

<b>Title of Report</b>	Housing Revenue Account Budget 2024/25 Including Tenants Rents and Service Charges
<b>Key Decision No</b>	F S243
<b>For Consideration By</b>	Cabinet
<b>Meeting Date</b>	24 January 2024
<b>Cabinet Member</b>	Councillor Claveon McKenzie, Cabinet Member for Housing Services and Resident Participation
<b>Classification</b>	Open
<b>Ward(s) Affected</b>	All Wards
<b>Key Decision &amp; Reason</b>	Yes To set the 2024/25 Housing Revenue Account Budgets including tenants rents and service charges
<b>Implementation Date if Not Called In</b>	1st February 2024
<b>Group Director</b>	Jackie Moylan, Interim Group Director of Finance

## 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 2024/25. The budget proposals have been developed against a backdrop of continuing financial challenges for the Council and Hackney residents.
- 1.2 I am recommending these budget proposals in the midst of a cost of living crisis.. Inflation over the last 12 months continues to be higher than most of our residents would have endured in their lifetime - this 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 rent increase of 7.7% from 1st April 2024, in line with the Government's policy of increasing council housing rents by CPI + 1% up to 2025. This increase is needed to fund the inflations ;levels we have experienced over the past year in order 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 2024/25, £124.59 per week, compares very favourably with the rents charged in the borough by Housing Associations, which average £160 per week this year and those charged by the private sector currently averaging £702 per week.
- 1.6 As part of our commitment to provide value for money we have been able to freeze most service charges for 2024/25 through the efficiencies we are making in these services. The exceptions to this are charges for CCTV and landlord lighting which are increasing in line with inflation.
- 1.7 As part of this budget we are proposing savings of £3.8m in order to protect our core housing services, continue to invest in our responsive repairs service, invest in the maintenance of our homes and ensure the financial sustainability of the HRA. We have focused our savings plans so that we are protecting our core services and protecting the services residents identified as their spending priorities
- 1.8 This budget enables us to increase the budget for day to day repairs, we are investing an additional £2.2m on top of the £7m additional investment as part of the 2023/34 budget; an additional £4.6m for capital investment in our housing stock; and an additional £2.7m to replenish reserves.
- 1.9 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. This investment in tenant sustainability complements the work of the Council's Money Hub team, which continues to work proactively to maximise benefit take up as well as provide access to financial support from the discretionary crisis support scheme, the council tax reduction discretionary fund and through discretionary housing support.
- 1.10 The proposals in this budget also ensure that we are able to invest £55m 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.
- 1.11 I commend this report to Cabinet.

## **2. Interim Group Director's Introduction**

- 2.1. This report sets out the current Housing Revenue Account (HRA) position after updating and reviewing the 30-Year HRA Business Plan for 2024/25 onwards. The 30-Year Business Plan is a statutory requirement, and the HRA needs to demonstrate that it is financially viable whilst continuing to deliver the Council's Housing priorities.
- 2.2. Specifically, this report sets out the budget proposals for the HRA for 2024/25. It also sets out the issues and the savings required to set a balanced HRA budget for 2024/25 assuming a rent increase set at 7.7% (which is in line with the Government's rent policy for social rents ) to take effect from April 2024.
- 2.3. The report outlines the financial plan for the HRA based on assumed rent changes, service budget requirements and other variables as set out in the report. It also highlights the decisions made in relation to HRA reserve levels designed to improve the resilience of the HRA. Acceptance of the proposed financial strategy and approach to risk management that is adopted by the business plan will help the Council to deliver its strategic housing objectives in a manner that is sustainable and keeps the HRA on a secure financial footing.

## **3. Recommendations**

**Cabinet is recommended to:**

- 3.1. **To approve the HRA budget proposals as set out in Section 6 and Appendix 1.**
- 3.2. **To approve the increase in rent of 7.7% in line with the Social Housing Regulator's rent ceiling and agree that rents will increase on average by £8.91 from £115.68 per week to £124.59 per week with effect from Monday 1st April 2024.**
- 3.3. **To approve the increase in HRA fees and charges as set out in Appendix 2.**
- 3.4. **To approve the increase in tenant service charges as set out in paragraph 6.14; and the service charges for the Concierge service as set out in paragraph 6.16.**
- 3.5. **To approve the increase in Travellers charges at 7.7% as set out in paragraph 6.21.**
- 3.6. **To approve the increase in Shared Ownership rent at 7.7% as set out in paragraph 6.22.**
- 3.7. **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.**

- 3.8. To agree the Housing Capital Programme budget as set out in paragraph 6.33 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 at February 2024 Cabinet.**

#### **4. Reasons for Decision**

- 4.1. Section 76 of the Local Government and Housing Act 1989 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account that avoids a deficit, whilst using robust and valid assumptions.
- 4.2. Furthermore, there is a statutory requirement for the Council to prepare a 30 Year Business Plan for the HRA on an annual basis. The purpose of this exercise is to keep the long-term financial viability of the HRA under regular review.
- 4.3. The report also provides the approval needed to set HRA tenant rents and other charges for the financial year 2024/25. The Council is required by law to give tenants at least 28 days' notice of any variation to the rent charged.

#### **5. Details of Alternative Options Considered and Rejected**

- 5.1. The HRA covers all income and expenditure relating to the portfolio of housing stock owned by the Council. It is required by the Local Government and Housing Act 1989 to be ring-fenced from the Council's General Fund. The legislation specifies that only expenditure relating to the Council's landlord role can be charged to the HRA and, by extension, funded by the rents charged to tenants. The Council has a legal duty to ensure that the account remains solvent and to prepare a long-term business plan annually that keeps this under regular review.
- 5.2. Preparing the 30-year HRA Business Plan involves a long-term assessment of the funding needed to deliver landlord duties alongside wider strategic housing objectives. This involves detailed modelling of operating resource requirements, capital investment plans and external funding streams against wider environmental factors such as macroeconomic assumptions and potential legislative changes.
- 5.3. The 2024/25 budget has been built from the 30 Year HRA Business Plan

and reviewing the base budget, including current forecasts of items of essential expenditure, maintenance and investment to preserve the housing service and its assets.

- 5.4. Alternative rent increases were considered in setting the budget, but any reduction to the rent rise as set by the Regulator of Social Housing in the Rent Standard would result in additional savings that would impact on services to tenants, and substantial savings for the Government in the subsidy of Housing Benefit. A reduction in income would also have a long term impact on future rent levels and income and the ability to deliver front line services and invest in the Housing stock.

## **6. Background**

- 6.1. The 30 Year Business Plan is a statutory requirement, and the HRA needs to demonstrate that it is financially viable whilst continuing to deliver the Council's Housing priorities. The Business Plan considers revenue from all sources, principally tenant rents, tenant's service charges and leaseholder service charges, set against anticipated expenditure on stock (revenue and capital), staffing and all other running costs (including recharges from the General Fund).
- 6.2. The Business Plan sets out how the Council will manage the range of services delivered under the HRA, using the income raised locally through council rents and other sources of HRA income for revenue and capital purposes.

### **HRA Projected Position for 2023/24**

- 6.3. The HRA budget is monitored monthly and reported to Cabinet in the Overall Financial Position reports. As at November 2023 the HRA is forecast to breakeven and is forecasting to draw down £1m from reserves in order to breakeven for 2023/24. This reflects the decision taken in April 2023 to phase the increase to the Council's district heat networks over two years. The forecast outturn position and future performance remain subject to other risk factors which have been fed into the HRA Business Plan.

### **2024/25 HRA Budget**

- 6.4. The proposed 2024/25 HRA budget is shown in the table below and detailed in Appendix 1.

### **Income**

- 6.5. The revenue outlook for the HRA includes an expectation that rents will increase by 7.7% in 2024/25 (as per the existing rent policy) and by 3% in

2025/26 and 2026/27 and 2% thereafter across the plan.

- 6.6. Rent assumptions are a critical element of the HRA Business Plan. One of the important points to note about Hackney’s plan is that the rent uplifts from 2025/26 have been held at a prudent assumption level in comparison to other social housing providers. The Government has given the strongest indication to date that it may continue with a rent policy that limits uplifts to CPI+1% beyond 2024/25. However, this remains speculative, and the Hackney plan therefore adopts a more prudent outlook. This can be considered one of the resilience measures built into the plan and will therefore get the potential benefit of any upside that comes from confirmation of the Government’s indication about future rent policy.
- 6.7. 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.
- 6.8. The increase in income in 2024/25 arising from the 7.7% rent increase will be £9.8m (£12.42m overall due to 53 weeks in 2024/25) and this income will be used to invest in the Council’s housing stock, and deliver improvements to services. The HRA budget is continuing to invest 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 Help to Claim Service), prevent debt, as well as consolidating approaches to debt collection and preventing evictions. We are committed to working with tenants providing support, income maximisation and debt support.
- 6.9. A 7.7% rent increase will result in an average weekly rent of £124.59, an average increase of £8.91. The Indicative Rents for 2024/25 are set out below.

<b>Beds</b>	<b>2024/25 Average Rent £ per week Rents 7.7% Increase</b>	<b>2023/24 Average Rents £ per Week</b>
0	97.81	90.81
1	110.69	102.78
2	122.19	113.45
3	139.23	129.28
4	163.81	152.10
5	189.15	175.63
6	194.29	180.40
7	220.98	205.18
<b>Overall</b>	<b>124.59</b>	<b>115.68</b>

- 6.10. Rents charged by the Council are 24th in value out of 30 London Boroughs with an HRA putting them in the lowest 7 Council's in London and all HRA Dwellings rents are set as Social Rents. Rents charged by the Council are 13% lower on average than the rents charged by Registered Providers (RPs) in the Borough.
- 6.11. A comparison of the average rent charges on a 2 bedroom property in Hackney is set out below.

	<b>2024/25 Average HRA Rent</b>	<b>LHA Rate</b>	<b>Market Rent</b>
<b>Beds</b>			
2	£122.18	£365.92	£647.31

- 6.12. In Hackney, 64% of tenants are in receipt of full or partial housing benefit or universal credit accounting for approximately 60% of the rent debit.

	<b>Number of households</b>	<b>%</b>
Full Housing Benefit	4,822	22.98%
Part Housing Benefit	2,666	12.70%
Universal Credit claimants	6,021	28.69%
Non HB/UC (full rent)	7,475	35.63%
<b>Total Live Tenancies</b>	<b>20,984</b>	<b>100.00%</b>

- 6.13. Service charges for tenants are based on a pooled cost approach, where all tenants receiving a service are charged the same amount. The proposed charges will ensure that the income recovered matches the level of expenditure on these services. The proposed service charges for 2024/25 are as follows:

	<b>2024/25 Charge £ per week</b>	<b>2023/24 Charge £ per week</b>
Grounds Maintenance	2.15	2.15
Block Cleaning	6.11	6.11
Estate Cleaning	2.66	2.66
Landlord Lighting	3.27	3.06
CCTV Monitoring	0.51	0.47

- 6.14. 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.

- 6.15. 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 2024/25 are as follows:

<b>Block</b>	<b>2024/25 Charge £ per week</b>	<b>2023/24 Charge £ per week</b>
Angrave Court	29.66	28.46
Bryant Court	28.98	27.79
Fellows Court	38.26	35.85
Gooch House	23.91	28.46
Granard House	36.44	34.15
Hugh Gaitskell House - Pathmeads	28.98	27.79
Laburnum Court	29.66	27.16
Regents Court	29.66	27.79
Seaton Point	45.54	42.68
Beckers One	30.36	28.46
Beckers Two	30.36	28.46
Vaine House	36.44	34.15
Welshpool House	27.72	26.76

- 6.16. The energy purchasing consortium that the Council is a member of has a contract year running from April to March and therefore the unit prices for utilities will not be available until February/March and the tariffs for the district heat networks cannot be set until March. We are also undertaking a review of communal heating charges as the cost of providing communal heating is not being fully recovered due to the phasing in the increase in charges over two years to mitigate the impact of the significant increase in gas prices.
- 6.17. Therefore 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 2024/25 charges, calculated in line with the approved methodology.
- 6.18. 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 and any savings included in the 2024/25 budget that impact on the service to



leaseholders will be passed on to leaseholders when calculating the actual service charge after year end.

- 6.19. It is proposed to increase most fees and charges by 6.7% in line with the September CPI rate. The proposed fees and charges for 2024/25 are shown in Appendix 2.
- 6.20. Charges for Travellers sites (held in the general fund) are set in line with rent policy within the HRA Business Plan, so charges are proposed to be increased by 7.7%. For 2024/25 will equate to an average increase of £10.75 per week.
- 6.21. As set out in the Rent Review schedule of shared ownership leases, shared ownership rents are currently permitted to increase once a year by a maximum of RPI plus 0.5%. To ensure that shared ownership rents are increased using a more modern measure of inflation, from 12 October 2023, they will instead increase once a year by CPI plus 1% for new shared owners, subject to certain exceptions. This reform brings shared ownership rents into line with the limit that normally applies to annual rent increases in other forms of social housing. Charges are proposed to be increased by 7.7% in 2024/25.

### **Expenditure**

- 6.22. The 2022/23 HRA Outturn position was breakeven on the HRA - but there were overspends on operating expenditure. These overspends were mitigated by reducing the Revenue Contributions to Capital (RCCOs) and drawing down from reserves. The key area of overspend was Housing Repairs this was due to:
- an increase in reactive repairs,
  - Increase in material costs,
  - an increase in legal disrepair cases
  - and the 2022/23 agreed pay award.

- 6.23. The reserve position as at 31st March 2023 is set out below:

<b>HRA Reserves</b>	<b>Closing Balance 31<sup>st</sup> March 2023</b>
	<b>£000's</b>
General Reserve	(15,000)
Earmarked Reserves	(11,382)
<b>Total</b>	<b>(26,382)</b>

- 6.24. In 2023/24 the HRA is forecasting to draw down from reserves to breakeven for 2023/24. The current forecast includes a £1m drawdown from reserves to fund the phasing of the increase in heating charges for the Council's district heating systems.

- 6.25. Housing Repairs continues to pose the biggest risk to the HRA as there are significant forecast changes from the budget driven by Reactive Repairs and Repairs Contact Centre. The total repairs budget for 2023/24 was increased significantly to reflect inflationary pressures, investment in damp and mould repairs and increased volume of general repairs.
- 6.26. The table below demonstrates that the HRA revenue budget will be balanced in 2024/25, This has been achieved, in part, through the identification of £3.877m of budget savings within the revenue budget (none of which create any tangible reduction in service levels). This ensures that a continued commitment to the efficient use of HRA resources is what balances the funding gap for 2024/25, and not a reduction in the level of capital ambition.

	<b>2024/25 Budget £000's</b>
<b>Income:</b>	
Dwelling Rents	(140,305)
Non-Dwelling Rents	(6,438)
Tenant Charges	(14,853)
Leaseholder Charges for Services and Facilities	(14,807)
Other Charges for Services and Facilities	(1,619)
<b>Total Income</b>	<b>(178,022)</b>
<b>Expenditure:</b>	
Housing Repairs Account	35,967
Special Services	24,905
Supervision & Management	59,259
Rents, Rates, Taxes and Other Charges	924
Contribution to Bad Debt Provision	(835)
Interest Payable	953
Depreciation (transfer to MRR)	52,181
<b>Total Expenditure</b>	<b>173,353</b>
<b>Surplus</b>	<b>(4,668)</b>
Contribution to Reserves	2,731
Revenue Contribution to Capital	1,937
<b>Net Surplus / (Deficit)</b>	<b>0</b>

6.27. The assumptions made in updating the HRA Business Plan are, where appropriate, consistent with those made in the General Fund and are set out in Appendix 1.

### **Savings Proposals**

6.28. In order to inform the development of savings for the HRA and help shape the future priorities for the delivery of the services we carried out a resident consultation which ran from June to September 2023. The consultation sought to find out what housing services are the most important to our residents. The consultation showed that the highest priority area from all respondents was “General repairs inside your home.” The top five priorities for Council Tenants are as follows and these priorities will help shape future budgets.

- General repairs inside your home
- Work to reduce damp and mould
- External repairs to buildings
- Internal improvements to your home
- Anti-Social Behaviour and Estate Safety

6.29. The 2024/25 savings strategy focuses savings on items that do not directly affect core services, The following savings options are proposals for 2024/25:

<b>Saving Proposal</b>	<b>£000's</b>
Bad Debt Provision Reduction	2,600
Formula rent calculation	300
Move rents charged on HRA Hostels & Regen Voids in line with other TA Rents	295
Review of Housing Disrepair	682
<b>Total</b>	<b>3,877</b>

6.30. Details of the proposals are as follows:

- A one off reduction in the bad debt provision budget reflecting a new methodology based on a sliding scale for current debt. Former debt is stable and current debt is easier to collect.
- It is proposed to set rent for new tenancies at Formula Rent. This is in line with the Rent Standard issued by the regulator and maximises rental income to the HRA.
- To bring rents for Hostels and Regen voids used for TA in the HRA up to LHA rates. The rent standard for the setting of social rents does not apply to certain categories of low cost rental accommodation

including temporary accommodation. This allows LA's to charge rents in line with TA Rents in the General Fund.

- The number of legal disrepair cases at present is around 1,000+ and to manage the backlog of cases and reduce the number of new legal cases it is proposed to set up an Alternative Dispute Resolution (ADR) process. This will give the option to resolve the matter outside of the court process. The objective is to offer and encourage residents to opt for the ADR route, which will help to agree a quick resolution. This ADR method intends to prevent the case becoming a lengthy legal disrepair case with large sums of legal costs, court costs, compensation payment and as well as the officers time dealing with the case.

6.31. The HRA Business Plan model has been updated to reflect the proposals contained in this report, including a desire to replenish the Revenue Contributions to Capital Outlay over the medium term. The table below sets out the additional savings in future years required to replenish reserves in order that we can continue to invest in our housing stock, respond to building safety requirements and deliver our net zero ambitions. Rephasing the savings will impact on the level of HRA Reserves with savings achieved ahead of plan contributing to reserves and those behind plan temporarily reducing reserves. Phasing will be linked to service delivery.

	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's
<b>Savings Requirement</b>	<b>(1,500)</b>	<b>(6,400)</b>	<b>(8,500)</b>	<b>(10,500)</b>
Savings Identified	(3,877)	(2,510)	(2,495)	(1,599)
<b>Savings to be Identified</b>	<b>0</b>	<b>(1,513)</b>	<b>(6,005)</b>	<b>(8,901)</b>
<b>Total Savings</b>	<b>(3,877)</b>	<b>(4,023)</b>	<b>(8,500)</b>	<b>(10,500)</b>
<b>Under/(Over) Achieved</b>	<b>(2,377)</b>	<b>2,377</b>	<b>0</b>	<b>0</b>

### Housing Capital Programme

- 6.32. The capital programme for housing covers the investment in HRA stock and assets managed by Housing Services, the housing regeneration programmes, and investment in HRA hostels and private homes through housing grants.
- 6.33. The HRA 10 Year Capital Programme has been set in line with the resources available in the HRA Business Plan which sets out how the Council will manage the range of services delivered under the HRA, using the income raised locally through council rents and other sources of HRA income for revenue and capital purposes. It has been developed

with due regard to the Housing Asset Management 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.

- 6.34. 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.
- 6.35. The proposals in this budget allow for the depreciation charge of £52.1m 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).
- 6.36. There is a borrowing requirement over the 10 year capital programme of £216.3m predominantly to fund the Housing Regeneration Programmes, Estate Regeneration Programme, Housing Supply Programme and Woodberry Down, until capital receipts are realised through sales of residential properties becoming available through these developments. The capital receipts will be realised once developments are complete and private for sale and shared ownership units are marketed. Some of the programmes will not complete until after 2033/34 when the capital receipts will be realised. The residual borrowing from the schemes, which equates to circa 30% of the build costs, will be repaid from the rental income streams from the new social housing units over a fifty year period. This residual borrowing for the new social rented homes, as well as interest costs has been factored into HRA business planning.
- 6.37. The borrowing will be funded and repaid with future rental income from HRA and sales receipts from regeneration properties. The table below summarises the Housing Capital Programme for 2024/25 based on the HRA Business Plan model. In terms of the Asset Management Plan programme for existing stock, which is predominantly funded from rental income, a detailed programme is currently being developed.

<b>HRA Capital Programme</b>	<b>2024/25</b>
	<b>£000's</b>
Asset Management	55,336
Other Housing	6,862
Regeneration	106,953
<b>Total Expenditure</b>	<b>169,151</b>

- 6.38. 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. A summary of the Asset Management Plan is set out in the table below:

<b>AMP Capital Programme</b>	<b>2024/25 £000's</b>	<b>2024/25 £000's</b>
Planned Maintenance works		<b>38,955</b>
<b>Reactive Repairs and Maintenance</b>		
Void Re-Servicing	2,500	
Planned & Reactive Water Mains	50	
High Value Repairs/Imp & Wk	3,000	
Drainage	100	<b>5,650</b>
<b>Estates Maintenance</b>		
CCTV upgrade	1,700	
Replace Play Equipment	200	
Road & Footpath Renewals	100	
Estate Boundary Security Imp	150	
Recycling Scheme	500	
Street Lighting SLA	500	<b>3,150</b>
<b>Other</b>		
Disabled Adaptations	2,000	
VCS Works	2,732	
Garage Review	100	
Community Halls Maj. Reps/DDA	700	
Integrated Housing Management System (ICT)	1,000	
HSG Vehicle Fleet Replacement	1,049	<b>7,581</b>
<b>TOTAL BUDGET</b>		<b>55,336</b>

- 6.39. The budget requirement for the Regeneration programmes reflects the current delivery programme. During the past year, a review of parameters for viability was carried out and agreed by the Group Director of Finance.

## **7. Policy Context**

- 7.1. The HRA Voluntary Code of Practice covers six Principles that describe what the sector considers as essential elements for the continued sustainability of a self-financed HRA Financial viability. The finance Principle is that the housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability. Therefore, the following framework has been designed for assessing the viability of the HRA Business Plan and is being applied within the current model. These metrics are based on successful operation of similar minimum/maximum metrics across the housing sector. They represent a sound and effective way of managing

borrowing and investment capacity:

- A minimum closing reserve balance of 10% of total revenue expenditure
- An Interest Cover Ratio set at a minimum of 1.25, defined as net operating surplus divided by HRA interest costs;
- A Loan to Value ratio set at a maximum of 70%, defined as outstanding HRA borrowing (HRA Capital Financing Requirement) divided by total asset valuation of HRA assets on the balance sheet.

7.2. Adopting these measures and testing changes to the plan against them will enable the Council to maximise its outcomes whilst ensuring a financially sustainable Business Plan is always in place. It will also ensure that decision making on future HRA capital schemes becomes more efficient in terms of considering long-term income and expenditure forecasts.

## **8. Equalities Impact Assessment**

8.1 The Equality Act 2010 introduced a single public sector equality duty.

This duty requires the Council to have due regard in its decision-making processes to the need to:

- Eliminate discrimination, harassment, victimisation or other prohibited conduct.
- Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and.
- Foster good relations between those who share a relevant characteristic and those that do not share it.

8.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

8.3 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy.

8.4 It should be noted in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change, the relevant service department will carry out an equality impact assessment to secure delivery of that duty, including such consultation as may be required.

8.5 Work has been carried out to ensure that all savings proposals have the appropriate Equality Impact Assessments undertaken, where applicable. The savings proposals protect frontline housing services and are

therefore intended had, where possible, to have either a neutral or beneficial impact on services, including for groups who share the protected characteristics under the Equality Act.

8.6 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 (via the rent standard) 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.

8.7 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.

## **9. Sustainability**

9.1 This report sets the overall HRA budget for 2024/25. The budget includes a significant contribution to capital which will enable the delivery of the 2024/25 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.

## **10. Consultation**

10.1 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) on 18th December 2023 and via the Council's website and Love Hackney. The consultation ran from 27th November 2023 until 22nd December 2023. Seven responses were received as a result of the wider consultation, representing a 0.04% response rate:

- 100% of respondents disagreed with the rent increase
- Many cited affordability at a time of the cost of living crisis
- The rent increase was also linked to poor performance on repairs and general cleanliness of estates.



## **11. Risk Assessment**

- 11.1 The HRA Business Plan is built on a series of assumptions about the expected future impact of several variables (including inflation, rent increases, interest rates, etc). The first aspect of risk management within the HRA is to ensure that the assumptions built into the plan are as prudent as possible. This helps to ensure that the plan is viable in the face of a relatively conservative outlook. An overview of key assumption is included at Appendix 1. The primary area in which prudence has been exercised is on future rent assumptions. A more favourable settlement within any future rent policy would therefore create headroom within the HRA business plan and therefore increase flexibility in terms of its ability to absorb risk.
- 11.2 The second aspect of the risk management approach is to actively build financial cover into the business plan that would allow the HRA to absorb the impact of any adverse movement on key assumptions or the emergence of any more general unforeseen risks. These measures allow the HRA to manage the impact of emerging risks without necessarily having to compromise on either service delivery or the level of capital ambition.
- 11.3 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.
- 11.4 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 by 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. Comments of the Interim Group Director, Finance**

- 12.1 Finance comments are set out in the report.

## **13. Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 13.1 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 ensure that the Account for the year does not show a deficit.
- 13.2 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.
- 13.3 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.
- 13.4 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.

## Appendices

Appendix 1 - HRA Business Plan Assumptions

Appendix 2 - Fees and Charges

## Background Papers

None

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