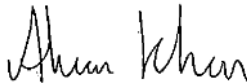


London Borough of Waltham Forest

Report Title	Housing Revenue Account (HRA) Budget including Tenants Rents and Service Charges 2024/25
Meeting / Date	Cabinet, 22 nd February 2024
Cabinet portfolio	Councillor Ashan Khan, Deputy Leader (Housing and Regeneration) 
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Wards affected	All
Public access	Open
Appendices	Appendix 1 – HRA budget 2024/25 onwards Appendix 2 – 10-year capital programme Appendix 3 – Equality Analysis

- 1 Summary
- 1.1 This report sets out the proposals for the Housing Revenue Account (HRA) rents and service charges for 2024/25.
- 1.2 The report also contains charges for temporary accommodation and travellers' charges, which are a General Fund provision.
2. Recommendations
- 2.1 Cabinet is recommended to:
 - 2.1.1 Agree a HRA dwelling rent increase of 7.7% (September CPI + 1%) in line with The Social Housing Regulator's Rent Standard and agree that on average rents will increase by £9.10 from £118.19 to £127.29 per week, with effect from 1st April 2024.
 - 2.1.2 Agree the level of tenant service charges as set out in paragraph 3.9 to recover costs from tenants receiving the service.
 - 2.1.3 Agree an increase in garage rents of 10% (£1.55) for residents and 20% (£3.10) for non-residents, from 1st April 2024.
 - 2.1.4 Note the increase in shared ownership rents will be made in line with the provisions of the relevant lease.
 - 2.1.5 Review and agree the proposals for the HRA Budget for 2024/25, as set out in section 3.4.

- 2.1.6 Agree to increase the rent and service charges for sheltered accommodation by 7.7%, in line with rents for general needs council housing.
- 2.1.7 Agree to continue to link temporary accommodation rent charges to Local Housing Allowance (LHA) levels.
- 2.1.8 Agree to increase charges for travellers' sites by 7.7%, in line with HRA dwelling rents.

3. Proposals

- 3.1 The global pandemic and cost of living crisis has led to many changes to the economic outlook for the United Kingdom. Inflation has driven prices to rise significantly compared to pre-pandemic levels, with the largest increases in the cost of utilities, materials, and the construction industry. The rise in expenditure has been significantly higher than income, which has created a funding gap, therefore the HRA Business Plan will be remodelled during 2024/25. It is proposed to set a budget for 2024/25 and a 10-year capital programme, which may be subject to change during this period.
- 3.2 The objective of the Business Plan is to set out the council's plans for managing and maintaining its housing stock (including leasehold properties) and other assets held within the HRA. The financial model informs the budget setting and capital programme over a 30-year period, setting out the expected income and expenditure for the HRA using current fiscal and economic trends.
- 3.3 There is more focus on the 10-year plan as there is more certainty on costs, demands, resources and pressures over this time. The view of the medium term is considered in the strategic objectives of the council and the impact of government policies on rents, disposals, and regeneration.

2024/25 HRA Budget

- 3.4 The proposed 2024/25 HRA budget is shown in the table below.

	Budget 2024/25
Dwelling Rents	(69,065)
Non-Dwelling Rents	(530)
Tenant Service Charges	(6,337)
Leaseholder Service Charges	(2,500)
Other Charges for Services and Facilities	(379)
Total Income	(78,812)
Repairs and Maintenance	14,894
Special Services	9,887
Supervision & Management	20,673

Rents, Rates, Taxes & Other Charges	994
Provision for Bad Debts	583
Cost of Capital	14,479
Depreciation	13,868
Total Expenditure	75,379
Net cost of Service	(3,433)
Revenue Contribution to Capital	3,000
Contribution to Reserves	433
HRA Surplus/Deficit	0

Income

- 3.5 The self-financing regime was developed to give local authorities more financial certainty to develop longer term plans for the HRA. The Regulator of Social Housing set a rent policy, effective from 1st April 2020, of CPI + 1% per annum for a period of 5 years. The policy intended to provide more financial certainty for councils and registered providers. However, the cost-of-living crisis that followed the pandemic resulted in unprecedented levels of inflation, which led the government to intervene, and cap rent increases at 7% in 2023/24. This created financial challenges in delivering housing services, as providers of social housing saw expenditure increase beyond income, creating a funding gap.
- 3.6 Although inflation levels have reduced over the past year, this has continued to influence the cost, to the council, of the Housing service. Therefore, it is proposed to revert to the rent policy confirmed by the regulator and increase rents by CPI + 1% (7.7%) for 2024/25. Every seven years there is a 53-rent week, where there are 53 Mondays in a financial year, which increases the amount expected to be collected in 2024/25 by £1.25m. The additional £5.5m income created from increasing rent (and the 53-week year) will be used to invest in the council's housing stock and to deliver a high-quality housing service for residents.
- 3.7 Service charges for both tenants and leaseholders are based on the actual costs of providing the service. The cost of services is reviewed annually as part of the budget setting process. The cost of delivering the Housing service has increased, so it is proposed to increase service charges to tenants by 7.7% to ensure compliance with the council's policy of full cost recovery.
- 3.8 The Caretaking and Grounds Maintenance teams have been restructured to better deliver to tenants, in line with the new Tenant Satisfaction Measures set by The Regulator of Social Housing. This has resulted in an additional cost, which will require an above inflation increase to achieve full cost recovery.
- 3.9 A new service charge will be introduced in 2024/25 for the servicing and maintenance of fire safety equipment. The charge will recover the

cost of the service and will be levied at £1.40pw. The service charge is eligible for Housing benefit and universal credit.

3.10 Average Service charges will increase as follows.

Tenant Service Charge	2023/24 £ pw	2024/25 £ pw	Change £ pw
Lifts	3.29	3.54	0.25
Door Entry and Electronic Gate	1.19	1.28	0.09
Communal Aerials	0.35	0.38	0.03
CCTV	2.38	2.56	0.18
Caretaking	6.98	8.24	1.26
Grounds Maintenance	1.93	2.95	1.02
Bulk Waste Bins and Collection	0.64	0.69	0.05
Communal Electricity	2.69	6.64	3.95
Fire safety (new charge)	0	1.80	1.80

3.11 The council proposes to phase the increase in energy costs, which will lead to full cost recovery in 2025/26. The cost of energy has significantly increased in 2023/24 and future prices remain uncertain, however, the council continues to propose a phased increase of these charges, over two years, to help support tenants. The cost of gas and electricity will increase from £13.99 to £20.94 per week for heating and from £2.69 to £6.64 per week for communal electricity.

3.12 Garage rents are proposed to increase by 10% for residents (£1.55) and 20% for non-residents (£3.10). The increased charges have been benchmarked against neighbouring local authorities and continue to represent value for money.

3.13 The government also introduced reforms for shared ownership properties. Shared ownership rents can currently be increased by RPI + 0.5%, however, the government has acknowledged that RPI is an outdated measure of inflation and, therefore, is phasing out its use by the end of the decade. From 12th October 2023, new shared owners' rents can be increased by CPI + 1%, which brings increases in line with other forms of social housing. It is proposed to increase shared owner's rents in accordance with the terms of the lease.

3.14 It is proposed to increase rent and service charges for sheltered housing by 7.7% in line with the rent policy.

3.15 Temporary accommodation rents for self-contained accommodation will increase in line with the prevailing Local Housing Allowance (LHA). The current LHA rate has been held since 2020, however, the government announced in the Autumn Statement that LHA would be unfrozen and increased to the 30th percentile of local market rates. The exact amount of increase will vary according to the property's location

and size, but indicative figures from the government suggest a likely increase of about 10% on average in Waltham Forest.

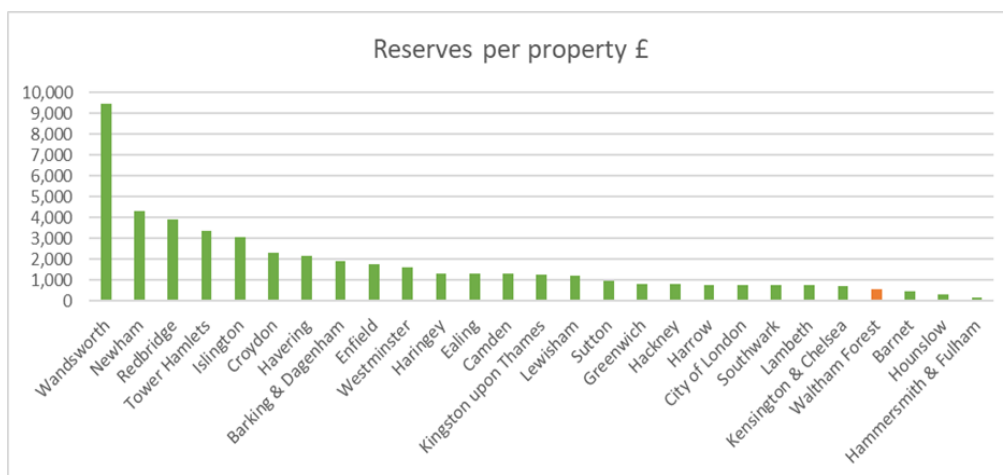
- 3.16 The Housing Benefit subsidy the council receives for self-contained temporary accommodation remains 90% of the January 2011 LHA, so despite the increase in current LHA rates, there remains a shortfall of approximately £100 per week between the actual cost of temporary accommodation to the council and the amount of Housing Benefit subsidy the council receives.
- 3.17 The rent for rooms with shared facilities (including hostels) is currently charged at 90% of the 2011 LHA 1-bed rate but will be increased to 100% of the 2011 LHA for 1-bed rooms to maximise the housing benefit subsidy available.
- 3.18 Where rent includes utility charges, such as heating and hot water, these charges will be increased in line with the increase in heating charges.
- 3.19 Travellers' charges are proposed to increase by 7.7%, in line with the Rent Policy within the HRA. This equates to an average rent increase of £10.21 per week and a water charge increase of £0.91 per week.

Expenditure

- 3.20 Inflationary increases have adversely impacted the cost of providing the Housing service within the HRA, and most significantly the cost of energy and repairs. Considering these cost pressures, the budget for repairs and maintenance has been increased by over 6% to ensure the council can continue to maintain council homes. The temporary funding to tackle damp and mould awarded in the 2023/24 budget has been incorporated into the main repairs budget.
- 3.21 The wholesale energy markets have seen unprecedented levels of volatility in recent periods, leading to a seven-fold increase in prices compared to pre pandemic costs. Although wholesale prices have been falling since Autumn 2022, they continue to remain volatile to global events and are unlikely to return to lower pre-pandemic levels. In the medium term, energy levels are expected to plateau.

HRA Reserves

- 3.22 The table below shows the average reserves per property within the HRA for London boroughs. This shows that the reserves held in Waltham Forest are low in comparison to other London authorities.



3.23 The forecast reserves position for the council is expected to fall over the next 3 years due to the increased cost of borrowing and the delivery of the capital programme. With additional measures in place the HRA reserve should begin to improve from Year 4 onwards. This can be seen in the table below.

Reserves	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	1	2	3	4	5
Reserves Opening Balance	(6,000)	(5,528)	(5,961)	(5,460)	(5,904)
Income	(69,774)	(78,666)	(81,310)	(83,816)	(86,142)
Expenditure	46,095	47,186	48,819	49,597	50,521
Net cost of Service	(23,678)	(31,480)	(32,491)	(34,220)	(35,621)
Capital Financing	12,997	16,868	17,542	18,069	18,611
Interest	11,153	14,479	16,050	16,608	16,960
Savings Target	0	(300)	(600)	(900)	(1,200)
(Surplus)/Deficit	472	(433)	501	(443)	(1,251)
Reserves Closing Balance	(5,528)	(5,961)	(5,460)	(5,904)	(7,154)

3.24 Although HRA reserves have reduced, consistent HRA investment in the delivery of social rented homes and the council's Joint Venture with Mears have assisted in keeping the council's usage of and expenditure on temporary accommodation lower than that of many London boroughs. There are currently less than 1,000 households in Temporary Accommodation which is significantly lower than many comparable boroughs.

3.25 The Housing service has committed to an efficiency programme to reduce the net cost of the service and therefore to contribute to the replenishment of reserves. The service has been reviewed for efficiencies to achieve £300k savings per year without affecting the delivery of the Housing service. The 2024/25 savings will be as follows.

Savings 2024/25	£ 000's
Income generation - increase garage rents	170
Efficiency review	130
Total	300

3.26 The cap on income imposed in 2023/24 and the increase in the cost of delivering the service has limited resources available for capital investment and therefore the current Capital Programme has been remodelled. The 2024/25 capital budget is listed in the table below and the 10-year programme is detailed in Appendix 2.

	2024/25
	£000's
Property Services	44,672
Regeneration	37,461
Other Schemes	2,494
Total Programme	84,627
Capital Resources	(30,732)
Funded from borrowing	(52,895)

3.27 The HRA does not generate sufficient resources to cover the investment required in assets and, therefore, a proportion of the programme is funded by borrowing. The planned review of the HRA Business Plan will model the impact of the cost of borrowing on the HRA and therefore may affect the proposed 10-year programme.

4. Options & Alternatives Considered

4.1 The 2023/24 Rent Cap resulted in a £2.5m reduction in income collected within the HRA in the current year. The reduction is compounded for future years and, therefore, affected the resources available for capital investment. The effect of a second below inflation increase would further reduce the resources available and impact how effectively the Housing service and could manage and invest in the borough's housing stock.

4.2 Alternative rent increases were considered in setting the budget, but any reduction to the rent policy set by The Regulator of Social Housing would result in a requirement for additional savings to be made, which would impact on the services provided to tenants. A reduction to the Rent Standard would also have a long-term impact on future rent levels and therefore income.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

5.1 The Council produces and regularly updates a medium-term financial forecast for the HRA. Inflationary and cost pressures mean that the HRA's expenditure (on both revenue and capital) is forecast to rise

faster than rental income available to it, creating a funding gap. Overall, the medium-term outlook for the HRA is extremely challenging, but the financial strategy will remain focused on delivering efficiency improvements to protect frontline services, invest in housing stock and build in longer-term financial resilience by increasing reserves.

6. Consultation

- 6.1 Consultation with tenants (via the STAR Panel), to discuss the HRA budget was carried out in October 2023. The proposals in this report were also presented to Housing Scrutiny in December 2023 and STAR Panel in February 2024, there were no additional recommendations to the proposals.

7. Implications

7.1 Finance, Value for Money and Risk

- 7.1.1 The recommended increase in rents in line with central government policy is essential to allow the HRA to remain financially viable. It also ensures that the HRA can continue to work towards its objectives of sustaining the capital investment needed to maintain the stock and fulfil its programme of capital delivery to ensure compliance with health and safety regulations.

- 7.1.2 The current Local Housing Allowance rate was frozen from 2020 but will increase in April 2024, which will increase the support for private sector tenants. However, the council only receives housing benefit subsidy at 90% of the 2011 LHA levels for Temporary Accommodation and so the council funds the shortfall which is more than £100 per week for every household totalling about £4.4m pa.

7.2 Legal

- 7.2.1 Section 76 of the Local Government and Housing Act 1989 imposes a duty on local housing authorities to prevent debit balances arising in their Housing Revenue Account ("the HRA"). The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock.

- 7.2.2 The principal statutory provision governing the fixing of rent for Council property is contained in section 24 of the Housing Act 1985, which provides that authorities may "make such reasonable charges...as they may determine." Further, it requires the local authority, from time to time, to review rents and other charges and make such changes, as circumstances may require. These provisions are subject to the limits set out in the Rent Standard set by the Regulator of Social Housing and the Governments Policy statement on rents for social housing published in February 2019. The Government announced from 2020/21 onwards for 5 years rent increases would be allowed up to CPI plus 1%.

- 7.2.3 The provisions on tenant consultation set out in S105 of the 1985 Act do not apply to rent or service charge increases. Service charges are outside the rent envelope as they relate to the recovery of actual costs but are subject to the requirements of notice of variation and the provisions of our tenancies/leases. They are limited to recovering costs incurred.
- 7.2.4 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its' decisions which are outlined in 7.3 below. The equalities impact analysis carried out into the proposals is set out at Appendix 3.
- 7.3 Equalities and Diversity
- 7.3.1 The Council must have due regard to its Public Sector Equality Duty (PSED). The Council will consider the impact of its budgetary decisions on these duties. Mitigating action will be identified wherever possible. The outcome will be reported as an integral part of the HRA/rent setting report to be considered in February which will include an equalities analysis.
- 7.4 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its decisions. The public sector equality duty (s.149, Equality Act 2010) requires the Council, when exercising its functions, to have "due regard" to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act, advance equality of opportunity between those who share a "protected characteristic" and those who do not share that protected characteristic and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding).
- 7.4.1 The Council will consider the impact of changes that might arise as a result of implementing the proposals for change arising out of its HRA strategy on those with protected equality characteristics. Individual proposals will be subject to a full equality analysis wherever relevant, prior to any decision taken to proceed, including the identification of mitigating action where possible. Where there is any potential impact on staff, the agreed HR procedures will be followed.
- 7.5 Sustainability (including climate change, health, crime, and disorder)
- 7.5.1 The capital programme includes provision for communal boiler replacement, energy efficiency improvements, heat recovery ventilation, anti-condensation programmers and boiler upgrades to a more efficient standard after 10-12 years. There would be an impact on

delivery of this should there not be sufficient resources available within the HRA.

7.6 Council Infrastructure

7.6.1 Any proposals to review the budget which involved staff reductions would be subject to consultation with staff.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None