

Meeting COUNCIL

Portfolio Area RESOURCES / TRANSFORMATION
AND ICT / HOUSING AND HOUSING
DEVELOPMENT

Date 25 JANUARY 2023



FINAL HOUSING REVENUE ACCOUNT BUDGET SETTING AND RENT REPORT 2023/24

KEY DECISION

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1 PURPOSE

- 1.1 To update Members on the final proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2023/24, to be considered by Council on 25 January 2024.
- 1.2 To update Members on the formula for setting rents for 2023/24.
- 1.3 To propose the HRA rents for 2023/24.
- 1.4 To propose the HRA service charges for 2023/24.
- 1.5 To update Members on the 2022/23 HRA budget, incorporating the Making Your Money Count options and fees and charges.

2 RECOMMENDATIONS

- 2.1 That HRA rent on dwellings be increased, week commencing 3 April 2023 by 7% which is an average increase of £7.24 for social rents, £11.82 for affordable rents and £8.42 for Low Start Shared Ownership homes per week (based on a 52-week year). This has been calculated in line with the Government's change to rent policy announced in the Autumn Statement as set out in paragraph 3.3.
- 2.2 Council is recommended to approve the 2023/24 HRA budget set out in Appendix A.
- 2.3 The Council is recommended to approve the 2023/24 growth options as set out in section 4.7 are approved.
- 2.4 That Council is recommended to approve the 2023/24 Fees and Charges as set out in Appendix B.
- 2.5 Council is recommended to approve the 2023/24 service charges.
- 2.6 That Council is recommended to approve the minimum level of reserves for 2023/24 as shown in Appendix C to this report.
- 2.7 Members note the Rent Increase Equalities Impact Assessments appended to this report in Appendix D.
- 2.8 It is recommended that Council approve the increase to the 2022/23 Working Budget of £1,436,500, to fund pressures detailed at 4.3.
- 2.9 That members approve the increase in tenant service charges to recover increased utility costs for the last 6 weeks of 2022/23, as set out in 4.3.5.
- 2.10 That members note that, due to the current volatility of the market, utilities charges will be kept under close review throughout 2023/24.
- 2.11 That the contingency sum of £400K, within which the Executive can approve supplementary estimates, be approved for 2023/24 (increased from £250k for 2022/23), as detailed in 4.16.5.

3 BACKGROUND

- 3.1 The Housing Revenue Account (HRA) is a legally ring fenced account that records the income and expenditure relating to the operation of the Council's housing stock. The main costs in the HRA relate to management, maintenance, depreciation (used to finance capital works) and interest on loans. This is mainly funded from rents that make up the majority of HRA income. Any surpluses are held in the ring fenced area and are used to contribute towards capital and offset years where the account may be in deficit.
- 3.2 The financial sustainability of the HRA is mainly reliant on rental income levels. In 2022/23 there was no change to the government rent policy issued in 2020, allowing for social housing providers to increase rents by the Consumer Prices Index (CPI) +1% for a five-year period. Guidance released in November 2020 does allow local authorities to breach this cap in

circumstances of exceptional financial hardship. However, this has not applied to Stevenage Borough Council's HRA.

- 3.3 For 2023/24, there are notable changes in Government policy that will impact on the financial sustainability of the HRA. This includes announcements in the Autumn Statement that the rent cap will be set at 7%, (4.1% lower than the previous CPI=1% formula), despite no cap on the impact of inflation and with the addition that some financial support will be in place for residents (including tenants and leaseholders) and the Council until April 2024, (albeit at reducing levels), and benefits will rise in line with inflation.
- 3.4 However, there are still developing policy issues in the HRA regarding the decent homes standard and building regulations; overall regulation of the sector and compliance requirements; and environmental improvements, like decarbonisation of the housing stock. Estimates for some of the initial potential impacts of changes in these areas have been included in the budget plans, but these will need to be refined as the position becomes clearer and updated in the 30 year business plan refresh, in time for the 2024/25 financial year.
- 3.5 Government reforms of the 'Use of Right to Buy (RTB) Receipts' reported in 2021/22 have positively benefited the Council in the short term by supporting existing development plans, in particular the simplification of the system, the extension of spending periods for receipts from three to five years and increase in the percentage of receipts that can be used in acquisitions from 30% to 40% (thus reducing the contribution per property required from the HRA). This will continue to be closely monitored as medium-term plans are developed and reviewed, including the impact of a limit on acquisitions of existing properties through open market purchase, to be phased in by 2024.
- 3.6 As with other Council services, the HRA has been impacted by the COVID pandemic and latterly by the cost of living crisis facing residents and Councils alike . In particular, rent arrears remains historically high and is continuing to rise as people struggle with increased food, energy and fuel bills. The complexity of people's financial circumstances is also increasing, leading to multiple debts and urgent requests for support.
- 3.7 The Council is also seeing an increase in requests for Discretionary Housing Payments, at the same time as reduced funding from central Government and changes to the thresholds at which people can access support.. The Council is undertaking a programme of work to support residents through the cost of living crisis (as reported to the Executive in December 2022), and the ongoing impact on the HRA will be closely monitored and responded to as appropriate.
- 3.8 The Budget and Policy Framework Procedure Rules in the Constitution prescribe the Budget setting process, which includes a minimum consultation period of three weeks. Under Article 4 of the Constitution, the Budget also includes: the allocation of financial resources to different services and projects; proposed contingency funds; setting the rents; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.

3.9 The Draft HRA budget was presented to the Executive in December,. Since this report was presented there have been changes to the HRA budgets for both 2022/23 and 2023/24 and these are detailed in this report.



4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Government Policy and Organisational Context

4.1.1 As discussed in the Background section above, there are many areas of Government policy that are currently undergoing significant changes and are either in the process of being fully understood or do not have clear timelines for being finalised. There are also a number of internal and external factors that are impacting on Council finances, including the HRA. These include:

- the highest rate of inflation for 40 years and rising interest rates as the country enters recession
- the rising cost of living, driven by increasing food, energy and fuel costs in particular
- Limit of the Government rent cap for social housing to 7%, alongside the fastest ever rate of increase in private sector rents (up 3.8% in the last 12 months)
- the ongoing impact of the Covid 19 pandemic, and planning for potential “twin-demic” this winter alongside rising occurrences of flu
- The Housing White Paper 2020, which is in the process of being implemented and set out a charter of what social housing residents should expect from their landlord including opportunities to take part in decision making.
- The Levelling Up and Regeneration Bill, which continues its passage through Parliament
- new Building Safety Act and Fire Safety Act being introduced by Government following a review into the Grenfell Tower fire

- reviewing the Council’s lettable standard and decent homes standard, in line with any changes to Government’s Decent Homes Standard
- Development of new homes and investment in existing stock to meet differing needs and growing demands
- Maintenance, repairs and upkeep of existing stock
- The Council’s transformation programme, putting residents at the heart of services, utilising the latest technology to support delivery and maximising efficiency, effectiveness and income
- the climate emergency and the need to improve energy efficiency, including decarbonisation of housing stock
- the impact of Brexit on the building industry in particular
- rising cost and availability of building materials
- low levels of unemployment affecting recruitment and retention of staff, but also predictions of rising unemployment during 2023 which could lead to more people losing income

4.1.2 As a result of the uncertainty caused by the factors listed above, it is particularly challenging to review the full 30 year HRA business plan at this time. All existing assumptions about future plans and spending commitments will need to be considered, and this will require time as well as more clarity and understanding of the full impact of these issues.

4.1.3 The focus has therefore been on establishing a robust budget for 2023/24, whilst also building in consideration for some of these “known knowns” and “known unknowns” over the coming 12 months, and predictions beyond that, which reflect current understanding. Current proposals reflect information from the Autumn Budget announcement, and growth requirements identified by service areas in response to increasing demand for support. These proposals will continue to be updated as things become clearer, and to reflect further Government announcements for example.

4.2 Delivery outputs for the HRA 2023/24

4.2.1 In light of the above, the investment priorities and areas of focus for 2023/24 will reflect meeting statutory and legal duties (many of which are new and represent increased burdens on the Council), and identified local priorities:

Statutory Burdens:

- Ensuring Safe Homes – that are compliant with Consumer Standards
- Decent Homes – Enhanced Stevenage Standard for 2023/24 to be set following the consultation on the new national standard
- Ensuring building safety - including in high risk settings (e.g. high rise blocks and independent living schemes (critical milestones to be met in 2023/2024)

- Enhancing tenants' voice in raising issues and concerns, and helping to identify and meet priorities

Local Priorities:

- Delivery of new social and affordable homes as scheduled for 2023/24
- Planned and preventative maintenance across the estate
- Decarbonisation Programme – deliver contracted (match funded) programme, which could be scaled up in 2023/24 subject to securing additional grant funding.
- Cost of living support for tenants
- Managing damp and condensation issues in the housing stock.

4.3 Changes to the 2022/23 HRA Working budget

- 4.3.1 Due to the level of inflationary pressures experienced in 2022/23 there are a number of changes to the current year's budget . These changes are detailed below.
- 4.3.2 **Fixed Pay Award £409,920** – this is the additional cost of the pay award, which was originally estimated at 2% versus the fixed pay award of £1,925 per pay spinal point.
- 4.3.3 **Electricity Costs £31,920** – this is the current projected increase based on Government support and the latest contract prices from October 2022.
- 4.3.4 **Gas Costs £416,770** – as with electricity costs, this shows the current projection based on Government support and the latest contract prices from October 2022.
- 4.3.5 **Service Charge Income (£42,110)** – Normally tenant service charges are calculated annually in advance. However, due to the exceptional increase in utility prices during 2022/23, this has left a shortfall in the recovery of these costs to date. Unfortunately, as the increased contract prices were not known until October and the majority of gas usage happens between November and February, it has not been possible to calculate an accurate increase until now. However, Members and officers have considered it would not be reasonable, or feasible, to collect the whole annual increase from tenants over the remaining weeks of this year. For 2022/23 it is recommended that the full weekly charge is made to tenants over as many weeks as possible to mitigate the loss to the HRA. While this would not fully recover the increased costs, it is estimated to generate an additional £42K of income. The Government have announced support payments from January of up to £400 to help those people who do not have a direct contract with an energy supplier and cannot access the existing schemes such as those tenants on the District heat scheme. The scheme will be administered by the Shared Revs and Bens service and where applicable customers will be directed to these sources of support. Leaseholder's costs would normally be adjusted to actual charges in next year, but there are legal limits to the amounts that can be recovered. This area is currently under review, so no assumptions have been assumed in these figures at this time. The table below shows the

number of customers impacted by the changes and the average increase in charges per week.

	Customers	2022/23 Current	2022/23 Revised	Increase	12 Weeks
Tenants Charges Over 50 Weeks					
Block Electricity	1959	£1.25	£1.46	£0.21	£2.52
Sheltered Block Electricity	748	£3.05	£3.57	£0.52	£6.24
Heating	588	£8.65	£19.21	£10.56	£126.72

4.3.6 **General Fund recharge pressures £120,000** – This is the impact of additional General Fund staff and utility costs in recharged services to the HRA.

4.3.7 **Void Property Costs £500,000** – There is a backlog of void properties due to a combination of the type of void repairs required, key staff vacancies, increased costs (both materials and sub-contractors) and dealing with the return to normal activity after the Covid pandemic. In order to deal with the current list of void properties and to return them to a lettable standard as soon as possible, it is recommended that a further £500K be made available in 2022/23 together with a virement of £500K, from other existing cyclical maintenance budgets, to fund this year's programme.

4.3.8 the total impact of the pressures listed above is a further 2022/23 net cost to the HRA in 2022/23 of £1.437Million which is higher than the delegated budget limit to the Executive and requires Council approval.

4.4 Rents

4.4.1 The total number of HRA homes in management on 31/10/2022 is summarised in the table below. The average rents for 2022/23 are based on current housing stock, any right to buys or new schemes after this date may change the average rent per property type.

Stock Numbers at 31/10/2022	Social	Affordable	Sheltered	LSSO	Homeless	Total
Number of Properties	6,877	36	850	80	185	8,028

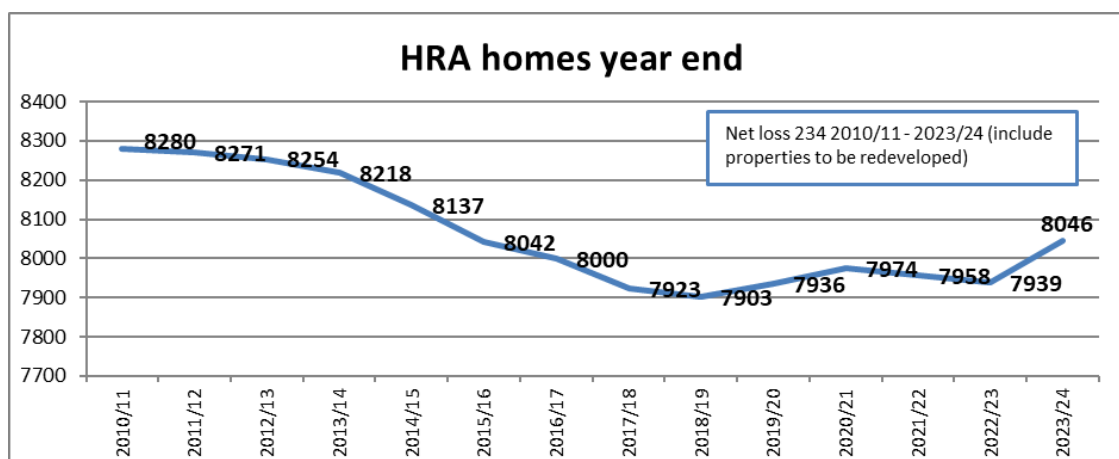
4.4.2 Rents would normally be calculated on the current agreed formula of September CPI plus 1 %. However, as the September CPI was at 10.1% and would have resulted in a 11.1% increase, the Government have announced a rent cap of 7%.

4.4.3 The proposed average rents per week for 2023/24 are set out in the table below, based on a 52 week year.

Average Rents 2023/24	LSSO	Increase/ (decrease) %	social	Increase/ (decrease) %	Affordable	Increase/ (decrease) %
Average Rent 2022/23	£120.33		£103.54		£168.83	
Add rent impact 2023/24	£8.42	7.0%	£7.24	7.0%	£11.82	7.0%
Total 52 week Rent 2023/24	£128.75		£110.78		£180.65	

4.4.4 The net rental income increase for 2023/24 is estimated to be £3.3Million, which includes the impacts of estimated right to buys, a significant number of expected new properties and properties taken out of management (awaiting redevelopment).

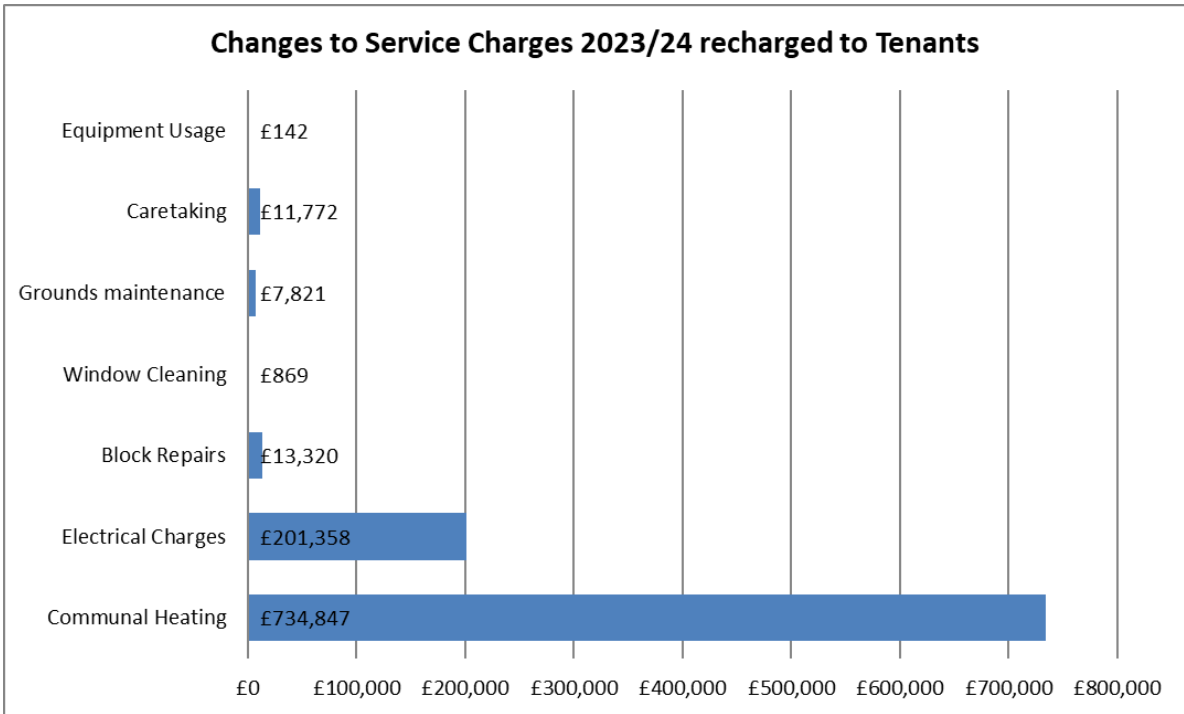
4.4.5 The total number of properties available is estimated to reduce by 234 homes between 2010/11 and the end of 2023/24, (based on the net impact of RTBs, new homes and homes awaiting development). The forecast numbers for 2023/24 continue to reflect the impact of new developments and acquisitions.



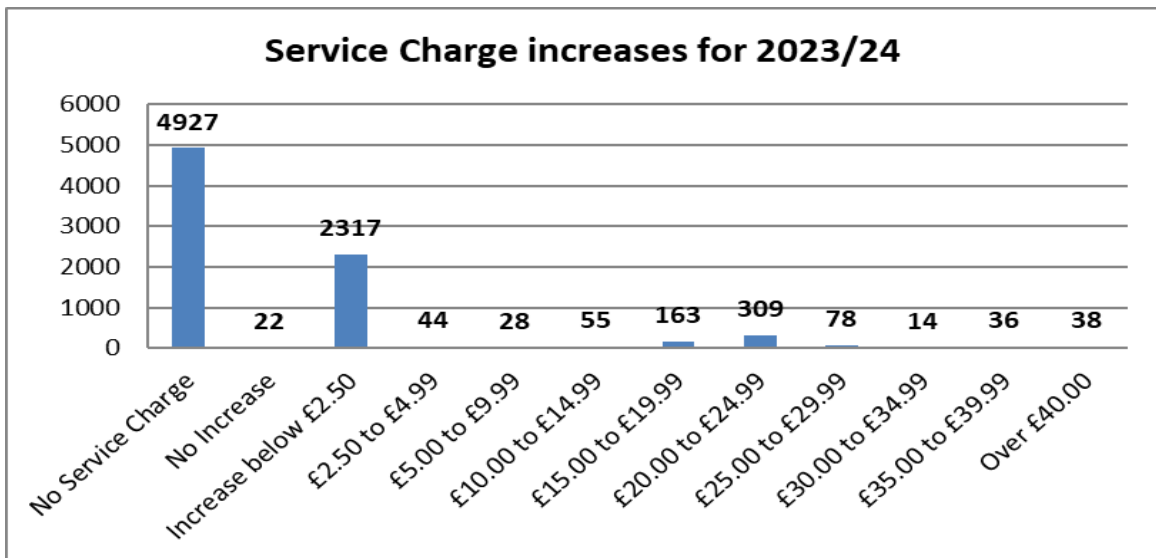
4.5 Service Charges 2023/24

4.5.1 Service charges are calculated for each block individually for the 3,063 properties, (2022/23, 2,956) or 37% of current SBC tenanted properties.

4.5.2 Service charges are not based on the rental increase of 7%, but are actual or cost recovery. For 2023/24, service charge costs will increase based on the higher inflationary pressures and changes in usage. The chart below identifies the changes between 2022/23 and 2023/24 for service charges. The estimates are based on the projected budgeted costs for 2023/24, with the exception of block repairs, which is 'smoothed' over a five-year period to eliminate individual in-year spikes in repairs spend. The graph clearly shows the very large anticipated increase in utility charges next year, in particular the rise in gas costs for those customers on communal heating systems. These prices do not anticipate any Government intervention or subsidy and do not take account of any individual payments tenants may receive to help with energy costs from other agencies.



4.5.3 The spread of service charge increases for all tenants in 2023/24 is shown in the chart below. Unlike previous years, these figures do include the communal heating charge (for those tenants receiving this service), as the impact of utility prices is so significant. The impact of these changes is that 4,927, or 61%, of homes do not receive a charge. A further 2,339, or 29%, will have increases below £2.50 per week. However, a significant minority are facing increases above this amount with 475, or 6%, of tenants facing an increase over £20 per week. The highest increase will see an additional £43 per week, or £2,236 per annum.



* note increase per week

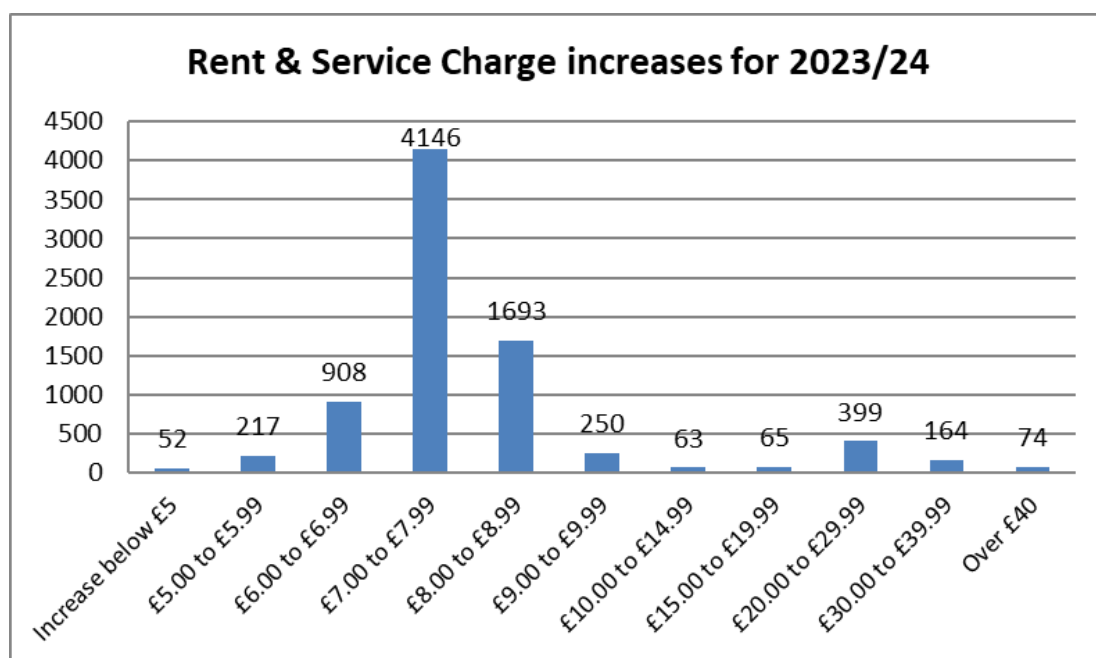
4.5.4 The impact of the current cost of living crisis and the unprecedented increase in the cost of utility supplies has had a dramatic adverse impact on service

charges. The budget has been forecast on the basis of cost recovery of these increases, in parity with those tenants who have to fund their utility costs independently, outside of rent and service charges. However, over the coming weeks those accounts with the highest increases, in service charges, will need to be carefully reviewed and charges validated. The utility bills themselves will also be subject to enhanced monitoring to ensure that customers pay the right charge and the Council will continue its programme of improvements to increase the efficiency of the housing stock. It is also possible that there will be further Government intervention, beyond the current scheme, and market prices could still move over the course of the year. Given the current volatility of the market, utilities charges will be kept under close review throughout 2023/24 and any changes in this area will be reported throughout the course of the budget year.

4.6 Rents and Service Charges

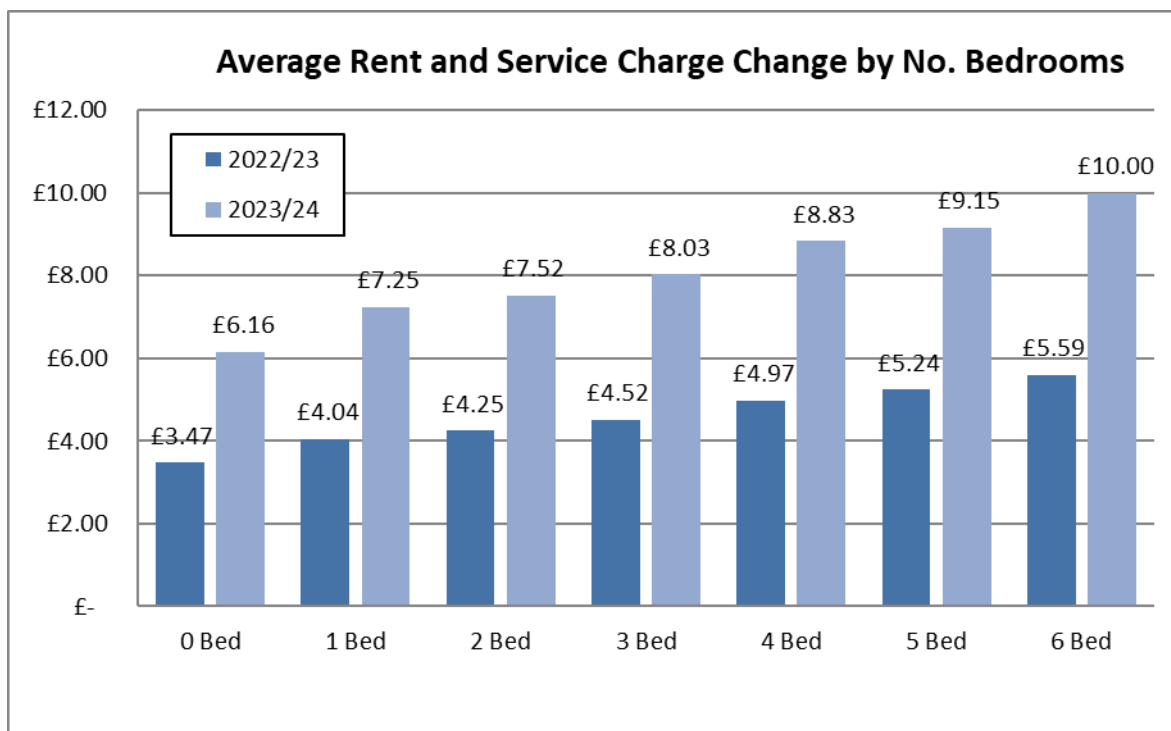
4.6.1 The impact of the 2023/24 rent increase and service charges is that 4,146 homes, or 52%, receive a weekly rent and service charge increase between £7.00 and £7.99. This is mainly driven by the proposed Government rent cap of 7%. However, due to the utility price increases highlighted in 4.5.4 above, there are a significant number of properties with combined increases in excess of £20 per week and 74 properties over £40 per week.

4.6.2 The spread of the 2023/24 rent and service charge changes are summarised in the chart below.



**note increase per week*

4.6.3 The average rent and service charge increase/(decrease) by bedroom size has also been calculated and summarised in the chart below.



4.6.4 The comparison between HRA property rents per week and private sector rents per week, for one to four-bedroom properties, is shown in the table below. A three-bedroom private sector rental property costs an additional 114%, (2022/23,131%) more per week than an SBC council home and 28% more than the affordable let properties, (2022/23 30%).

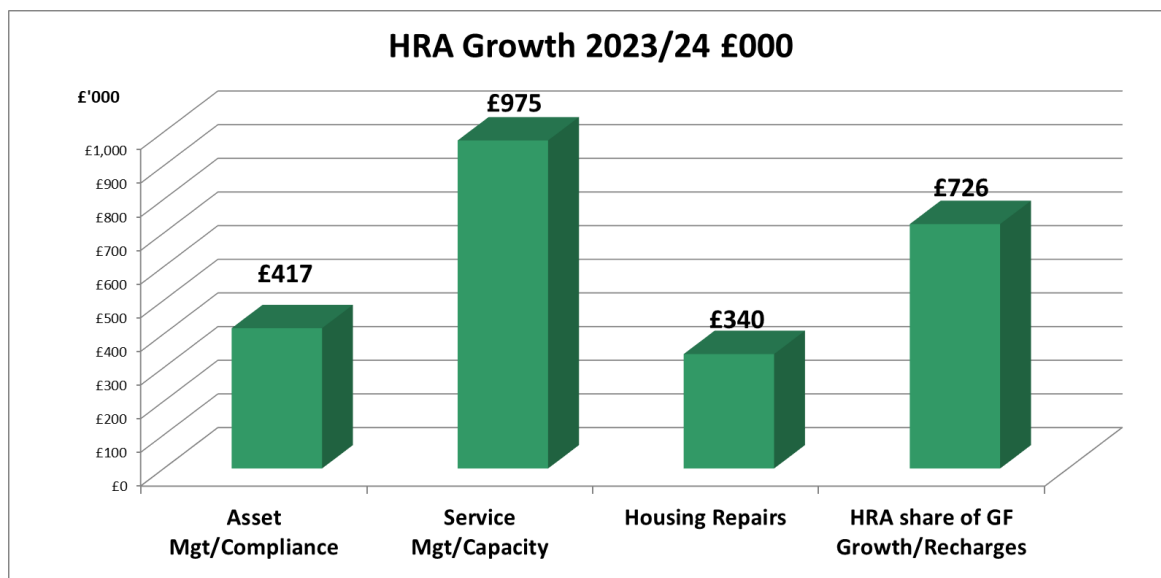
	SBC Social Rent	SBC Affordable Rent	Median Private Rent	Local Housing Allowance (LHA) 2022/23	Median % v SBC Social	Median % v SBC Affordable
1 Bed Property	£93.87	£147.52	£177.36	£155.34	89%	20%
2 Bed Property	£109.88	£187.03	£235.30	£195.62	114%	26%
3 Bed Property	£122.41	£221.61	£283.78	£241.64	132%	28%
4 Bed Property	£134.61	£259.59	£331.08	£299.18	146%	28%

Private rent Data from ONS as at March 2022 updated by ONS rental inflation for East of England to October 2022. Please note the SBC rents are April 2023 prices and the private rents September 2022 prices.

4.6.5 The Local Housing Allowance (LHA) shown in the table above is the maximum amount of housing benefit payable by property size for private rented properties.

4.7 Growth included in the HRA

4.7.1 The revenue growth included in the 2023/24 HRA budget is summarised in the chart below.



4.7.2 Revenue Growth has been grouped into four main areas:

- Asset Management and Compliance (£417K)
- Service Management and Capacity (£975K)
- Housing Repairs (£340K)
- HRA share of General Fund Growth/Recharges (£726K)

Asset Management and Compliance

Description	£000
CCTV Upgrades (revenue running costs)	£38
Compliance (Team structure changes and additional posts)	£103
Fencing	£250
Tree Surveys for Tenanted Gardens	£26
Total Growth	£417

4.7.3 **CCTV upgrades** – additional revenue funding is required to support the ongoing maintenance and monitoring of the Council’s CCTV systems once they are upgraded to the required digital standard, and to move all schemes across the to the monitored CCTV service. The capital costs of this upgrade are included in the Capital budget for 2023/24.

4.7.4 **Compliance** – Building safety and compliance is a core function to managing the safety within Council-owned homes. As detailed in earlier sections, recent and emerging changes to building safety and fire safety legislation, along with the requirements of the social housing regulator, present significant challenges for Councils and it is essential there is sufficient and competent resource to deliver this service. The Council has carried out a review of the current team structure and have identified the need for a restructure of

existing resource plus additional roles to meet these requirements effectively, including posts dedicated to Building Safety and additional surveying capacity in response to increased damp and condensation cases anticipated due to cost of living pressures.

- 4.7.5 Fencing** – additional resource is required to meet the backlog of fencing repairs and maintenance issues that have been reported to and identified by the Council. The growth requested will support clearing the backlog, as well as an ongoing programme of proactive maintenance to reduce the impact of further periods of bad weather.
- 4.7.6 Tree Surveys for Tenanted Gardens** – it has been identified that many properties have large, overgrown and in some cases unmanaged trees in their gardens. Whilst tenants are responsible for the maintenance of their gardens, as the landlord the Council could still potentially be liable for any damage or harm caused by these trees, as well as rectifying any structural damage the trees cause to the housing stock. It is therefore proposed that a tree survey is undertaken in all Council properties to assess the extent of the problem, the number of trees, their condition, level of maintenance and level of future risk, followed by ongoing survey work and tree maintenance in future years.

Service Management/Capacity

Description	£000
Fixed Term Posts from BUR and Covid Response	£655
Senior Housing Management Structure	£50
Housing Officer - x4 FTE additional permanent posts	£160
Hoarding service	£30
2x Specialist Support Officers - Community Support	£80
Total Growth	£975

*BUR (Business Unit review)

- 4.7.7 Fixed Term Posts from BUR and Covid Response** - following a comprehensive business unit review staff numbers in the HRA were reduced, on the assumption that new business process improvements and transformation would lead to efficiencies. However, it was recognised that transition posts would be required to bridge the gap between the old and new structures. Initially it was projected that the posts would end in 2021/22, but the impact of the pandemic and cost of living crisis, and accommodating new ways of working, has led to a request to fund the transition stage into 2023/24.

Since introducing three temporary complaints management posts, levels of customer service have increased significantly by responding to complaints in a timely manner and improving the quality of responses. It is therefore proposed to make these posts permanent.

There are also several areas in the income team in particular where increasing demand for support can only be met by increasing capacity, including income reconciliation, service charge setting, tenant arrears, and emergency / temporary accommodation. Some of these posts are important

in supporting frontline teams, whilst others are self-financing through the additional income that will be received as a result of their work.

It is proposed that there will be a full review of the HRA establishment during 2023, including links across to the establishment in other council services. The outcome of this work will be included in the new HRA Business Plan proposals for 2024/25 onwards.

- 4.7.8 **Senior Housing Management Structure** – with the significant increase in compliance requirements, and continuing challenges in working across business units to deliver technical solutions to repairs, maintenance and voids, it is proposed to increase senior officer capacity to lead on technical compliance. This will help to provide clear leadership across functions and provide necessary technical expertise to drive service improvements.
- 4.7.9 **Housing Officer capacity** – it is proposed to replace existing, temporary and unfunded posts with permanent employees, increasing Housing Officer capacity to drive tenancy audits and meet regulatory burdens. Benchmarking with other similar authorities shows that other authorities have higher staffing levels, allowing for reduced caseloads and increased capacity to meet fire safety practices in property inspections.
- 4.7.10 **Hoarding storage and clearance** – this is linked to new legal duty extending the period which items must be retained for if unclaimed or removed from properties, as well as the safeguarding and welfare priorities from reducing hoarding in properties. There is currently no budget allocated for storage of items, and with cases increasing it is anticipated that costs will be significantly higher next year than current levels.
- 4.7.11 **Specialist Support Officers capacity for complex needs** –this additional capacity is needed to support increasing demand for support, and these two posts will provide additional support for people with complex needs including those leaving care.

Housing Repairs

Description	£000
Capacity to defend Disrepair Claims	£100
Repairs - Complaints Officer	£30
Repairs - Surveyors (x2)	£130
Repairs - Business Improvement Officer	£40
Damp and Condensation Customer Support Officer	£40
Total Growth	£340

- 4.7.12 **Capacity to defend disrepair claims** – there is a growing legal industry for disrepair claims, with tenants being enticed to make claims against their landlords. Whilst we are committed to improving, enhancing and optimising services to mitigate the potential for successful claims, there is increasing capacity required to prepare and defend these claims. Without additional resource there is a risk that operational service delivery will be negatively impacted.

- 4.7.13 **Repairs Complaints Officer** – the service seeks to ensure that complaints are responded to in a timely and appropriate manner. Currently complaints are being handled by employees that have a range of other duties, and due to the current demands, response times are not always met, which can then result in an escalation. It is therefore proposed to employ a dedicated Complaints Officer to respond to complaints in a timely manner. Officers are continuing to develop and optimise the service which over time should also lead to reduced complaints.
- 4.7.14 **Repairs Surveyors** – two professionally recognised repairs surveyors are required to ensure that the housing stock is maintained and repaired to an appropriate standard, in a timely and cost-effective way. There is currently insufficient professional capacity in the Repairs service to adequately resource this function, making complex cases particularly challenging to resolve promptly. Qualified repairs surveyors would ensure that Council housing stock is maintained and repaired to a professional standard rather than just best endeavours.
- 4.7.15 **Repairs Business Improvement Officer** – the recent review has addressed legacy issues with systems and processes in the service. However, there is no capacity to monitor and improve these systems and processes alongside meeting increasing operational demands. It is therefore proposed to employ a dedicated Business Improvement Officer, to ensure that systems and process continue to be developed and enhanced to help improve and optimise service delivery in line with the Council's digital transformation objectives.
- 4.7.16 **Damp and Condensation Customer Support Officer** – in response to the recent tragic case in Rochdale and the increased likelihood of damp and condensation issues in poorly, or unheated homes, due to the cost-of-living crisis, it is proposed that an 18 month position is created to provide customer support and to help early intervention in this area. This is an immediate response to the current operating environment, but further measures may be needed to respond to any regulatory requirements that emerge in the coming year.

HRA share of GF Growth/Recharges

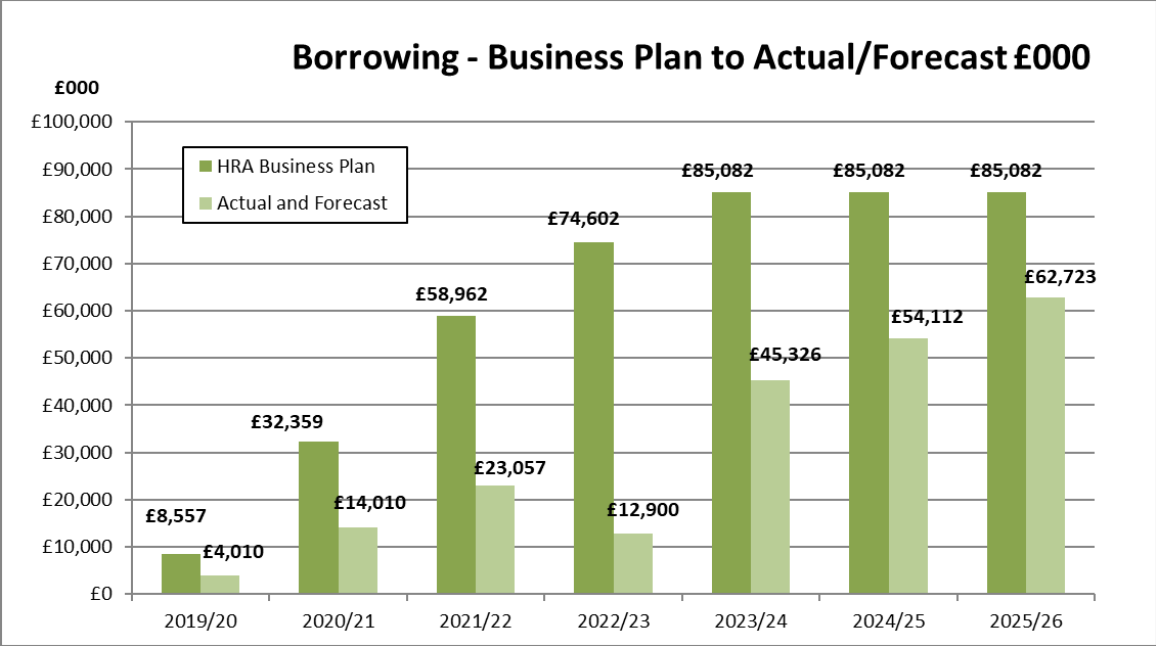
Description	£000
Climate Change Growth	£57
Net Increase GF charges to the HRA	£300
Reallocation of domestic abuse costs to current	£97
Insurance	£45
Final Recharge adjustments HRA to GF	(£27)
Increased Recharges from SDS	£64
Increased Vehicle recharges	£101
Increased Cost of Pensions	£89
	£726

- 4.7.17 **Climate Change Growth - £57K** – HRA share of the General Fund growth item to increase resources for the Council’s climate change programme reported to the November Executive and included in the Draft budget report in January 2023..
- 4.7.18 **General Fund Recharges to the HRA - £300K** – higher inflationary costs identified as part of the General Fund setting process (as reported to this Executive) has increased the cost of recharges to the HRA (e.g. HR, CSC, payroll, Finance ICT, Pension costs).
- 4.7.19 **Reallocation of Domestic Abuse Costs - £97K** (as identified as part of the MYMC savings report to the December Executive) – the HRA and GF share the costs relating to domestic abuse prevention and casework. A recent review of caseloads indicated that the proportion of cases relating to the HRA is higher than currently recharged leading to this correction of the allocation.
- 4.7.20 **Insurance - £45K** - insurance premiums are now estimated to be £45K higher than the premiums included in the draft budget.
- 4.7.21 **Final Recharge Adjustments HRA to GF – (£27K)** - after final overhead allocations have been calculated there is a net increase of £27K in recharges from the HRA to the GF for 2023/24.
- 4.7.22 **Increased Recharges from SDS - £64K** – the management recharges from Stevenage Direct Services (SDS) for the responsive and void repairs service has increased by £64K, largely due to inflationary pressures impacting other recharges.
- 4.7.23 **Increased Vehicle costs - £101K** - the majority of this increase relates to an additional accounting charge for depreciation of £68K that will contribute towards the major repairs reserve. However, insurance costs have also increased by £15K and parts and labour costs are also up by £17K.
- 4.7.24 **Increased Cost of Pensions - £89K** in December 2022 the Council received triennial pension review figures from the scheme actuaries. This has increased the estimated employer’s contribution in next year and lowered the historic cost payments made into the scheme. The net impact of these changes is an increased cost of £89K over that estimated.
- 4.7.25 As noted in point 4.7.7, there will be a full review of the establishment linked to the HRA during 2023. This will include the posts above, in particular the Business Improvement Officer and Complaints Officer, to ensure the most efficient and effective alignment of resources to meet service priorities and demands.

4.8 Borrowing

- 4.8.1 Based on current forecasts, new loans totalling £9.0Million and £25.0Million are expected to be taken in the current and next financial years for 2022/23 and 2023/24. However, the timing of when to take the new borrowing will be reviewed, weighing up the cost of carry and the prevailing PWLB rates. The interest payable in 2022/23 and 2023/24 is estimated to be £7.338Million and £8.699Million respectively.

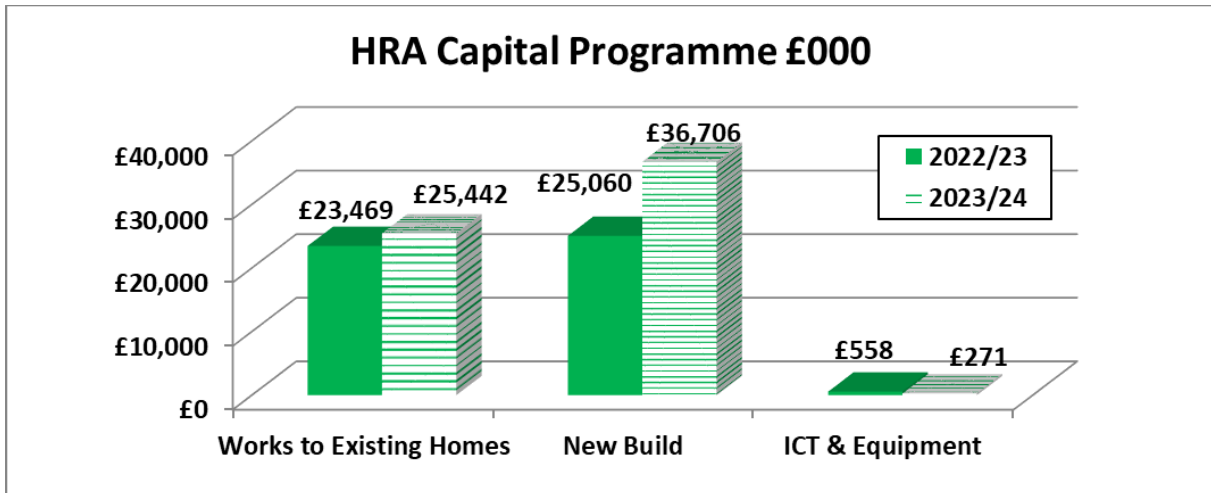
4.8.2 During this year interest rates have been increasing from the unusually low levels seen in the past decade to closer to normal long-term averages. This had been anticipated within the HRA business plan with future loan interest assumed at 4.5%, roughly where PWLB borrowing currently stands. However, some loans that are due to be taken in both this and next year will have a slightly higher interest rate than originally anticipated in the plan. The table below shows the cumulative borrowing in the business plan compared to the current actual and projected loans.



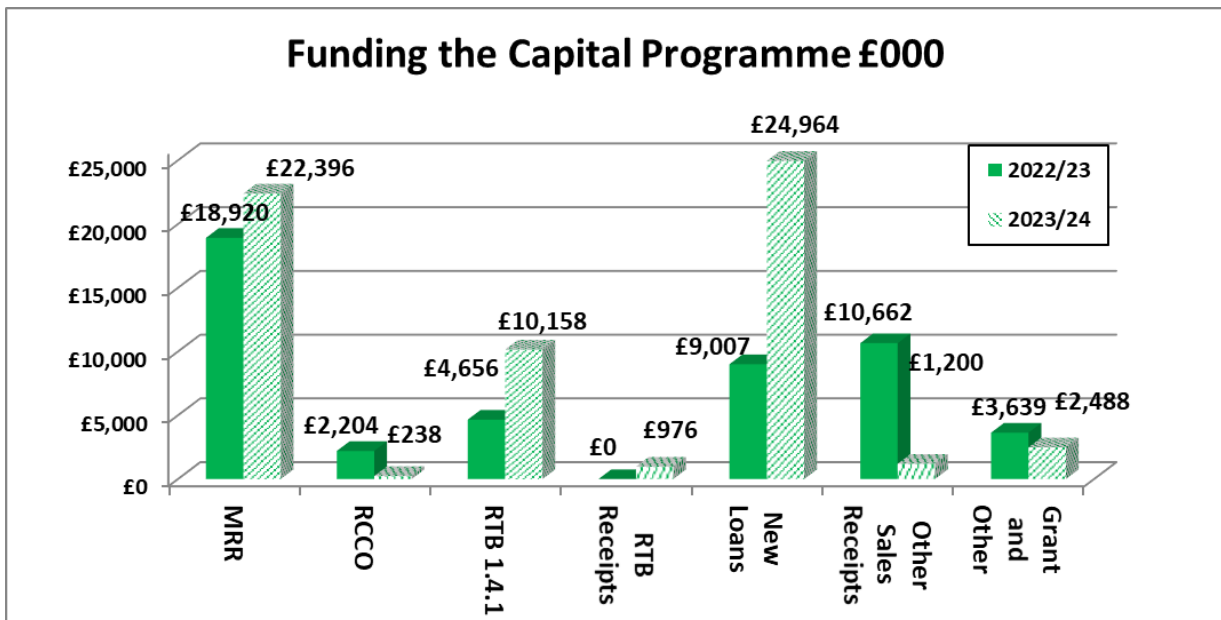
4.8.3 The graph shows that a significant amount of debt is due to be taken in 2023/24 as planned to invest predominately in new homes, but overall borrowing will still be less than originally forecast in the business plan. This is partially due to the timing of capital spend and also due to the high level of balances held by the HRA that have allowed “internal borrowing” to fund capital works. Overall, in the longer-term annual interest will be slightly higher than planned, but this has been mitigated by current interest savings and the interest rate reserve of £3.4Million that was set aside to cover these fluctuations.

4.9 Capital Expenditure

4.9.1 The table below shows the revised capital programme for 2022/23 and the proposed spend for 2023/24. This allows for slippage on current schemes and growth items of £5.1Million that will be detailed in the capital report for next year.



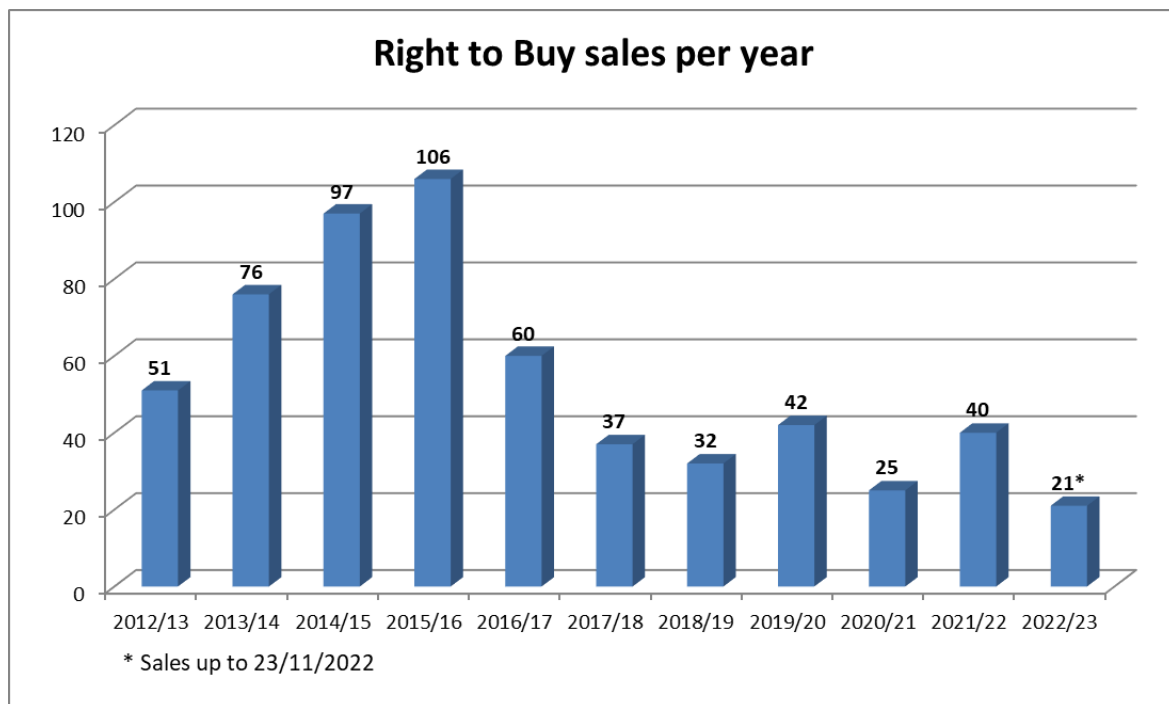
4.9.2 The majority of the growth relates to decarbonisation and building safety works. The decarbonisation works will relate to the success of the latest grant bid for Government funding, and this has been assumed within the current budget proposal. The table below shows the funding sources for the programme including the anticipated grant. Most of the work to existing homes continues to be financed from the major repairs reserve (funded from depreciation charges to the HRA) and the new build costs from loans and receipts.



4.10 Use of One for One Receipts

4.10.1 As mentioned earlier in the report, the Government has now amended the rules regarding the use of capital receipts arising from the sale of Right to Buy (RTB) properties and the Council has entered into a new retention agreement that reflects these changes. This has reduced pressure on the use of RTB receipts, particularly as the Council is currently delivering major developments that can use these restricted funds.

4.10.2 Sales of properties remain lower than the recent peak in 2015/16 and it looks likely that they will be in line with projected estimates of 35 properties for 2022/23. The budget for 2023/24 continues to assume sales of 35 properties for rent budgeting and capital receipts purposes. The graph below shows recent sales activity by year.



4.11 Options to Reduce Cost in the HRA

4.11.1 The savings targets included in the 2021 MTFS for the HRA, including the 2% repairs saving, have been removed for 2023/24 due to the current operational pressures. The HRA's full business plan re-write in 2023/24 will determine future MYMC targets.

4.11.2 Additional fees and charges totally £21,980 as set out in Appendix B, have been included in the 2023/24 budget for approval.

4.11.3 As discussed previously, a full review of the posts and resources linked to the HRA will be undertaken over the next 12 months. This will be focused on ensuring that the right resources are prioritised in the areas that will have the

greatest impact and will ensure all regulatory and compliance requirements are met. This work will identify and agree a staffing cost envelop for the medium to longer term that ensures stability within the HRA whilst also driving the delivery of Council priorities.

- 4.11.4 Work is also planned to model the longer-term funding requirements for a number of areas, including the emerging asset management strategy including compliance costs, the housing development programme, decarbonisation of housing stock to at least EPC rating C, and meeting Decent Homes Requirements.

The outcome of all this work will inform a fundamental review and redrafting of the full 30-year HRA business plan, as well as a detailed budget for 2024/25, to be agreed by Council in January 2024.

4.12 Focus for Housing Investment in 2023/24

- 4.12.1 The key areas of focus for the investment service are captured in the HRA Asset Management Strategy and the associated action plan. Key themes include:

- *Delivery of the capital programme including Decent Homes & MRC*
- *Ensuring homes are safe and compliant. Implementation of the compliance and building safety action plans.*
- *Ensuring homes meet the Social Housing Regulators consumer standards.*
- *Decarbonisation of the housing stock and working towards all properties being EPC C by 2030.*
- *A review of the Aids & Adaptations service and policy.*
- *A review of the Damp and Condensation service and policy*

4.13 Focus for Repairs and Voids in 2023/24

- 4.13.1 The fundamental objective for the Repairs service is to continue to optimise the quality and efficiency of the services it provides to residents, covering repairs, void repairs and caretaking. To achieve this, additional staffing resources are required to enhance capacity, as set out in this report, and there is a need to address the additional budgetary demands as a result of inflation and higher than inflation increases e.g. the cost of materials. The revised Housing asset management strategy also presents an opportunity to enhance the planned and cyclical works undertaken to the housing stock, which should lessen the burden on a reactive repairs services, and will help to ensure that the existing stock is maintained to the necessary standards

4.14 Focus for Housing Development 2023/24

- 4.14.1 The Housing Development programme continues to deliver essential new schemes for the HRA. These meet acute housing need but also add to the HRA's financial sustainability by maintaining the stock base & future rental streams as well as capital injections through open market sales. During the life of the current HRA Business Plan 347 new homes have been delivered and £5.3m in sales receipts have been generated. Schemes are presently

on site at Symonds Green, Dunn Close, and Kenilworth Close. Schemes to have completed this year include North Road, Oaks Cross and Hitchin Road.

- 4.14.2 The progression of the HRA development programme into and beyond 2023/24 involves the continuation of the development of new housing schemes throughout the town that adhere to the approved “five-star” quality development principles. These are; promoting sustainable development, pursuing genuinely affordable rents, mixed but tenure blind housing, making best use of land, and starting with community-led consultation
- 4.14.3 The HRA business plan development budgets are not proposed to be increased and instead rely on procuring wisely and developing business cases for future borrowing where it may be needed and considered advantageous to do so. However, in general approved budgets within the programme will be utilised to start on site, over a five-year period, and deliver (subject to planning) approximately 165 new homes amongst the following schemes: Brent Court Garages, Burwell Road Phase 2, Ellis Avenue, a further garage site and Symonds Green. These schemes and Development programme will continue to benefit from the oversight of the Housing Development Working Group.

4.15 Focus for Housing Management in 2023/24

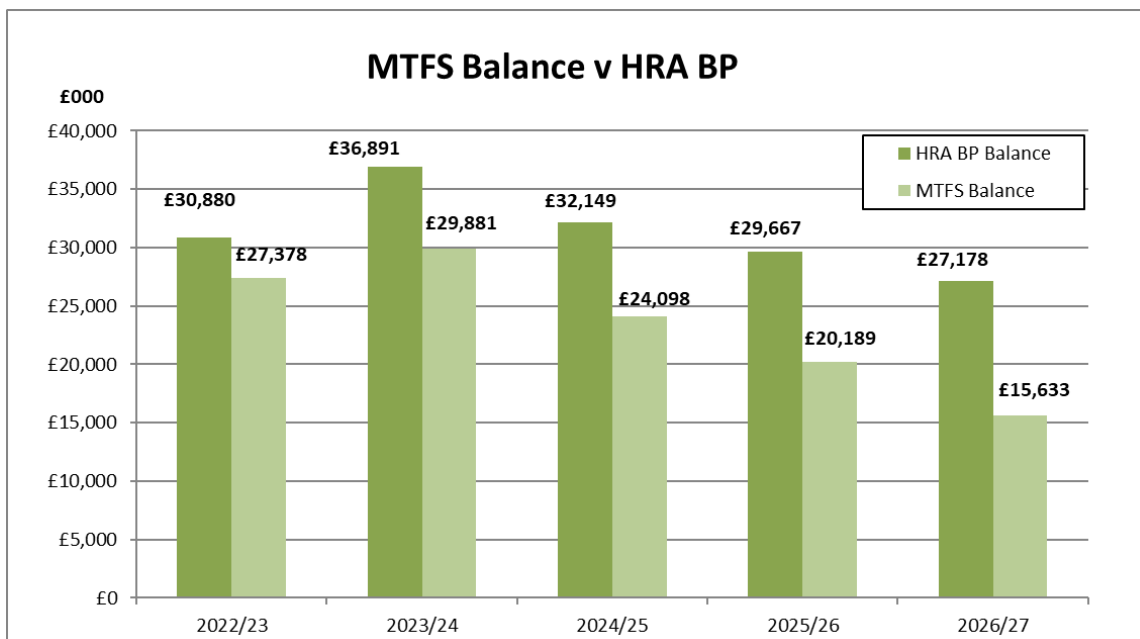
- 4.15.1 The focus will be engaging with residents and making sure services are set up to deliver an efficient and effective customer service. The community support offer will be increased to support more people who are struggling with hoarding and other complex issues. Pre-tenancy interviews will help to identify specific needs and support people at the start of their tenancy and to help them sustain it.
- 4.15.2 The Voids end-to-end process will be fully reviewed to achieve optimum service performance and return to the HRA. Officers across Housing and Stevenage Direct Services are working collaboratively to identify areas for improvement. This will include reviewing the Lettable Standard and identifying reasons for refusals, reviewing the programme of tenancy audits and pre-void inspections, reducing void repairs times, ensuring data collection allows more accurate reporting capability and benchmarking with a comparable Local Authority to understand relative performance and identify examples of good practice.
- 4.15.3 The personal charges for Emergency and Temporary Accommodation will also be reviewed to ensure the charging model is more efficient and in line with current costs, whilst being fair to occupants.

4.16 Final Budget Proposals

- 4.16.1 The Final 2023/24 HRA budget is estimated to be a net surplus of £1,792,270, a net reduction of £709K. The table below shows the main movements from the draft to the final budget and includes all the growth proposals for 2023/24 detailed in 4.7 above.

Summary of 2023/24		
Draft HRA 2023/24 budget		(£2,501,610)
Changes from Draft to Final Budget		
Net Increase GF charges to the HRA	£299,750	
Reallocation of domestic abuse costs to current	£97,340	
Insurance	£45,400	
Final Recharge adjustments HRA to GF	(£27,570)	
Increased Recharges from SDS	£64,140	
Increased Vehicle recharges	£100,850	
Damp and Condensation Customer Support Officer	£40,000	
Increased Cost of Pensions	£89,430	
Total Changes:		£709,340
Final HRA 2022/23 budget		(£1,792,270)

4.16.2 After these adjustments to the 2022/23 set out in section 4.3 and the adjustments above the graph below compares the expected business plan balance to the latest MTFS projection.



- 4.16.3 While the gap is just under £3.5Million at the end of this year, by 2026/27 it is forecast to have opened to £11.5Million. As these balances are required to repay the self-financing loans from 2026/27, next year's revision of the business plan will need to address this problem and rebalance the account in the medium to long term.
- 4.16.4 All HRA balances, in excess of the minimum balance held for assessed risks in year, are required to fund the HRA 30-year capital programme. A risk assessment of balances has been completed and is in Appendix C to this report.

HRA Balances:	2022/23	2023/24
	£	£
HRA Balance 1 April	(28,207,279)	(27,377,689)
Use of balances in Year	829,590	(1,792,270)
HRA Balance 31 March	(27,377,689)	(29,169,959)
Minimum Balances	(3,320,000)	(3,310,000)
Debt Repayments	(24,057,689)	(25,859,959)

- 4.16.5 Currently, the delegated authority, to the Executive, for additional budget approvals is £250,000 for the year. Due to the current economic climate, including increased risk factors from inflationary pressures and the impact of the costs of living crisis on customers and their ability to pay for services, it is recommended that the contingency sum is raised to £400K to match the General Fund.

4.17 Consultation

- 4.17.1 The proposals in this paper are the result of detailed consultation with Executive Members, Senior Executives and service managers across the Council.
- 4.17.2 The Draft budget was considered at the December Overview and Scrutiny meeting where the report was considered by the committee.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The HRA is heavily reliant on rental income to support the management, maintenance and investment in the housing stock and a medium and long term view of resources is required (MTFS and 30 year business plan) to ensure the HRA has sufficient resources to meet its statutory obligations and its financial in terms of ability to repay the self-financing debt of £199Million and further borrowing to maintain a level of homes to meet housing needs.
- 5.1.2 The level of additional growth requested for 2023/24 is not sustainable in the medium to long term without significant compensatory savings. This requires

a number of actions, a refresh of the 30 year business plan, in addition with the implementation of the Transformation programme to reduce HRA costs. .

5.2 Legal Implications

5.2.1 Legal implications are included in the body of the report.

5.3 Staffing Implications

5.3.1 The unions will be consulted on the options contained in this report, where there is an adverse impact on staffing resources. Human Resources staff will co-ordinate centrally the implementation of any staff related savings from the budget process.

5.4 Risk Implications

5.4.1 Due to frequent Government policy changes, there are significant risks in setting the HRA budget. Historically the ring-fenced account has relied almost solely on rent income to finance both revenue and capital works. However, the Government has changed rent setting criteria again for 2023/24, with a 7% rent cap outside of the current five-year policy statement. Overall risks have also increased with the removal of the debt cap in 2019, as the Council is making long term financing decisions, on capital investment, based on income streams set by the current policy.

5.4.2 Currently one of the continuing risks to the account is a large increase in arrears. These have increased, in part as a result of tenants switching from housing benefits to Universal Credit, but mainly due to the past impact of the COVID 19 pandemic and the measures put in place by the Government, which included a suspension of evictions and the ongoing cost of living crisis. To mitigate this position increased resources are still in place to help recover rent owed and the provision for bad debt has been increased to recognise that not all the outstanding debt will be recovered.

5.4.3 Current high inflation rates may put pressure on capital and revenue repairs budgets and may put further pressure on HRA resources. There are also significant risks in recovery of utility costs from tenants and leaseholders, due to the unprecedented increase in costs.

5.4.4 The full operational implications of regulatory changes after the Grenfell tragedy are still being implemented, in particular the response to the Housing White Paper. As policy and best practice across the sector is developed this could increase budget pressures on the HRA.

5.4.5 There is a risk of interest rates being higher than projected and leading to a reduction in the amount of expenditure for both revenue and capital.

5.4.6 The HRA will have a full business plan review in 2023/24 to make sure that capital and revenue spend remains affordable over the life of the plan. This will also include a full operational review to ensure that current staffing levels and budget heads meet the needs of the service and are sustainable over the life of the plan. It is also likely that savings and efficiency targets will be built into this process to ensure value for money is achieved.

5.5 Equalities and Diversity Implications

- 5.5.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Act replaced three previous equality legislations – the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). The Council has a statutory obligation to comply with the requirements of the Act, demonstrating that as part of the decision-making process, due regard has been given to the needs described in the legislation. These duties are non-delegable and must be considered by Council when setting the budget in January 2022.
- 5.5.2 To inform the decisions about the Budget 2023/24 officers have undertaken Brief Equality Impact Assessments (EqIAs) for service-related budget proposals, which will be further developed as proposals are agreed and implemented. Where there is a potentially negative impact, officers have identified further action needed to inform a final decision and to mitigate the impact where this is possible.
- 5.5.3 Attached as Appendix D is an EqIA for increasing the rent charged by 7% per annum, including the mitigations that will be implemented to lessen the impact wherever possible.

6 BACKGROUND DOCUMENTS

- BD1 Draft Housing Revenue Account Budget Setting and Rent Report 2023/24 – December 2022 Executive

7 APPENDICES

- Appendix A – Housing Revenue Account Summary
Appendix B- Fees and Charges
Appendix C – Risk Assessment of Balances
Appendix D - EQIA for HRA Rent

APPENDIX A

HOUSING REVENUE ACCOUNT SUMMARY

	Actual 2021/22 £	Original Budget 2022/23 £	Working Budget 2022/23 £	Original Budget 2023/24 £
Summary of Expenditure				
Supervision and Management	9,191,322	8,445,450	8,955,480	9,715,400
Special Services	5,201,815	5,232,580	6,203,090	7,451,310
Rent, Rates, Taxes and Other Charges	673,023	548,990	663,990	709,610
Repairs and Maintenance ⁽¹⁾	9,482,073	9,996,700	11,517,090	10,616,720
Depreciation	12,319,781	11,900,420	11,900,420	13,568,080
Corporate and Democratic Costs	1,085,808	1,106,780	1,106,780	1,209,640
Contribution to the Bad Debt Provision	298,927	224,220	224,220	375,000
Total Expenditure	38,252,750	37,455,140	40,571,070	43,645,760
Summary of Income				
Rental Income:				
Dwelling Rents	(40,471,428)	(43,020,770)	(42,382,430)	(45,678,620)
Non Dwelling Rents	(97,359)	(92,120)	(92,470)	(93,120)
	(40,568,787)	(43,112,890)	(42,474,900)	(45,771,740)
Charges for Services & Facilities - Tenants	(2,287,975)	(2,485,700)	(2,008,610)	(3,361,740)
Leaseholder Service Charges	(865,788)	(895,850)	(1,066,390)	(1,006,540)
Contributions Towards Expenditure	(597,676)	(346,800)	(352,810)	(308,520)
Reimbursement of Costs	(313,022)	(345,540)	(345,540)	(354,540)
Recharge Income (GF & Capital)	(2,252,208)	(2,374,980)	(2,374,980)	(2,546,480)
Total Income	(46,885,456)	(49,561,760)	(48,623,230)	(53,349,560)
Gain on sale of HRA Non-Current Assets	(6,722,889)	0	0	0
Interest Payable	7,168,156	8,277,040	7,338,460	8,698,640
Interest Receivable	(201,830)	(330,380)	(660,470)	(1,025,180)
Capital grants & Contributions receivable	(3,548,590)	2,203,760	2,203,760	238,070
Pension Interest and return on assets	395,354	0	0	0
Net (Surplus)/Deficit For Year	(11,542,506)	(1,956,200)	829,590	(1,792,270)
Movement on the HRA				
Accounting basis to funding basis under statute	8,565,501	0	0	0
Transfer to Reserves	164,000	0	0	0
Housing Revenue Account Balance				
Net Expenditure/(Income) for Year	(2,813,005)	(1,956,200)	829,590	(1,792,270)
Balance B/Fwd 1 April	(25,394,274)	(28,207,279)	(28,207,279)	(27,377,689)
HRA Balance C/Fwd 31 March	(28,207,279)	(30,163,479)	(27,377,689)	(29,169,959)

Appendix B		Description of Chargeable Service	2022/23 GROSS FEE PAYABLE BY CUSTOMER	NET FEE (2023/24)	VAT (exemption can be applied for on certain fees)	2023/24 GROSS FEE PAYABLE BY CUSTOMER	Gross Increase £	Increase %	2022/23 Working Budget	Increase in budget due to proposed fee increase	2023/24 Proposed Budget
Housing Revenue Account											
Specialist Support											
Guest Bedrooms											
	Silkin Court, Walpole Court, Scarborough Avenue, Southend Close, Pinewoods & Fred Millard.	£13.00	£11.50	£2.30	£13.80	£0.80	6.19%				
Guest flats	Norman Court, Silkin Court	£23.00	£19.50	£3.90	£23.40	£0.40	1.72%				
Short Stay Units	Assessment (per day)	£11.60	£11.70	£0.00	£11.70	£0.10	0.86%				
	Respite	£23.00	£23.40	£0.00	£23.40	£0.40	1.74%				
									10,630	270	10,900
Laundry Charges											
	Sheltered schemes first wash (per week)	£3.20	£2.75	£0.55	£3.30	£0.10	3.00%				
	Second wash and thereafter	£3.20	£2.75	£0.55	£3.30	£0.10	3.00%				
	Guest bedrooms and short stay (per wash)	£3.20	£2.75	£0.55	£3.30	£0.10	3.00%				
									7,400	200	7,600
Room Hire											
	Hairdressing at Silkin/Fred Millard, (Hourly charge) *	£5.50	£5.00	£1.00	£6.00	£0.50	9.17%				
	Private chiropodist and other services, (per hour) *	£5.50	£5.00	£1.00	£6.00	£0.50	9.17%				
									1,870	130	2,000
Support Services and careline for HRA tenants											
	Housing related support (includes all services shown under careline alarms)	£19.65	£19.65	£0.00	£19.65	£0.00	0.00%				
	SIM Careline Unit (additional weekly charge)	£1.00	£1.00	£0.20	£1.20	£0.20	20.00%				
	independent living and flexi care support charge for previous HRS protected clients and new residents entitled to HB	£10.00	£10.50	£0.00	£10.50	£0.50	5.00%				
	response service for new customers (50 weeks)	£8.70	£7.25	£1.45	£8.70	£0.00	0.00%				
	Response service to other provider equipment (50 weeks)*	£4.92	£4.10	£0.82	£4.92	£0.00	0.00%				
	Monitoring only service (50 weeks) *	£3.78	£3.25	£0.65	£3.90	£0.12	3.17%				
									450,000	17,500	467,500
Careline Alarm- private (Shortfall funded from General Fund)											
	Response service (52 weeks) *	£8.70	£7.25	£1.45	£8.70	£0.00	0.00%				
	Response service out of area (52 weeks)*	£8.70	£7.25	£1.45	£8.70	£0.00	0.00%				
	Response service to other provider equipment (52 weeks)*	£4.92	£4.10	£0.82	£4.92	£0.00	0.00%				
	Monitoring only service (52 weeks) *	£3.78	£3.25	£0.65	£3.90	£0.12	3.17%				
									91,400	1,600	93,000
Replacement Pendants											
	Careline (Winkhaus) keys*	£13.80	£12.00	£2.40	£14.40	£0.60	4.35%				
	Fobs - Sheltered Schemes (Black)	£22.38	£19.25	£3.85	£23.10	£0.72	3.22%				
	Fobs - Sheltered Schemes (Shark)	£13.08	£11.50	£2.30	£13.80	£0.72	5.50%				
	Tynetec pendant	£57.60	£50.00	£10.00	£60.00	£2.40	4.17%				
	Doro pendant	£48.00	£42.00	£8.40	£50.40	£2.40	5.00%				
Key safe											
	Chiptech		£44.15	£8.83	£52.98	£52.98	new				
	Supply	£22.00	£18.50	£3.70	£22.20	£0.20	0.93%				
	Fit	£63.70	£53.50	£10.70	£64.20	£0.50	0.79%				
Lock Change											
		£90.00	£78.00	£15.60	£93.60	£3.60	4.00%				
									3,700	150	3,850
General Needs Tenants and Leaseholders:											
Key Fobs											
	Old Style "Black fobs"	£22.40	£19.25	£3.85	£23.10	£0.70	3.11%				
	New "Shark" Fobs*	£13.10	£11.50	£2.30	£13.80	£0.70	5.31%				
Communal door entry keys											
	Replacement keys for entry doors to flat blocks.	£21.50	£18.40	£3.68	£22.08	£0.58	2.68%				
Laundry charges - Roundmead											
	Wash tokens	£6.00	£5.20	£1.04	£6.24	£0.24	4.00%				
Management Fees for Westwood Court & Kilner Close											
	Dry Tokens	£3.25	£2.80	£0.56	£3.36	£0.11	3.32%				
	Administration Fees	£1.20	£1.05	£0.21	£1.26	£0.06	5.00%				
									7,270	230	7,500
Stores											
	Callout	£145.00	£127.00	£25.40	£152.40	£7.40	5.11%	16,000	1,000	17,000	
	Admin charge	£52.00	£45.50	£9.10	£54.60	£2.60	5.01%	0	400	0	
	Charge		POA					11,000		11,400	
									27,000	1,400	28,400
Tenant's Retrospective Charges											
		£0.00		£0.00	£0.00	£0.00	n/a				
Inspection charge - depending on cost of work											
	From £0 to £999	£225.00	£235.00	£0.00	£235.00	£10.00	4.44%				
	From £1,000 to £1,999	£230.00	£240.00	£0.00	£240.00	£10.00	4.35%				
	From £2,000 to £2,999	£250.00	£260.00	£0.00	£260.00	£10.00	4.00%				
	From £3,000 to £3,999	£260.00	£270.00	£0.00	£270.00	£10.00	3.85%				
			From £4,000 to £4,999	£310.00	£320.00	£0.00	£320.00	£10.00	3.23%		
			From £5,000 to £5,999	£420.00	£430.00	£0.00	£430.00	£10.00	2.38%		
Administration											
		£160.00	£170.00	£0.00	£170.00	£10.00	6.25%				
									6,400	0	6,400

**APPENDIX C: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT
BALANCES 2023/24**

Potential Risk Area	Comments including any mitigation factors		
Income from areas within the base budget where the Council raises "Fees and Charges"	Potential risk that the budgeted level of income from activities where the Council is charging for services will not be achieved. This is anticipated largely to be as a result of the downturn in economy and the current cost of living crisis, but could also be as a result of increased void rates, lower collection rates, disputed bills. All "fees and charges" income is reviewed as part of the monthly/quarterly budget monitoring process. All budgets are profiled over the year based upon previous experience.		
	Calculated Risk		
Specific Areas	Estimated Income	Risk assessed at	Balances Required
Rechargeable works not raised or recovered	£183,460	10.00%	£18,346
Leaseholder charges not realised (excluding insurance)	£846,020	5.00%	£42,301
Rental income (increase in voids rates)	£45,630,620	0.75%	£342,230
Service Charges (increase in voids rates)	£2,162,440	0.75%	£16,218
Heating charges	£832,150	5.00%	£41,608
Total			£460,702

Potential Risk Area	Comments		
Demand Led Budgets	Potential risk that spending on parts of the budget where the Council has a legal duty to provide the service increases significantly, including due to regulatory requirements. Individual budgets reviewed as part of the monthly budget monitoring process. All budgets are profiled over the year based upon previous experience and so any variances should show up during the year.		
	Calculated Risk		
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Storm damage and fire damage uninsured costs (excess is £25,000 for fire damage)	£25,000	100.00%	£25,000
Response and Emergency repairs increase as a result of inflationary pressures or unforeseen repairs	£8,309,400	5.00%	£415,470
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£58,851,110	2.00%	£1,177,022
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£58,851,110	0.75%	£441,383
Insufficient budget identified for damp and mould works	£250,000	10.00%	£25,000
Total			£2,083,876

Potential Risk Area	Comments including any mitigation factors		
Changes since budget was set	Potential risk that things change since the budget estimates were made and the estimates are then under budgeted for.		
	Calculated Risk		
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Increase in borrowing costs for internal borrowing	£3,000,000	0.25%	£7,500
Transitional Vacancy Rate 4.5% not achieved	£266,600	10.00%	£26,660
Increase in bad debt provision	£375,000	10.00%	£37,500
Utility inflation (Electricity increase in April 2018, Gas increase from Oct 2018)	£819,930	5.00%	£40,997
NEW pay award is higher than budgeted for	£10,215,810	0.50%	£51,079
Total			£163,736

Potential Risk Area	Comments including any mitigation factors		
Income from areas within the base budget where the Council raises "Fees and Charges"	Potential risk that changes in government policy and legislation mean income from activities where the Council is charging for services will not be achieved.		
	Calculated Risk		
Specific Areas	Estimated Income	Risk assessed at	Balances Required
Increased Right to buys as a result of Government initiatives reducing the amount of collectable rent. Assume an additional 20 RTB's increasing the number to 55 in 2023/24	£115,211	50.00%	£57,606
NEW higher rent arrears as a result of cost of living crisis	£500,000	2.50%	£12,500
Total			£70,106

Potential Risk Area		Comments including any mitigation factors	
Estimated balances required for any over spend or under -recovery of expenditure		This calculation replaces the calculation based on Net Expenditure	
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Gross Expenditure (excluding fixed interest costs and depreciation and RCCO)	£26,452,360.00	1.50%	£396,785
Total			£396,785
Potential Risk Area		Comments including any mitigation factors	
Greater exposure to interest rate changes		Moving from RCCOs to new borrowing to support capital increases the risk of higher borrowing costs due to increased interest rates.	
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
General allowance in the balances to meet any potential increased cost of borrowing (new 2023/24 loans)	£23,814,260	0.56%	£133,598
Total			£133,598
Level of Balances Assumed in Housing Revenue Account Based on risk			£3,309,060
Balances held for future debt and capital programme.			£27,112,339
Total Required balances			£30,421,399

Appendix D

Full Equality Impact Assessment Rent and Service charges 2023- 2024 Changes

What is being assessed?		HRA: Rent and Service Charge 2023/24			
Lead Assessor	Rob Gregory			Assessment team	Elizabeth Ddamulira Ben Threadgold
Start date	Jan 2023	End date	Jan 2025		
When will the EqIA be reviewed?	Jan 2024				

Who may be affected by it?	All tenants
What are the key aims of it?	<p>Rent increases are prescribed by Government and it is extremely difficult therefore not to apply the determination made by Government annually.</p> <p>To increase the rent on dwellings from week commencing 3 April 2023 by 7%, which is , an average increase of £7.24 for social rents, £11.82 for affordable rents and £8.42 for Low Start Shared Ownership homes per week (based on a 52-week year). This has been calculated in accordance with the announcement made in the Governments autumn statement that has imposed a cap on the previous policy of CPI +1% and the Council's Rent and Service Charge Policy.</p>

The Council's Rent and Service Charge Policy provides a framework for setting rents and service charges within legislative requirements. The rent and service charge income underpins the delivery of the Housing Revenue Account Business Plan's key housing objectives to deliver effective services, to invest in its properties to ensure homes are of a modern standard and to provide new social housing to rent. The policy was revised in December 2019.

The revisions aimed to ensure that the policy complied with the government's direction on the Rent Standard 2019 and to clarify the Council's position in relation to service charge increases and affordable rents. A further aim since 2020 is to mitigate the impact of COVID 19 and Cost of Living Crisis (CoL) on customers and their ability to pay rent and service charges. Key elements include:

- To increase rents on social rent and affordable rent properties by up to CPI+1% each year from 2020, for a period of at least five years.
- Increase the rents for all excluded properties by CPI +1%, e.g. LSSO
- Set the rent for a proportion of new build homes at affordable rents.
- Set the rent where adaptations or extensions have resulted in the property being increased in size (for example, an additional bedroom), in accordance with the formula rent as detailed in the policy.
- Further to the Welfare Reform and Work Act 2016, charge the rent payable by new tenants of existing social rent housing at the higher of the formula rent (i.e. the 'social rent rate'), or the actual rent (i.e. the 'assumed rent rate') as at 8th July 2015, with the appropriate rent increase applied in line with the current Rent Standard Direction (February 2019).
- Charge actual costs for service charges but with the provision to apply a cap, subject to any legal constraints, on affordability grounds where appropriate.
- Mitigation of COVID19 impact and Cost of Living Crisis (CoL)

What **positive measures** are in place (if any) to help **fulfil our legislative duties** to:

Remove discrimination & harassment		Promote equal opportunities	The aim of the Rent & Service Charge Policy is to provide a fair method of calculating rents and service charges for all of our tenants. It also aligns with the council's Concessions for Fees and Charges Policy, and the principle of recovering the cost of providing services.	Encourage good relations	
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What sources of data / information are you using to inform your assessment?	<ul style="list-style-type: none"> • Policy Statement on Rents for Social Housing, February 2019 • Direction on the Rent Standard, 2019 • Welfare Reform and Work Act 2016 • Housing and Planning Act 2016 • Rent and service charge policy agreed by Exec December 2019 and recommended to Council in January 2020 • Rent account information • Housing System data • Supported housing service data
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In assessing the potential impact on people, are there any overall comments that you would like to make?	<p>Approval to increase rents by CPI + 1% for 5 years from 2020/21 required a revision of HRA Budget plans priorities. The HRA Business Plan was agreed at the December 2019 Executive Meeting.</p> <p>The average rent increase for 2023/2024 is 7%, in line with Government announcements in the Autumn Budget on 17 November 2022.</p>
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When calculating rents and service charges accounts, consideration will be taken of the need to balance any increase in the combined rent and service charge with the potential financial impact on customers. This relates to 37% of homes to which a service charge applies, which are predominantly flats as well as sheltered accommodation. The Council must recover the actual cost of providing the service and service charge costs will increase with inflationary pressures and changes in usage.

The impact of the 2023/24 rent increase and service charges is

- 269 homes or 2.7% receive a rent and service charge increase less than £6 per week;
- 7,266 homes or 90% of households will receive a weekly rent and service charge increase of less than £10 per week (based on 52 weeks).

We had 6877 general social rented properties, 36 affordable rent properties, 850 Sheltered Accommodation and 80 LSSO as at October 2022. The setting of a proportion of new build lets at affordable rents will contribute positively to increasing the supply of new homes in Stevenage. All target groups will benefit given the need for affordable housing is common across all socio-economic and minority groups. The current low supply of new affordable housing and the high cost of the private rented sector in Stevenage have impacted adversely on those groups whose incomes are average or below average.

This also further supports work with people who need help to live independently at home and those at risk of homelessness, through wider housing options, continued provision of support, and financial assistance for adaptations and more homelessness preventative programmes respectively.

Any groups that are potentially disadvantaged are still expected to be able to benefit from a council property set at a social rent.

	Tenants benefited from four years of rent reduction from 2016-2020 so the impact of the rent increase is mitigated partially by having to use a lower base than it would have been had there not been a mandatory rent reduction (cumulative) of 1 % between 2016-2020.
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Evidence and impact assessment

Explain the potential impact and opportunities it could have for people in terms of the following characteristics, where applicable:

Age					
Positive impact		Negative impact	Residents may be experiencing exceptional economic hardship as a result of the cost of living crisis, and increases in energy, food and fuel costs in particular. This may have a greater impact older people, who may have additional needs for heating and to run particular equipment, and may also have lower income / be reliant on pensions and/or benefits (which have been	Unequal impact	The increase is applied to all properties; it is not possible to exempt any particular groups. A proportion of tenants may see an increase in service charges in any given year. The majority of tenants who are charged for services live in flats and/or sheltered accommodation. Tenants living in sheltered housing do so because they have additional needs that require support relating to age, disability or both. The minimum age for entry into sheltered housing is 55 years and data from Northgate indicates that the proportion of tenants aged 60+ in sheltered housing, is almost three times the proportion for all tenant housing.

			increased in line with inflation)		<p>In relation to flat blocks, the data indicates that there is a higher proportion of people aged 18-29 years in flat blocks compared with all SBC housing.</p> <p>For people living in independent living/flexicare schemes, in addition to basic rent and service charges, those who pay for the support/emergency response services that are not eligible for Housing benefit may see an increase in overall payment due each week .</p> <p>We currently know that COVID-19 and Cost of Living Crisis (CoL) is disproportionately of particular risk to older people and those with underlying conditions. This may result in in this age group incurring extra expenses that may affect their ability to pay rent and service charges.</p>
Please evidence the data and information you used to support this assessment			See page two and three.		
What opportunities are there to mitigate the impact?	Ongoing and day to day consultation will take place with residents in 2023/24 to establish the impact of the rent & service charge increase. Please also refer to the mitigations outlined in the socio-economic section below, most of which will also apply to this protected characteristic group.			What do you still need to find out? Include in actions (last page)	

Disability

Positive impact		Negative impact	Residents may be experiencing exceptional economic hardship as a result of the cost of living crisis, and increases in energy, food and fuel costs in particular. This may have a greater impact on people with a disability, who may have additional needs for heating and to run particular equipment, and may also have lower income / be reliant on benefits (which have been increased in line with inflation)	Unequal impact	<p>The increase is applied to all properties; it is not possible to exempt any particular groups. Northgate data on tenants in relation to disability is collected at the lettings stage and in most cases this was a number of years ago and is not up to date. This information was also disclosed at the tenants' discretion so some tenants may not have provided it. To give some context, the data indicates that the proportion of tenants in sheltered housing declaring that they had a disability was almost double the proportion for the whole SBC tenant population.</p> <p>The proportion of tenants living in flat blocks declaring a disability was very similar to the proportion living in all properties; therefore a disproportionate impact on these tenants is not anticipated.</p>
Please evidence the data and information you used to support this assessment			See page two and three.		
What opportunities are there to promote equality and inclusion?				What do you still need to find out? Include in actions (last page)	

Gender reassignment, Marriage or civil partnership, Pregnancy & maternity, Race, Religion or belief, Sex, Sexual orientation N/A					
Positive impact		Negative impact		Unequal impact	

Please evidence the data and information you used to support this assessment	There is no evidence to suggest any specific impacts on customers within any of these protected characteristic groups.		
What opportunities are there to promote equality and inclusion?		What do you still need to find out? Include in actions (last page)	

<p style="text-align: center;">Socio-economic¹ e.g. low income, unemployed, homelessness, caring responsibilities, access to internet, public transport users</p>					
Positive impact		Negative impact	<p>The rent increase will be applied across all tenancies prescribed by the Work and Welfare Reform Act and in line with the current Rent Standard Direction (February 2019) regardless of circumstances. This will be applied for 2023/2024. Those reliant on Housing Benefit (HB) and Universal Credit (UC) Housing costs to cover their full rent and eligible service charges won't be affected by the increase in rent and service charges as their benefit award will be recalculated.</p> <p>The number of bids on the new build properties let at affordable rents are similar to the number received for new build let at social rents. There is a mixture of employed and unemployed applicants. Applicants in receipt of benefits are not excluded or unfairly treated.</p>	Unequal impact	

¹Although non-statutory, the council has chosen to implement the Socio-Economic Duty and so decision-makers should use their discretion to consider the impact on people with a socio-economic disadvantage.

			<p>Those who receive services for which a service charge is made will be charged the actual cost of those services. Heating charges are exempt from HB and tenants are expected to pay this. Water charges are also exempt from HB and are set by the Water Authority. SBC collects the water charges on behalf of the Water Authority.</p> <p>Residents may be experiencing exceptional economic hardship as a result of the cost of living crisis, and increases in energy, food and fuel costs in particular. Households in the general rented homes, especially those on lower incomes, in general pay more of their income on housing costs and have less resilience to cope with financial shocks. This is anticipated to lead to a significant increase in fuel poverty, and extreme fuel poverty.</p> <p>By pushing those who had previously been coping into financial hardship, it is very likely that the rise in cost of living is going to intensify health inequalities that have already been exacerbated by the Covid-19 crisis and we know that poverty and health inequalities are inextricably linked.</p>		
<p>Please evidence the data and information you used to support this assessment</p>		<p>See page two and three</p>			

<p>What opportunities are there to mitigate the impact and promote equality and inclusion?</p>	<p>The policy allows for capping of service charges, subject to any legal constraints. As a means of mitigating the impact of an increase that would cause hardship, the council may subsidise the costs.</p> <p>Rent increase information will be published on the Council website early February 2023 to start preparing tenants.</p> <p>The rent notification letter (to be sent out at the end of February) will offer tenants the opportunity to discuss any queries they have with staff. It will explain why the rent has increased and also explain any increase in service charges. Where a property has a number of service charges they will be fully explained, with a summary of how the weekly charge has increased overall.</p> <p>Where support charges are also included (mainly but not exclusively for sheltered and flexi care schemes) separate notifications will be sent out to these residents to ensure it is clearly set out how each element of the weekly charge is made up.</p> <p>To ensure that this is explained as clearly as possible there will be a FAQ sheet and details on the website and hard copies available for those who need them.</p> <p>The policy states that the Council will have regard to the Local Housing Allowance when setting affordable rents. If affordable rents are set at this level, HB/ UC housing cost will cover the rent in full for those tenants who are entitled to the maximum amount of housing benefit. Setting at the Local Housing Allowance will also benefit tenants who are, for example on a low wage or zero hour contracts and where partial housing benefit can be paid.</p>	<p>What do you still need to find out? Include in actions (last page)</p>	<p>ongoing consultation will take place with residents throughout 2023/24 to establish impact of the rent & service charge increase and put in place systems to mitigate this accordingly</p>
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For those moving into Affordable Rent (AR) properties a comprehensive affordability assessment is carried out prior to offer to ensure that the tenancy is sustainable.

The implementation of the policy in respect of Affordable Rent will be kept under review by the Housing Development Executive Committee and should adverse impacts be identified this will inform future decision making in this regard.

Support provision for this group has been increased as part of an Income Recovery Action plan and it has been extended for a further 2 years to ensure that they can pay through sustainable arrangements to maintain payments towards rent and service charges and have access to required support . Additional staffing resources have been secured to continue work to target and support UC cases to maximise income collection and minimise the level of arrears for this group of tenants.

The Council will make links to support and guidance clear on all of its communication platforms.

The Council will prepare staff to enable them to respond effectively and empathetically with tenants.

There is Officer Working Group - Cost of Living & Cost of Living Action Plan in place to mitigate some of the worst impacts of the cost of living crisis, the action plan seeks to minimise the negative on people in Stevenage. The action plan also considers the role of Stevenage Borough Council, as employers, recognising the

	impact of the CoL on low paid staff. It is therefore expected that the action plan will also have a positive impact on the health and wellbeing of staff as well.		
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Other				
please feel free to consider the potential impact on people in any other contexts				
Positive impact		Negative impact		Unequal impact
Please evidence the data and information you used to support this assessment				
What opportunities are there to mitigate the impact?				What do you still need to find out? Include in actions (last page)

What are the findings of any consultation with:

Residents?	Although time has not allowed for formal consultation, ongoing consultation will take place with residents throughout 2023/24 to establish impact of the rent & service charge increase and put in place systems to mitigate this accordingly. Please also refer to the mitigations outlined in the socio-economic section above.	Staff?	N/A
Voluntary & community sector?	N/A	Partners?	N/A

Other stakeholders?	<p>Housing Management Advisory Board (HMAB) was consulted in November 2019 and was supportive of the policy to charge service charges at actual costs but with the provision in the policy to cap any increases if this would cause hardship.</p> <p>In terms of affordable rents, HMAB broadly supported this policy. There are still some concerns about the affordability of such schemes and the position if tenants lost employment/were on a low wage. The rent would be covered in full for those tenants entitled to full HB/ UC housing costs due to the rent being set at the LHA level. Also those in low paid employment may be entitled to partial HB/ UC housing costs. Thorough affordability assessments will be carried out.</p>	
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Overall conclusion & future activity

Explain the overall findings of the assessment and reasons for outcome (please choose one) :		
1. No inequality, inclusion issues or opportunities to further improve have been identified		
Negative / unequal impact, barriers to inclusion or improvement opportunities identified	2a. Adjustments made	
	2b. Continue as planned	<p>The future viability of the HRA Business Plan is reliant upon us being able to maximise income collection, recover arrears and the costs of service provision where it's possible to do so.</p> <p>Only a proportion of new builds will be at affordable rent in line with the revised HRA Budget plan. The proposal to offer a mix of new build rents at affordable rent levels and at social rent levels would result in additional income to the HRA over 30 years which makes a significant contribution</p>

		<p>to the sustainability of the plan and the Council's ability to build new homes and to deliver other housing priorities.</p> <p>There are plans to build 151 social rented and 283 affordable rented properties over the 5 years of the revised Business Plan. The policy and the aim is for a 50/50 split, but due to the timing of delivery on schemes the weighting is slightly biased towards affordable, but it evens out over the whole 30 year plan.</p> <p>This means that there will be a total of approximately 4% of council homes at affordable rent at the end of the 5 year period. The majority of annual lettings (i.e. of new build and re-let properties) would continue to be at a social rent level and it is estimated that after 30 years the vast majority of council property rents (an estimated 88%) will be set at the social rent rate, subject to any changes in legislation or Government guidance.</p>
	2c. Stop and remove	

Detail the actions that are needed as a result of this assessment and how they will help to remove discrimination & harassment, promote equal opportunities and / or encourage good relations :				
Action	Will this help to remove, promote and / or encourage?	Responsible officer	Deadline	How will this be embedded as business as usual?
Consultation with residents to establish the impact of the rent increase	Remove discrimination and promote equal opportunities.	Elizabeth Ddamulira	March 2024	Systems will be put in place to mitigate impacts

	put in place systems to mitigate this accordingly			
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Approved by Assistant Director (Housing and Investment) : Rob Gregory

Date: 21/11/2022