Hackney

Housing Revenue Account Budget 2022/23 Including Tenants Rents and Service Charges **Key Decision No. FCR SO43**

CABINET MEETING DATE (2021/22) 24 January 2022	**CLASSIFICATION:** Open **If exempt, the reason will be listed in the main body of this report.**
WARD(S) AFFECTED **All Wards**	
CABINET MEMBER Councillor Clayeon McKenzie, Cabinet Member for Housing Services	
KEY DECISION Yes **REASON** Affect two or more wards	
GROUP DIRECTOR Ian Williams, Group Director of Finance and Corporate Resources	

1. CABINET MEMBER’S INTRODUCTION

1.1 The report recommends a budget for the Housing Revenue Account (HRA) for 2022/23 and rents for our Council homes. The budget proposals have been developed against a backdrop of unprecedented challenges for the Council and Hackney residents.

1.2 This year, the pandemic has continued to impact on the budget for managing and maintaining Council homes, with more tenants put into financial difficulty and struggling to pay their rent, higher costs from providing additional support to those residents most in need, and less extra income from other sources such as hiring out community halls. Unlike other Council services, central government funding has not been available to support the HRA in respect of the costs incurred directly as a result of the pandemic.

1.3 Despite the challenges of the pandemic and the cyber attack we continue to deliver high quality services to our residents and progress investment and replacement of the housing investment contracts and the ICT system.

1.4 The Government policy for increasing council housing rents is based on an expected annual rent increase of CPI + 1% for a period of at least five years from April 2020. The policy will help to provide a stable financial platform for the Council to plan its financial resources, to invest in and maintain its assets and to provide excellent housing services to our residents. The Asset Management Strategy, which was approved in March 2019, assumes that we adopt this rent policy to maintain investment in our Council homes. Therefore this budget proposes an increase to Council rents in line with this policy. A good, secure Council home will remain more important than ever as the Council rebuilds from the pandemic. An increase in rent will help provide the vital funds to ensure these are protected. I am also mindful of the wider cost of living pressures and the impact this will have on our tenants ability to pay their rent and service charges. I recognise that it is ever more important that we continue to invest in our tenant sustainability team to provide and signpost to support where it is needed in a timely manner to prevent arrears positions escalating.

1.5 I am pleased to announce that we will be holding most tenant service charges for another year; with increases only in concierge and heating charges in line with contract cost increases. We are able to do this as we are making savings whilst maintaining and/or improving services to our residents. We are continuing to manage inflation and cost pressures with our savings strategy and continue to deliver improved value for money for our residents through service modernisation and integration of services. We will continue this strategy going forward.

1.6 I commend this report to Cabinet.

2. GROUP DIRECTOR'S INTRODUCTION

2.1 This report sets out the proposed budget and rent levels for the forthcoming financial year. The rent increase is proposed at CPI + 1% which is in line with Government policy.

2.2 The HRA Business Plan, approved by Cabinet in March 2019 as part of the Asset Management Strategy, sets out the savings requirements to ensure that the investment in the existing housing stock can be maintained to ensure the housing stock is sustainable in the long term. Whilst the pandemic has impacted on the business plan, a full revision of the plan is needed so that we can also consider the implications of legislative changes as well as meeting the Council's climate sustainability objectives. The construction sector is also seeing increases in costs to carry out planned maintenance work and these will also need to be factored into the refreshed business plan. The necessary savings have been identified for 2022/23 and are included in this proposed budget.

3. RECOMMENDATION(S)

Cabinet is recommended to:

3.1 To approve the HRA budget proposals as set out in section 11 and Appendix A.

3.2 To approve the increase in rent of 4.1% (CPI + 1%) in line with The Social Housing Regulator's rent standard and agree that rents will increase on average by £4.17 from £103.42 per week to £107.59 per week with effect from Monday 4th April 2022.

3.3 To approve the increase in HRA fees and charges as set out in Appendix B.

3.4 To agree the level of tenant service charges as set out in paragraph 12.4; and the service charges for the Concierge service as set out in paragraph 12.5.

3.5 To delegate to the Group Director of Finance and Corporate Resources in consultation with the Cabinet Member for Housing and Cabinet Member for Finance the setting of communal heating charges to reflect the unit costs of utilities.

3.6 To agree the Housing Capital Programme budget and spend approval as set out in Section 16.

4. REASONS FOR DECISION

4.1 The Local Government and Housing Act 1989 Section 76 requires local authorities with a Housing Revenue Account (HRA) to set a budget for the account, which is based on best assumptions, that avoids a deficit and furthermore to keep the HRA under review.

4.2 Local authority rent setting powers are set out in section 24 of the Housing Act 1985, this provides that:

(1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses.
(2) The authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 The budget has been built from the HRA Business Plan and reviewing the base budget, including current experience with items of essential expenditure, maintenance and investment to preserve the housing service and its assets.

5.2 The budget setting for the HRA continues to be challenging due to the previous Government policy to reduce rents by 1% for four years ending 2019/20. Although rents are now increasing by CPI + 1% the effects of the rent reduction policy are still being managed from the lower rental income levels.

5.3 Alternative rent increases were considered in setting the budget, but any reduction to the rent standard set by the Regulator of Social Housing would result in additional savings that would impact on services to tenants, and substantial savings for Central Government in the subsidy of Housing Benefit. A reduction to the rent standard would also have a long term impact on future rent levels and income. Any rent increase above the rent standard would place the Housing Benefit cost pressure on the General Fund and therefore was discounted.

6. BACKGROUND

6.1 Policy Context

6.1.1 The HRA budget has been set in line with the HRA Business Plan and the Council's budget setting process. The HRA Business Plan sets out the Council's plans for managing and maintaining its housing stock (including leasehold properties) and other assets held in the HRA. The HRA Business Plan financial model informs the budget setting and capital programme over the Business Plan period. Its fundamental purpose is to set out the resources required to ensure the effective and sustainable management of these housing assets.

6.1.2 The Social Housing Regulator set a new rent standard effective from 1st April 2020. The direction is to revert to a rent increase of CPI +1% over the next 5 years, in line with the rent policy before the recent rent reduction policy. This policy is intended to reestablish a stable financial platform for councils and registered providers to plan ahead.

6.1.3 The first HRA Business Plan was approved by Cabinet in December 2013. As a result of substantial changes to the capital investment profile, updates were approved by Cabinet in December 2014 and 2016. In order to reflect the Asset Management Strategy, approved by Cabinet in March 2019, a revised HRA business plan was included setting out the financial plan to manage and maintain the Council's Housing stock and other assets held in the HRA.

6.1.4 Over the past 2 years the world has been dealing with a global pandemic, which has had a serious impact on the delivery of services to tenants, the cost of services and tenants ability to pay rent and other charges. Whilst there were signs of recovery, the 2nd and 3rd lockdowns and the cyber attack on the Council's IT systems have further impacted on costs and income recovery.

6.1.5 Whilst the budget is set in line with the approved HRA Business Plan, much of the detail has changed. A revision of the business plan is required, to reflect the impact of the pandemic, consider the implications of legislative changes as well as meeting the Council's climate sustainability objectives. In addition, the Asset Management contracts will shortly be tendered and so cost assumptions may change. Therefore during 2022/23 the business plan will be revised and presented alongside the 2023/24 budget.

6.1.6 Whilst the HRA business plan is for a period of 30 years, more focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, which will enable the prioritisation of housing investment. However, the view of the medium term is also considered in the light of the strategic objectives of the Council and the impact of Government policies on rents, disposals and regeneration.

6.1.7 The Council wishes to sustain its investment in its housing assets by ensuring all homes are maintained to a high standard, through a wide range of works and cyclical programmes that ensure compliance with legal and safety regulations and that protect against, and prevent deterioration of its buildings. Stock condition information is primarily based on historic works programmes and periodic survey data. An extensive stock condition survey was undertaken during 2018 in order to update information in the stock database and this has been used to inform the Asset Management Strategy and delivery plan. There are also wider Council ambitions to reduce the carbon emissions from the housing stock from investment in thermal and heating technologies, but there is currently no identified resource to fund this investment. However, the Council will continue to adopt the “fabric first” approach and use existing available resources to carry out improvement to the fabric of our buildings until better and more reliable technology is available to replace current energy systems. This will include carrying out pilot retrofit initiatives.

6.1.8 In addition to investment in existing properties, the Council continues to progress three extensive regeneration programmes within the borough: Woodberry Down, the Estate Regeneration Programme (ERP), and the Housing Supply Programme (HSP). The financial plans for the existing HRA stock and the regeneration programmes are presented and monitored separately to ensure the viability of each of the asset investments.

6.1.9 Under the self-financing system, introduced in April 2012, the Government calculated that Hackney’s HRA could sustain £168m of debt. Whilst the debt cap has been removed, this figure is still a relevant measure of viability and so will be used as a guide. However, resources and delivery plans will be profiled to deliver effective investment plans and respond to issues, and so this benchmark may be exceeded for short periods provided prudent assumptions and forecasts are made on medium-term resources.

6.1.10 The HRA Business Plan financial model required savings of £1.0m over the period 2020/21 to 2022/23. However, due to additional cost pressures the savings requirement increased to £2m, which has been identified. The development of savings proposals is being undertaken in the context of the strategic objectives for housing services and the housing improvement plan and also the need to balance the competing priorities of :

- Maintaining and improving the service we deliver to our tenants and leaseholders;
- Maintaining the investment in our housing stock;
- Ensuring the safety of our residents in their homes;
- The delivery of our housing regeneration programmes; and
- Sustainable borrowing for the HRA.

6.2 Equality Impact Assessment

6.2.1 Under Section 149 of the Equality Act, the Public Sector Equality Duty, the Council has a duty to eliminate unlawful discrimination, harassment and victimisation and advance equality of opportunity between people who share a protected characteristic and those who do not. The protected characteristics cover age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief and sexual orientation. The Cabinet is required to consciously consider this duty at every stage of the decision making process.

6.2.2 Work has been undertaken to ensure that all savings proposals have had the appropriate Equality Impact Assessments undertaken, where applicable. The savings proposals protect frontline housing services and are therefore intended where possible to have either a neutral or beneficial impact on services, including for groups who share the protected characteristics under the Equality Act. A number of the proposals, in particular those relating to savings through base budget reviews and limiting inflation, ultimately mean the same service at less price.

6.2.3 In terms of the equalities impact of the proposed rent increase we are relying on the Government's impact assessment of September 2018. It concluded that they did not consider that any specific equalities impacts will arise.

6.2.4 The recommended budget will allow for capital resources as required by the HRA Business Plan to improve and maintain the quality of the Council's housing stock. Good quality housing is a generally accepted key determinant of health and general well-being and investment in the housing stock will have a positive impact on tenants including some of the most deprived people in the borough.

6.3 Sustainability

6.3.1 This report sets the overall HRA budget for 2022/23. The budget includes a significant contribution to capital which will enable the delivery of the 2022/23 capital programme. The capital planned maintenance budget will continue to include provision for sustainability. We will continue to explore external funding opportunities to invest in programmes to increase energy efficiency in the Council's housing stock.

6.4 Consultations

6.4.1 The Council consults with tenants on the levels of rent and service charge increases every year. This year, consultation has taken place via the Residents Liaison Group (RLG) and an article in Our Homes. The consultation runs until early January 2022 and any feedback will be reported at the Cabinet meeting.

6.5 Risk Assessment

6.5.1 There have been a number of significant announcements from the Government which impact upon the HRA budget and Business Plan. These are not always joined up to the extent that they often appear contradictory. While welfare reform remains a significant risk it is one that we have managed reasonably well for the last couple of years. Universal Credit was rolled out in Hackney in October 2018 on a full service basis which means that claimants with a change in circumstances or making a new claim are migrated onto Universal Credit. Claimants are expected to be digitally ready as they are required to manage their claim online and complete online tasks e.g. Job search activities.

6.5.2 During the year the impact of the global pandemic on the ability of tenants to pay their rent during lockdown, any financial difficulties they may have suffered and the impact of the cyber attack has resulted in a significant increase in the value of rent arrears. Rent arrears don’t directly impact on the budgets but the provision for unpaid debt is based on the value of rent arrears. Additional provision for unpaid rent was made in 2020/21 and an additional allowance was made in the 2021/22 budget; this has remained unchanged for 2022/23.

6.5.3 The budget provision for unpaid debt is £2.5m p.a. The full year impact on arrears in 2020/21 required an additional £1.5m for tenants and £0.5m for commercial properties. However, a further increase in the provision may be required before the end of the financial year and into 2022/23, depending on the effectiveness of recovery actions and payment profiles.

6.5.4 The number of new Universal Credit claimants in HRA properties increased by over 50% during last year and due to the payment profile, they account for the largest proportion of the increase in rent arrears. Paying tenants' arrears have also increased significantly, and whilst tenants on Housing Benefit account for a large proportion of arrears, this has not increased significantly during the year.

6.5.5 It is recognised that current inflationary pressures on the cost of living for our tenant and leaseholders are imposing severe burdens on all households, particularly poorer residents, which may well impact on rent collections rates over the coming year. The ONS reported on 9th December 2021 that the Consumer Prices Index (CPI) rose by 5.1% in the 12 months to November 2021, up from 4.2% in October. This is the highest CPI 12-month inflation rate for over a decade. In addition, a particular issue for poorer households is energy prices. Not only are prices soaring but in April 2022 the current energy price cap (the price cap sets a limit on the maximum amount suppliers can charge for each unit of gas and electricity used, and sets a maximum daily standing charge) will be reviewed. The next level will not be announced until February, but industry experts are predicting increases of between 46% to 56% which for poorer households will create real hardship. We wait to see, what if any, response there will be from the Government to ease this burden.

6.5.6 In order to mitigate this risk we continue to invest in tenant sustainability services and work collaboratively across the Council, and in partnership with the Department for Work and Pensions (DWP), advice providers, and other partners to co-design ways to boost benefit take up and income maximisation (involving the local Universal Credit Partnership), prevent debt, as well as consolidating approaches to debt collection and preventing evictions. We are committed to working with tenants providing crisis support, income maximisation and debt support. We continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

6.5.7 The Asset Management Strategy, approved by Cabinet in March 2019, set out the Council's long-term objectives for, investing in the Council's housing stock, ensuring we build on recent successes, and demonstrating continuous improvement. The strategy provides an overarching framework for investment decision-making across the Council's homes and estates.

The finances from the strategy have been used to inform the HRA Business Plan financial model.

6.5.8 The impact of covid restrictions has limited the amount and types of work that could be carried out by contractors during the year and so capital investment is forecast to be lower this year.

6.5.9 In addition to managing the costs/borrowing, there are operational risks to increasing the investment that need to be considered:

- Capacity and technical skills of the staff required to deliver an increased and complex capital programme.
- Appropriate governance is required to ensure efficient investment, value for money is delivered and that the programme does not overcommit resources.
- Expectation that there will be a need to manage what can be delivered in the transition period until appropriate contracts and processes are in place.

6.6 Modern tools for Housing

6.6.1 Working with IT and digital agencies, although good progress has been made in developing and launching new IT services for housing following the cyber attack in October 2020, more work is needed to have a full suite of IT infrastructure that is fully functioning to pre-cyber levels. Working closely with IT, Housing Services and residents to identify user needs, design user-friendly and straightforward customer journeys, test prototypes and launch new services.

6.6.2 These systems have developed some reusable components to facilitate more flexible service delivery models across the Council. The technology has been designed in such a way that different business applications can safely access the same core data, thus providing a ‘single view of the truth’, which reduces errors and the need to duplicate work. As well as delivering direct benefits for residents and users, this work has given us clarity about our preferred technical approach and standards.

6.6.3 We have designed this new programme of work around some key objectives:

- migrate the recovered data quickly, safely and with the least possible disruption to essential business activities
- deliver a sustainable set of technology services with the skills in-house to support them
- use open-source software frameworks and hyper-scale cloud platforms to avoid supplier dependency
- conduct the programme in a manner consistent with Hackney’s values
- complete the programme with a clear roadmap for further improvements and the budget and skills to achieve this.

6.6.4 The HRA business plan included £2m p.a. for investment/development of the housing system, but with the intense focus following the cyber attack, this budget was increased to £3m p.a. for the next 3 years. As a result of the urgency to deliver systems and functionality, some of this budget has been accelerated with £5m forecast in 2021/22, £3m in 2022/23 and £1m in 2023/24. This change can be managed within the flexibility of the capital programme and will result in reduced budget provision in the future years.

6.6.5 The Housing ICT board oversees and monitors the progress of the new systems, and approves smaller allocations of the approved budget in line with the progress and development of the new system to ensure a successful transfer is achieved.

6.7 Leaseholder Buybacks

6.7.1 In March 2020 Cabinet approved a £10m budget for the buyback of ex-Right to Buy leasehold properties in Council blocks as a way to increase the supply of affordable housing. A further £10m was approved for 2021/22. This scheme is completed and 50 properties have been purchased and returned to the Council's social housing stock.

6.7.2 In addition, 25 properties were acquired from Local Space for which the Council previously used as temporary accommodation. These have now been returned to the Council's social housing stock. As part of this agreement, Local Space will acquire up to 48 properties outside of the borough for the Council to continue to have nomination rights.

6.7.3 The acquisition of properties for Social Rent is not financially viable, even with contribution from Right to Buy 1-4-1 funding. However the value of the properties are protected in any future Right to Buy application from the cost floor formula which sets the minimum sales value at the full cost paid. In addition, the properties reduce the need to use expensive nightly paid temporary accommodation, which results in a saving to the General Fund.

6.7.4 In June 2021 Cabinet approved the disposal of 2 large disrepair properties which were uneconomical to repair. The funds from these sales will be used, along with RtB funding to purchase up to 4 replacement properties.

6.7.5 It is not possible to continue to fund the previous level of buybacks, however there is high demand and a limited number of ground floor adaptable properties and so £3m provision has been made in the capital budget for opportunities to purchase much needed ground floor properties.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Finance comments are set out in the report.

8. VAT IMPLICATIONS ON LAND & PROPERTY TRANSACTIONS

Not Applicable

9. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE SERVICES

9.1 Section 74 Local Government and Housing Act 1989 (“the Act”) requires the Council to keep a separate ring-fenced Housing Revenue Account. Section 75 and Schedule 4 of that Act deal with the items to be credited and debited to the Account, which by virtue of Section 76 of the Act, must not go into deficit. Section 76(2) of the Act requires the Council during January or February of each year to formulate proposals in relation to the likely income and expenditure to the Account to secure that the Account for the year does not show a deficit.

9.2 Section 24 of the Housing Act 1985 (“Housing Act”) provides that a local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses and that the authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require. Under section 24(5), a local housing authority must have regard in particular to any relevant standards set out for them under Section 193 of the Housing and Regeneration Act 2008. Section 193 gives the Regulator of Social Housing (RSH) the power to set standards concerning amongst other things rent levels. To date the RSH has not set a rent level standard for the Council.

9.3 Section 23 of the Welfare Reform and Work Act 2016 provides that in relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.

9.4 Section 102 of the Housing Act 1985 provides that a variation of tenancy conditions that relates to rent or to payments in respect of services provided by the landlord may be varied in accordance with a provision in the tenancy agreement. Condition 3.7 of the tenancy agreement provides that at least 4 weeks’ notice of a rent and/or service charge increase will be given to tenants.

9.5 This report makes recommendations which are designed to fulfil the Council’s duties as set out above and the Cabinet must be satisfied that the proposals recommended are reasonable and achievable and will not result in a deficit to the HRA.

10. HRA PROJECTED POSITION FOR 2021/22

10.1 The HRA budget is monitored monthly and reported to Cabinet in the Overall Financial Position reports. As at November 2021 the HRA is forecast to break even with a reduction in Revenue Contributions to Capital Outlay (RCCO) to mitigate the continued impact of Covid and the cyber attack.

10.2 At the start of the year the HRA had £12.3m of revenue balances and £10.9m of earmarked reserves. Due to the financial impact of the pandemic and a reduced capital programme, the budgeted capital contributions were not required in 2020/21, however this will be required in the near future when the planned works are carried out. This reduction in contributions has been added to the revenue reserves and as such the value of reserves has increased. This will allow flexibility in ensuring a sustainable level of reserve in this uncertain time.

11 2022/23 HRA BUDGET

11.1 The proposed 2022/23 HRA budget is shown in the table below and detailed in Appendix A.

HRA BUDGET SUMMARY 2022/23	
	£000's
Income	
Dwellings rent gross	(115,223)
Non dwellings rents gross	(4,954)
Tenant charges for services and facilities	(12,756)
Leaseholder charges for services and facilities	(11,668)
Other Charges for services and facilities	(2,995)
Gross income	**(147,595)**
Expenditure	
Repairs and maintenance	26,996
Services to Estates	15,564
Supervision and Management	45,472
Rents, Rates and Other Charges	1,289
Increase in provision for bad debts	2,554
Cost of Capital Charges	1,000
Depreciation	44,008
Gross Expenditure	**136,883**

Net Cost of Service	**(10,712)**
Revenue Contribution to Capital Outlay	10,712
Contributions to/from Reserves	0
Net HRA (SURPLUS) / DEFICIT FOR YEAR	**(0)**

12. INCOME

12.1 The HRA self-financing regime's aim was to give the local authority financial certainty to develop longer term plans for the HRA. The assumptions in the self-financing settlement, set by the Government, were based on local authorities continuing to implement rent restructuring and setting rent increases at RPI plus ½%. Following consultation in 2013 the DCLG amended the rent restructuring arrangements to allow for full convergence to take place in 2014/15 and to fix future rent increases to 1% above the Consumer Prices Index (CPI) for a period of ten years. Then the summer 2015 budget required a 1% rent reduction to be delivered for four years from 2016/17. It is estimated that the 1% rent reduction will have a cumulative impact on the HRA Business Plan of a £142m reduction in revenue over ten years, and £644m over the 30 year life of the HRA Business Plan.

12.2 Following the 1% rent reduction, from 2020 rent increases reverted to CPI+1% in line with the rent standard. This will result in an average rent increase of £4.17 from £103.42 per week to £107.59 per week.

12.3 Year on year the increase in income in 2022/23 arising from the 4.1% rent increase is £4.4m and this income will be used to invest in the Council's housing stock, and deliver improvements to services. Included in the HRA budget is a continuing investment in tenant sustainability services to support households maintain their tenancies through working in partnership across the Council, with the DWP, advice providers, and other partners to co-design ways to boost benefit take up and income maximisation (involving the local Universal Credit Partnership), prevent debt, as well as consolidating approaches to debt collection and preventing evictions. We are committed to working with tenants providing crisis support, income maximisation and debt support. We continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

12.4 Service charges for tenants are based on a pooled cost approach, where all tenants receiving a service are charged the same amount. We are proposing to hold service charges at their current rate for 2022/23 .

The proposed service charges for 2022/23 are as follows:

	2021/22 Service Charges £ per week	2022/23 Proposed Charge £ per week
Block Cleaning	5.71	5.71
Estate Cleaning	2.49	2.49
Grounds Maintenance	2.01	2.01
Landlord Lighting	1.36	1.36
CCTV monitoring	0.44	0.44

12.5 For those blocks with a concierge service, Cabinet approved the ending of the subsidy for tenants and leaseholders in January 2016. Cabinet further approved in January 2018 that increases to charges for the concierge service, which now includes a requirement for the service provider to pay London Living Wage. This year’s increase is in line with contract price inflation which is linked to the increases to London Living Wage.

There are 823 households across 13 blocks receiving a concierge service and the proposed charges which are the same for all tenants and leaseholders for 2022/23 are as follows:

Block	2021/22 Charge £ per week	2022/23 Proposed Charge £ per week	Increase
Angrave Court	25.83	27.31	1.48
Bryant Court	25.23	26.67	1.45
Fellows Court	32.54	34.41	1.87
Gooch House	25.83	27.31	1.48
Granard House	30.99	32.77	1.78
Hugh Gaitskell House - Pathmeads	24.65	26.67	2.02
Laburnum Court	25.23	26.07	0.84
Regents Court	25.23	26.67	1.45
Seaton Point	38.74	40.96	2.22
The Beckers One	25.83	27.31	1.48
The Beckers Two	25.83	27.31	1.48
Vaine House	30.99	32.77	1.78
Welshpool House	24.28	25.68	1.39

12.6 The energy purchasing consortium that the Council is a member of has a contract year running from April to March. Therefore the unit prices for utilities will not be available until March. We are also currently undertaking a review of communal heating charges as the cost of providing communal heating is not being fully recovered which contributes £60k to the savings proposals.

12,7 During the year the wholesale price for gas has increased substantially and therefore charges for heating will also need to increase. It is recommended to delegate authority to the Group Director of Finance and Corporate Resources, in consultation with the Lead Member for Housing Services andLead Member for Finance, to approve the 2022/23 charges, calculated in line with the approved methodology.

12.8 Leaseholders' service charges reflect actual costs incurred for their block/estate. So their service charge will be different to that of a neighbour who is a tenant. The increase in income arising from Leaseholder service charges reflects the increase in the number of Right to Buys over the last year and the sale of private and shared ownership properties on completed regeneration estates. Leaseholder' service charges reflect actual cost incurred for the service to the block/estate. Therefore the savings included in the 2022/23 budget that impact on the service to leaseholders will be passed on to leaseholders when calculating the actual service charge after year end.

12.8 It is proposed to maintain most fees and charges at 2021/22 rates. However, It is proposed to increase garage rents by £1 per week to reflect the cost of maintaining them at a lettable standard and to bring them more in line with the local rental market. The proposed fees and charges for 2022/23 are shown in Appendix B.

12.9 Charges for Travellers sites are set in line with rent policy within the HRA Business Plan, so charges are proposed to be increased by CPI plus 1%. For 2022/23 this would be a 4.1% increase which would equate to an average increase of £5.14 per week.

13. EXPENDITURE

13.1 The budget setting assumptions are based on 0% inflation except in contractual cases. A 2.75% budgetary provision has been made for the pay award currently being negotiated with trade unions plus an increase of 1.25% for the National Insurance social care levy. Although Local Authorities are being funded for the NI increase, but this applies to General Fund services it does not apply to the HRA and therefore no provision has been made for this funding.

13.2 Right to Buy sales are estimated at 52 this year. The impact on the HRA income is noted in paragraph 12.3, there are a number of budget adjustments made on the expenditure side of the budget to reflect the number of sales, and these are in line with the HRA Business Plan assumptions.

14. ROLL OUT OF UNIVERSAL CREDIT

14.1 Universal Credit (UC) was implemented in Hackney from 3 October 2018. UC moves from direct payment of Housing Benefit to cash collection from all tenants. Experience has shown an adverse impact on collection rates and increase in bad debt that need to be factored into the budgets.

14.2 The roll out of UC on a full service basis means that claimants with a change in circumstances or making a new claim are migrated onto UC and are expected to be digitally ready as they are required to manage their claim online and complete online tasks e.g. Job search activities. The impact on arrears has been significant with £6.7m of arrears relating to UC. Some of this arrears would relate to the increased administrative time in processing claims therefore should not fully translate into bad debt. Total UC arrears currently amount to 45% of total rent arrears.

14.3 We have been planning for the implementation of UC for a number of years and measures we have taken to mitigate the impact on residents are as follows:

- A strong income collection service that supports early intervention and identification of support needs.
- Online rents portal, empowering customers and providing an effective communication channel.
- Investment in in-house customer support services
  - Resident Sustainment team
  - Financial Inclusion team
- A Council-wide welfare reform group drawing together services already supporting affected residents
- Working closely with the local DWP delivery partner
- Strong voice on the DWP local authority welfare steering group

14.4 Last year as a result of the financial impact of Covid, UC cases increased by over 50%. Due to the timing of payment to claimants and then the collection of their rent, this resulted in a disproportionate increase in rent arrears.

14.5 There is sufficient resource for the bad debt provision included in this HRA budget and the Group Director of Finance and Corporate Resources will ensure that an earmarked HRA reserve is maintained to assist with managing some of the impact of the introduction of UC albeit should be noted that this may not mitigate the substantial impact of policy.

15. SAVINGS STRATEGY

15.1 The 2022/23 savings strategy focuses on the integration of services and the sharing of resources to deliver the savings under the headings of; previously agreed, efficiencies and cashable savings.

15.2 As a result of Covid, for 2022/23 £3m of savings were required to balance the budget. Savings of £2m were identified with a £1m contribution from reserves required to balance the HRA budget. The table below summarises the proposed £2m of savings; these have been achieved without the need for compulsory redundancies.

	2022/23 £000
Previously agreed	
Increase garage rent by £1 per week	150
Efficiencies	
Voids property improvements	150
Regen voids for Temporary Accommodation	60
Anyday Tenancy	50
Cost Savings/Additional Income	
Void Team restructure	50
Security costs	80
Neighbourhood Housing Services	250
Customer Administration restructure	50
Business Rates review	100
Vacancy Factor - 1%	400
Heat meter Review	60
Resident Led Improvement	500
Leasehold income review	100
TOTAL	**£2,000**

15.3 These savings increase the productivity and efficiency of the Housing Service, deliver the business plan requirements and enable us to continue the investment in our stock and regeneration programmes.

16. HOUSING CAPITAL PROGRAMME

16.1 The Housing Capital Programme 2022/23 has been developed with due regard to the Asset Management Strategy and the Housing Development Strategy approved by Cabinet in March and April 2019. The Asset Management Strategy sets out the Council's long-term objectives for investing in our homes and provides an overarching framework for investment decision-making across the Council's homes and estates. It also considers the values we have as an organisation, the relevant local and national policy context, set out the ambitions that Hackney has for the quality of its homes and the priorities that will be established to ensure that the limited available resources are directed at the greatest need.

16.2 The capital programme for housing covers the investment in HRA stock and assets managed by Housing Services, the housing regeneration programmes, investment in HRA hostels and housing grants managed by Housing Needs and Private Sector Housing.

16.3 The Asset Management contracts are currently being tendered and will be awarded during 2022/23. Depending on the mobilisation, it is possible that not all the capital works will be completed in 2022/23, however as the works are part of the investment programme will be completed in future years and so whilst £10.7m of RCCO may not be required in 2022/23, it will be required to fund the investment in the stock when the works are completed and therefore this has been included in the budget. Any unspent contributions will be held in reserve until required to fund capital expenditure

16.4 The proposals in this budget allow for RCCO of £10.7m and the depreciation charge of £44.9m which will be used along with the relevant grant contributions, contributions from leaseholders for Major Works, and sales receipts from completed Regeneration properties (outright sale and shared ownership).

16.5 These sources of funding will be supplemented with borrowing to support the housing capital programme as reflected in the HRA Business Plan. The borrowing will be funded and repaid with future rental income from HRA and regeneration properties

16.6 The table below summarises the Housing Capital Programme for 2022/23 based on the HRA business plan model.

	2022/23 £'000
Asset Management Plan	43,772
Estate Regeneration Programme	30,003
Housing Supply Programme	33,406
Woodberry Down	7,595
Other	9,163
TOTAL EXPENDITURE	**123,939**

16.7 A main component of the capital programme is the investment plan for the housing stock. The Asset Management Strategy sets out proposals for a move from a previous component based approach, to an area/zone based approach which takes a holistic view to the improvements of blocks and estates by considering all the elements/components in an area/zone. This approach has been used to develop the capital programme over the life of the HRA business plan.

16.8 The investment in existing stock follows a 7 year cycle, where properties are surveyed and works are consulted on in the preceding year, with the works programme extending to up to 18 month. Year 2 of the programme for 2021/22 was reduced due to the limited value of works that can be awarded under existing contracts and the re-procurement of these contracts which will commence in 2022. In addition, Covid restrictions limited the work that could be delivered and therefore the 2022/23 capital delivery programme includes work identified from year 2 of the programme.

16.9 The Council's response to the Grenfell Fire tragedy has been reflected in the capital programme with provision for the fire safety work that the Council knows of or anticipates will come from the Fire Risk Assessments.

16.10 The budget requirement for the Regeneration programmes reflects the current delivery programme. During the past year, with the uncertainty of Brexit and the impact of the pandemic, the construction costs, sales values and programmes have been subject to fluctuation and delays. Whilst every effort is made to maintain the delivery and viability of the programme, there are many factors that impact on the programme. Decisions are made at the key point about the viability and delivery of schemes and the programme.

APPENDICES

Appendix A - HRA Budget Proposals
Appendix B - Fees and Charges Proposals

EXEMPT

None

BACKGROUND PAPERS

None

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