

Title of Report	Housing Revenue Account Budget 2023/24 Including Tenants Rents and Service Charges	
Key Decision No	FCR S170	
For Consideration By	Cabinet	
Meeting Date	27th February 2023	
Cabinet Member	Councillor Clayeon McKenzie, Cabinet Member for Housing Services and Resident Participation	
Classification	Open with Appendices A & B	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	To set the 2023/24 Housing Revenue Account budget 2023/24 including tenants rents and service charges
Implementation Date if Not Called In	7th March 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. Cabinet Member's Introduction

- 1.1 This report recommends a budget for the Housing Revenue Account (HRA) and rents for our Council homes for 2023/24. The budget proposals have been developed against a backdrop of unprecedented challenges for the Council and Hackney residents.
- 1.2 I am recommending these budget proposals in the midst of a cost of living crisis, following on from the intense financial challenges brought about by the pandemic and compounded by the criminal cyber attack on the Council. Inflation has reached levels higher than most of our residents would have endured in their lifetime - which is having a real impact on living standards and driving some of our tenants into poverty. A good, secure Council home will remain more important than ever as the Council rebuilds from the pandemic and responds to the cost of living crisis.
- 1.3 In this budget we are proposing a below inflation rent increase of 7% from 6th April 2023, in line with the rent cap announced by the Government in November last year. This announcement, which is a departure from the

previous policy of increasing council housing rents by CPI + 1% up to 2025, has presented significant financial challenges for us in delivering housing services to our tenants. We are facing significant inflationary pressures to deliver our operational requirements and strategic priorities, from repairs and maintenance to building safety and decarbonisation.

- 1.4 Despite the recommended rent increase our rents remain among the lowest in London and it means that we can continue to deliver the services our tenants need over the next year, to invest in our homes, and continue our drive to tackle issues like damp and mould. Our average rent for 2023/24, £115.12 per week, compares very favourably with the rents charged in the borough by Housing Associations, which average £148 per week this year and those charged by the private sector currently averaging £641 per week.
- 1.5 We also recognise that residents in shared ownership properties are facing significant difficulties during this cost of living crisis and therefore we are proposing that instead of following the rent standard of increasing their rents by RPI +0.5%, which would result in an increase of 13.1%, we will cap shared ownership rent increases to 7% for 2023/24.
- 1.6 As part of the budget proposals for 2023/24, we still have to make difficult decisions regarding savings in order to balance the budget. The proposals include £14.2m of savings which are, for the most part, protecting housing services, but will reduce the resources we have to invest in our housing stock in 2023/24. These proposals enable us to maintain our core housing services, invest in our responsive repairs service, invest in the maintenance of our homes and ensure the financial sustainability of the HRA.
- 1.7 The case of Awaab Ishak, who died as a result of prolonged exposure to mould in his family home in Rochdale, has shocked and angered the nation. We are committed to tackling damp and mould within our tenants' homes and we have a clear and robust action plan for dealing with this issue. We are investing an additional £1m to improve the repairs service and tackle damp and mould in our council homes. We are also working with other social landlords within the borough to ensure a coordinated and joined up approach, and inspecting private landlords to ensure they are fulfilling their legal duty to maintain their homes.
- 1.8 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 services to provide and signpost to support where it is needed in a timely manner to prevent arrears positions escalating.
- 1.9 The proposals in this budget also ensure that we are able to invest £51m in our housing assets. The capital programme, which has been developed with due regard to the Asset Management Strategy, will ensure that we continue to maintain our council homes, invest in essential fire safety

works and deliver two net zero pilots on our estates which will contribute to the Council's Climate Change ambitions.

1.10 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 7% which is in line with the Government cap on rent increases.

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. The pandemic and cost of living crisis has impacted on the business plan, therefore 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 2023/24 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 7% in line with the Social Housing Regulator's rent cap and agree that rents will increase on average by £7.53 from £107.59 per week to £115.12 per week with effect from Monday 6th April 2023.

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

3.4 To approve the increase in 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 approve the increase in Shared Ownership rent at 7% as set out in paragraph 12.10.

3.6 To delegate to the Group Director of Finance and Corporate Resources in consultation with the Cabinet Member for Housing Services and Resident Participation and Cabinet Member for Finance, Insourcing and Customer Services the setting of communal heating charges to reflect the unit costs of utilities.

3.6 To agree the Housing Capital Programme budget as set out in Section 15 to be included in the Overall Council Capital budget for approval as part of the Council Budget and Council Tax Setting Report to be approved under item 5 on this agenda .

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 have subsequently increased by CPI + 1% for the past 3 years, 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 cap 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.

6. Background

6.1 Policy Context

6.1.1 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 HRA Business Plan was approved by Cabinet in March 2019 in order to reflect the Asset Management Strategy which set out the financial plan to manage and maintain the Council's Housing stock and other assets held in the HRA.
- 6.1.3 Over the past 3 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 following the lockdowns, the cost of living crisis has further impacted on costs and income recovery.
- 6.1.4 The Social Housing Regulator set a rent standard effective from 1st April 2020 to increase rents by CPI +1% for 5 years. The policy was intended to re-establish a stable financial platform for councils and registered providers to plan ahead. However, following the cost of living crisis the recent standard was amended for 2023/24, imposing a 7% rent cap.
- 6.1.5 Whilst the budget is usually 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 2023/24 the business plan will be revised and presented alongside the 2024/25 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. 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). Another new homes programme is also being launched in 2023/24 to build up the number of social and affordable homes available for residents. 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 2023/24. However, due to inflationary cost pressures arising from global economic issues, the savings requirement has significantly increased for 2023/24. A one-off development of savings proposals for 2023/24 was undertaken in the context of the strategic objectives for housing services, the housing improvement plan and also the need to balance the competing priorities of:

- Maintaining the investment in our housing stock;
- Ensuring the safety of our residents in their homes;
- Maintaining and improving the service we deliver to our tenants and leaseholders;
- 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 Council is required to consciously consider this duty at every stage of the decision making process.

6.2.2 Work has been carried out 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.

6.2.3 In terms of the equalities impact of the proposed rent increase we are relying on the Government's impact assessment of August 2022. It concluded that social housing tenants would need to be protected from particularly high nominal rent increases whilst social landlords continue to have the flexibility to increase rents to mitigate the rising costs to invest in new and existing social housing services to tenants.

6.2.4 The recommended budget will allow for capital resources 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 2023/24. The budget includes a significant contribution to capital which will enable the delivery of the 2023/24 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 a leaflet which was distributed to every tenant within the borough. The consultation runs until early February 2023 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.

6.5.2 Over the past 3 years 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 resulted in a significant increase in the value of rent arrears. Rent arrears do not 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 2021/22; the arrears position has gradually improved throughout 22/23 and therefore there is scope to reduce the budget provision for 2023/24.

6.5.3 The budget provision for unpaid debt for 2023/24 has been reduced to £1.5m p.a. A further increase in the provision may be required for 2023/24,

depending on the continued effectiveness of recovery actions and payment profiles.

- 6.5.4 It is also recognised that current inflationary pressures on the cost of living for our tenants and leaseholders are imposing severe burdens on all households, particularly poorer residents. The current profile of social housing tenants within Hackney shows 66% in receipt of benefits and therefore may impact on rent collections rates over the coming year.
- 6.5.5 The ONS reported on 18th January 2023 that the Consumer Prices Index (CPI) rose by 10.5% in the 12 months to December 2022, down from 10.7% in November. Although the CPI rate is beginning to fall this is still an unprecedented inflation level within the past decade. In addition, a particular issue for poorer households is energy prices. Not only are prices at all time highs but in April 2023 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. 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 Council has experienced a significant increase in the cost of materials following the pandemic which is owed to a shortage in supply of materials and the inflationary increases within the market. Reactive repairs and material costs have increased by 8% in the past year alone. Contract prices have also increased by about 20% which has impacted the Council's ability to deliver its capital programme within the agreed funds set out in the business plan.
- 6.5.8 The Housing Asset Management Strategy, set out the Council's long-term objectives for investing in the Council's housing stock. The strategy provides an overarching framework for investment decision-making across the Council's homes and estates. The finances from the strategy were used to inform the HRA Business Plan financial model.
- 6.5.9 The impact of covid restrictions limited the amount and types of work that could be carried out by contractors during the pandemic. This along with some changes in legislation, updated building condition information and preparations in response to the Building Safety Act have required the 7

year programme to be refreshed. These works will be presented to Cabinet for approval in 2023/24.

6.5.10 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 Leaseholder Buybacks

6.6.1 Since March 2020 the council has repurchased 50 properties which have been returned to the Council's social housing stock.

6.6.2 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.

6.6.3 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.

6.6.4 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. Therefore consideration will be given on a case by case basis 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, Democratic and Electoral 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 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.
- 9.4 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 2022/23

- 10.1 The HRA budget is monitored monthly and reported to Cabinet in the Overall Financial Position reports. As at November 2022 the HRA is forecast to break even with a reduction in Revenue Contributions to Capital Outlay (RCCO) to mitigate the continued impact of the pandemic through rising inflation and the cost of living crisis.
- 10.2 At the start of the year the HRA had £13.7m of revenue balances and £13.3m of earmarked reserves. Due to the financial impact of the pandemic and a reduced capital programme, the budgeted capital contributions were not required in 2021/22, 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 2023/24 HRA Budget

11.1 The proposed 2023/24 HRA budget is shown in the table below and detailed in Appendix A.

HRA BUDGET SUMMARY 2023/24	
	£000's
Income	
Dwellings rent gross	(127,289)
Non dwellings rents gross	(5,217)
Tenant charges for services and facilities	(13,581)
Leaseholder charges for services and facilities	(13,500)
Other Charges for services and facilities	(2,234)
Gross income	(161,821)
Expenditure	
Repairs and maintenance	34,320
Services to Estates	22,862
Supervision and Management	51,165
Rents, Rates and Other Charges	1,292
Provision for bad debts	1,554
Cost of Capital Charges	1,100
Depreciation	48,928
Gross Expenditure	161,221
Net Cost of Service	(600)
Revenue Contribution to Capital Outlay	600
Net HRA (SURPLUS) / DEFICIT FOR YEAR	(0)

12. Income

- 12.1 The HRA self-financing regime's aim was to give local authorities financial certainty to develop longer term plans for the HRA. However, the events of the past few years have created financial challenges in delivering the Housing Service. The 4 year rent reduction policy from 2016 saw a cumulative £142m reduction in revenue over 10 years. Following the rent reduction policy, the 2020/21 rent standard provided a platform for financial stability by securing a 5 year policy of social rent increases of CPI +1%
- 12.2 Following the pandemic came the cost of living crisis where the country experienced consistent high levels of inflation. In October 2022 the Government intervened and imposed a 7% rent cap. The limit imposed on rent collection has placed unprecedented pressure on the Council's ability to deliver its housing priorities. The Council advocates for supporting tenants where many are facing financial difficulties, however there is also the need to balance inflationary pressures within the HRA to deliver operational requirements and strategic priorities.
- 12.3 The increase in income in 2023/24 arising from the 7% rent increase is £9m 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. Due to significant increases in cost we are proposing to increase service charges by 7% for 2023/24 which will ensure that the income recovers match the level of expenditure on these services.

The proposed service charges for 2023/24 are as follows:

	2022/23 Service Charges £ per week	2023/24 Proposed Charge £ per week
Block Cleaning	5.71	6.11
Estate Cleaning	2.49	2.66
Grounds Maintenance	2.01	2.15
Landlord Lighting	2.04	3.06
CCTV monitoring	0.44	0.47

- 12.5 For those blocks with a concierge service, Cabinet approved in January 2018 that increases to charges for the concierge service, will include 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 2023/24 are as follows:

Block	2022/23 Charge £ per week	2023/24 Proposed Charge £ per week	Increase
Angrave Court	27.31	28.46	1.15
Bryant Court	26.67	27.79	1.12
Fellows Court	34.41	35.85	1.45
Gooch House	27.31	28.46	1.15
Granard House	32.77	34.15	1.38
Hugh Gaitskell House - Pathmeads	26.67	27.79	1.12
Laburnum Court	26.07	27.16	1.09
Regents Court	26.67	27.79	1.12
Seaton Point	40.96	42.68	1.72
The Beckers One	27.31	28.46	1.15
The Beckers Two	27.31	28.46	1.15
Vaine House	32.77	34.15	1.38
Welshpool House	25.68	26.76	1.08

- 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 due to the huge increase in gas prices.
- 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 and Resident Participation and Lead Member for Finance, Insourcing and

Customer Services to approve the 2023/24 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 2023/24 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 increase most fees and charges by 10% in line with the September CPI rate. The proposed fees and charges for 2023/24 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 the rent cap. For 2023/24 this would be a 7% increase which would equate to an average increase of £9.13 per week.
- 12.10 The rent standard for Shared Ownership properties is to increase rents by RPI +0.5%, however due to unprecedented levels of inflation the council proposes to cap shared ownership rent increases to 7% for 2023/24.

13. Expenditure

- 13.1 The setting of the 2023/24 expenditure budget has presented a number of challenges to deliver the council's priorities to manage and maintain council homes. Inflationary increases have adversely affected costs within the HRA most significantly energy and repairs. These increases coupled with a limit on income has led to difficult decisions needing to be made.
- 13.2 However, despite these challenges core council services have been protected to ensure the Council can deliver an economic and efficient housing service. The budget for repairs and maintenance has been increased by over 20% to ensure the Council is able to continue to invest in maintaining our homes. We have set aside £1m to tackle damp and mould within tenants homes and are working with other social landlords within the borough to ensure a coordinated and joined up approach. We are also inspecting private landlords to ensure they are fulfilling their legal duty to maintain their homes.
- 13.3 We have increased funding to assist vulnerable residents and will continue to help signpost opportunities for help with the cost of living crisis via the financial inclusion team and our partners at the DWP. The Council will also continue to engage with our residents through consultation on what is most important to them.

13.4 A 2% budgetary provision has been made for the pay award as per the business plan. There is a risk that the pay award, currently being negotiated with trade unions, will be higher. A 2% increase in the budgeted pay award would cost an additional £1.2m.

13.5 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. Savings Strategy

14.1 The 2023/24 savings strategy focuses savings on items that do not directly affect core services, such as the pensions savings possible because of the good performance of the Council's Pension Fund, and one-off savings to address the pressures arising from the current economic climate and to balance the HRA budget.

	2023/24 £000
Pension Saving	1,000
Bad Debt Provision Reduction	1,000
Income Generation - Garages	190
Income Generation - Other charges	200
Reduction in Revenue Contribution to Capital Outlay (RCCO)	10,728
3.5% Vacancy Factor	1,120
TOTAL	£14,238

14.2 In setting the balanced budget for 2023/24 we want to create space to have a full, open and transparent conversation with our tenants on what they see as the priorities for how we spend the annual HRA budget. An engagement process with our tenants will follow along the lines set out within the draft Residents Engagement Strategy approved by Cabinet in December. We will engage with tenants on what their priorities are for how we allocate the available budget. This will be an open and honest conversation that recognises that in real terms we will have less money to spend and therefore we want to ensure that we proactively target our spending of the available budget in a way that reflects their priorities.

15. Housing Capital Programme

- 15.1 The Housing Capital Programme 2023/24 has been developed with due regard to the Housing Asset Management Strategy and the Housing Development Strategy approved by Cabinet in March 2019. The Housing 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.
- 15.2 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.
- 15.3 The proposals in this budget allow for the depreciation charge of £48.9m to 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).
- 15.4 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
- 15.5 The table below summarises the Housing Capital Programme for 2023/24 based on the HRA business plan model.

	2023/24 £'000
Asset Management Plan	51,408
Regeneration	101,533
Other	4,651
TOTAL EXPENDITURE	157,593

- 15.6 A main component of the capital programme is the investment plan for the housing stock. The Housing 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.
- 15.7 The investment in existing stock follows a 7 year cycle, where properties are surveyed and works are consulted on in the preceding year. The

sequence for the 7 year programme was published in 2019, along with the Asset Management Strategy. While surveys have been carried out to properties in Years 1 and 2, the works have not proceeded due to limitations on the existing contract and delays in procurement of a replacement contract. Since publication there have been some changes which affect prioritisation of works, for example the Building Safety Act, changes to the Regeneration programme and new Stock Condition data. This information is being collated to inform a refresh of the 7 year programme sequence. This work is expected to be brought to cabinet for approval during 2023/24.

- 15.8 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 £2.7m forecast in 2022/23, £3m in 2023/24 and £3m in 2024/25. This change can be managed within the flexibility of the capital programme and will result in reduced budget provision in future years.
- 15.9 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.
- 15.10 The budget requirement for the Regeneration programmes reflects the current delivery programme. During the past year, with the impact 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

Report Author	Natalie Gasper, Financial Advisor Tel: 020 8356 3311 Natalie.Gasper@hackney.gov.uk
Comments for Group Director of Finance and Resources	Deirdre Worrell, Director of Finance for Climate Homes and Economy Tel: 020 8356 7350 Deirdre.Worrell@hackney.gov.uk
Comments for the Director of Legal and Governance Services	Georgia Lazari, Team Leader (Places) Tel: 020 8356 1369 Georgia.lazari@hackney.gov.uk