

Report to: Scrutiny Committee

Date: 5 February 2024

Subject: Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2024/25 and HRA Capital Programme 2023-28

Report of: Homira Javadi, Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Cabinet member: Councillor Robin Maxted, Cabinet Member for Finance and Resources

Ward(s): All

Purpose of the report: To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2024/25, and the HRA Capital Programme 2023-28

Decision type: Budget and policy framework

Recommendations: Cabinet is asked to recommend the following proposals to full Council:

- i) The HRA budget for 2024/25 and revised 2023/24 budget as set out in Appendix 1
- ii) That social and affordable rents (including Shared Ownership) are increased by 7.7% with effect from 1st April 2024 in line with government policy
- iii) That, with effect from 1st April 2024, when social-rented properties are relet to new tenants, the applicable rent will be increased by 5% above target rent
- iv) That the revised service charges as set out in paragraphs 2.3 to 2.6 of this report are implemented with effect from 1st April 2024
- v) That Garage rents are increased by 6.7%
- vi) To grant delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holder for Finance and Resources and the Chief Finance Officer to finalise Eastbourne Homes' Management Fees and Delivery Plans for both 2023/24 and 2024/25
- vii) The HRA Capital Programme as set out in Appendix 2
- viii) To note that £871.5k of Major Works expenditure is shown in the Capital Programme in 2024/25 and 2025/26 to improve EPC ratings in HRA properties, this

expenditure being the subject of a Government grant bid to secure 50% match-funding

Reasons for recommendations: The Cabinet must recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.

Recommendations to the Scrutiny Committee: The Scrutiny Committee is asked to note the report.

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1.0 Introduction

1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure must be entirely supported from rental and other HRA-related income. The main tool for the financial management of the HRA is the 30-Year Business Plan.

1.2 Any significant changes to the assumptions underpinning the 30-Year Business Plan will trigger a full review to assess the impact, but, in any event, there will be an annual review and update.

1.3 This report reflects the recommendations made by Eastbourne Homes Limited in relation to the increase in rent levels, service and other charges.

2 Proposal

2.1 2024/25 HRA Revenue Budget

2.1.1 The 2024/25 budget mirrors the HRA 30-Year Business Plan and is attached at Appendix 1.

2.1.2 For the 2024/25 budget, an £891k operating surplus (i.e. prior to making a contribution to capital expenditure) is expected compared to a revised operating deficit of £293k in 2023/24. It should be noted that, in the context of the HRA 30-Year Business Plan, an in-year deficit is not of concern in either year, as the balance on the account at the end of each year remains in surplus.

2.1.3 The estimated contribution to capital expenditure for 2024/25 is £905k. These contributions are made depending on the size of the proposed Capital Programme and the affordability for the Revenue Account. Appendix 2 shows that continued revenue contributions to the Capital Programme can be afforded from 2025/26 onwards.

2.1.4 The contribution to capital expenditure is funded from the HRA balance, reflects the modelling in the HRA 30-Year Business Plan and is consistent with the Council using its reserves and balances to fund the Capital Programme prior to taking out new borrowing.

2.1.5 Other variances between the 2024/25 budget and the 2023/24 revised budget are:

- Rent, Service Charge and Other Income – increased income of £2.111m
- Depreciation – increased cost of £426k
- Loan Charges – increased cost of £199k
- Interest Income – decrease in receipts of £105k
- Management Costs – increased cost of £724k
- Debt Management – increased cost of £3k

The provision for bad debts will reduce to £82k per year from £145k per year following a review of the calculation into the future.

2.1.6 The Major Repairs Reserve is funded from cash backed depreciation of £5.772m plus inflation per year and will be used to fund expenditure on improving the stock and other HRA assets.

2.1.7 The HRA debt outstanding at 31.03.23 was £50.944m. The outstanding debt at 31.03.25 is estimated to be £60.098m. In later years, debt levels will increase as the Authority begins to borrow more to fund property acquisitions and new build. The average debt per property is currently approximately £15k.

2.1.8 The Council's treasury management advisors are predicting a gradual decrease in interest rates (from the current relatively high level of 5%) over the next three years. The interest budget has been prepared on this basis.

2.1.9 The 2023/24 revised budget is expected to return an operating deficit of £1.724m compared to the original budget deficit of £24k. Main variances are set out below:

- Rent, Service Charge and Other Income – increase in income of £24k
- Supervision and Management – increase in costs of £290k
- Provision for doubtful debts – increased cost of £467k due to a change in methodology for calculating the provision for current and former arrears – this is a one-off additional cost in 2023/24 only
- Depreciation – decrease in costs of £172k
- An increase in debt management costs of £16k
- Loan Charges – decrease in costs of £57k
- Interest Income – increase in receipts of £251k as a result of improved interest rates

In addition, a revenue contribution to capital expenditure of £1.431m can now be afforded

- 2.1.10 The Housing Revenue Account (HRA) Business Plan is a strategic planning document to assist the officers and members of the Council, working together with tenants and leaseholders, in the management and maintenance of the Council's housing stock over the next 30 years in ensuring our Homes always meet the Fitness for Human Habitation test.
- 2.1.11 The Business Plan is also a statement of the viability of Eastbourne Borough Council's HRA over the next 30 years and a statement of our aspirations as Landlord, drawing attention to the particular strengths of the Landlord service and highlighting the approach of that service and the HRA into the future based on a policy of maintaining a minimum level of HRA balance at £1.4m to ensure that the HRA remains sustainable in the event of any unforeseen risk arising.
- 2.1.12 As part of the Council's commitment, the Business Plan has been reviewed and as a result it is proposing a five-year capital programme which includes significant investment in new builds (£33.9m), the acquisition of new properties (£28.2m), Major Works (£31.6m) and disabled adaptations (£2.4m). This investment will be enabled by additional borrowing, revenue contributions and applying capital receipts and reserves. More details are contained in Appendix 2.
- 2.1.13 The forecast balances on HRA and Reserves are as follows:

	HRA Working Balance	Major Repairs Reserve (MRR)
	£'000	£'000
Balance at 1.4.23	3,388	3,332
Net Transfer from Reserve	(1,724)	
Depreciation		5,346
Expenditure Financed from MRR		(6,330)
Estimated Balance 31.3.24	1,664	2,348
Net Transfer from Reserve	(14)	
Depreciation		5,772
Expenditure Financed from MRR		(6,591)
Estimated Balance 31.3.25	1,650	1,529

Note 1: The balance on the MRR at 1.4.23 shown above includes a £647k balance on the Leaseholder Major Works Reserve.

Note 2: The Major Repairs Reserve is used to fund improvements to the Council's HRA assets.

2.2 Rent Levels for 2024/25

- 2.2.1 The Council has been following the Government's guidance for rents for social housing since December 2001. This has been subject to various legislative

changes in recent years and, in 2024/25, rents can be increased by no more than 7.7% (being 6.7% Consumer Prices Index (CPI) at 30th September 2023 + 1%). The proposal to increase rents by 7.7% is based on maintaining a sustainable (affordable) HRA Business Plan. It is proposed that Supported Housing and Shared Ownership property rents are increased by the same percentage. The average weekly social rent will be £97.21 and average affordable weekly rent will be £150.35.

- 2.2.2 In addition to the above proposed rent increase, the Council also has flexibility to increase rents by 5% above target rent at the point that a property is relet. This will only affect new tenancies and not current tenants in their current homes. According to the Government, a Council should ensure that there is a clear rationale for applying the flexibility which takes into account local circumstances and affordability. Although sustainable in the long term, the Eastbourne HRA Business Plan remains constrained and recent benchmarking has shown that its rents are relatively low when compared to other authorities. The average weekly social rent for 2023/24 (£90.23) is also significantly lower than the average weekly Local Housing Allowance (LHA) Rate (£171.00) and the average market rent (£260.00). Implementing this policy will increase rental income by some £16k in a part year, rising to £32k in a full year. Whilst these figures are not large in the context of the HRA Business Plan, over time income will build and allow more to be spent on repairs and services.

2.3 Service Charges

- 2.3.1 The service charges for 2024/25 have been calculated using a combination of actual costs from 2022/23 and estimates where more appropriate for 2024/25. For properties that share services, these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning, and grounds maintenance. In Retirement Housing Accommodation, the charges additionally include Retirement Housing Advisers staff costs. These costs should be charged separately from the rent in those properties to which they apply.

It should be noted that, in a year when inflation is particularly high, full cost recovery could mean that some service charge increases could prove challenging (in particular energy charges). Homes First will review the level of these charges and offer support where possible to mitigate the impact on individual tenants.

- 2.3.2 For General Needs tenants the average total for HB Eligible service charges will be £5.44 with the lowest at £0.07 and the highest at £40.02.
- 2.3.3 For Retirement Housing tenants the average total for HB Eligible service charges will be £57.66 per week with the lowest at £47.74 and the highest at £81.41.

2.4 Support Charge for Retirement Housing

- 2.4.1 To cover the withdrawal of the Supporting People funding 2016 for the provision of the on-site co-ordinator service, a charge was introduced to continue the vital work within the Retirement Housing blocks. The support charge for 2024/25 will be £4.94 per unit.

2.5 Heating Costs – Retirement Housing Accommodation

2.5.1 The average cost per unit for heating will be £11.50 with the lowest at £8.99 and the highest at £17.31. Heating costs are related to gas supplied to individual dwellings only and are not eligible for housing benefit.

2.6 Water Charges – Retirement Housing

2.6.1 The average cost per unit for water charges will be £3.17 with the lowest at £1.26 and the highest at £5.72. Water charges relate to water supplied to individual dwellings only and are not eligible for housing benefit.

2.7 Garage Rents

2.7.1 It is recommended that garage rents increase by 6.7% in 2024/25, with the weekly average rent being £14.63.

2.8 Capital Programme

2.8.1 The Capital Programme set out in Appendix 2 reflects the proposals contained within the HRA 30-Year Business Plan. Total budgeted expenditure for 2024/25 is £15.418m.

2.8.2 The base budget for the major works element of the programme has been set at £6.2m per annum, increasing by inflation each year. This sum and all sums required over the next 30 years reflect an affordable level of investment which will allow Eastbourne's housing stock to be appropriately maintained. However, although affordable and helping to maintain stock, the sums included may fall somewhat short of works required long-term, as identified in the Stock Condition Survey.

2.8.3 Sustainability is and will continue to be a key driver in developing capital repairs schemes and, to this end, officers are currently taking the opportunity to bid for Government grant to contribute towards improvements to energy efficiency in its stock over 2024/25 and 2025/26.

2.8.4 The budget for the disabled adaptations element of the programme has been set at £478k.

2.8.5 Funding for the major works programme comes mainly from the Major Repairs Reserve.

2.8.6 The Capital Programme continues to include sums for the acquisition of properties and new builds. In the case of acquisition, each proposed acquisition will be modelled to ensure "viability" (that the annual costs associated with the purchase and upkeep of the property will not exceed the rental income). New build schemes either have been brought or will need to be brought to Cabinet for individual approval. The reports will include an analysis of the effects on the Business Plan.

2.9 Eastbourne Homes Ltd Management Fee

- 2.9.1 The Management Fee covers both operational and administration costs as well as responsive and cyclical maintenance.
- 2.9.2 The fee for 2023/24 was set at £8,436,000. Appendix 1 shows that this has increased to £8,818,000 due to the addition of new properties requiring management and maintenance and additional resources being made available to fund repairs. It is proposed that the management fee for 2024/25 is set at £9,477,000, subject to any final variations.
- 2.9.3 To formally agree the management fees for both 2023/24 and 2024/25, Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet portfolio holder for Finance and Resources and the Chief Finance Officer.

3 Outcome Expected and Performance Management

- 3.1 The HRA budget will be monitored regularly during 2023/24 and performance will be reported to Cabinet quarterly.
- 3.2 The Council is obliged to ensure that all tenants are given 28 days' notice of any changes to their tenancy including changes to the rent they pay.

4 Consultation

- 4.1 Residents' Voice have been consulted on this report. The proposed rent increase for 2024/25 reflects the requirements under The Direction on the Rent Standard 2019 and the Policy Statement on Rents for Social Housing December 2022.
- 4.2 It should be noted that the Council recognises that the continuing cost of living challenges mean that the rent increase and other increases in charges proposed in this report may create further issues for some of our tenants. A range of help and advice is available and information can be obtained via the Council's website or by contacting Homes First.

5 Corporate Plan and Council Policies

- 5.1 The Corporate Plan 2022-2026 (refreshed) sets out clear priorities for housing, specifically:
- Increasing the number of new build homes built and purchased
 - Reducing the number of families housed in emergency accommodation
 - Increasing the number of housing first accommodation units available to former rough sleepers
 - Increasing the levels of satisfaction across housing services
 - Increasing the numbers of residents helped to remain independent in their homes

- 5.2 The new Corporate Plan 2024-2028 has been subject to public consultation and is due to be presented to Cabinet in February 2024. The proposed plan continues to prioritise housing, particularly in the context of the cost-of-living crisis and increasing homelessness pressures, focusing on key areas such as: reducing the reliance on temporary and emergency accommodation, continuing to develop a pipeline of directly delivered homes, and ensuring the existing social housing stock remains to a high standard.
- 5.3 The proposals contained within this report flow directly from the HRA 30-Year Business Plan, which itself aligns with the Corporate Plan. Key (current and future) Council policies, plans, and strategies will all be aligned to help deliver the objectives and goals of the HRA 30-Year Business Plan.

6 Business Case and Alternative Option(s) Considered

- 6.1 The capital and revenue budgets, rents and service charges have been set in line with Government policy and with the HRA 30-Year Business Plan.

7 Financial Appraisal

- 7.1 This is included in the main body of the report.

8 Legal Implications

- 8.1 Local housing authorities are required by section 74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how they are funded by rents and other income.
- 8.2 Section 76 of the 1989 Act requires HRA budgets to be set on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA and all reasonable steps must be taken to avoid a deficit.
- 8.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.
- 8.4 Under the Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the Council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the full Council. This explains the decision-making route in the officer's recommendation.

9 Risk Management Implications

9.1 The 2024/25 Budget and Capital Programme will require close monitoring in the forthcoming year to ensure that they, and therefore the 30-Year HRA Business Plan, remain on track. Any large variances to expenditure or income will need to be reviewed and, if significant or ongoing, modelled into the Business Plan to assess the impact and likely mitigation.

9.2 Levels of voids and debts will also require close monitoring to ensure that rent and service charge increases are not causing greater levels of non-payment. Timely action will need to be taken if performance targets are not being met.

10 Equality Analysis

10.1 An Equality and Fairness Analysis has been undertaken on these proposals. This has concluded that:

- Changes to charges will impact the protected groups of age and disability. Additionally, those experiencing homelessness and potentially carers may be impacted.
- Communication around any change to charges must be clear and timely and contain information on how concerns may be channelled. Concerned residents (or their carers) should have a clear avenue to raise concerns or receive further information. Alternative formats should be arranged upon request.
- The cost of living crisis has impacted many residents across the board. Not only people of working age but anyone with limited funds who have been trying to manage the increase in price of food and energy. The Councils have funded local support initiatives including enhanced advice provision. The Councils will continue to maintain the website and Customer Advisor resources to support residents with any queries and concerns they may have relating to the cost of living crisis.

11 Sustainability Implications

11.1 The HRA Capital Programme shown at Appendix 2 includes £871,500 split equally over 2024/25 and 2025/26 to improve the energy efficiency of our stock. It is assumed that 50% of this will be paid for by Government (£435,750), as a capital grant, in 2025/26. Officers are currently preparing the bidding documents in order to secure the grant and will be notified if the bid is successful in late February/early March 2024. The aim of this bid is to provide warmer homes and reduce bills for tenants and residents, whilst also reducing the Council's carbon footprint. The scheme will help Eastbourne Council move towards meeting its target of becoming carbon neutral by 2030.

12 Appendices

- Appendix 1 - HRA 2023/24 Revised Revenue Budget and 2024/25 Budget
- Appendix 2 - HRA Capital Programme 2023/24-2027/28

13 Background Papers

- Government's Policy Statement on Rents for Social Housing (December 2022) [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policy-statements/policy-statement-on-rents-for-social-housing)