

Addendum to the Housing Revenue Account (HRA) Budget and Rent Levels for 2024/25 Report (Agenda Item 7)

Joint Report of the Corporate Director (Corporate and Support Services) and Deputy Chief Executive & Section 151 Officer, Director of Place Management

1 INTRODUCTION

- 1.1 The contracted utility costs have been finalised which mean lower costs and therefore lower service charges to tenants than detailed in the report. The costs have reduced by £0.196m overall.
- 1.2 It is also worth noting in section 3.3: "Of particular note are the proposals for individual heating charges, which are not HB or UC eligible, and for which 99% of the customers who receive this service are proposed to have a reduction in their charge for 2024/25." The percentage before the change was 32%.

This addendum shows the changes, mainly to the Service Charges section (3) and the updated HRA Budget (Appendix 1) . These changes will be incorporated into the report for the Council meeting on 22 February 2024.

2 CHANGES

The changes are shown in yellow.

Most of the changes relate to section 3:

3 SERVICE CHARGES

3.1 Service charges were un-pooled, i.e. separated out from the basic weekly rents a number of years ago. Service charges are costs for specific services provided to certain properties rather than all the housing stock. A housing authority cannot profit from the recharging of services, although the cost of services should be met by service charge income. It should be noted that most service charges attract Housing Benefit/Universal Credit, with the most notable exception being individual property heating. Stockport Council endeavours to keep annual service charge increases to CPI + 1% where possible, but there are occasions where greater increases are required to address rising costs or service charge deficits.

3.2 Over the course of the current year, detailed service charge reviews have been carried out by the Service Leads for all services. This allowed the expected financial position for each service to be reviewed and highlighted the changes which would be required to ensure that services remain sustainable. CPI stands at 6.7% at September 2023, which continues to impact upon the costs of providing services. Though overall forecast cost

increases are not as high as in the previous year's proposals, it remains crucial to ensure a continuing focus on these services remains, to demonstrate the positive initiatives underway, to recover costs and avoid increasing deficits, maximise VFM, and stand up to customer scrutiny.

3.3 Gas and electricity remain significant and volatile areas in terms of charges and changes, though proposals for 2024/25 are much less significant than in the previous year. This has resulted in some charges proposed to decrease for 2024/25. Of particular note are the proposals for individual heating charges, which are not HB or UC eligible, and for which 99% of the customers who receive this service are proposed to have a reduction in their charge for 2024/25.

3.4 Energy service charges have been compared across wider trends. Annual energy bills for households across England, outside of the HRA, are likely to range from £2,000 to £3,200. This is based on prices around the Northwest on standard variable tariffs. In comparison, based on the proposals in this report, the vast majority of customers will pay less than or equivalent to the Northwest average. Less than 1% of customers will pay more than the average, and these are historic legacy issues where customers have refused replacement of old electric heating systems, which have been factored into future heating upgrades where a tougher stance will be taken to install more modern and efficient heating systems.

3.5 The most significant energy service charge recommendations are:

3.6 Individual Property Heating (not eligible for UC or HB) – 1,514 customers. Proposals are to reduce charges for 99% of customers, with increases to recover costs for the remainder.

3.7 Communal electricity – 4,670 customers. Similar to the Individual Property Heating proposals, proposal are to reduce charges for 66% of customers, with increases to recover costs for the remainder.

3.8 In addition to the energy proposals above, other service charges are proposed to change as follows:

3.9 Charges to be **reduced**:

Wi-fi – 1,040 customers

Laundry – 288 customers

3.10 Charges increasing by **less than CPI**:

Concierge – 2,040 customers

Window Cleaning – 1,504 customers

3.11 Charges increasing by **more than CPI**:

- 3.12 Some other services are proposed to increase by more than CPI in line with the charging principles of cost recovery, and to ensure HRA tenants who don't receive that particular service are not subsidising those that do. These include:
- 3.13 Grounds Maintenance - 7,877 customers. The proposal is to increase charges by 10.75%. The Grounds Maintenance contract was recently re-procured, with a fixed price over several years. It is proposed to phase the recovery of the costs of the new contract over 2 years, rather than all in the first year, following which cost increases are expected to be lower.
- 3.14 Entry Phone – 2,378 customers, with the proposal to increase charges by 11%
- 3.15 Caretaking – 4,712 customers with the proposal to increase charges by an average of 11%.

New Charges

- 3.16 In addition to the recommendations above, it is proposed to introduce three new service charges which currently have an annual cost of £413,000. 4,845 customers would be impacted. All three of the added charges proposed are eligible for HB or UC, with 81% of customers currently in receipt of these benefits. The charges proposed relate to Lifts, Building Maintenance and Safety Checks. Legal advice has been taken around the introduction of these charges which includes the required consultation process.
- 3.17 Service charges for Lifts have historically only been applied to leaseholders and shared owners. It is proposed to extend this to rental customers to cover the annual cost of £79,000, which for 2024/25 would result in a charge of 77p per week. This would cover the forecast annual maintenance and service costs.
- 3.18 Building maintenance charges are currently only paid by leaseholders, shared owners and hostels. This charge typically covers the maintenance and repairs of communal doors, gates and barriers. All customers living in these properties benefit from these services and the costs vary depending on the nature and type of block. The cost of these services is £84,000 per annum. 93% of customers would incur a new charge of less than £1 per week.
- 3.19 Safety check charges are currently only paid by leaseholders, shared owners, and hostels. This charge covers health and safety costs including legionella monitoring, emergency lighting, fire prevention and other charges which may be incurred as legislation changes. All customers living in these properties benefit from these services and the costs vary

depending on the nature and type of block. The cost of these services is £250,000 per annum. 92% of customers would incur a new charge of less than £2 per week.

Summary of total service charge changes

3.20 The summary of the proposed changes is presented in the three tables below. To clearly show the impact of implementing the new service charges, tables are included to show this separately to existing service charges, as well as a table showing the impact of all the service charge recommendations collectively.

3.21 These tables show that for existing charges, the proposals above would result in an overall reduction for around 22% of customers; around 76% of customers would see an increase of less than £5 per week; and around 2% an increase above this. Incorporating the new proposed charges, around 9% of customers would see an overall reduction; around 88% an increase of less than £5 per week; and around 3% an increase above this.

3.22 Of the changes which would result in an overall increase of more than £5 per week, these are influenced by the Temporary Accommodation properties, where the weekly charge is higher due to the increased level of service required, including a number of charges which would be paid directly by general needs customers rather than through service charges, e.g. council tax. A further factor results from energy costs from previous years where customers have been previously undercharged and which will be addressed in 2024/25. The remainder are leasehold and shared ownership properties where the increases reflect the actual cost of the services.

Weekly overall change excluding new charges	Number of customers after this change	Number of customers before this change
-£15 to -£20	10	10
-£10 to -£15	25	6
-£5 to -£10	198	55
£0 to -£5	1,567	469
£0 to £5	6,216	7379
£5 to £10	112	169
£10 to £15	42	82
Total	8,170	8170

Impact of new charges	Number of customers after this change (no change)	Number of customers before this change
£0 to £1	2,031	2031
£1 to £2	476	476
£2 to £3	1,717	1717
£3 to £4	449	449
£4 to £5	79	79
£5 to £6	0	0
£6 to £7	38	38
£7 to £8	55	55
Total	4,845	4845
Weekly overall change including new charges	Number of customers after this change	Number of customers before this change
-£10 to -£15	32	10
-£-5 to -£10	79	22
£0 to -£5	590	215
£0 to £5	7,236	7196
£5 to £10	133	611
£10 to £15	30	102
£15 to £20	59	14
Total	8,170	8170

3.23 The service charges detailed in this section have been calculated based on relevant estimated costs. As the costs are finalised the service charges may reduce if necessary, so that forecast income received does not exceed the cost of the services.

Other Changes:

Rent and Service Charge Combined Weekly Increase

4.12 The table below shows the combined rent and service charge increases per week, for properties currently occupied. This shows that 97% of customers would receive a total increase of £10 per week or less.

Proposed Total Rent and Service Charge Increase per week on a 48 Week Basis	Number of Occupied Properties	Total Housing Benefit Claimants (HB/UC)		Self Payers		Average Age
		No	%	No	%	
-£5.00 to -£10.00	15	12	80%	3	20%	55
-£5.00 to £0.00	151	125	83%	26	17%	46
£0.00 to £5.00	895	733	82%	162	18%	51
£5.00 to £10.00	9,366	7,417	79%	1,949	21%	52
£10.00 to £15.00	339	298	88%	41	12%	47
£15.00 to £20.00	6	6	100%	0	0%	49

Total	10,772	8,591	80%	2,181	20%	
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6.4 The cost of delivering services is increasing, with significant cost rises seen in building repairs and maintenance, and these are reflected in the level of Management Fee paid to Stockport Homes to deliver services. In line with the formula set in the Management Agreement, the Management Fee paid to Stockport Homes will see an overall cash increase of £2.170m (an increase of 6.2%) from the 2023/24 forecast. This is made up of the costs of delivering the management agreement services, including energy costs, and previously agreed delivery plan initiatives, which are increasing by £3.016m, less the delivery of a 3% efficiency totalling £0.846m. £1.519m of this increase represents a one-off recovery of increased repairs and maintenance costs for 2023/24, therefore the annual recurrent increase is £0.651m. (£1.519m of this increase represents a one-off recovery of increased repairs and maintenance costs for 2023/24 (which will be subject to a final reconciliation and Council approval at year-end.)

Appendix 1

Recommended Housing Revenue Account 2024/25			
	Budget 2023/24	Forecast 2023/24	Recommended Budget 2024/25
<u>Expenditure</u>	£'000	£'000	£'000
Management Fee	36,206	34,872	35,523
2023/24 Additional Repairs Costs	-	-	1,519
Hardship Fund	180	60	90
Council HRA Costs	1,380	1,380	1,380
Rents, rates, taxes & other charges	258	258	355
Total management & maintenance	38,024	36,570	38,867
HRA share of interest charges (Per Item 8 Debit)	5,583	5,488	5,648
Depreciation of fixed assets	12,940	12,940	13,898
Debt management costs (Treasury Management)	65	65	66
New Build MRP, Interest and other	674	747	999
Bad debts provision	486	400	528
Solar PV Interest	87	68	57
Solar PV Voluntary MRP	0	0	0
Water Charges	4,588	4,792	5,113
	24,423	24,501	26,309
Total expenditure	62,447	61,071	65,176
<u>Income</u>			
Rents of dwellings	(48,572)	(48,722)	(52,218)
Rents (non dwellings) shops/garages/office rents	(300)	(300)	(300)
Charges for services & facilities	(7,511)	(5,728)	(5,782)
Solar PV FIT Income	(1,350)	(1,350)	(1,350)
Renewable Heat Incentive	(446)	(297)	(446)
Appropriations / Retained Income from RTBs	(65)	(65)	(65)
Water Charge Debit	(4,588)	(4,792)	(5,113)
Total	(62,832)	(61,254)	(65,274)

	Budget 2023/24	Forecast 2023/24	Recommended Budget 2024/25
Net cost of services	(385)	(183)	(98)
Investment income	(30)	(75)	(75)
Net operating expenditure	(415)	(258)	(173)
Capital met from revenue – Business Plan	0	13	0
Voluntary MRP	0	0	0
Contribution from Reserves	0	0	0
(Surplus)/Deficit for year	(415)	(245)	(173)
(Surplus)/Deficit brought forward - HRA	(1,000)	(1,000)	(1,097)
Additional RCCO	0	0	0
Future investment – new housing system	318	148	173
Accumulated (surplus)/deficit at year end	(1,097)	(1,097)	(1,097)

3 RECOMMENDATION

3.1 The Cabinet is asked to recommend that the Council meeting approves:

- a) An increase of 7.7% for social and affordable rent;
- b) An increase of 9.4% for rent of shared ownership properties;
- c) Service charge increases as outlined the updated section 3 in this addendum, with authority delegated to the Deputy Chief Executive, in consultation with the Cabinet Member for Economy, Regeneration & Housing, to agree a lower increase should this be necessary;
- d) The Housing Revenue Account Budget for 2024/25 as set out in Appendix 1