



CABINET

DATE:	Friday, 18 December 2020
TIME:	10.30 am
VENUE:	Meeting will be held in accordance with Statutory Instrument 2020/392. Link to live stream will be available via https://www.tendringdc.gov.uk/livemeetings

MEMBERSHIP:

Councillor Stock OBE	- Leader of the Council
Councillor C Guglielmi	- Deputy Leader; Corporate Finance & Governance Portfolio Holder
Councillor P Honeywood	- Housing Portfolio Holder
Councillor McWilliams	- Partnerships Portfolio Holder
Councillor Newton	- Business & Economic Growth Portfolio Holder
Councillor Porter	- Leisure & Tourism Portfolio Holder
Councillor Talbot	- Environment & Public Space Portfolio Holder

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Meeting papers can be provided, on request, in large print, in Braille, or on disc, tape, or in other languages.

For further details and general enquiries about this meeting, contact Ian Ford Email: democraticservices@tendringdc.gov.uk or Telephone on 01255 686584.

DATE OF PUBLICATION: TUESDAY, 15 DECEMBER 2020

AGENDA

14 Cabinet Members' Items - Report of the Corporate Finance and Governance Portfolio Holder - A.9 - Updated Financial Forecast and Initial Budget Proposals 2021/22 (Pages 1 - 22)

To enable Cabinet to consider the updated financial forecast and proposed position for 2021/22 for consultation with the Resources and Services Overview and Scrutiny Committee.

15 Cabinet Members' Items - Joint Report of the Housing Portfolio Holder and the Corporate Finance and Governance Portfolio Holder - A.10 - Housing Revenue Account Estimates 2021/22 (Pages 23 - 38)

To set out and seek approval of the following for consultation with the Resources and Services Overview and Scrutiny Committee:

- An HRA Budget for 2021/22 including the movement in HRA Balances;
- The level of fees and charges for 2021/22; and
- The HRA Capital Programme.

Date of the Next Scheduled Meeting

The next scheduled meeting of the Cabinet is to be held on Friday, 29 January 2021.

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Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

18 DECEMBER 2020

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.9 UPDATED FINANCIAL FORECAST / BUDGET 2021/22

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable Cabinet to consider the updated financial forecast and proposed budget position for 2021/22 for consultation with the Resources and Services Overview and Scrutiny Committee.

EXECUTIVE SUMMARY

- A 'live' 10-year forecast is maintained and reported to Members throughout the year. The most up to date position in December each year is translated into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 13 November 2020.
- Despite the challenging financial and economic environment, confidence in the long term approach to the forecast remains, which is supported by the forecast risk fund. It is also worth highlighting that the managed position in terms of reserves continues to enable the Council to respond to exceptional events such as the COVID 19 crisis.
- At this stage of the budget process, there is a net deficit of **£1.647m** forecast in 2021/22, an improvement of **£0.128m** compared with the **£1.775m** deficit reported to Cabinet on 13 November 2020. Therefore, the forecast remains within the financial boundaries set out in the long-term plan.
- Although subject to potential changes over the remaining budget-setting period, the current forecasted deficit of **£1.647m** will be met by drawing money down from the forecast risk fund.
- At the time of finalising this report, the Local Government Finance Settlement for 2021/22 had yet to be announced. If announced in time, any changes emerging from the settlement will be reported directly at the meeting, otherwise they will be included in the figures that will be presented to Cabinet in January 2021 when it considers its final budget proposals for recommending to Full Council in February 2021. The budget includes a council tax levy increase of £5, with this level of increase expected to be confirmed as allowable as part of the finance settlement announcements. No revenue support grant has been included in the budget for 2021/22, but similarly to the late announcement last year, the Government may provide some funding again next year, especially when reflecting on the financial impact of COVID 19 on Local Authorities.

- Once the final position for 2021/22 is determined, the remaining years of the 10-year forecast will be revised, set against the budget position for 2021/22 and will be reported to Members later in the budget setting process.

RECOMMENDATION(S)

That Cabinet:

- a) approves the updated Financial Forecast and proposed position for 2021/22 as set out in this report and Appendices; and**
- b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2021/22.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

Risk

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is proposed;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.

COVID 19 has introduced a number of risks to the Council's financial position, which cut across many of the specific issues highlighted above. The underlying forecast remains based on relatively conservative estimates with no optimistic bias included. Although the potential impact from COVID 19 has been reflected in the forecast position where possible, the long-term impact and the speed and scale of the wider economic recovery remains uncertain.

One of the primary risks introduced by the COVID 19 crisis is the potential impact on key income streams for the Council such as from Council Tax, Business Rates and general fees

and charges. In respect of the first two items, the estimates for 2021/22 reflect the potential impact with more details set out further on in this report. In respect of the third item, it is very difficult to forecast the level of impact and how far it may continue into 2021/22. Therefore it is currently proposed to leave underlying income budgets at the same 'base levels' as 2020/21 but underwrite this specific risk by refocusing an existing reserve for this purpose. This is felt to be a pragmatic approach given any changes in 2021/22 are likely to be temporary with income expected to return to pre-COVID 19 levels in future years. Therefore 2021/22 should be seen as a transitional year, a position that will be kept under on-going review as part of in-year financial performance reports.

The specific risk to income budgets should be seen as separate from the underlying risk to the forecast, which are underwritten via the Forecast Risk Fund. As previously discussed, the Council's ability to financially underwrite the wider forecast is an important element of the 10-year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, an update against the two important aspects to how this is being managed are as follows:

- 1) **£3.253m** has already been set aside within the Forecast Risk Fund to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. Based on the current position, it is proposed to draw down **£1.647m** from this reserve in 2021/22, a slightly reduced position from the **£1.775m** presented to Cabinet on 13 November 2020. Although the forecast has been significantly impacted by COVID 19, as set out in **Appendix A**, annual surplus balances are still expected to remain within this reserve over the remaining life of the forecast.
- 2) The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will, therefore, need to be considered but can be taken over a longer time period where possible. In such circumstance, the Council may need to consider 'topping' up the funding mentioned in 1) above if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten-year forecast.

The long-term approach to the forecast therefore provides flexibility to respond to risks such as those presented by COVID 19. For instance, the savings target has been 'relaxed' for 2021/22. However it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to continue to deliver against the forecast to build confidence in the longer-term approach. This will therefore continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above, it is important to note that the Council has already prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve)

and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which supports its core financial position.

LEGAL

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. The new arrangements mean that there are now lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council's budget and policy framework.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected /

Consultation/Public Engagement.

There are no other implications that significantly impact the financial forecast. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The long term forecast is updated on an on-going basis, which is reported to Members quarterly, with the most recent position (at the end of September 2020) being reported to Cabinet at its 13 November 2020 where it was resolved that:

In respect of the Updated Long Term Forecast, the updated forecast be agreed and the Resources and Services Overview and Scrutiny Committee be consulted on the latest position.

The Resources and Services Overview and Scrutiny Committee considered the report referred to above at its meeting on 16 November 2020, with their comments set out within a separate report elsewhere on the agenda.

UPDATED FINANCIAL FORECAST 2021/22

Appendix A sets out an updated forecast for 2021/22 that reflects changes since Cabinet considered the earlier position at its 13 November 2020 meeting. The changes required reflect a slightly improved position – a reduction of **£0.128m** in the annual forecast deficit (from **£1.775m** to **£1.647m**).

Work remains on-going as part of the continuing development of the budget, which will need to react to a number of issues such as any announcements from the Government as part of the annual local government financial settlement process. Any changes will be reported to Members as they arise throughout the remainder of the budget setting process and will be included in the final budget proposals to be considered by Cabinet in January before recommendations are made to Full Council.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix A** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 13 November 2020):

Item in the Forecast	Change since forecast was considered on 13 November 2020	Comments

Underlying Funding Growth in the Budget

Lines 4 – Growth in Business Rates / Council Tax – general property growth	Income reduced by £0.158m	As discussed earlier, 2021/22 will be a transitional year where the district starts to recover from the COVID 19 crisis. The property base calculations have therefore been adjusted to take into account an interim period during which collection performance returns to pre-COVID 19 levels. This adjustment (relating to council tax) is therefore likely to be a one-off adjustment in 2021/22.
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Net Cost of Services and Other Adjustments

Line 10 - Inflation – Other	Expenditure reduced by £0.024m	This reflects reduced contract costs where annual increases are linked to RPI – the level of inflation is currently running below those initially expected.
Line 11 – Impact of PFH WP Savings	Expenditure reduced by £0.045m	This reflects a change in the timing of when savings from the disposal of Weeley Council Offices are likely to start to be realised. The total annual saving of £0.090m was originally included within 2022/23, but this has now been allocated equally across 2021/22 and 2022/23 based on the fact that Weeley is expected to no longer be operational from the second half of next year.
Line 14 – Specific change in Use of Reserves	Increase in Use of Reserves by £0.270m	Please see comment under the Line 16 adjustment below.
Line 15 - On-going savings / increases in income A detailed list of items is set out in Appendix B	Savings achieved total £0.213m.	Although the savings target was ‘relaxed’ in 2021/22, a number of items have been identified that can be included within the forecast.
Line 16 - Unmitigated Cost Pressures A detailed list of items is set out in Appendix C	Costs Pressures included in the budget total £0.516m , an increase of £0.266m compared with the initial allowance of £0.250m	The total cost of the items identified are in excess of the ‘allowance’ included in the earlier forecast but are largely unavoidable. Within the items set out in Appendix C , there is an expected reduction in investment income. There is a direct link between this item and the one included in Line 14 above. Further comments are set out immediately below this table.

The above position excludes changes to indirect costs such as internal recharges within the General Fund and technical accounting adjustments that do not have an overall net impact on the budget. However, the full detailed budget, reflecting the above changes, will be presented to Cabinet at its January 2021 meeting.

In terms of providing further detail in respect of the point highlighted against Lines 14 and 16

within the table above, this relates to the use of an existing reserve to underwrite the specific risks to income budgets, a principle that was introduced earlier on this report within the risk section above.

As previously mentioned, one of the primary risks introduced by the COVID 19 crisis is the potential impact on key income streams. Excluding Council Tax and Business Rates, which have been reviewed separately, the other main area of income is from fees and charges.

Although many income streams have remained largely unaffected by the COVID 19 crisis to date, the remaining major area of risk relates to leisure facilities. Although it is expected that income will start to recover as we go into 2021/22 it will likely take time for income to return to pre-COVID 19 levels. The Government have also recognised this by confirming that they will continue the sales and fees and charges compensations scheme for at least the first quarter of 2021/22.

In terms of presenting a robust forecast and budget and reflecting that 2021/22 will be a transitional year, there are therefore two primary options:

- 1) Adjust relevant income budgets to reflect the scale and speed of the recovering period during the year.
- 2) Not adjust relevant income budgets but underwrite the associated risk via setting aside one-off funding.

There is an inherent challenge with option 1), which is that there is very little clarity / evidence to support the budget adjustments that would be required. Therefore the more pragmatic approach would be apply option 2) and review the actual position during the year as part of the quarterly financial performance reports, where more accurate budget adjustments can be made based on the actual experienced position.

With the above in mind, it is proposed to re-focus an existing reserve rather than set aside additional money. The relevant reserve is the Building for the Future Reserve. Over recent years, this reserve has been used to fund the Council's pension deficit payments upfront, which in turn has generated significant annual revenue savings. This upfront payment is repaid over three years, which is built into the underlying budget. The estimated balance in this reserve at the end of 2021/22 is **£1.924m**, which is therefore available to underwrite the risk to income during 2021/22.

However, as set out in **Appendix C**, one of the most significant cost pressures relates to the reduction in investment income. The net estimated reduction is **£0.270m** in 2021/22 which primarily reflects the very low interest rate environment that is forecast, which is in addition to an expected reduction in cash balances available for investment, as the Council starts to spend money to deliver against various projects and priorities. Unlike fees and charges income, there is more certainty around this adjustment given the very low interest rate environment that is expected to remain throughout 2021/22. Therefore rather than review the position as part of the financial performance reports during the year, this adjustment has been made now and included in the base budget for 2021/22 and funded by calling money down from the **£1.924m** Building for the Future Reserve highlighted above.

Following the above adjustment, **£1.654m** will remain in the Building for the Future Reserve from 1 April 2021 to underwrite the wider risk to income during the year.

The above approach will need to be reviewed as part of the long-term forecast as the subdued income from investments may have a longer-term financial impact and in terms of supporting the continuation of paying pension contributions upfront when the next pension revaluation is

undertaken in 2023.

As set out in **Appendix A**, taking the above adjustments into account, there is now a forecast deficit for 2021/22 of **£1.647m**, compared with the forecasted deficit of **£1.775m** considered by Cabinet at its 13 November 2020 meeting – an overall reduction of **£0.128m**

In terms of cost pressures included within the forecast, their mitigation continues to form an important element of the long-term financial plan. As highlighted above, the cost pressures identified for inclusion in the budget largely reflect unavoidable items.

As discussed in previous financial performance / forecast reports, money has been set aside to mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items. An Asset Refurbishment Reserve of **£1.269m** has therefore been established for this purpose and the use of this fund can be considered outside of the annual budget setting cycle via a separate decision making process.

As indicated above, activity is underway to deliver projects and initiatives where the funding may have been carried forward for more than one year. Any decisions required are expected to be considered outside of the annual budget setting cycle but will remain set against the principle of delivering corporate priorities, which could include the reprioritisation of existing budgets, to ensure that every pound makes a difference along with supporting long-term financial sustainability wherever possible.

The impact on the forecast from sensitivity testing and risk management reviews are reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 13 November 2020). It is important to highlight that, as there are no significantly adverse issues that have arisen in terms of the annual forecast risk fund surpluses since the last position was reported, the sensitivity testing has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward.

Within previous financial performance reports, a cost pressure associated with cliff stabilisation work along Holland-on-sea was highlighted. The cost of remedial works is expected to be in excess of **£4m**. Work remains in progress to explore options including the availability or otherwise of external funding from interested stakeholders. It is currently expected that the outcome from this work will be able to be presented to the Cabinet in January 2021 as part of the development of the budget. Alternatively, it may need to be considered as part of a separate report but would need to reflect similar timescales given the relative urgency of the remedial work required.

The budget currently excludes any adjustments that may arise from the UK's exit from the EU given the uncertainty of the financial impact. However, one of the main risks for the Council relates to its port health responsibilities. Cabinet considered an associated report at its 13 November 2020 meeting, which set out the proposed response to the increased activity at the port of Harwich once the transitional period ends. From a financial perspective, the Council will need to remain alert to potential risks, but the long-term approach to the forecast does provide some degree of flexibility to respond to potential budget pressures, which could be one-off or on-going in nature. They will also need to take account of the funding that the Government may provide to Local Authorities as part of responding to the associated risks. The Council may also need to consider reprioritising existing budgets as an additional option to respond to any financial issues if they arise.

Local Government Finance Settlement and Government's Spending Review

Pre-COVID19, 2021/22 was potentially going to be the year that we would see the outcome from the Government's Fair Funding Review and reforms to the Business Rates system. These have now been postponed and at the present time there is uncertainty around what will happen in 2022/23 and beyond.

The Government have provided Local Authorities with various COVID funding packages during this year including the sales, fees and charges compensation scheme previously mentioned. In terms of going forward, the Government remain keen to consider funding packages set against the context of very difficult economic circumstances. How this commitment translates into the actual funding receivable remains unknown. However, it could see the continuation of the revenue support grant, which formed part of a relatively late notification from the government last year when the budget for 2020/21 was considered. No revenue support grant has been included within the budget at the present time, but if this additional funding becomes available, it could see potentially just over £400k paid to the Council if at the same scale as last year. It is hoped that an update can be provided by the time Cabinet consider the next budget report at its January 2021 meeting.

Although yet to be confirmed, it is expected that Council's will be able to increase council tax by the greater of 2% or £5. It is also expected that the New Homes Bonus will continue into 2021/22 but it is not sure if the Government will make any changes to the scheme.

As confirmed at Full Council on 24 November 2020, a policy is being developed to enable council tax discounts to be provided to young people leaving care. It is currently planned to present the policy to Full Council in February as part of the budget setting process. It is not expected to have a major impact on the overall council tax base, but it will be kept under review next year.

ADDITIONAL INFORMATION

Council Tax Levy 2021/22

Based on a proposed £5 increase, the Council Tax for a band D property would be **£177.64** in 2021/22. The updated property base is **48,435.6**, an increase of **43.6** over the 2020/21 figure of **48,392**

The ability to increase Council Tax by £5 remains subject to confirmation from the Government. This is expected to be confirmed within the Local Government Financial Settlement, which is expected shortly.

If such an increase is not permissible and it is necessary to revert back to an increase of 1.99%, on-going income would be reduced by **£0.076m**, which would require corresponding savings to be identified over the forecast period.

Locally Retained Business Rates

As set out within **Appendix A**, an increase in income is forecast due to an inflationary uplift and an increased rateable value / property base, albeit on a significantly reduced basis compared to prior years and earlier forecasts due to the medium term impact of COVID 19.

The Council has agreed to remain a member of the Essex Business Rates Pool in 2021/22. No income generated from being a pool member is currently included in the forecast but it is proposed to continue to treat this income on a one-off basis during the year, given it is very unlikely to continue in future years given the Government's intention to move to a 75%

business rates retention model. Given the likely medium term impact from COVID 19, the financial benefits of being in the pool may not be as advantageous as previous years, but it still provides the opportunity to generate additional funding to support the Council's overall financial position.

Fees and Charges

In a change from previous years, fees and charges are now agreed separately by the relevant Portfolio Holder.

However they continue to be reviewed within the framework of the financial forecast and therefore they will be considered against the following key principles:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.
- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

Any changes to income will be considered alongside the financial forecast. No changes to the budget are proposed at the present time.

Although agreed separately, a full schedule of fees and charges will be included within the final budget proposals to Full Council in February 2021.

GENERAL FUND CAPITAL PROGRAMME 2021/22

As has been the case in prior years, only 2 schemes are included automatically in the base budget on a recurring basis and these relate to the on-going cost of replacing the Council's core IT infrastructure along with disabled facilities grants. Estimates of **£0.055m** and **£0.757m** have therefore been included within the 2021/22 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of grant support is received next year.

The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by ECC.

Other items included in the Capital Programme for 2021/22 reflect the fact that existing schemes have been reprofiled across years as set out in previous financial performance reports considered by Cabinet.

Based on the above, a summary of the proposed Capital Programme for 2021/22 is as follows:

On-going Schemes	Budget 2021/22 £
Information and Communications Technology Core Infrastructure	55,000
Disabled Facilities Grants	757,000
Existing Schemes - Reprofiled	
Enhancement Equipment Replacement – Printing and Scanning	3,610
Total General Fund Capital Programme 2021/22	815,610

The full 5-year capital programme incorporating the above will be included within the final budget proposals that will be considered by Cabinet in January before being presented to Full Council in February.

SPECIAL EXPENSES 2021/22

Special expenses amounts cannot be finalised until the budget for the year has been completed and the associated technical adjustments reflected in the budget. Therefore, at this stage of the budget process it is more practical to review the principles against which the special expenses will be calculated rather than the specific amounts themselves, which are subject to change as the budget develops.

It is not proposed to make any changes to the principles behind the calculation of special expenses with the key principles remaining the same as in 2020/21 as set out below:

- A de minimus amount of **£0.025m** is applied to determine which expenses are excluded from the special expenses calculations;
- Any allocation to specific areas less than **£0.001m** is excluded for the purposes of determining special expenses.

Although subject to the final budget calculations, expenses to be allocated as special expenses are likely to remain as in 2020/21 and apply to open space and recreation area costs.

For completeness, the underlying technical background to the calculation of special expenses is set out below:

Certain expenditure referred to as 'Special Expenses' is regarded as being chargeable to only certain parts of the district. The rest of the Council's expenditure is regarded as being chargeable over the whole district and is referred to as 'General Expenses'. Local authorities have the power to pass a resolution in respect of any particular Special Expense to the effect that the amount of that expense should be charged across the whole district. This is referred to as the contrary resolution.

In exercising this power, the Council also has to consider how the burden of Special Expenses will be charged to the taxpayers of the district.

Information from parish/town councils

Each year parish councils complete a return to identify changes to the services they undertake

Consideration of Determining the Contrary Resolution

In judging whether the contrary resolution should be passed in respect of any special expenses, the following matters are relevant:

- Whether in respect of this Council's expenditure the function is to be provided generally for the whole district or is to be restricted to a part or parts of the district?*
- To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- The use of the facility/activity to which the Special Expense relates.*

These matters must each be considered and a view taken as to whether it would be appropriate to pass the contrary resolution in respect of some of the budgeted expenditure on Special Expenses.

In determining how the burden of special items should be charged to the taxpayer of the district, the following matters need to be considered.

- i) Where is the facility situated?*
- ii) Who uses it?*
- iii) How much expenditure is to be spent in the various parts of the district?*

Wherever possible the Council aims to charge the cost incurred in performing a function in a part of the district, to the taxpayers of that part. In assessing the area of benefit to which a function identified as a special expense relates, parish boundaries have been treated as the appropriate areas.

The tax base for apportioning Special Expenses to each parish and the unparished area is that used to determine the Council's overall Council Tax base.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

Where relevant, figures included in the 2021/22 budget are based on the following policy statement that was agreed by Full Council on 24 November 2020.

In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2021/22 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in Accountancy

APPENDICES

- Appendix A** Updated Financial Forecast 2021/22
- Appendix B** Updated Net Savings Items 2021/22
- Appendix C** Updated Cost Pressure Summary 2021/22

UPDATED FINANCIAL FORECAST 2021/22

Line	Prior Year Budget	Updated Forecast (13 November 2020)	Updated Forecast (18 December 2020)	Change between November and December Positions
	2020/21	2021/22	2021/22	
		£m	£m	£m
Underlying Funding Growth in the Budget				
1 Council Tax Increase 1.99%	(0.158)	(0.165)	(0.166)	(0.001)
2 Council Tax increase by £5 (amounts set out are over and above 1.99% above)	(0.079)	(0.077)	(0.076)	0.001
3 Growth in Business Rates - Inflation	(0.110)	(0.041)	(0.041)	0.000
4 Growth in Business Rates / Council Tax - general property growth	(0.365)	(0.187)	(0.029)	0.158
5 Collection Fund Surpluses b/fwd	(1.360)	0.000	0.000	0.000
	(2.072)	(0.470)	(0.312)	0.158
Net Cost of Services and Other Adjustments				
6 Reduction in RSG	(0.007)	0.429	0.429	0.000
7 Remove one-off items from prior year	0.013	(0.412)	(0.412)	0.000
8 Remove one-off items from prior year - Collection Fund Surplus	0.710	1.360	1.360	0.000
9 Inflation - Employee Costs (including annual review adjustments)	0.615	0.507	0.507	0.000
10 Inflation - Other	0.230	0.148	0.124	(0.024)
11 First / Second / Third year impact of PFH WP Savings	0.000	0.000	(0.045)	(0.045)
12 LCTS Grant to Parish Council's	0.000	(0.037)	(0.037)	0.000
13 Revenue Contribution to the Capital Programme	(0.045)	(0.209)	(0.209)	0.000
14 Specific Changes in Use of Reserves	1.103	2.265	1.995	(0.270)
15 On-going savings / increases in income	(0.301)	0.000	(0.213)	(0.213)
16 Unmitigated Cost Pressures	0.884	0.250	0.516	0.266
17 Other Adjustments	(1.157)	(2.056)	(2.056)	0.000
	2.045	2.245	1.959	(0.286)
Net Total	(0.027)	1.775	1.647	(0.128)
Add back General Use of Reserves in Prior Year to Balance the Budget	0.027	0.000	0.000	0.000
Net Budget Position	(0.000)	1.775	1.647	(0.128)
Use of Forecast Risk Fund to support the Net Budget Position	0.000	(1.775)	(1.647)	0.128

Use of Forecast Risk Fund

Estimated Outturn b/fwd from prior years	(3.253)	(3.753)	(3.753)	
Contribution from / (to) reserve	(0.000)	1.775	1.647	(0.128)
Planned additional contributions generated in year	(0.500)	(0.500)	(0.500)	0.000
Balance to Carry Forward	(3.753)	(2.478)	(2.606)	(0.128)

	Year	Updated Forecast (13 November 2020)	Updated Forecast (18 December 2020)	Change between November and December Positions
Forecast Risk Fund - Estimated Surplus Balance at the end of the year		2021/22	2021/22	
		£m	£m	
	2021/22	2.478	2.606	(0.128)
	2022/23	1.621	1.831	(0.210)
	2023/24	0.993	1.288	(0.295)
	2024/25	0.602	0.981	(0.379)
	2025/26	0.450	0.915	(0.465)
	2026/27	0.544	1.095	(0.551)

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APPENDIX B

NET ON-GOING SAVINGS ITEMS 2021/22

	2021/22 £	Comments
Increased Income - General Property Rental Income	30,000	To reflect the outcomes from rent reviews undertaken during the year.
Increased Income - Potential Increased Recycling Credit Income	115,000	To reflect the expected continuation of increased recycling performance from the new collection service introduced last year.
Reduction in Expenditure - Public Convenience Business Rates	68,250	This reflects the reintroduction of an earlier commitment from the Government to remove the liability to pay business rates on public toilets from next year.
Total	213,250	

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UPDATED COST PRESSURE SUMMARY 2021/22

Status		2021/22 £	2022/23 £	2023/24 £	2024/25 onwards £	Comments
Unavoidable Items 2021/22 Budget						
On-going impact of items agreed as part of last year's forecast.	REVENUE - Operational Services - Public Realm - Expiry of Commuted sums / no commuted sums agreed with Developer to support open space maintenance etc.	8,000	8,000	8,000	8,000	This budget is required to maintain open space etc. to existing standards.
	REVENUE - Corporate Services - IT and Corporate Resilience - Expenditure to compliment the on-going digital transformation programme	13,500	16,000	31,300	31,300	The amounts reflect a varied range of expenditure to support the continued digitalisation programme such as equipment to enable officers to work from home (H&S requirement), hosting costs, mobile telephony costs, website / intranet hosting costs and cyber security costs.
	REVENUE - Operational Services - Public Realm - Fleet contract hire / lease costs	5,000	4,000	6,000	6,000	To maintain the transport fleet to current standards ensuring departments can continue to provide good customer service and supporting the Council's reputation.
	REVENUE - Corporate Services - Finance Other Corporate Costs - New 5 year banking contract entered into in 2019/20	7,000	7,000	7,000	7,000	Reflects new banking contract prices which included a one-off reduction in the first year so cost pressure required from 2021/22.

Items currently included within the forecast	REVENUE - Corporate Services - Local Council Tax Support Scheme - reduced Government support	14,190	14,190	14,190	14,190	Reflects the reduction in Government Grant Funding in 2020/21, which is assumed to be on an on-going basis. Figures for 2021/22 have yet to be announced so this cost pressure could increase before the budget is finalised in February 2021.
	REVENUE - Corporate Services - Finance, Revenues and Benefits - Reduced income from the Council Tax Sharing Agreement with the major preceptors	88,500	88,500	88,500	88,500	Although collection performance is expected to recover from the COVID 19 crisis over 2021/22, this reflects a period where income may remain behind pre-COVID levels in the interim period.
	REVENUE - Corporate Services - Members Allowances - To reflect the decision at Full Council in September	47,000	53,500	60,000	66,500	This includes the one-off increase in the base budget in 2020/21 and an inflationary allowance each year in-line with the same estimated uplift for Officers
	REVENUE - Corporate Services - Members Other Costs - Member Training	5,000	5,000	5,000	5,000	To provide an ongoing base budget to provide training to members following the depletion of a one-off cost pressure from previous years.
	REVENUE - Corporate Services - Members Other Costs - Microphone System	5,000	5,000	5,000	5,000	This reflects the estimated on-going maintenance costs associated with the new microphone system that was agreed as part of the financial performance report at the end of the second quarter of 2020/21

	REVENUE - Operational Services - Reduction in external contributions	12,730	12,730	12,730	12,730	This reflects the end of a funding agreement with a Parish / Town Council. There are currently reduced opportunities to make a corresponding adjustment to expenditure budgets but this position will need to be considered as part of any future review of the provision of CCTV.
	REVENUE - Corporate Services - Bar Code, Credit & Debit Card Charges - increase in merchant acquirer costs	40,000	40,000	40,000	40,000	This reflects the increase in card payments as part of the wider service transformation initiatives.
	REVENUE - Corporate Services - Interest & Investment Income - Reduced income from low interest environment and expected reduction in cash balances	270,040	270,040	270,040	270,040	This reflects an expected period of low interest rates along with a reduction in the money that can be invested due to the planned increase in activity to deliver a range of projects across the Council going into 2021. The figure is net of a small reduction in MRP and Interest paid on outstanding loans. This adjustment excludes income from investment property which is not expected to reduce.
Total of Unavoidable Items Included in the 2021/22 Budget		515,960	49,190	66,490	66,490	

Items to be mitigated / met via reductions elsewhere within the overall budget						
NOT Included in Forecast 2021/22 and beyond	REVENUE - Corporate Services - Finance, Revenues and Benefits - Estimated Reduction in Housing Benefit Administration Grant	61,500	61,500	61,500	61,500	There will be a reduction in the housing benefit administration grant receivable from the Government on a year on year basis to reflect reduced housing benefit workload over the period that Universal Credit is being rolled out. This will be mitigated via a corresponding reduction in employee costs via the management of vacancies etc.
NOT Included in Forecast 2021/22 and beyond	Revenue - Operational Services - Homelessness - Cost of Temporary Accommodation / Homelessness Initiatives	70,000	70,000	70,000	70,000	The Government have continued to support homelessness via grant funding, a position that is expected to continue into 2021/22, especially given the increased demand emerging from the COVID 19 pandemic. Initiatives to increase / maintain the supply of temporary accommodation continue such as the remodelling of Spendells House and the extension of the licence to use hotel accommodation within Clacton that is subject to a separate decision elsewhere on the agenda. The situation will be reviewed as part of the on-going forecast and it may be necessary to include this cost pressure in the base budget in future years.
Total of Mitigated Items		131,500	131,500	131,500	131,500	

TOTAL OF ALL COST PRESSURES ABOVE	647,460	180,690	197,990	197,990	
TOTAL OF COST PRESSURES INCLUDED IN THE 2021/22 BUDGET (Total of all cost pressures less mitigated items)	515,960	49,190	66,490	66,490	

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Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

18 DECEMBER 2020

JOINT REPORT OF THE HOUSING PORTFOLIO HOLDER AND CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.10 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2021/2022

(Report prepared by Richard Barrett and Richard Hall)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To set out and seek approval of the following for consultation with the Resources and Services Overview and Scrutiny Committee:

- An HRA Budget for 2021/22 including the movement in HRA Balances.
- The level of fees and charges for 2021/22.
- The HRA Capital Programme.

EXECUTIVE SUMMARY

- Only limited changes to the HRA budget are proposed in 2021/22, pending a longer-term review of the HRA business plan during 2021.
- 2020/21 was the first year that the Government allowed rents to be increased following a 4-year period where they were required to be reduced by 1% each year.
- In-line with rent setting guidance issued by the Regulator for Social Housing, rents are proposed to be increased by CPI + 1% in 2021/22 (a 1.5% increase) to continue the recovery from the 4 years of rent reductions mentioned above.
- The average weekly rent proposed for 2021/22 is **£84.10** (£82.42 in 2020/21)
- Although the above increase in rents generates additional income of **£0.193m**, other changes to the budget have more than offset this position with an overall deficit of **£0.012m** forecast for 2021/22.
- It is proposed to fund this relatively small deficit by drawing money down from the HRA General Balance, which is estimated to total **£5.257m** at the end of 2021/22 after taking into account this adjustment.
- The proposed HRA Capital Programme for 2021/22 totals **£3.457m** and continues to provide for a range of schemes and projects as set out within **Appendix C**.
- The Capital programme includes a revenue contribution of **£0.281m** to support new build and acquisition projects. As set out later on in this report, this on-going budget can either support the direct cost of projects within the capital programme or meet the borrowing costs that are likely to be required to deliver the 200 new properties the Cabinet have committed to provide.
- Also discussed further on this report is the potential to fund an increase in the level of borrowing required to deliver the new build projects at the speed and scale

committed too.

- As highlighted above, the HRA general balance is forecast to total **£5.257m** at the end of 2021/22, which retains a strong financial position against which the HRA 30 year Business Plan can be further developed.
- 'Old' HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2021/22 forecast to be **£36.777m** (A reduction of **£1.664m** compared with the figure at the end of this year).

RECOMMENDATION(S)

That Cabinet:

- (a) Approves a 1.5% increase in dwelling rents in 2021/22;**
- (b) approves the 2021/22 Scale of Charges shown in Appendix B;**
- (c) subject to (a) and (b) above, approves the Housing Revenue Account Budget for 2021/22 as set out in Appendix A, along with the HRA Capital Programme and the movement in HRA Balances / Reserves as set out in Appendix C and Appendix D respectively; and**
- (d) requests the Resources and Services Overview and Scrutiny Committee's comments on the HRA budget proposals for 2021/22.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The HRA budget and Business Plan plays a significant role in the delivery of affordable and decent housing in the district and the Council's responsibilities as a landlord has direct implications for the Council's ability to deliver on its objectives and priorities.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in this report and its appendices.

Although the availability of financial resources is a key component in the delivery of HRA services there will also be a need for appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are inherent risks associated with the forecast such as:

- Changes in income achieved and future rent setting policy
- Emergence of additional areas of spend
- Emergence of new or revised guidance
- New legislation / burdens
- Changing stock condition requirements
- Adverse changes in interest rates
- National welfare reforms

In view of the above it is important that a sufficient level of balances / reserves is available

to support the HRA. HRA Balances are currently forecast to be **£5.257m** at the end of 2021/22, which although required to support the business plan and HRA investment in future years, provides a 'buffer' to the 30 year Business Plan if, for example, some of the items highlighted above emerge or are required to deal with changing financial and service demand issues.

Reflecting on the Housing Strategy, a 30 year HRA Business Plan is maintained that continues to demonstrate the sustainability and resilience of the HRA within a self financing environment and the ability to provide opportunities for housing investment and associated housing services in the future, although it is acknowledged that the longer term view always remains subject to the Government's housing policies.

To date the HRA has been largely unaffected financially from the impact of the COVID 19 crisis. Although there are some secondary impacts as set out later on in this report, it is not expected that this situation will significantly change over the remainder of this financial year and into 2021/22. However, the position will be kept under on-going review and the financial sustainability of the HRA remains underwritten by the current level of general balances, which are forecast to be **£5.257m** at the end of 2021/22 as mentioned above.

LEGAL

It is a statutory requirement on a local authority to determine its Housing Revenue Account budget before the upcoming financial year and to ensure that its implementation will not result in an overall debit balance on the Account.

The self-financing regime for the Housing Revenue Account that came into effect from April 2012 was enabled by the Localism Act 2011.

The Regulator of Social Housing and its predecessor bodies have, at the Direction of Government, issued requirements and guidance to registered providers of social housing (which includes Local Authorities) in respect of rents. This has included the maximum levels of rent they can charge and annual increases in rents.

In 2016, Parliament passed the Welfare Reform and Work Act which, together with Regulations made under it, created a legislation-based regime of rent reduction across the sector by 1% per year until 2020. Therefore, over this 4-year period, providers have been required to reduce rents by 1% per year across its housing stock.

In October 2017, the Government announced that at the end of the 4 year rent reduction period it intended to return to annual rent increases of up to CPI + 1%, implemented through the regulator's Rent Standard rather than through legislation.

The Secretary of State for Housing, Communities and Local Government published on 26 February 2019 a 'Direction to the Regulator' to set a Rent Standard that will apply from 1 April 2020. That Direction was published alongside the Government's Policy Statement on Rents (the Policy Statement) and the regulator is required to have regard to this when setting its Rent Standard.

The regulator may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent).

The Regulator of Social Housing has confirmed rents can be increased by up to CPI+1%

per year for a period of 5 years starting from 1 April 2020. The rent standard does not apply to properties let to high-income social tenants, so rather than this being a mandatory requirement that the Government had previously looked to implement, it is now a voluntary decision taken at a local level. However, given the very challenging administrative issues associated with charging higher rents to high-income tenants, it is not proposed to introduce this at the present time. However, it is acknowledged that this flexibility may be subject to review in future years, for example, as part of developing future policy decisions within the HRA.

The Housing and Planning Act 2016 introduced a number of changes that had an impact on social housing, which via associated regulations are reflected in the HRA estimates as necessary.

The HRA 30 Year Business Plan was agreed as part of the self-financing reforms and associated borrowing agreed by Full Council in February 2012 and the budget proposed for 2021/22 remains broadly in-line with the plan after taking into account relevant external factors and changes introduced by the Government since that date.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

In carrying out its functions as a social landlord, the Council has regard to the need to reduce the potential for criminal activity by improving the security of dwellings as part of maintenance and repair programmes and for combating anti-social behaviour through effective management procedures.

Although there are no direct equality and diversity issues, the overall HRA and associated financial planning processes aim to recognise and include such issues where appropriate and relevant.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The HRA is the Council's landlord account and it is 'ring fenced' for this purpose. Comprehensive rules and requirements surround the HRA such as specific accounting treatment and what items can or cannot be charged to the account. Authorities are required to set a balanced HRA budget each year and agree the level of rents it wishes to charge.

From April 2012, the Housing Revenue Account has operated under the self-financing approach introduced as part of the Localism Act 2011, which required the Council to 'buy' itself out of the previous subsidy arrangements via a debt settlement process.

From 2016/17, the Government has imposed annual rent reductions of 1% each year for a period of 4 years, with the 2019/20 estimates reflecting the last year of this requirement.

As mentioned above, the Regulator of Social Housing has confirmed rents can be increased by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. The rate of CPI used is the figure for September of the preceding year that the increase will apply to. For 2021/22, the figure for September 2020 was 0.5%. Therefore, the maximum

that rents can be increased by in 2021/22 is 1.5%.

As highlighted within the budget report last year, one area that is important to note as it may have a bearing on the overall financial position of the HRA in future years is the regulatory regime emerging from the Hackett review, which followed the Grenfell fire incident. The Council remains alert to any changes that may be required in managing its housing stock, which will be reflected in the 30-year business plan as necessary.

HOUSING REVENUE ACCOUNT PROPOSED BUDGET 2021/22

A high-level summary is set out below based on a comparison with the 2020/21 original budget. Additional information for significant items is also provided below with detailed information set out in **Appendix A**.

	2020/21 Original Budget £m	2021/22 Original Budget £m
Direct Expenditure	6.585	6.574
Direct Income	(13.713)	(13.690)
Indirect Income / Expenditure including Financing Costs	6.847	6.847
NET (SURPLUS) / DEFICIT	(0.281)	(0.269)
Contribution to / (from) Reserves	0	(0.013)
Contribution to the Capital Programme	0.281	0.281

As highlighted in the table above there is an overall initial net surplus of **£0.269m** in 2021/22. To maintain the same contribution to the capital programme to support the new build and acquisition policy, it is proposed to draw down **£0.013m** from the general HRA balance. The contribution to the capital programme was seriously eroded prior to 2020/21 due to the previously required 1% reduction in rents, so it is important to sustain the contribution to the new build and acquisition project directly, but also as a platform to identify further opportunities to increase funding to this important programme in future years. Further comments are provided below in terms of these future opportunities.

Similarly to the General Fund, no general underlying inflationary uplifts have been provided but significant budget items have been subject to separate review where appropriate.

Comments against significant items within the overall position for the year are set out below:

Income Budgets - Rents, Service Charges and Other Fees and Charges

It is proposed to increase rents by the maximum allowable amount of CPI + 1% to continue the recovery from the unsustainable 1% reduction in rents over the period 2016/17 to 2019/20.

Based on CPI + 1%, rents have been increased by 1.5%, which results in an average rent of **£84.10** (an increase from **£82.42** in 2020/21).

This is estimated to generate an additional **£0.193m** in income in 2021/22. However, this has been offset by increasing the loss in rental income for right to buy sales and for void periods to reflect the current position being experienced this year. These two factors have resulted in the rental income budget being reduced by **£0.209m**.

It is worth highlighting that the level of CPI this year is unusually low, primarily as a result of the COVID 19 crisis. Ordinarily CPI would be nearer to the Bank of England's target rate of 2%. In such circumstances, the level of additional income that could be generated via the application of a CPI + 1% increase would be nearer **£0.400m** per annum, which is likely to be the position from 2022/23.

In respect of voids, there are a number of factors that are currently having an adverse impact on the time taken to relet properties, which include working from home as the current allocations system largely relies on manual processes / paper files (to be imminently replaced with a more efficient digital system), higher vacancies in some months and an increase in the supply of accommodation elsewhere in the social housing sector. COVID19 also initially resulted in a hold on relets and some delays in maintenance works. Although not one of these factors is significant in isolation, when brought together they undoubtedly are having an impact on the relet times, with an increase in the number of days between the old tenant vacating and the new tenant moving in.

Some of the factors mentioned above are temporary in nature and to some extent an indirect impact from COVID19. With that in mind, it is expected that relet times and therefore void periods will reduce going into 2021. However, it is very difficult to forecast the speed that void periods will reduce to more historic levels. With that in mind, the budget reflects the current level of void loss, which is accepted as being potentially greater than the actual position that will be experienced in 2021/22. However, this prudent approach can be kept under review as part of the in-year financial performance reports with adjustments to the budget made on the experienced position rather than forecasted position during the year.

A more detailed analysis of voids and relet times is planned to be presented to Members shortly.

The various service charges / fees and charges within the HRA are broadly based on the principle of recovering costs where necessary and need to reflect the guidance from the regulator. Further details are set out in **Appendix B**, with only limited increases included across a small number of chargeable areas.

Expenditure Budgets

Key areas of the Council's responsibilities as a landlord are set out below along with how they are reflected within the budget:

Major Refurbishment and Repairs to the Housing Stock

There have been no major changes to the budget with the following 2 key elements remaining within the budget for 2021/22:

- Improvements, Enhancement and Adaptations to Tenant's Homes - **£3.116m** is included within the Capital Programme
- Planned and Responsive Repairs to Tenant's Homes - **£3.050m** (excluding recharges from the General Fund) is included within the revenue account.

Taking the above 2 items together, a total investment of **£6.166m** can be made in 2021/22 to ensure that the 3,000+ Council homes are maintained at the current decent homes standard.

2020/21 saw the first year of operating a dedicated in-house housing repairs team following the demise of ROALCO during 2019. This in-house approach will be complimented by an external contractor from April 2021.

Services Provided by The General Fund

At this stage of the budget process, no adjustments have been made to the money charged to the HRA from the General Fund. However, this will be reflected in the final budget proposals that will be presented to Cabinet towards the end of January 2021.

Other budget adjustments – a number of further adjustments have been made such as reflecting increases in gas and electric costs (a net increase of **£0.009m**), employee costs (an increase of **£0.053m** that reflects the necessary inflationary uplifts) and the annual cost of a new IT system to manage the housing allocations process (an increase of **£0.016m**). Further budget adjustments have also been made such as the reduction in investment income due to the very low interest environment (a reduction in income of **£0.038m**) and changes to the bad debt provision calculation to reflect the most up to date position (reduction in the contribution to the provision of **£0.101m**).

HRA Capital Programme

The detailed HRA Capital Programme is set out in **Appendix C**.

The primary source of funding remains as the annual Major Repairs Contribution which reflects the charge for depreciation plus an additional voluntary contribution to enable the continued level of investment in the housing stock.

Following the commitment to increase the Council's housing stock by 200 new homes, a contribution of **£0.280m** from the revenue account has been maintained in 2021/22.

This budget can be used to directly meet the cost of building / acquiring new homes or could be used to support the cost of financing borrowing costs to deliver the target number of properties at the scale set out.

As mentioned above, potential increases in rental income are expected to be greater in future years as CPI, along with void periods, are expected to return to more usual levels from next year. Both these factors would therefore provide the opportunity to support the necessary funding options to meet the key priority of increasing the Council's supply of social housing to the residents of Tendring.

HRA BALANCES / RESERVES

The detailed HRA Reserves are set out in **Appendix D**.

The forecast position for HRA balances at 31 March 2020 and 31 March 2021 will vary over time depending on the outturn positions for 2020/21 and 2021/22 as well as the emergence of other unexpected or unplanned matters that could occur in or across these years.

Current estimates put the total HRA reserves at **£9.572m** by the end of 2021/22, with the general balances element within this amount being **£5.257m**.

HRA DEBT

The total HRA debt at the end of 2020/21 is estimated to be **£38.441m**.

With forecast repayments of principal of **£1.664m** in 2021/22, the level of HRA debt at the end of 2021/22 is forecast to be **£36.777m**.

With the Government's removal of the HRA debt cap, any future borrowing will need to be considered against the 30 HRA business plan and underlying prudential code principles.

The annual cost of principal and interest included in the proposed 2021/22 HRA budget is **£2.987m**. This budget has been reduced by **£0.036m** in 2021/22 to reflect lower interest costs due to principle being repaid each year.

It is possible to use the Major Repairs Reserve that currently supports the capital programme to pay down historic debt where it is financially advantageous to do so. The total of this reserve is estimated to be **£4.315m** at the end of 2021/22, but a balance needs to be struck between investing in capital projects and tenant's homes and reducing debt repayment costs. Although no adjustments are included within the 2021/22 budget, this will be revisited as part the continuous development of the 30-year business plan.

OTHER HRA RELATED MATTERS

Although there are no significant issues to raise at this stage of the budget setting process, it is acknowledged that the Government may reconsider previous housing policy decisions or introduce new housing related initiatives / requirements on local authorities.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A	HRA Budget Proposals 2021/22
Appendix B	HRA Proposed Service Charges / Fees and Charges 2021/22
Appendix C	HRA Capital Programme
Appendix D	HRA Reserves 2021/22

Revenue Estimates 2021/22

Housing Revenue Account (HRA)

<u>Analysis by Type of Spend</u>	2020/21 Original Estimate £	2021/22 Original Estimate £
Direct Expenditure		
Employee Expenses	1,132,930	1,185,990
Premises Related Expenditure	3,524,190	3,511,410
Transport Related Expenditure	20,370	23,870
Supplies & Services	531,040	512,860
Third Party Payments	1,030	1,030
Transfer Payments	17,000	17,000
Interest Payments	1,358,430	1,322,220
Total Direct Expenditure	6,584,990	6,574,380
Direct Income		
Government Grants	0	0
Other Grants, Reimbursements and Contributions	(8,000)	(8,440)
Sales, Fees and Charges	(536,200)	(566,040)
Rents Receivable	(13,117,260)	(13,101,800)
Interest Receivable	(51,600)	(13,350)
Total Direct Income	(13,713,060)	(13,689,630)
Net Direct Costs	(7,128,070)	(7,115,250)
Indirect Income/Expenditure		
FRS17/IAS19 Pension Costs	(500,810)	(500,810)
Service Unit and Central Costs	2,441,600	2,441,600
Capital Financing Costs	5,187,280	5,187,280
Total Indirect Income/Expenditure	7,128,070	7,128,070
Contributions to/(from) reserves		
Contributions to/(from) Reserves	0	(12,820)
Total Contributions to/(from) reserves	0	(12,820)
Net Contribution to/(from) Reserves	0	(12,820)
Total for HRA	0	0

Housing Revenue Account (HRA)

<u>Analysis by Section/Function</u>	2020/21 Original Estimate £	2021/22 Original Estimate £
HRA - MIRS Items to be excluded from HRA balance		
Indirect Income/Expenditure	469,490	469,490
Net Total	469,490	469,490
HRA - MIRS HRA - Contributions Payable to the Pension Scheme		
Direct Expenditure	427,820	427,820
Net Total	427,820	427,820
HRA - MIRS Total IAS 19 Adjustments		
Indirect Income/Expenditure	(569,580)	(569,580)
Net Total	(569,580)	(569,580)

HRA - MIRS Minimum Revenue Provision		
Indirect Income/Expenditure	1,664,300	1,664,300
Net Total	1,664,300	1,664,300
Total for Finance - Financing Items	1,992,030	1,992,030
HRA - Policy & Management		
Direct Expenditure	58,000	58,000
Direct Income	(2,200)	(2,200)
Indirect Income/Expenditure	328,570	328,570
Net Total	384,370	384,370
HRA - Unapportionable Central Overheads Contribution		
Indirect Income/Expenditure	275,720	275,720
Net Total	275,720	275,720
Total for Corporate Director and Administration Operational Services	660,090	660,090
HRA - Tenant Relations		
Direct Expenditure	0	64,550
Net Total	0	64,550
HRA - Right to Buy Administration		
Direct Expenditure	20,000	39,080
Direct Income	(26,000)	(26,000)
Indirect Income/Expenditure	60,350	60,350
Net Total	54,350	73,430
HRA - Lease Holders Charges		
Direct Income	(84,000)	(84,000)
Indirect Income/Expenditure	33,650	33,650
Net Total	(50,350)	(50,350)
Total for Customer and Commercial Services	4,000	87,630
HRA - Tenancy Management & Rent Collection		
Direct Expenditure	680,790	690,250
Direct Income	(8,440)	(8,440)
Indirect Income/Expenditure	617,410	617,410
Net Total	1,289,760	1,299,220
HRA - Pumping Stations		
Direct Expenditure	5,700	5,660
Direct Income	(2,620)	(2,620)
Indirect Income/Expenditure	4,790	4,790
Net Total	7,870	7,830
HRA - Sewerage Expenses		
Direct Expenditure	15,430	18,900
Direct Income	(17,050)	(20,670)
Indirect Income/Expenditure	7,300	7,300
Net Total	5,680	5,530
HRA - Communal Central Heating		
Direct Expenditure	82,410	95,980
Direct Income	(66,320)	(66,320)
Indirect Income/Expenditure	2,680	2,680
Net Total	18,770	32,340
HRA - Sheltered Units		
Direct Expenditure	337,460	343,310
Direct Income	(171,290)	(171,290)
Indirect Income/Expenditure	142,010	142,010
Net Total	308,180	314,030

HRA - Colne Housing Soc Shel Units		
Direct Expenditure	6,000	6,000
Net Total	6,000	6,000
HRA - Estate Sweeping		
Direct Expenditure	66,000	66,000
Net Total	66,000	66,000
HRA - Communal Cleaning		
Direct Expenditure	85,250	85,250
Direct Income	(31,520)	(31,520)
Indirect Income/Expenditure	4,640	4,640
Net Total	58,370	58,370
HRA - Communal Electricity		
Direct Expenditure	98,560	94,280
Direct Income	(70,000)	(83,620)
Indirect Income/Expenditure	9,870	9,870
Net Total	38,430	20,530
HRA - Estate Lighting		
Direct Expenditure	9,320	9,320
Net Total	9,320	9,320
HRA - Maintenance Of Grounds		
Direct Expenditure	12,620	12,620
Direct Income	(64,760)	(77,800)
Indirect Income/Expenditure	209,480	209,480
Net Total	157,340	144,300
HRA - Tenants Rentals		
Direct Income	(13,089,180)	(13,073,720)
Net Total	(13,089,180)	(13,073,720)
HRA - Rents & Other Charges		
Direct Expenditure	130,090	130,090
Net Total	130,090	130,090
HRA - Rent Income		
Direct Income	(28,080)	(28,080)
Net Total	(28,080)	(28,080)
HRA - Interest Receivable		
Direct Income	(51,600)	(13,350)
Net Total	(51,600)	(13,350)
HRA - Rent Arrears Provision		
Direct Expenditure	156,500	55,440
Net Total	156,500	55,440
HRA - Interest Charges		
Direct Expenditure	1,358,430	1,322,220
Net Total	1,358,430	1,322,220
HRA - Capital Charges		
Indirect Income/Expenditure	3,053,490	3,053,490
Net Total	3,053,490	3,053,490
HRA - Use of Balances		
Contributions to/(from) reserves	0	(12,820)
Net Total	0	(12,820)
Total for Housing and Environmental Health	(6,504,630)	(6,603,260)

HRA - Repair & Maintenance		
Direct Expenditure	3,034,610	3,049,610
Direct Income	0	0
Indirect Income/Expenditure	813,900	813,900
Net Total	3,848,510	3,863,510
Total for Building and Engineering	3,848,510	3,863,510
Total for HRA	0	0

Housing Portfolio - HRA

Scale of Charges 2021/22

	Date last revised	(A) 2020/21	(B) 2020/21	(C) 2021/22	(D) 2021/22	VAT Ind
		Charge Exclusive of VAT	Charge Inclusive of VAT where applicable @ 20%	Charge Exclusive of VAT	Charge Inclusive of VAT where applicable @ 20%	
Effective from		01/04/2020 £	01/04/2020 £	01/04/2021 £	01/04/2021 £	
<u>GARAGE RENTS AND ACCOMMODATION CHARGES</u>						
Guest room accommodation at sheltered units per night:						
With en-suite facilities (St Marys Court, Groom House, Greenfields, Ironside Walk, Belmans Court)	Apr-18	21.33	25.60	25.00	30.00	V
Without en-suite facilities (Vyntoner House, Kate Daniels House, Mead House, Crooked Elms)	Apr-18	17.08	20.50	20.00	25.00	V
Garage rents HRA (not subject to VAT unless separately let to non-council tenants)	Apr-18	9.08	9.08	9.22	9.22	*
<u>QUESTIONNAIRES</u>						
Second mortgage enquiries (per enquiry)	Apr-18	158.33	190.00	158.33	190.00	V
Solicitors enquiries on resale of council flats	Apr-18	158.33	190.00	158.33	190.00	V
<u>SERVICE CHARGES (per week)</u>						
Sewerage charges (not subject to VAT) (See Note 1):						
Treatment Works:						
Goose Green, Tendring	Apr-18	8.26	8.26	8.26	8.26	Z
Coronation Villas, Beaumont	Apr-18	8.21	8.21	8.21	8.21	Z
Whitehall Lane, Thorpe	Apr-18	5.55	5.55	5.55	5.55	Z
Shop Road, Little Bromley	Apr-16	9.00	9.00	9.00	9.00	Z
Horsley Cross, Mistley	Apr-08	9.00	9.00	9.00	9.00	Z
Bio Systems	Apr-18	7.73	7.73	7.73	7.73	Z
Septic Tanks	Apr-18	2.94	2.94	2.94	2.94	Z
Pumping Stations (not subject to VAT)	Apr-18	5.36	5.36	5.36	5.36	Z
Sewerage charge cap where tenant in receipt of benefit	Apr-08	5.00	5.00	5.00	5.00	Z
Communal central heating charges (not subject to VAT) (see note 1):						
Heating and hot water:						
Single units	Apr-18	7.16	7.16	7.16	7.16	N
Double units	Apr-18	8.25	8.25	8.25	8.25	N
Belmans Court	Apr-18	1.67	1.67	1.67	1.67	N
Other Service Charges (not subject to VAT):						
Sheltered Housing:						
Grounds Maintenance	Apr-18	1.29	1.29	1.55	1.55	X
Communal Electricity	Apr-18	2.30	2.30	2.70	2.70	N
Non Sheltered Housing						
Grounds Maintenance	Apr-18	0.97	0.97	1.17	1.17	N
Communal Electricity	Apr-18	0.89	0.89	1.03	1.03	N

Communal Cleaning (not subject to VAT) (See Note 1):

Langham Drive, Clacton	Apr-18	2.79	2.79	2.79	2.79	N
Nayland Drive, Clacton	Apr-18	2.77	2.77	2.77	2.77	N
Boxted Ave (3 Storey) , Clacton	Apr-18	2.73	2.73	2.73	2.73	N
Boxted Ave (2 Storey) , Clacton	Apr-18	1.55	1.55	1.55	1.55	N
Polstead Way, Clacton	Apr-18	1.55	1.55	1.55	1.55	N
Porter Way, Clacton	Apr-18	1.31	1.31	1.31	1.31	N
Tanner Close, Clacton	Apr-18	1.23	1.23	1.23	1.23	N
Mason Road, Clacton	Apr-18	1.40	1.40	1.40	1.40	N
Maldon Way, Clacton	Apr-20	1.40	1.40	1.40	1.40	N
Groom Park, Clacton	Apr-18	1.45	1.45	1.45	1.45	N
Leas Road , Clacton	Apr-18	1.45	1.45	1.45	1.45	N
Rivers House, Walton	Apr-18	1.23	1.23	1.23	1.23	N
Rochford House, Walton	Apr-18	1.23	1.23	1.23	1.23	N
D'arcy House , Walton	Apr-18	1.23	1.23	1.23	1.23	N
Churchill Court, Dovercourt	Apr-18	1.59	1.59	1.59	1.59	N
Cliff Court, Dovercourt	Apr-18	1.86	1.86	1.86	1.86	N
Nichols Close, Lawford	Apr-20	2.46	2.46	2.46	2.46	N
Grove Avenue Walton	Apr-18	0.77	0.77	0.77	0.77	N

SHELTERED UNITS SERVICE CHARGES (Not subject to VAT) (see Note 2):

Housing Related Support Charge	Apr-17	6.34	6.34	6.34	6.34	X
Landlord Costs	Apr-15	13.60	13.60	13.60	13.60	X
Careline Alarm	Apr-17	2.00	2.00	2.00	2.00	X

Notes

- (1) These charges are based on the principle of full cost recovery.
- (2) Only applies to tenants who are not in receipt of Housing Benefit

*** Garage Rent - VAT:**

Parking:		Storage:	
Council Tenant	N	Homeless persons goods	N
Non-Council Tenant	V	Premises suitable for parking	V
		Premises unsuitable for parking	X

HRA Capital Programme

	2020/21 Base	2021/22 Budget £	2021/23 Budget £	2023/24 Budget £	2024/25 Budget £
<i>EXPENDITURE</i>					
Improvements, enhancement & adaptation of the Council's housing stock	2,696,410	2,696,410	2,696,410	2,696,410	2,696,410
Disabled adaptations for Council Tenants	400,000	400,000	400,000	400,000	400,000
Information Technology upgrade and replacement	20,000	20,000	20,000	20,000	20,000
New Build Initiatives and Acquisitions	280,820	280,820	0	0	0
Cash Incentive Scheme	60,000	60,000	60,000	60,000	60,000
	3,457,230	3,457,230	3,176,410	3,176,410	3,176,410
<i>FINANCING</i>					
Major Repairs Reserve	3,176,410	3,176,410	3,176,410	3,176,410	3,176,410
Direct Revenue Financing of Capital	280,820	280,820	0	0	0
	3,457,230	3,457,230	3,176,410	3,176,410	3,176,410

HRA RESERVES

APPENDIX D

	Balance 31 March 2020	Contribution from Reserves 2020/21	Contribution to Reserves 2020/21	Est. Balance 31 March 2021	Contribution from Reserves 2021/22	Contribution to Reserves 2021/22	Est. Balance 31 March 2022
	£	£	£	£	£	£	£
HRA Reserves							
HRA General Balance	(5,270,240)	0	0	(5,270,240)	12,820	0	(5,257,420)
HRA Commitments	(1,693,570)	1,693,576	0	6	0	0	6
Housing Repairs Reserve	0	0	0	0	0	0	0
Major Repairs Reserve	(4,334,690)	3,196,410	(3,176,410)	(4,314,690)	3,176,410	(3,176,410)	(4,314,690)
Total Reserves	(11,298,500)	4,889,986	(3,176,410)	(9,584,924)	3,189,230	(3,176,410)	(9,572,104)