London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06/02/2023

Subject: The Housing Revenue Account (HRA) Budget And Rents/Service Charges For 2023/24

Report of: Councillor Frances Umeh, Cabinet Member for Housing and Homelessness
Councillor Rowan Ree, Cabinet Member for Finance and Reform

Responsible Director: Jon Pickstone, Strategic Director for Economy
Sukvinder Kalsi, Director of Finance

Summary

The current strategic service and financial operating environment for the Council's housing service is extremely challenging. We are aiming to increase the provision of social and affordable housing with a commitment to build new homes within the next few years, investing more than £700m in existing homes over 12 years, improve the services available to residents, make necessary improvements to building standards and safety, and strengthen resident engagement.

The continuing national economic conditions of high inflation and interest rates (the Consumer Price Index rose by 10.5% in the year to December and the Bank of England base rate was increased to a 14-year high in December of 3.5%) are also presenting many significant challenges (this is increasing our costs for delivering services, increasing pressure on rent collection as household incomes reduce, making our investment plans more expensive and increasing the demand for housing services).

This report sets out the Housing Revenue Account (HRA) budget proposals for the financial year 2023/24 including changes to rent levels and other charges and these are intended to:

- preserve the delivery of housing services valued by our tenants
- ensure the continued delivery of key housing priorities (building more homes, investing in existing homes and improving day-to-day services)
- provide resources to deal with some immediate pressures on disrepair, damp and mould
- provide additional capital investment to improve the energy efficiency of the housing stock
- maintain the financial resilience of the HRA (and thus the continued provision of services in the future).

As well as the cost pressures on the HRA, the Council must take into account the impact of increased charges on tenants during this cost-of-living crisis. With prices

and bills rising dramatically, and the national economic environment becoming increasingly difficult, the Council must balance investment in this ring-fenced account with residents' ability to pay higher prices.

The Government has introduced a cap of 7% on the amount by which councils can increase rents. The Council will optimise the financial position for the HRA in 2023/24 and rents will be increased by 4.4%. Additional investment (including one-off growth) of £3.4m is planned to support improvements in customer services, the management of disrepair, damp and mould and supporting tenants through an annual visits programme.

The Council has worked hard to keep rents and service charges as low as possible over the past decade and this strategy will continue to ensure that ours remain some of the lowest cost homes in London and provide value for money to residents.

The 40-year HRA business plan is being updated and reviewed. This will be reported in detail to the Cabinet during 2023/24 and will set out the medium-term financial position on the HRA.

RECOMMENDATIONS

That Cabinet agrees:

1. To approve the Housing Revenue Account 2023/24 budget for council homes as set out in Table 1.

2. To approve £1.1m of ongoing annual revenue savings (when compared to the 2022/23 base budget) per annum from 2023/24.

3. To approve a rent increase of 4.4% from 3 April 2023, which equates to an average weekly increase for tenants of £5.20 in 2023/24.

4. To approve an increase to shared ownership rents of 7% from 3 April 2023.

5. To approve changes to tenant service charges to reflect the costs of providing communal services from 3 April 2023, which equate to an average weekly increase for tenants of 95p in 2023/24.

6. To approve an increase to charges for heating and hot water to reflect the costs of provision of the district heating service from 3 April 2023, which equate to an average weekly increase for tenants and leaseholders on the scheme of £2.75 (communal heating), £10.90 (tenants' personal heating) and £13.78 (leaseholders' personal heating) in 2023/24.

7. To approve an increase to the management fee for temporary on licence properties of 7% from 3 April 2023.

8. To approve an increase to the rent and service charges for hostels of 7% from 3 April 2023.

9. To increase garage charges for council tenants, resident leaseholders, and for other customers from April 2023 by 7%.

10. To note that any change to parking charges on housing estates will be considered separately with the Council's parking plans.

11. To increase car space rental charges for all customers by 7% from April 2023.

12. To approve an increase in the Leasehold After Sale – Home Buy Fees by 7% from April 2023 from £203 to £217.

Wards Affected: All

Our Values	**Summary of how this report aligns to the H&F Values**
Building shared prosperity	The HRA budget supports the significant step change in the Council's ambitions of delivering more genuinely affordable homes in the HRA. This will be through an increased level of borrowing, capital receipts and government grants to invest over the long term in the delivery of new homes either directly or in partnership.
Creating a compassionate council	The HRA budget supports the ongoing investment in services that directly support residents in living healthy and independent lives. This includes making provision for aids and adaptations to tenanted accommodation.
Doing things with local residents, not to them	The HRA budget supports enabling continued investment in resident engagement and involvement. The resident involvement strategy sets out the approach that will be adopted. The HRA budget allows for more investment in resident liaison with regard to the delivery of capital works and development of new affordable homes. This will ensure that residents are involved and informed about the works that will be taking place.
Being ruthlessly financially efficient	The HRA budget funds investment in the long-term repairs delivery model and the reform of services to better deliver for residents, and the delivery of a significant number of new homes.
Taking pride in H&F	The significantly expanded compliance-based capital programme is factored in to the HRA budget. Some of the works will deliver wider

	estate improvements, in particular the communal works undertaken by the Direct Labour Organisation – H&F Maintenance. There will also be ongoing investment in caretaking and other estate services which will be focussed on improving the quality of council estates. New homes will be built to the latest compliant standards, ensuring cost-efficient, safe and secure homes for our tenants and residents for the long term.
Rising to the challenge of the climate and ecological emergency	Housing accounts for around 75% of the organisation's direct operational CO2 emissions. Given this, a retrofit strategy, in conjunction with other areas of the Council, is being formulated that outlines a path to zero carbon emissions. Substantial investment will be required to achieve this. Retrofit has been aligned with the capital programme and work is expected to commence on projects in early 2023. Grant funding of £6m has been applied for from the Government's Social Housing Decarbonisation Fund to support this.

Financial Impact

The report is predominantly of a financial nature and therefore the impact is contained within the body of the report.

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Legal Implications

The HRA was established by statute to ensure that council taxpayers cannot subsidise council rents and nor can council rents subsidise council tax. Failure to adhere to this statutory guidance can render the Council's accounts subject to challenge and/ or qualification by the External Auditor.

The HRA ring-fence was introduced in Part IV of the Local Government and Housing Act 1989 ("the Act") and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. The Act specifies that expenditure and income relating to property listed in section 74 (that is houses and buildings provided for the provision of accommodation including the land on which they sit, excluding leases taken out for less than 10 years to provide temporary accommodation) must be accounted for in the HRA. Schedule 4 of the Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the allowable debits and credits. The Housing (Welfare Services) Order 1994 specifies more detail on the welfare services which must be accounted for outside the HRA. Section 76 of the Local Government and Housing Act 1989 states that it is unlawful to approve a budget which will result in a debit position on HRA reserves. Rents and charges have been set to ensure that the budget forecast does not result in a debit position.

It is not possible for a local housing authority to subsidise rents from its General Fund.

Section 24 of the Housing Act gives the Council power to set rents but Section 5 requires that the Council must have regard to relevant standards which are set for them under section 193 of the Housing and Regeneration Act 2008 (HRA 2008). Section 193 of the HRA 2008 allows the regulator of social housing to fix standards which social landlords must abide by. On 25th February 2019 the Government issued a directive which requires the regulator of social housing to set a new rent standard which applies to all local authority social landlords with effect from 1st April 2020.

The rent increases recommended in this report comply with the rent standard.

A consultation has been carried out with residents and the outcome of that consultation is shown at Appendix 6. Tenants were consulted on the rent increase at the Housing Representatives Forum in January and at the Housing and Homelessness Policy and Accountability Committee on the 23 January 2023. Members must carefully consider the consultation responses and the Equalities Impact Assessment when approving the recommendations in this report to ensure they are satisfied that the Council has complied with its public sector equality duty under the Equalities Act 2010.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. The Housing Revenue Account (HRA) only contains the costs arising from the management and maintenance of the Council's housing stock, funded by income from tenant rents and service charges, leaseholder service charges, commercial property rents and other housing-related activities. It is a ring-fenced account and the Council is required under statute to account separately for local authority housing provision. The provision of social and affordable housing is one of the key services the Council provides to residents and the Building Homes and

Communities Programme is intended to increase the supply of new homes to meet the expected demand for homes.

HRA Financial Strategy

2. The HRA's strategic financial objectives are:

- To finance a repairs programme that ensures health and safety requirements are met and maintains the Council's homes;
- To fund capital expenditure through prudential borrowing, financing both the annual interest of new and existing debt and repayments of the principal debt on maturity;
- To be ruthlessly financially efficient, continue to seek income opportunities and to identify further efficiencies that do not impact on service delivery;
- To build a significant number of new homes in the HRA, providing much needed affordable housing, optimising capital funding sources, including capital receipts, grants, partnership and developer contributions and borrowing;
- To endeavour to free resources for investment in new initiatives, such as climate change, whilst improving service standards;
- To safeguard the ongoing financial sustainability of the HRA including a prudent balance for the HRA general reserves.

Budget Overview

3. In summary, the base budget deficit of £4.1m on the HRA in 2022/23 has been reduced to £1.4m in 2023/24 (and this will be funded from reserves pending a more fundamental review of the HRA Business Pan in 2023/24).

4. The HRA 2023/24 budget (see Table 1 below) has been updated to take into account national policy changes (on rents) and other fiscal pressures. These are set out below:

   a. the Government recently consulted local authorities on options for a rent cap of 3%, 5% and 7% for a potential 2 year period from 2023/24. The Chancellor announced on the 17 November that a rent cap of 7% would be imposed by the Government for 2023/24 on the maximum permissible rent increase. The previous policy was based on social housing rents increasing by Consumer Price Inflation (CPI) + 1% each year based on the previous September's CPI. This was intended to be the policy until 2024/25.

   b. the recent levels of Consumer Price Inflation (exceeding 11% in October) are resulting in real pressures especially with the limitations on rent. These additional cost pressures are estimated to be £2.3m in 2023/24. The revised budget now assumes cost increases based on CPI of up to 10%, up from last year's assumption of 2%. In addition, it has been necessary to make additional provision for pay awards from April 2023 (estimated at £1.0m in total).

c. an increase in interest rates, together with an increase in borrowing to support the compliance-based capital programme, is expected to result in a significant increase in debt servicing costs for 2023/24 of £3.0m.

d. additional investment (including one-off growth) of £3.4m is planned primarily to support improvements in customer services, the management of damp and mould issues, disrepair and health and safety and supporting tenants through an annual visits programme

5. To offset some of these new pressures, a programme of pipeline savings of £1.1m will be delivered through initiatives including the Housing Transformation Programme (see Appendix 1) to avoid a further draw on reserves.

Table 1: HRA Budget 2022/23 and 2023/24

Division	Revised Budget 22/23	Movement between years	Proposed Budget 23/24
	£m	£m	£m
Gross Dwelling Rents	(72,192)	(5,525)	(77,717)
Income loss due to voids	1,427	331	1,758
Net dwelling rents	**(70,765)**	**(5,194)**	**(75,959)**
Tenant & Leaseholder Service Charge	(11,299)	(3,476)	(14,775)
Other Income	(2,328)	(400)	(2,728)
Housing Income	**(84,392)**	**(9,070)**	**(93,462)**
Residents and Buildings Safety	8,740	305	9,045
Void & Repairs	10,412	1,067	11,479
DLO (H&F Maintenance)	3,061	72	3,133
Housing Management	6,365	602	6,967
Place	10,620	701	11,321
Operations	3,945	435	4,380
Regeneration & Development	882	(126)	756
Safer Neighbourhoods	723	16	739
Finance & Resources	10,305	1,514	11,819
Capital Charges	26,205	2,954	29,159
Corporate Support Service Recharges	7,184	36	7,220
Pipeline savings	0	(1,130)	(1,130)
Expenditure	**88,442**	**6,446**	**94,888**
Annual Deficit	**4,050**	**(2,624)**	**1,426**
Use of Reserves	**(4,050)**	**2,624**	**(1,426)**

6. The table below summarises the key changes in the budget between 2022/23 and 2023/24:

Table 2: HRA Budget – Major movements between 2022/23 - 2023/24

Item	Budget Movements
	£000s
Additional Rent Income	(5,525)
Additional Service Charge Income	(3,476)
Pay inflation (5%)	1,018
Contracted services indexation (average of 7%)	1,139
Growth (repairs, annual visits, income loss on voids)	1,202
Depreciation and Interest	2,953
Allowance for additional inflationary pressures	1,195
Pipeline Savings	(1,130)
Total movement	**(2,624)**

Rent Trends

7. The Council has maintained a policy of minimising rent increases whilst protecting resources to deliver the essential housing services including health and safety. The annualised increase for 2022/23 was 3.1% (below the cap of 4.1%).

8. The rent increase will be limited to 4.4% from April 2023 (compared to the cap of 7%). The income that will be generated will not fully offset the inflationary cost pressures of more than 11%.

9. Of the 11,655 current tenancies, the rent increases for at least 5,290 (45%) of these will be covered either wholly or partially by housing benefit or universal credit.

10. The average rent for our Council homes remains lower than the average rent of other neighbouring London boroughs. As a result, the Council has less funding available from rental income to invest in current stock, new housing and service provision, and has contributed to the need for the savings requirement.

11. The rent proposals for 2023/24 are necessary to protect the long-term financial resilience of the HRA. Some option modelling has been completed and for exemplification, the income from every 1% is estimated at £0.8m (this is the amount that would be foregone for every 1% below the proposed 4.4%). This would require major service changes in order to protect the HRA balances (see below).

Tenant Service Charges

12. On 10 October 2022, Cabinet approved a change in policy from fixed to variable service charges. This means that the actual costs incurred by the Council in providing communal services can be fully recovered and that tenants and leaseholders pay a fair proportion of those costs. The table below sets out the different charges and the increases from 3 April 2022:

Table 3: HRA Tenant Service Charges 2023/24

Tenant Service Charge	Average Charge 22/23	Average Charge 23/24	Change
	£ pw	£ pw	£ pw
Caretaking	5.62	6.20	0.58
Grounds Maintenance	1.45	1.58	0.13
Concierge	7.46	8.60	1.14
Door Entry	0.72	0.55	-0.17
Lift Maintenance	7.10	7.85	0.75
TV Aerials	0.23	0.19	-0.04
Communal Lighting	2.88	2.88	0.00
All (excluding HHW)	**13.65**	**14.60**	**0.95**
Heating and Hot Water (HHW)			
Communal HHW	2.65	5.40	2.75
Personal HHW	10.48	21.38	10.90

13. The details of the changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, home buy and income from advertising hoardings and commercial properties are set out in Appendix 3.

Repairs

14. The Council is taking action to improve outcomes for residents who need repairs to their homes. As stated above in paragraph 4, we are spending £3.4m on improving customer service and the management of disrepair as well as damp and mould supported via an annual visits programme.

15. We are investing more than £700m over 12 years (over £1m a week) for major improvement work to existing homes as well as supporting the energy efficiency programme. This programme is important for de-carbonising the housing stock and reducing energy costs in the future, helping to tackle fuel poverty.

16. This includes works such as replacement of windows and roofs to ensure good property standards, with work outlined for homes at Becklow and Emlyn Gardens, West Kensington and Gibbs Green estates, Linacre and White City estate and at least 100 street properties.

Affordable housing

17. There is a national shortage of affordable housing and H&F has some of the most expensive property in the country, making it especially difficult for H&F residents to get on to the property ladder. With more than 12,000 tenanted homes (about 14% of all homes in LBHF) providing housing to an estimated 30,000 residents, housing is one of the Council’s key services.

18. The Council has an ambition to build 3,000 new energy efficient affordable homes within the next few years. The Council is currently directly delivering more than 950 homes on 13 sites which are expected to be completed within the next seven years at a cost of £500m. This accommodates 8,500 square metres of reprovision facilities including schools, nurseries, community halls and hubs. This includes sites such as Education City (132 homes all of which are affordable), Hartopp and Lannoy (134 new homes of which 112 are affordable), White City Central (268 new homes of which 134 are affordable plus a new nursery and community centre), Farm Lane (31 new homes of which 16 are affordable) and Lillie Road (42 new homes of which 21 are affordable plus a new community hall).

19. The Council has also partnered with housing associations to deliver 692 homes across 6 sites. Already built are 45 new homes on the Lavender Court site, 30 new homes in the Mo Mowlam House scheme, as well as 14 homes in Emlyn Gardens. In addition, 204 homes will be built as part of the new Civic Campus project (of which 105 will be affordable), another 266 homes at the Watermeadow Court project (half of which will be affordable), and all 133 homes in the Edith Summerskill House project will be affordable.

Greening housing stock

20. Housing accounts for around 75% of the Council’s direct operational CO2 emissions and the cost of living means energy efficiency is more important than ever. The Council plans to spend £77m over the next five years. These funds will deliver retrofit projects, providing residents with affordably-heated and well-adapted homes that are cost and energy efficient and have net zero carbon impact.

Reserves

21. Two types of reserves are held within the HRA: general reserves and earmarked reserves.

22. **HRA general reserves** should provide sufficient cover against unanticipated events. The risks facing the HRA must be viewed in the context of the level of HRA general reserves. A prudent level of reserves is important to support long term investment planning for 17,000 properties with an existing use value of £1.3 billion.

23. The HRA general reserve as at 31 March 2022 was £15.6m. A further planned drawdown (£5.3m) in 2022/23[1] is expected to reduce the balance to c. £10.3m; equivalent to one and a half months of HRA gross revenue expenditure.

24. In 2023/24, the General Reserve is expected to be depleted by a further £3.6m (see table below).

[1] Based on the projection included in the Corporate Revenue Monitor for month 6

Table 4: HRA General Reserves 2022/23 & 2023/24

	£m
General Reserve b/f (1 April 22)	**(15.6)**
Withdrawal from HRA General Reserve	4.1
Forecast overspend at CRM 6 (see paragraph 25)	1.2
General Reserve c/f (31 March 23)	**(10.3)**
Use of Reserve 23/24 – structural deficit	1.4
Use of Reserve 23/24 – temporary actions (damp & mould, disrepairs compensation, decants, customer service)	2.2
General Reserve c/f (31 March 24)	**(6.7)**

25. It is currently forecast that there will be an overspend of £1.2m in 2022/23. The position is being monitored continuously and the next formal report to Cabinet will be at Month 9 (expected at Cabinet in March 2023). There are some indications that the overspend may increase (by circa £2m) and this will have to be funded from the reserves (thereby reducing these further compared to the £10.3m projected at the end of March 2023).

26. **HRA earmarked reserves** are funds set aside to cover specific future plans that are not covered by annual budgets and to protect the HRA from specific risks. HRA cashable earmarked reserves were £8.1m as at 31 March 2022. These include funds set aside for the risk relating to potential revenue, abortive and other write-off costs associated with the Council's affordable housing and regeneration plans (£3.6m) if plans do not progress.

Risks

27. The HRA faces multiple financial risks including those arising from the Government's programme of Welfare Reform which continues to represent a risk to the Council's ability to collect rental income and may result in increased bad debt charges to the HRA. All new benefit claims are subject to Universal Credit and all existing claims are currently subject to a migration process to Universal Credit that was delayed as a result of Covid-19 and is now anticipated to be completed by December 2024. There is a risk that the migration of tenants to Universal Credit moves at a faster pace than expected. The increase in bad debt provision for rents has been budgeted for 2023/24 at £0.8m.

28. Whilst the full cost implications of implementing the Council's HRA 12-year Asset Management Capital Strategy are still being determined (stock condition surveys are being completed over the next 2 years), there is a risk that costs are in excess of those in the proposed budget for 2023/24 and in the longer term.

29. In addition to these risks above, there are several other financial risks. These are set out in detail in Appendix 2.

Reasons for Decision

30. Section 76 (1)-(4) of the Local Government & Housing Act 1989 (the Act) requires local authorities to set a budget for their HRA on an annual basis using the best assumptions available. The Act also specifies that it is unlawful to approve a budget which will result in a debit position on the HRA general reserves.

Equality Implications

31. The provision of social housing is important for the residents, who include the most disadvantaged and economically vulnerable members of society, including many with protected characteristics. Tenants will be supported by the Council to maximise entitlement to financial welfare benefits and it is estimated that around 50% will be able to cover these additional costs through Housing Benefit and Universal Credit.

32. People with protected characteristics, including age, disability, gender, race and pregnancy are likely to be disproportionately affected by any measure that impacts on low-income families just above the level of eligibility for mainstream benefits. It is not possible or appropriate to set rent or service charges for tenants or leaseholders on the basis of protected characteristics. We will work to identify and support those struggling to make ends meet, and this help will benefit those protected groups who are overrepresented within low-income families just above the level of eligibility to benefits. The available help includes the provision of support with money management, debt and arrears, flexible payment plans for service charges and referral to the wider and developing range of services that are available to help with wider related issues such fuel and food poverty and the cost of living crisis.

33. Rent increases will impact the household finances of tenants and leaseholders on low pay. However, the significant levels of inflation, when combined with the other challenges to balancing the HRA, has necessitated the changes proposed in this report. The need to ensure the HRA budget is secure and available to deliver the essential services and improvements that are needed is a key means of supporting tenants.

Risk Management Implications

34. The principal risks are detailed in paragraphs 27-29 and in Appendix 2. These are included in the departmental risk register. With the further reduction in reserves proposed in this report to meet ongoing investment in the Council's housing stock, it is vital that robust controls are maintained in respect of expenditure (including works carried out by contractors), income collection, budget management, monitoring and reporting. It is also important that regular review and monitoring of known and emerging risks is undertaken and mitigations amended where risks change or new mitigations put in place promptly as new risks emerge.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 26 January 2023

Consultation

35. Tenants and residents were consulted on the plans at the Housing Representatives Forum in January 2023 and the Housing and Homelessness Policy and Accountability Committee on the 23 January 2023 to allow the consideration of comments on the implications in advance of any formal decision being taken by Cabinet on 6 February 2023.

List of Appendices:

Appendix 1 Savings Plan
Appendix 2 Key Risks
Appendix 3 Fees, Charges & Other Income
Appendix 4 Consultation Responses

Appendix 1

Housing Revenue Account: Four year growth and savings plan 2023/24 – 2026/27					
Division	**Description**	**Budget Change Cumulative (£000s)**			
		2023-24	**2024-25**	**2025-26**	**2026-27**
All	Housing Transformation Programme - Consolidation	0	(1,250)	(1,250)	(1,250)
Property & Compliance	Housing Transformation Programme - Channel shift	(350)	(690)	(690)	(690)
All	Housing Transformation Programme - Reducing operating costs	(100)	(100)	(100)	(100)
Finance	Review of corporate recharges (non-SLA)	(80)	(80)	(80)	(80)
All	Review of staff cost apportionment between the General Fund and the Housing Revenue Account	(30)	(30)	(30)	(30)
Finance	Further review of corporate recharges (SLA for accommodation)	(430)	(430)	(430)	(430)
All	Leaner management and reduced back office; and review of 21/22 underspends	(140)	(140)	(140)	(140)
Pipeline Savings (savings target held as credit budget against Finance division)		**(1,130)**	**(2,720)**	**(2,720)**	**(2,720)**

Appendix 2

Housing Revenue Account: Key Risks 2023/24	Lower Limit £000s	Upper Limit £000s
Quantifiable Risks		
Welfare reform - the budgeted bad debt provision provides some protection against the impact on rent collection rates as a result of the Government's Welfare Reform programme. However, there remains some risk. Given that the households involved are on very low income levels it is likely that any increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £3.5m and £5.0m for 2023/24, assuming mitigating actions are in place. The rental income team works closely with tenants in financial hardship to ensure they have access to benefits to which they are entitled and the Council continues to promote payment by direct debit to tenants. As a "trusted partner", the Council can apply directly to the DWP for "alternative payment arrangements" (APAs) for individual tenants before they fall into significant arrears. The APA means that benefits for housing costs can be paid directly to the Council.	3,500	5,000
Right to Buy (RTB) disposals - a level of Right to Buy disposals (16 per annum from 2022/23 onwards) has been assumed within the business plan. There is a risk that unbudgeted levels beyond the Council's control could impact on the net income due to the HRA as rents are no longer due. The upper limit set out here assumes that the level of applications currently projected (130) all progress to RTB sales.	0	800
Total Quantifiable Risks	**3,500**	**5,550**

Key Risks 2023/24
Unquantifiable Risks
Covid-19 – although a vaccination programme has been implemented, there remains a risk of increases in residential and commercial rent arrears and voids losses due to the resulting economic downturn and the potential impact of Brexit. The Council could also see additional costs such as claims from tenants, contractors, extended preliminaries, storage and inflated material costs. The Government has not provided funding for income losses and additional costs relating to Covid-19 experienced by the HRA.
Housing repairs – unpredicted events may result in additional expenditure (for example, following new health and safety directives, legislation, insurance claims). Sufficient HRA general reserves are needed to provide a financial provision that mitigate against this risk.
The **Building Safety Act and Fire Safety Act** requires H&F, as landlord, to resource significant additional investment, both revenue and capital, to achieve compliance. Revenue costs will include the legal requirement to designate Building Safety Managers to its 68 higher risk buildings (3,500+ households) and undertake additional prescribed maintenance and inspection of its 17,000 fire doors on a quarterly/six monthly cycle. Its 68 higher risk buildings will need continued capital investment in fire and structural safety to fulfil the requirements of the Building Safety Regulator and prescribed Building Assurance Certificate.
Risk to recruitment – given the shortage of appropriately qualified technical staff available on the market required to develop, scope, specify and procure fire safety capital works due to high demand in a post-Grenfell environment, there is a risk that the delivery of the Council's compliance-based Asset Management Capital Strategy may be significantly delayed and at an increased cost.
Uncertainty in Government rent policy beyond 23/24 – Following the Government's decision to cap social rent increases at 7%, there is uncertainty in Government policy on social rents up to 2025 (when the Government's previous policy limiting rent increases to Consumer Price Inflation (at the previous September) plus 1% will expire) and beyond 2025.
Market risk on re-procurement and recruitment – there is a risk that it will become harder to re-procure contracts or recruit staff at the predicted rates given the current inflationary environment.
Other changes in central Government policy towards social housing

Key Risks 2023/24
Additional fire safety costs – fire safety improvements to the housing stock above and beyond the current plans (which are already above legal minimum standards) may be required as stock condition surveys and investigations reveal the full cost of implementing the Hackitt recommendations.
Brexit and the state of the UK economy – this includes the impact on the housing sector on costs of a weakening currency, loss of grants funding opportunities, inflationary pressures on contracts and an increase in tenant rent arrears.
Depreciation – a risk that the depreciation charge could change as a result of changes in housing stock valuations or from changes in the regulations governing HRA assets. While any increase in the depreciation charge would provide more ring-fenced funding for the capital programme, it would result in lower revenue reserves. Revenue reserves can be used to cover revenue or capital risks so any movement in funds from revenue to capital restricts flexibility.
Asbestos management – as fire safety works are undertaken, asbestos will be encountered and require removal. The costs are unknown as its presence in many circumstances is unforeseeable.
Additional compliance costs and other repairs risks such as uninsured events
Aging housing and asset stock condition maintenance – the housing stock requires significant investment to maintain structural safety and upgrade assets including communal boilers, lifts etc to meet current standards and ensure the safety of residents. Historic construction methods reveal deficiencies such as structural weaknesses, which significant numbers of our buildings exhibit. Immediate risks can be addressed but investment is required to halt deterioration to ensure the longevity of the stock. This has been addressed via the Asset Management Capital Strategy but there is a risk that the investment required will exceed the approved resources.
Staff capitalisation – any slippage on the housing capital programme could result in staffing costs which were expected to be capitalised to fall to revenue resulting in an unbudgeted overspend within the Housing Revenue Account.
Rental income collection – in addition to the risk outlined above on Welfare Reform, there is a general risk of an overspend on the budgeted bad debt provision, particularly in the light of the current cost of living crisis, which may arise from an increase in rent arrears.
Medium Term Financial Strategy – there is a risk to future savings expected to be delivered in accordance with the HRA four-year savings plan.

Appendix 3
Fees, Charges and Other Income

Heating charges

Tenants and leaseholders who receive communal heating (around 1,811 properties) pay a weekly charge towards the energy costs of the scheme. The Council meets the costs of heating in the year, and recharges tenants and leaseholders based on an estimated cost and usage.

The Council is part of the LASER energy procurement group, which purchases energy on behalf of 48 local authorities. A system of flexible procurement is used which should ensure that LASER tenders for new energy contracts on a rolling basis, so that it can purchase when rates are low.

An estimate has been prepared in consultation with the Council's utilities management function of the new contract rate the Council can expect to achieve. Based on this estimate, combined with the need to balance the heating account for the year, and in the light of recent increases in the cost of energy, an increase in charges is proposed for 2023/24.

The average weekly increase for tenants and leaseholders on the scheme is £2.75 (communal heating), £10.90 (tenants' personal heating) and £13.78 (leaseholders' personal heating). However, there is a wide range of increases both below and significantly above the average. Additional detail has been provided to tenants as part of the consultation process referred to at Appendix 4.

Garage rents

There are 1,106 garages in H&F of which 887 occupied units are rented by licence holders.

H&F standard sized garages are currently charged at the weekly prices of £24.83 for Council tenants and leaseholders, £46.93 for private residents of the borough and £67.08 for non-borough residents. The smaller motorcycle garages are charged at a fixed rate of £18.63 per week.

Currently blue badge holders and pensioners are offered discounts at 25% and 10% respectively.

The current garage pricing is competitive with other local authorities and a garage refurbishment programme is enabling voids to become viable again for lettings. H&F's garage lettings strategy varies from many other local authorities in that residents both within and out of the borough can rent garages and licencees can use garages for either vehicles or general storage.

It is proposed to increase garage charges for council tenants, resident leaseholders and for other customers from April 2022 by 7%, lower than CPI of 10.1% (as at September 2022).

Parking permits

Permit parking in H&F is in place on estates that have traffic orders. There are 2,800 parking bays across 36 traffic order sites and 1,700 permit holders. Blue badge holders and motorcycle users have access to the bays but are not required to buy a permit.

All estate parking zones use the same rulings and enforcement as on-street parking. On that basis the prices for estate permits are the same as the on-street equivalent and estate residents have option to purchase both permits for the same vehicle.

Currently H&F parking permits are charged at £71 for 6 months or £119 for 12 months for the first vehicle. Second vehicles are charged at £260 for 6 months and £497 for a year. There are concessionary rates of £60 for 12 months for first vehicles that have <100g per km of CO^2 emissions and free permits for fully electric vehicles.

Car space rentals

Residents can rent an allocated parking space on the non-traffic order sites which gives them exclusive access to that bay during their licence. This is open both to Council tenants/leaseholders and private residents/companies in the borough. There are 318 car spaces for rent on estates in H&F of which 165 are occupied.

The current charges range for Council tenants and leaseholders per week from £2.89 for uncovered bays to £3.27 for covered bays. Private residents can rent a space on one of the commercial sites for £29.50 per week (inclusive of VAT). There is a concessionary rate of 25% discount for blue badge holders available.

It is proposed to implement a general 7% increase in car space charges from April 2023. This is lower than CPI of 10.1% as at September 2022.

Leasehold after sale – Home Buy fees

To move towards recovering the costs of service provision, it is planned to increase the fee by 7% from £203 to £217.

Advertising income

The annual budget for income generated from advertising hoardings located on housing land has been reduced by £34,000 to £356,000. This follows a commercial review of all sites based on current market conditions.

Legal and accounting advice previously has confirmed that the income and expenditure associated with advertising hoardings on HRA land should be accounted for within the HRA.

Rents on shops

The budget for commercial property rents for 2023/24 has remained static at £1.474m. This approach reflects market conditions based on informed assumptions from the Council’s Valuation & Property Services team. Additionally, the budgeted charge for the bad debt provision has been set at £100,000 for 2023/24.

Appendix 4

Consultation Responses

Tenants from the Housing Representatives Forum were consulted on the HRA Budget 2023/24.

The Housing and Homelessness Policy and Accountability Committee on 23 January 2023 also considered the HRA Budget 2023/24.