

Value of Capital Programme		Sources of Financing	
Year	£'000		
2024/25	11,765	Major Repairs Reserve	34%
2025/26	17,615	Grants and Contributions	20%
2026/27	8,610	Revenue Contributions	11%
2027/28	5,099	Capital Receipts	4%
2028/29	4,890	Borrowing	31%
Total	47,979		100%

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 will be included in the Council's Capital Strategy presented for approval at the 13 January 2025 Executive.

Affordable Housing Delivery

5. The Council continues to be successful in achieving capital grants awards under the Homes England Affordable Homes Programme 2021-26. This Programme requires developments to start on site by March 2025 and complete by March 2026. New housing schemes already completed under the 2021-2026 programme include 2 social rent houses at **Queens Road** in Fareham and 11 Shared Ownership houses at **Capella Close** in Stubbington.
6. At the end of the current 2024/25 financial year the major schemes of 9 new affordable shared ownership flats at **Ophelia Court** and one new social rent house at **Bellfield** should be completed.
7. Following completion of a further successful tender exercise and grant claim process, work has started on site at **Assheton Court** which will provide 60 social rent one and two bedroom apartments for the over 55s. Homes England Grant of £126,000 per unit has been secured to support the delivery of the scheme, and the budget of £19.4m for construction and further on-costs is now reflected in the capital programme. However, to secure the funds development needs to be completed by September 2026.
8. There are currently further development / acquisition and regeneration sites being pursued 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
130-136 West Street (Birks Building) (Fareham Town ward)
Wynton Way (Fareham Park ward)
Menin House regeneration (Fareham Park ward)
Redoubt Court regeneration (Fort Fareham ward)
Melvin Jones House and St Marys Road flats (Stubbington ward)

Improvements to Existing Housing Stock

9. 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 these revised figures, for example the budget for 2024/25 is now set at £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 ongoing to inform the budget requirements and spending pressures for future years, with full stock coverage over a 5-year period (20% of stock per year). Revenue Contributions to Capital Outlay have been increased to support this expenditure.

Financing Options

10. 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).

11. The table below summarises the financing options available to fund the Housing Capital Programme:

Funding Source	What this and any restrictions	Type of Reserve
Major Repairs Reserve	This is funded from annual revenue contributions (similar to a depreciation charge), The reserve is used to fund capital expenditure on HRA assets.	HRA Reserve
Housing Capital Receipts	These are receipts arising from the sale of council owned housing (non RTB). They cannot be combined with RTB 1-4-1 receipts.	General Fund and HRA Reserve
Right to Buy (RTB) initial receipts	These are part of the receipts (34%) arising from the Right to Buy sales of council owned housing. They cannot be combined with Homes England funding.	General Fund Reserve
Right to Buy (RTB)1-4-1 receipts	These are the other part of the receipts (66%) arising from the Right to Buy sales of council owned housing. These have to be earmarked for building or buying new affordable housing. They cannot be combined with housing capital receipts or grant funding.	HRA Reserve
Section 106 monies for the purpose of affordable housing provision	These are contributions arising from Planning Section 106 Agreements where the provision of Affordable Housing is required as part of a development scheme.	General Fund Reserve
HRA Revenue Contributions to Capital Outlay (RCCO)	These are contributions from the current years revenue budget, used to meet capital expenditure on existing HRA assets or transferred to a reserve to be used to meet capital expenditure in the future.	Not currently held in a Reserve, used directly to meet capital expenditure
Borrowing (internal or external)	This is a source of funding that will be required to be repaid in the future. The sources will be from internal resources of from the Public Works Loan Board used to meet capital expenditure.	N/A

12. Since 2022 local authorities retain 100% of Right to Buy receipts. Right to Buy initial receipts are retained unconditionally, but Right to Buy 1-4-1 receipts have to be invested in a new homes build or purchase programme and spent within 5 years. - There are restrictions on what funding sources can be combined with 1-4-1 receipts as highlighted in the table above.
13. In addition to these internal and borrowed resources, grant bids will be sought wherever possible, as we have done for current development schemes of Ophelia Court and Assheton Court. It should be noted that any Homes England grant funding cannot be combined with RTB initial and 1-4-1 receipts.

14. Additional borrowing for large schemes, and improvements to existing stock where needed, would come from the Public Works Loan Board (PWLB) or internal borrowing. A discounted PWLB rate is currently available until the end of March 2026 for authorities borrowing for the HRA.
15. 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.
16. 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 capital programme.

REVENUE BUDGETS

17. The following table summarises the Housing Revenue Account base and revised budgets for 2024/25, and the base budget for 2025/26. A more detailed breakdown is provided in Appendix B.

	Base Budget 2024/25 £'000	Revised Budget 2024/25 £'000	Base Budget 2025/26 £'000
HOUSING REVENUE ACCOUNT			
Income	-15,316	-15,605	-15,835
Tenancy Management & Running Costs	4,972	4,912	5,075
Net Interest	1,650	2,008	2,203
Transfer to Debt Repayment Fund	542	0	0
	-8,152	-8,685	-8,557
Revenue Repairs Expenditure	3,747	4,315	4,317
Depreciation set aside into the Major Repairs Reserve	3,205	3,105	3,105
Revenue Contribution to Capital Programme	1,200	1,265	1,135
Transfer to(-)/from (+) HRA Reserve	0	0	0

18. The **income** budget has been uplifted to reflect proposed increases in rent and service charges, below. Service charges for heating have reduced for the 2024/25 financial year in line with our costs incurred.
19. 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 closely monitored and remain at a high, though stable, level. The housing Rent Recovery Officer continues to work closely with customers and reports regularly from the housing management system.
20. 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.

21. The budgets for Communal Heating and Lighting have been reduced, recognising the reduction in gas costs being charged from October 2024 to October 2025.
22. 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 value for 2024/25 and 2025/26 so this budget has been revised downwards.
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.
24. **Leaseholder Service Charge actuals** have been completed for 2023/24 and income was higher than originally anticipated due to the need to pass on the cost of repairs arising from the external decoration programme and other large capital improvement costs, this is also reflected in the income budget.
25. The **Revenue Contribution to Capital** programme budget has been increased significantly to fund the higher value of Capital Improvements work, as discussed above.
26. These increases have a direct impact on the set aside of reserves for repayment of the £49.3 million **housing debt** taken on in 2012 when the government changed the national subsidy scheme to a self-financing scheme. £40 million of these loans are from the PWLB and become repayable in 27 to 36 years. The remaining £9.3 million is an internal loan with the General Fund and is repayable in 2026/27. To date there has been approximately £6.84 million put aside for this purpose. Unfortunately additional budget provision of £542,000 for this has had to be removed for 2024/25 and there will be no provision for 2025/26. However, if any budget surplus does arise for the year this may be considered for this use.
27. A summary of all the HRA reserves projected to the end of 2024/25 is set out below:

Reserve	Purpose of Reserve	2023/24 Closing Balance £'000	2024/25 Transfers In £'000	2024/25 Transfers Out £'000	2024/25 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	1,412	0	0	1,412
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	4,316	-4,316	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	556	195	-150	601
Total Revenue Reserves					
Major Repairs Reserve	To fund capital expenditure on HRA assets	0	3,105	-3,105	0
1:4:1 Receipts	To fund costs of new acquisitions and developments	1,946	500	-250	2,196
Total Reserves		12,254	8,116	-7,821	12,549

RENTS

28. In the Autumn Statement, the Government launched a consultation on a five-year rent settlement of CPI+1% for social landlords, with potential for this to be extended to 10 years.
29. For 2025/26, an increase of 2.7% is therefore proposed, in line with the allowed increase of up to CPI + 1% (using the September 2023 CPI rate of 1.7%) for social, affordable and shared ownership rents.
30. Rents for Council garages are not covered by the Government's Direction applying to dwellings, but a similar principle is applied in the Council's Social Housing Rents Policy. It is therefore proposed that garage rents for 2025/26 increase by 2.7% (£0.43 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 2025/26, to be approved at the 13 January 2025 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 2025/26 are set out in confidential Appendix E for Executive agreement and recommendation to Council for 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. Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and outside the Council's control. Scenario analysis has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income, as summarised in the table below.

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 2025		140
Loss of income if void rate rises by 1%		140
Increase on rent arrears by 10%		80
Increase of 10% on employees, and supplies & service costs	494	
Increase of 10% in the depreciation charge	310	
Increase of 20% in cost of responsive repairs	860	

35. Reserves are therefore maintained 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

36. The following list of ongoing pressures and key risks to the HRA include :

- Inflation decreases will limit our power to increase rents to keep in line with higher responsive and void costs that are subject to demand increase as well as inflation.
- Interest rates increases result in higher borrowing costs to finance development sites and improvements within the capital programme.
- The expectations on stock condition continue to increase to ensure homes are decent, safe, well maintained with decent services. This requires effective management and detailed knowledge of stock condition, which is an ongoing process.
- There will be future stock condition demands to meet the Decent Homes Standard, decarbonisation goals/EPC rating and manage the risk of disrepair claims. A Stock Condition Survey is currently underway to inform future years required budget and spend prioritisation.
- Continuing to improve Tenant Safety by understanding tenants needs and learning from experience in relation to damp and mould and fire) (following Grenfell, Rochdale and Awaabs Law).
- Increasing Tenant Engagement.
- Further pressures associated with the Social Housing (Regulation) Act 2023.

37. In particular, the increases in the costs of revenue repairs and capital improvements already occurring mean that the HRA is currently under considerable strain, which is a trend across the country. Increased budget monitoring has therefore been introduced, involving senior housing and finance management, to try and keep to the budgets set.

38. Mitigating actions continue to be taken by the service to try to reduce costs where they can. However, the position is such that an additional Opportunities Plan, specific to housing and the HRA, is being developed for discussion at a future Scrutiny Panel Workshop.

39. 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.

ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT

40. The Council Climate Change Action Plan (CCAP) was approved by the Climate Change Scrutiny Panel on 15 October 2024. Initiatives within housing to reduce our carbon footprint include

- A review of the vehicle fleet and required infrastructure to meet the demands of the service.
- Home energy efficiency measures such as installation of solar panels, external wall

insulation, loft insulation and heating upgrades and seeking external funding where available.

- New development built with energy efficiency in mind such as air source heat pumps.
- We continue to be a member of the Warmer homes consortium, which delivers free energy saving measures to low-income households in energy efficient homes.

Enquiries:

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

HOUSING CAPITAL PROGRAMME AND FINANCING

	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£
Improvements to Existing Stock					
Improvements	1,400,000	1,600,000	1,700,000	1,800,000	1,800,000
Voids	2,100,000	2,000,000	2,000,000	2,000,000	2,000,000
Modifications	600,000	500,000	500,000	500,000	500,000
Vehicles	245,000	90,000	135,000	90,000	90,000
Acquisitions and New Builds					
Acquisitions	500,000	500,000	500,000	500,000	500,000
New Build – Assheton Court	5,000,000	12,400,000	2,000,000		
New Build – Ophelia Court	1,520,000	240,000			
New Build – Bellfield	275,000	35,000			
Town Centre Development	100,000	200,000	1,700,000	159,300	
Regeneration Feasibility	25,000	50,000	75,000	50,000	
TOTAL CAPITAL EXPENDITURE	11,765,000	17,615,000	8,610,000	5,099,300	4,890,000
Funded by:					
Improvements to Existing Stock					
Major Repairs Reserve	-3,104,800	-3,104,800	-3,300,000	-3,400,000	-3,500,000
RCCO	-1,020,200	-1,045,200	-975,000	-950,000	-800,000
Other Assets					
RCCO - Vehicles	-245,000	-90,000	-135,000	-90,000	-90,000
Acquisitions and New Builds					
RTB 1-4-1 Receipts	-250,000	-250,000	-250,000	-250,000	-250,000
Housing Capital Receipts	-275,000	-35,000			
Homes England Grants	-2,111,000	-5,560,000			
Other Grants and Contributions (s106)	-250,000	-250,000	-250,000	-250,000	-250,000
Borrowing	-4,509,000	-7,280,000	-3,700,000	-159,300	
TOTAL FUNDING	-11,765,000	-17,615,000	-8,610,000	5,099,300	-4,890,000

DETAILED REVENUE BUDGET

	Base	Revised	Base
	2024/25	2024/25	2025/26
	£'000s	£'000s	£'000s
Income			
Rents - Dwellings	-13,371	-13,590	-13,930
Rents - Garages	-410	-410	-418
Rents - Other	-5	-6	-6
Service Charges (Wardens, extra assistance, heating)	-795	-805	-815
Cleaning	-215	-215	-200
Grounds Maintenance	-150	-151	-154
Other Fees and Charges	-35	-30	-30
Leaseholder Service Charges & Insurance	-323	-386	-271
Government Grant	-12	-12	-12
	-15,316	-15,605	-15,835
Expenditure			
Tenancy Management and Running Costs			
General Administrative Expenses	2,745	2,852	2,996
Corporate & Democratic Core	90	85	94
Corporate Management	75	73	73
Unapportioned Overhead	10	10	10
Communal Heating Services	270	135	135
Communal Lighting	80	100	100
Rents, Rates & Other Taxes	279	283	279
Communal Cleaning	289	264	257
Grounds Maintenance	324	332	332
Sheltered Housing Service	641	657	679
Bad Debts Provision	100	50	50
Bad Debts Written off	35	35	35
Debt Management Expenses	35	35	35
Sub-total of management costs	4,972	4,912	5,075
Long Term Debt Management			
Interest Payable	1,900	2,258	2,453
Interest Earned on Internal Balances	-250	-250	-250
Transfer to Debt Repayment Fund	542	0	0
Property Repairs and Maintenance			
Revenue Repairs Expenditure	3,747	4,315	4,317
Depreciation	3,205	3,105	3,105
Revenue Contribution to Capital Programme	1,200	1,265	1,135
Surplus(-)/Deficit for Year	0	0	0

HRA EXAMPLES OF PROPOSED RENT CHANGES

	Property Type	2024/25 Actual Rent £	2025/26 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	101.79	104.54	2.75	2.7
Grebe Close	2 Bed Bungalow	132.21	135.78	3.57	2.7
Collingwood Court	1 Bed Flat	124.24	127.59	3.35	2.7
Foxbury Grove	2 Bed Flat	110.89	113.88	2.99	2.7
Garden Court	1 Bed Maisonette	99.32	102.00	2.68	2.7
Sicity House	2 Bed Maisonette	107.57	110.48	2.90	2.7
Fairfield Avenue	3 Bed House	128.85	132.33	3.48	2.7
Churchill Close	3 Bed House (shared owner)	112.32			
Jubilee Court	4 Bed House	147.24	151.21	3.98	2.7
Average for total stock		120.67	123.93		
Garages		15.75	16.18	0.43	2.7



HOUSING FEES & CHARGES

	Notes	Fee 2024/25 £	Fee 2025/26 £	% 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	116.00	120.00	3.4
Repairs to Council Houses				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	58.00	60.00	3.4
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	16.00	17.50	9.4
Per couple per night	Inclusive of VAT	21.00	23.00	9.5
Collingwood Court per room	Inclusive of VAT	32.00	35.00	9.4
Sylvan Court per room	Inclusive of VAT	32.00	35.00	9.4
Other Charges				
Keys – Key	Inclusive of VAT	6.30	6.45	2.4
Keys – Fob		10.10	10.35	2.5
Replacement Pendant	Inclusive of VAT			