



RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

DATE:	Monday, 6 January 2020
TIME:	9.30 am
VENUE:	Connaught Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE

MEMBERSHIP:

Councillor M Stephenson (Chairman)
Councillor Scott (Vice-Chairman)
Councillor Allen
Councillor Barry
Councillor Bray

Councillor Codling
Councillor Griffiths
Councillor Morrison
Councillor Turner

Most Council meetings are open to the public and press.

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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 Keith Simmons on 01255 686580.

DATE OF PUBLICATION: Thursday, 19 December 2019

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

3 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District and which falls within the terms of reference of the Committee.

4 Updated Financial Forecast / Budget 2020/21 (Pages 1 - 24)

To provide the Committee with the opportunity to comment on the updated financial forecast and proposed position for 2020/21.

The relevant report considered by the Cabinet at its meeting held on 20 December 2019 is attached to this Agenda.

5 Housing Revenue Account Budget Proposals 2020/21 (Pages 25 - 42)

To provide the Committee with the opportunity to comment on the:-

- (a) HRA Budget for 2020/21 including the movement in HRA balances;
- (b) Level of Fees and Charges for 2020/21; and
- (c) HRA Capital Programme

The relevant report considered by the Cabinet at its meeting held on 20 December 2019 is attached to this Agenda.

PLEASE NOTE THE VENUE AND START TIME FOR THIS MEETING.

MEMBERS ARE REMINDED THAT THIS MEETING MAY LAST ALL DAY AND THEREFORE THEY SHOULD MAKE THEIR OWN LUNCHEON ARRANGEMENTS.

THE MEETING MAY ADJOURN TO WEDNESDAY 8 JANUARY 2019.

Information for Visitors

FIRE EVACUATION PROCEDURE

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

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

20 DECEMBER 2019

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.2 UPDATED FINANCIAL FORECAST / BUDGET 2020/21

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable Cabinet to consider the updated financial forecast and proposed position for 2020/21 for consultation with the Resources and Services Overview and Scrutiny Committee.

EXECUTIVE SUMMARY

- As part of maintaining a 'live' forecast, further updates to the position for 2020/21 have been made since the financial forecast was last considered by Cabinet on 8 November 2019.
- At this stage of the budget process, there is a net deficit of **£0.023m** forecast in 2020/21, an overall change of **£0.946m** compared with the **£0.969m** deficit reported to Cabinet on 8 November 2019. Therefore the long term forecast remains on the right trajectory over the period it covers.
- Similarly to last year, it is important to highlight that the 2020/21 budget includes an estimated collection fund surplus of **£1.360m**. Although this is an on-going item in the budget it is reviewed each year based on in-year collection performance and can therefore only be deemed a one-off 'saving' in 2020/21. Although the amount is available to support the 2020/21 budget, if this was excluded from the forecast, there would be a budget deficit of **£1.383m** for 2020/21.
- Although subject to potential changes to the forecast over the remaining budget setting period, the current forecasted deficit **£0.023m** will be met by drawing money down from the forecast risk fund.
- The timing of the Local Government Finance Settlement has been disrupted this year due to the General Election and at the time of finalising this report the date of the announcement was unclear. However, given that the revenue support grant has been completely removed in 2020/21, the main remaining items of note will relate to the confirmation or otherwise of the ability to increase the level of Council Tax by a maximum of £5 along with other specific grant funding. However, if known in time, any changes emerging from the detailed Local Government Finance Settlement will be reported directly at the meeting, otherwise they will be included in the figures that will be presented to Cabinet in January 2020 when it considers its final budget proposals for recommending to Full Council in February.
- Once the final position for 2020/21 is determined, the remaining years of the 10 year forecast will be revised, set against the revised 2020/21 position 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 2020/21 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 2020/21.

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.

However the forecast is based on relatively conservative estimates with no optimistic bias included.

As previously discussed, the Council's ability to financially underwrite the 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, there are two important aspects to how this will be managed.

- 1) To date it is estimated that **£3.253m** will have been set aside by the end of 2019/20 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.

- 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 in the early years of the forecast. 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 2020/21 position includes net savings of **£0.369m** which is slightly behind the annual target of **£0.450m**. (further details are set out in **Appendix B**). This figure will need to remain flexible and react as a counterbalance to other emerging issues as it is accepted that this figure may need to be revised up or down over the life of the forecast. Conversely, cost pressures included to date total **£0.491m**, which is lower than the original figure of **£0.600m** included in earlier forecasts. However it is acknowledged that although some emerging costs pressures plan to be mitigated in 2020/21, they may continue at a level that requires them to be considered for inclusion in the 2021/22 budget (further details are set out in **Appendix C**)

It is important to continue to deliver against the forecast in the early years 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 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 on 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

Continuing on from last year and as part of the longer term approach to the budget setting process, the forecast is updated on an on-going basis, with the most recent position (at the end of September 2019) being reported to Cabinet at its 8 November 2019 meeting and 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 are due to consider the report referred to above at its meeting on 16 December 2019. Due to the timing of this meeting, their comments are planned to be set out within a separate report elsewhere on the agenda.

UPDATED FINANCIAL FORECAST 2020/21

The forecast has been subject to a number of changes since it was last considered by Cabinet at its 8 November 2019 meeting. **Appendix A** sets out an updated forecast for 2020/21 that reflects these changes which show an overall deficit of **£0.023m**.

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 change to the relevant line of the forecast considered by Cabinet on 8 November 2019):

Item in the Forecast	Change since forecast was considered on 8 November 2019	Comments
Underlying Funding Growth in the Budget		
Line 4 - Growth in Business Rates / Council Tax - general property growth	Income Increased by £0.188m	This reflects an improvement in the forecast for business rates collectable during the year.
Line 5 - Collection Fund Surpluses b/fwd	Income Increased by £0.923m	This reflects an improvement in the forecast for business rates and council tax collectable during 2019/20 which will be rolled forward into 2020/21.

Net Cost of Services and Other Adjustments		
Line 9 - Inflation - Employee Costs (including annual review adjustments)	Expenditure Increased by £0.127m	Following the completion of the detailed salary estimates, there has been an estimated increase due to the cost of people joining the pension scheme and standby and overtime payments.
Line 10 - Inflation - Other	Expenditure Increased by £0.075m	This reflects an increase in gas and electric prices expected over 2020/21.
Line 14 - Specific Changes in Use of Reserves	Expenditure Increased by £2.179m	The change to this line of the forecast broadly reflects required presentational changes as the budget is put together within the Council's financial systems, for example, some changes to reserves include a corresponding adjustment elsewhere in the budget. These corresponding adjustments are included within Line 17 below.
Line 15 - On-going savings / increases in income A full detailed list of all items is set out in Appendix B	Savings achieved total £0.369m , which is £0.081m lower than the initial allowance of £0.450m	Although the savings achieved are lower than the initial target of £0.450m , the total has increased by £0.082m compared with the figure reported at the end of quarter 2 and include changes to a number of items that reflect the most up to date information. One item relating to the Disabled Facilities Grant Coordinator that was included at the end of quarter 2 has now been removed as it was double counted and was already included elsewhere in the forecast.
Line 16 - Unmitigated Cost Pressures A full detailed list of all items is set out in Appendix C	Costs Pressures included in the budget total £0.491m , a reduction of £0.109m compared with the initial allowance of £0.600m	The items identified have increased by £0.081m compared with the figure reported at the end of quarter 2 and include changes to a number of items that reflect the most up to date information and further items submitted by services as part of developing the budget.
Line 17 - Other Adjustments	Expenditure Reduced by £2.188m	Please see comments against Line 14 above.

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 2020 meeting.

As set out in **Appendix A**, taking the above adjustments into account in the forecast results in an estimated deficit for 2020/21 of **£0.023m**, compared with the forecasted deficit of **£0.969m** considered by Cabinet at its 8 November 2019 meeting – an overall movement of **£0.946m**

Any adjustments required to reserves to reflect the above changes to the forecast will be included on within the final budget proposals that will be presented to Full Council in February 2020.

The mitigation of cost pressures continues to form an important element of the long term forecast. To date, significant cost pressures have been avoided by identifying alternative options / approaches such as those associated with the Waste, Recycling and Street Cleansing service, the restructuring of services to react to changes in associated income such as the expected reduction in housing benefit administration grant receivable from the Government and 'recycling' planning income to provide the right capacity within that service. Further details are set out within **Appendix C** which also includes items which will require on-going review as they may need to be built into the budget on an on-going basis in future years if they cannot be mitigated as indicated.

As identified when the financial performance report was considered by Cabinet earlier in the year, the cost pressures identified for inclusion in the budget largely reflect unavoidable items.

Capital / asset repair and improvement items will be considered outside of the annual budget setting process via a separate reporting process - items identified in consultation with services will be prioritised against the **£1.134m** budget identified as part of the financial performance report for quarter 1, which in effect acts as a 'buffer' protecting the revenue forecast that is coming under increasing pressure. The items identified above will include actions emerging from the climate change working party and other associated activities.

Other items, such as those supporting the delivery of the Council's priorities will also be considered outside of the annual budget setting cycle as part of developing a delivery plan that will underpin the emerging corporate plan. This review could include the reprioritisation of existing budgets to ensure that every pound set aside is working to deliver against the Council's priorities and 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 8 November 2019). It is important to highlight that as there are no significant issues that have arisen since the last position was reported, they have not been repeated as part of this report, however they will continue to form part of the regular reporting of the financial forecast going forward.

In addition to the issues discussed above, the budget also reflects the payment of the Council's revised pension deficit payment of **£2.056m** in one lump sum in April 2020 rather than in 3 equal instalment over three years. This is a repeat of the approach taken at the last triennial pension review and saves the Council in excess of **£0.093m** over the three years (equal to a return on investment of 4.3%). The cost will be met from the Building for the Future Reserve, which will be paid back over 2021/22 and 2022/23.

ADDITIONAL INFORMATION

Council Tax Levy 2020/21

Based on a proposed £5 increase, the Council Tax for a band D property would be **£172.64** in 2020/21. The updated property base is **48,392**, an increase of **936.8** over the 2019/20 figure of **47,455.2**.

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 **£0.079m**, which would require corresponding savings to be identified over the life of the forecast.

Locally Retained Business Rates

As set out above, an increase in income is forecast due to an inflationary uplift and an increased rateable value / property base.

The Council has agreed to remain a member of the Essex Business Rates Pool in 2020/21. No income generated from being a pool member is currently included in the forecast as it is proposed to treat it as a one-off item during the year, given it is very unlikely to continue in 2021/22 and beyond under the Government's revised 75% retention model proposals.

Fees and Charges

Similarly to previous years, Departments have been asked to review their fees and charges on an individual basis as changes may need to be made to meet specific aims or strategic objectives or in some cases in response to external factors such as market forces.

Detailed fees and charges will form part of the final budget proposals to Cabinet in January and Full Council in February, with proposed fees and charges set against the following key principles:

- general inflationary increases or lower where appropriate
- 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

GENERAL FUND CAPITAL PROGRAMME 2020/21

As has been the case in prior years, only 2 schemes are included in the base budget on a recurring basis each year 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 2020/21 Capital Programme respectively. The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by estimated external grant funding from ECC. The investment in IT core infrastructure has been reduced from the historic annual amounts of **£0.100m** to reflect the figures set out in previous digital transformation reports considered by Cabinet.

Other items included in the Capital Programme for 2020/21 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 2020/21 is as follows:

On-going Schemes	Budget 2020/21 £
Information and Communications Technology Core Infrastructure	55,000
Disabled Facilities Grants	757,000
Existing Schemes - Reprofiled	
Office Rationalisation	31,760
Laying out of Cemetery	168,470
Replacement Scan Stations	12,000
Total General Fund Capital Programme 2020/21	1,024,230

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 2020/21

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 2019/20 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 2019/20 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:

- i) 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?*
- ii) To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- iii) 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 2020/21 budget are based on the following policy statement that will be presented to Full Council on 21 January 2020 for approval:

In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2020/21 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 2020/21
Appendix B	Updated Net Savings Items 2020/21
Appendix C	Updated Cost Pressure Summary 2020/21

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UPDATED FINANCIAL FORECAST 2020/21

Line		Updated Forecast (Cabinet 8 November 2019)	Updated Forecast (20 December 2019)	Change
		2020/21 £m	2020/21 £m	£m
	Underlying Funding Growth in the Budget			
1	Council Tax Increase 1.99%	(0.158)	(0.158)	0.000
2	Council Tax increase by £5 (amounts set out are over and above 1.99% above)	(0.079)	(0.079)	0.000
3	Growth in Business Rates - Inflation	(0.110)	(0.110)	0.000
4	Growth in Business Rates / Council Tax - general property growth	(0.177)	(0.365)	(0.188)
5	Collection Fund Surpluses b/fwd	(0.437)	(1.360)	(0.923)
		(0.961)	(2.072)	(1.111)
	Net Cost of Services and Other Adjustments			
6	Reduction in RSG	0.422	0.422	0.000
7	Remove one-off items from prior year	0.013	0.013	0.000
8	Remove one-off items from prior year - Collection Fund Surplus	0.710	0.710	0.000
9	Inflation - Employee Costs (including annual review adjustments)	0.488	0.615	0.127
10	Inflation - Other	0.156	0.231	0.075
11	First / Second / Third year impact of PFH WP Savings	0.000	0.000	0.000
12	LCTS Grant to Parish Council's	(0.036)	(0.036)	0.000
13	Revenue Contribution to the Capital Programme	(0.045)	(0.045)	0.000
14	Specific Changes in Use of Reserves	(1.076)	1.103	2.179
15	On-going savings / increases in income	(0.450)	(0.369)	0.081
16	Unmitigated Cost Pressures	0.600	0.491	(0.109)
17	Other Adjustments	1.121	(1.067)	(2.188)
		1.903	2.068	0.165
	Net Total	0.942	(0.004)	(0.946)
	Add back General Use of Reserves in Prior Year to Balance the Budget	0.027	0.027	0.000
	Net Budget Position	0.969	0.023	(0.946)
	Use of Forecast Risk Fund to support the Net Budget Position	(0.969)	(0.023)	0.946

Use of Forecast Risk Fund

Estimated Outturn b/fwd from prior years	(3.253)	(3.253)
Contribution from / (to) reserve	0.969	0.023
Planned additional contributions generated in year	(0.500)	(0.500)
Balance to Carry Forward	(2.784)	(3.730)

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APPENDIX B

NET ON-GOING SAVINGS ITEMS 2020/21

	2020/21 £	Comments
Increased Income - Interest on Investments	50,000	Based on current trends, it is expected that additional investment returns are achievable. This approach will also be supported by exploring alternative investment 'vehicles' such as property unit trusts and money market funds whilst still balancing the overall risk to the Council.
Reduction in Expenditure - Waste Transfer Station – move to A120 site	27,000	As reported as part of the original contract extension decision, a net saving is now deliverable following ECC agreeing terms for the use of their waste transfer site along the A12.
Increased Income - Potential Increased Recycling Credit Income	50,000	To reflect increased recycling tonnages being achieved following the roll-out of the new service. This figure may increase once recycling tonnages start to feed through from the new recycling service.
Reduction in Expenditure - Interest on borrowing and reduced minimum revenue provision contribution	52,290	Reduced costs are expected as the general fund borrowing is repaid in accordance with the associated loan terms.
Increased Income - Council tax benefit recoverable from prior years	10,000	This is expected to be recovered for pre-LCTS claims where historic overpayments are identified that become recoverable.
Reduction in Expenditure - Various small underspends	30,000	This represents modest 'targets' for departments to deliver during the year by reviewing historic outturn positions
Increased Income – General fee and charges income	81,880	Income budgets can be increased to reflect the actual / historic performance (budget areas include building control, parking and green waste collections).
Reduction in Expenditure - Public Convenience Business Rates	68,250	This reflects an earlier Government announcement where they committed to remove the liability to pay business rates on public toilets from April 2020.
Total	369,420	

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UPDATED COST PRESSURE SUMMARY 2020/21

Status		2020/21 £	2021/22 £	2022/23 £	2023/24 onwards £	Comments
Unavoidable Items / Items Included in the 2020/21 Budget						
Included in Budget 2020/21	REVENUE - Operational Services - Public Realm - Expiry of Commuted sums / no commuted sums agreed with Developer to support open space maintenance etc.	2,000	10,000	10,000	10,000	This budget is required to maintain open space etc. to existing standards.
Included in Budget 2020/21	REVENUE - Corporate Services - Finance, Revenues and Benefits - Reduced income from the Council Tax Sharing Agreement with the major preceptors	111,050	111,050	111,050	111,050	This represents a reduction in the sharing percentage from 14% to 12%. However negotiations remain on-going with the aim of securing a tapering approach based on income targets. If agreed this cost pressure may reduce over the year based on the level of income achieved over and above a 'base' level.
Included in Budget 2020/21	REVENUE - Corporate Services - IT and Corporate Resilience - Revised on-going costs associated with the Digital Transformation Programme	113,940	113,940	113,940	113,940	As reported to Cabinet on 13 September 2019

Included in Budget 2020/21	REVENUE - Corporate Services - IT and Corporate Resilience - Expenditure to compliment the digital transformation item above	39,200	52,700	68,700	100,000	The amounts reflect a varied range of expenditure to support the continued digitalisation programme above 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
Included in Budget 2020/21	REVENUE - Corporate Services - Finance, Revenues and Benefits - Expected increase in Insurance Premium Costs	16,500	16,500	16,500	16,500	This reflects the premiums paid on renewal in 2019
Included in Budget 2020/21	REVENUE - Operational Services - Building and Engineering - Increased net costs of operating recycling bring banks	30,000	30,000	30,000	30,000	This is in response to the volatile recyclate market where there is a net cost associated with the disposal of waste from bring banks rather than generating income as has previously been the case
Included in Budget 2020/21	REVENUE - Operational Services - Public Realm - Increased in water / sewerage charges across public conveniences	43,000	43,000	43,000	43,000	Required change to the budget to reflect increases in prices
Included in Budget 2020/21	REVENUE - Operational Services - Public Realm - Fleet contract hire / lease costs	0	5,000	9,000	15,000	To maintain the transport fleet to current standards ensuring departments can continue to provide good customer service and supporting the Council's reputation

Included in Forecast 2021/22 and beyond	REVENUE - Corporate Services - Finance Other Corporate Costs - New 5 year banking contract entered into in 2019/20	0	7,000	7,000	7,000	Reflects new banking contract prices which includes a one-off reduction in the first year so cost pressure only required from 2021/22.
Included in Budget 2020/21	REVENUE - Corporate Services - Democratic Services - Replacement polling equipment	21,900	2,600	0	0	To compliment a one-off £10k budget allocated as part of the outturn 2018/19 to continue / extend this project
Total of Unavoidable Items Included in the 2020/21 Budget		377,590	391,790	409,190	446,490	
One-Off Items From Prior Years Included In The Base Budget On an On-Going Basis						
Included in Budget 2020/21	REVENUE - Operational Services - Sport and Leisure - Clacton Airshow	60,000	60,000	60,000	60,000	This item has previously been funded on a one-off basis. This cost pressure will allow the cost of this event to be built into the budget on an on-going basis
Included in Budget 2020/21	REVENUE - Operational Services - Sport and Leisure - Sea and Beach Festival	20,000	20,000	20,000	20,000	This item has previously been funded on a one-off basis. This cost pressure will allow the cost of this event to be built into the budget on an on-going basis
Included in Budget 2020/21	REVENUE - Planning and Regeneration - Regeneration - Contribution to Mental Health Hub	23,000	23,000	23,000	23,000	This item has previously been funded on a one-off basis. This cost pressure will allow the cost of this initiative to be built into the budget on an on-going basis

Included in Budget 2020/21	REVENUE - Operational Services - Building and Engineering - Kerbside Clinical Waste Collection Service	10,000	10,000	10,000	10,000	This item has previously been funded on a one-off basis. This cost pressure will allow the cost of this initiative to be built into the budget on an on-going basis
Total of One-off Items From Prior Years Included in the Base Budget on an On-going Basis		113,000	113,000	113,000	113,000	
Items to be mitigated / met via reductions elsewhere within the overall budget						
To be met via the reduction in staffing capacity during the roll out of UC period	REVENUE - Corporate Services - Finance, Revenues and Benefits - Estimated Reduction in Housing Benefit Administration Grant	104,620	236,000	378,000	491,690	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.
Expected To be mitigated by Potential Government Grants / New Initiatives	Revenue - Operational Services - Homelessness - Cost of Temporary Accommodation / Homelessness Initiatives	81,550	81,550	81,550	81,550	Up until 2019/20 homeless costs have been supported by an associated reserve. This reserve has now been depleted but homelessness demand remains high. The Government have continued to support homelessness via grant funding, a position that is expected to be continued into 2020/21. Initiatives to increase access to temporary accommodation are also being explored (Reconfiguration of Spendells) which should also help. 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.

To be met via the expected residual budget set aside for the roll-out of the new service	REVENUE - Operational Services - Building and Engineering - Budget to allow for the Replacement of Wheeled Bins	25,000	25,000	25,000	25,000	At the end of the second quarter of 2019/20, £329k remains available within the New Homes Bonus set aside to support the roll out of the revised waste and recycling service. Although this will be subject to on-going monitoring, this does provide a good basis to fund replacement bins over the remaining years of the current contract.
Not to be included but respond on a one-off basis during 2020/21	REVENUE - Planning and Regeneration - Planning and Development - Planning Appeal Costs	150,000	150,000	150,000	150,000	Once the Local Plan has been adopted there should be a reduction in appeals but given the significant impact in 2019/20 it is likely that any reduction will be on a tapering basis over time. It is therefore difficult to predict the actual costs to be incurred in 2020/21 given the variables involved so it is proposed to respond on a one-off basis as part of the quarterly financial performance reports during the year and review as part of the longer term forecast going into 2021/22 and beyond.

To be met from 20% Planning Fee Increase / General Planning Income	REVENUE - Planning and Regeneration - Planning and Development - Agency Staff	200,000	200,000	200,000	200,000	The ongoing shortage of qualified senior planning officers continues to impact on the ability to recruit. To continue to deliver the service and meet government targets, it is, and will continue to be, necessary to employ the services of agency staff. Although costs are currently being covered, a drop in income levels or staff members may make the use of agency staff a cost pressure that cannot sustainably avoided or mitigated. Looking ahead to years 2022-2025, it is hoped that recruitment campaigns will prove more fruitful but there is no certainty to this.
Total of Mitigated Items		561,170	692,550	834,550	948,240	
TOTAL OF ALL COST PRESSURES ABOVE		1,051,760	1,197,340	1,356,740	1,507,730	
TOTAL OF COST PRESSURES INCLUDED IN THE 2020/21 BUDGET (Total of all cost pressures less mitigated items)		490,590	504,790	522,190	559,490	

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

20 DECEMBER 2019

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

A.4 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2020/2021

(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 2020/21 including the movement in HRA Balances.
- The level of fees and charges for 2020/21.
- The HRA Capital Programme.

EXECUTIVE SUMMARY

- Pending agreement of the Council's Housing Strategy and the long term impact on the 30 year business plan, only limited changes to the HRA budget are proposed in 2020/21.
- 2019/20 was the fourth and final year of the required 1% reduction in rents. For a period of up to 5 years, starting on 1 April 2020, rent increases of CPI + 1% are now allowed. Rents have therefore been increased in 2020/21 by an average of 2.7% (based on a CPI figure of 1.7%).
- The average weekly rent proposed for 2020/21 is **£82.42** (£80.25 in 2019/20)
- The total increase in income from the 2.7% rent increase is **£0.340m**. Although offset / complimented by other budget adjustments as set out further on in this report, this has been the primary contributor to an overall HRA surplus for the year of **£0.363m**.
- It is proposed to contribute the estimated surplus for the year of **£0.363m** to the HRA Capital Programme to support investment in new homes. This goes some way to making good the reduced contributions to the Capital Programme necessitated by the Government's 4 year 1% rent reduction policy.
- The proposed HRA Capital Programme for 2020/21 totals **£3.539m** and continues to provide for a range of schemes and projects as set out within **Appendix C**.
- The HRA general balance is forecast to total **£5.029m** at the end of 2020/21, which retains a strong financial position against which the Housing Strategy and associated HRA 30 year Business Plan can be developed.
- HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2020/21 forecast to be **£38.442m** (A reduction of **£1.664m** compared with the figure at the end of this year).

- As announced during the current financial year, the Government have confirmed the removal of the HRA debt cap. Any future borrowing decisions will therefore need to take account of existing prudential borrowing principles within a revised HRA Business Plan rather than be limited to this arbitrary cap, which for this Council was **£60.285m**. As set out earlier in the year, any borrowing decisions that may be required to support the building of new council houses will be subject to separate decisions as the opportunities arise.
- In prior years, the HRA budget has only been subject to approval by Cabinet. However from 2020/21 the approval of the HRA budget will follow the same process as the General Fund budget, which culminates in their consideration and approval at Full Council in February. Therefore at this stage of the process, this report sets out the proposed 2020/21 HRA budget for consultation with the Resources and Services Overview and Scrutiny Committee. The final budget proposals, including any comments from the Resources and Services Overview and Scrutiny Committee will be reported back to Cabinet at its January 2020 meeting before being recommended onto Full Council.
- As highlighted further on in this report, following the demise of Roalco (the Council's primary housing repairs and maintenance contractor) earlier in the year, the work previously undertaken by it is currently being delivered via a mix of the in-house Engineering Team, complimented by a range of external suppliers. A separate report is planned to be presented to Members in the first half of 2020/21 that will seek to formalise a longer term approach, but at this stage it is expected that this will continue to be based on using the in-house team along with external suppliers where appropriate. In the interim period it will be necessary to adjust the budget, as it currently reflects the old arrangements with Roalco. A delegation to the Corporate Director (Operational Services) in consultation with the Housing Portfolio is therefore included in the recommendations below to provide the required budget flexibility.

RECOMMENDATION(S)

That Cabinet:

- (a) Approves a 2.7% increase in dwelling rents in 2020/21;**
- (b) approves the 2020/21 Scale of Charges shown in Appendix B;**
- (c) subject to (a) and (b) above, approves the Housing Revenue Account Budget for 2020/21 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;**
- (d) requests the Resources and Services Overview and Scrutiny Committee's comments on the HRA budget proposals for 2020/21; and**
- (e) approves a delegation to the Corporate Director (Operational Services) in consultation with the Housing Portfolio Holder, to make the necessary adjustments to the budget to reflect the changes to the delivery of repairs and maintenance work that was previously undertaken by Roalco.**

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 **£5.029m** at the end of 2020/21, 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.

Although subject to change as part of the development of 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.

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, since 2016, 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 publication of the 'Direction to the Regulator' created an obligation on the regulator to prepare and consult on the new Rent Standard, which will apply from 2020 and fulfil the Secretary of State's Direction. The 2020 Rent Standard is, by Direction, to apply to all registered providers of social housing, including local authority registered providers.

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 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 2020/21 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.

Following the period of consultation on the new rent standard referred to earlier, 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 in 2020/21. 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.

One area which it is important to note and which may have a bearing on the overall financial position of the HRA in future years is the emerging regulatory regime surrounding fire safety following the Grenfell inquiry and Hackett review. Whilst the immediate impact on the Council's HRA stock is relatively minimal at this time given the adequacy of safety measures within the stock, there is significant cross sector concern surrounding the potential regulatory regime which is being proposed and potentially extended to buildings which do not exceed the current 18 meter plus threshold. The Council is currently working with the MHCLG and other social housing providers in an attempt to ensure that whatever regime is implemented provides for a safe living environment for residents whilst also being proportionate and affordable.

HOUSING REVENUE ACCOUNT PROPOSED BUDGET 2020/21

A high level summary is set out below based on a comparison with the 2019/20 original budget. Additional information for significant items is also provided below with detailed information set out in **Appendix A**.

	2019/20 Original Budget £m	2020/21 Original Budget £m
Direct Expenditure	6.532	6.514
Direct Income	(13.437)	(13.713)
Indirect Income / Expenditure including Financing Costs	6.830	6.836
NET (SURPLUS) / DEFICIT	(0.075)	(0.363)
Contribution to / (from) Reserves	0.075	0
Contribution to the Capital Programme	0	0.363

As highlighted in the table above there is an overall net surplus of **£0.363m** in 2020/21. However rather than contribute this to general HRA balances via a reserve adjustment, it has instead been contributed to the capital programme. The thinking behind this approach is to start to recover from the adverse impact on the capital programme brought about by the imposed 1% reduction in rents over the past four years.

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

As highlighted earlier, it is proposed to increase rents by the maximum allowable amount of CPI + 1% to recover from the unsustainable 1% reduction in rents over the past 4 years.

Based on CPI + 1%, rents have been increased by 2.7%, which results in an average rent of **£82.42** (an increase from **£80.25** in 2019/20).

This is estimated to generate an additional **£0.340m** in income in 2020/21. This has been partly offset by increasing the loss in rental income for right to buy sales, which have seen increases over recent years (**£0.067m**).

The various service charges / fees and charges within the HRA are broadly based on the principle of recovering costs where necessary. This approach has continued in 2020/21 but follows the increases in rents above with a 2.7% (CPI + 1%) increase proposed, which is in line with the guidance from the regulator. Further details are set out in **Appendix B**.

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 unchanged from 2019/20:

- Improvements, Enhancement and Adaptations to Tenant's Homes - **£3.116m** is included within the Capital Programme
- Planned and Responsive Repairs to Tenant's Homes - **£3.197m** is included within the revenue account.

Taking the above 2 items together, a total investment of **£6.313m** can be made in 2020/21 to ensure that the 3,000+ Council homes are maintained at the current decent homes standard.

Although not included in the 2020/21 budget, it is worth highlighting that changes to the decent homes standard may emerge in the future to reflect issues such as energy efficiency and the outcome of the Grenfell Inquiry which may put pressure on these budgets in future years.

In respect of planned and responsive repairs, this has historically been undertaken by ROALCO, However following their recent bankruptcy / winding up order, the work has

been brought in-house, complimented by a mix of smaller suppliers.

This approach is subject to further development and is not yet fully embedded within the proposed budgets. However it is proposed to present a separate report to Members in the first half of 2020 setting out final proposals, which at this stage are still expected to include an in-house solution, supported by a number of external contractors / suppliers as necessary. In the interim period it is likely that the budgets will need to be adjusted to reflect this approach as it develops and therefore a recommendation is set out earlier on in this report that enables short term budget amendments to be made in consultation with the Housing Portfolio Holder.

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 2020.

Other budget adjustments – a number of further adjustments have been made such as reflecting increases in gas and electric costs (an increase of **£0.039m**), employee costs (a reduction of **£0.029m**) and the most up to date position against a number of budgets including a reduction in interest costs as loans are repaid each year, which is set out in more detail in a separate section of the report below.

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 investment in the housing stock.

The capital programme includes the reinstatement of a new build and acquisition programme that has been possible by utilising the surplus generated for the year of **£0.363m** explained earlier. It is hoped that this can be increased in future years either as part of separate decisions / budget setting processes or as part of revisions that may be possible within the 30 year business plan.

HRA BALANCES / RESERVES

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

The forecast position for HRA balances at 31 March 2019 and 31 March 2020 will vary over time depending on the outturn positions for 2019/20 and 2020/21 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 **£11.281m** by the end of 2020/21, with the general balances element within this amount being **£5.029m**.

As part of an earlier decision during the year, the excess on the Council's property insurance policy has recently been increased to **£0.050m** (from **£0.005m**) Although actions are underway to limit wherever possible claims being made against the Council's policy, it is proposed to use HRA general balances to underwrite this risk. This will closely monitored and be reported as necessary within the financial performance reports presented to members over the course of the year.

HRA DEBT

The total HRA debt at the end of 2019/20 is estimated to be **£40.106m**.

With forecast repayments of principal of **£1.664m** in 2019/20, the level of HRA debt at the end of 2020/21 is forecast to be **£38.442m**.

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 2020/21 HRA budget is **£3.023m**. This budget has been reduced by **£0.055m** in 2020/21 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 **£5.388m** at the end of 2020/21, 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 2020/21 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 2020/21
Appendix B	HRA Proposed Service Charges / Fees and Charges 2020/21
Appendix C	HRA Capital Programme
Appendix D	HRA Reserves 2020/21

Revenue Estimates 2020/21

Housing Revenue Account (HRA)

<u>Analysis by Type of Spend</u>	2019/20 Original Estimate £	2020/21 Original Estimate £
Direct Expenditure		
Employee Expenses	1,090,540	1,061,900
Premises Related Expenditure	3,458,870	3,524,190
Transport Related Expenditure	20,370	20,370
Supplies & Services	531,040	531,040
Third Party Payments	1,030	1,030
Transfer Payments	17,000	17,000
Interest Payments	1,413,490	1,358,430
Total Direct Expenditure	6,532,340	6,513,960
Direct Income		
Other Grants, Reimbursements and Contributions	(8,000)	(8,000)
Sales, Fees and Charges	(534,360)	(535,760)
Rents Receivable	(12,843,320)	(13,117,260)
Interest Receivable	(51,600)	(51,600)
Total Direct Income	(13,437,280)	(13,712,620)
Net Direct Costs	(6,904,940)	(7,198,660)
Indirect Income/Expenditure		
FRS17/IAS19 Pension Costs	(447,690)	(447,690)
Service Unit and Central Costs	2,370,840	2,376,850
Capital Financing Costs	4,906,460	5,269,500
Total Indirect Income/Expenditure	6,829,610	7,198,660
Contributions to/(from) reserves		
Contributions to/(from) Reserves	75,330	0
Total Contributions to/(from) reserves	75,330	0
Net Contribution to/(from) Reserves	75,330	0
Total for HRA	0	0

Revenue Estimates 2020/21

Housing Revenue Account (HRA)

<u>Analysis by Section/Function</u>	2019/20 Original Estimate £	2020/21 Original Estimate £
HRA - I&E - Capital Grants		
Indirect Income/Expenditure	0	0
Net Total	0	0
HRA - MIRS Items to be excluded from HRA balance		
Indirect Income/Expenditure	188,670	551,710
Net Total	188,670	551,710
HRA - MIRS Reversal of Capital Grant		
Indirect Income/Expenditure	0	0
Net Total	0	0
HRA - MIRS HRA - Contributions Payable to the Pension Scheme		
Direct Expenditure	428,460	356,790
Net Total	428,460	356,790
HRA - MIRS Total IAS 19 Adjustments		
Indirect Income/Expenditure	(525,310)	(525,310)
Net Total	(525,310)	(525,310)
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	1,756,120	2,047,490
HRA - Policy & Management		
Direct Expenditure	58,000	58,000
Direct Income	(2,200)	(2,200)
Indirect Income/Expenditure	259,820	259,820
Net Total	315,620	315,620
HRA - Unapportionable Central Overheads Contribution		
Indirect Income/Expenditure	275,720	275,720
Net Total	275,720	275,720
Total for Corp Director and Admin Operational Servs	591,340	591,340

HRA - Lease Holders Charges		
Direct Income	(84,000)	(84,000)
Indirect Income/Expenditure	36,430	36,430
Net Total	(47,570)	(47,570)
Total for Customer and Commercial Services	(47,570)	(47,570)
HRA - Managing Tenancies		
Direct Expenditure	398,030	(0)
Direct Income	0	0
Indirect Income/Expenditure	462,810	0
Net Total	860,840	(0)
HRA - Tenancy Management & Rent Collection		
Direct Expenditure	0	680,790
Direct Income	0	(8,000)
Indirect Income/Expenditure	0	624,480
Net Total	0	1,297,270
HRA - Rent Collection And Accounting		
Direct Expenditure	257,830	0
Direct Income	(8,440)	0
Indirect Income/Expenditure	155,990	0
Net Total	405,380	0
HRA - Right to Buy Administration		
Direct Expenditure	20,000	20,000
Direct Income	(26,000)	(26,000)
Indirect Income/Expenditure	56,370	56,370
Net Total	50,370	50,370
HRA - Pumping Stations		
Direct Expenditure	5,700	5,700
Direct Income	(4,290)	(2,620)
Indirect Income/Expenditure	3,510	3,530
Net Total	4,920	6,610
HRA - Sewerage Expenses		
Direct Expenditure	14,680	15,430
Direct Income	(16,750)	(17,050)
Indirect Income/Expenditure	5,980	6,060
Net Total	3,910	4,440

HRA - Communal Central Heating		
Direct Expenditure	70,310	82,410
Direct Income	(66,320)	(66,320)
Net Total	3,990	16,090
HRA - Sheltered Units		
Direct Expenditure	319,360	337,460
Direct Income	(174,750)	(171,290)
Indirect Income/Expenditure	118,630	118,860
Net Total	263,240	285,030
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	58,500	85,250
Direct Income	(31,520)	(31,520)
Indirect Income/Expenditure	970	970
Net Total	27,950	54,700
HRA - Communal Electricity		
Direct Expenditure	77,060	98,560
Direct Income	(73,010)	(70,000)
Indirect Income/Expenditure	5,690	5,690
Net Total	9,740	34,250
HRA - Estate Lighting		
Direct Expenditure	5,100	9,320
Indirect Income/Expenditure	380	380
Net Total	5,480	9,700
HRA - Maintenance Of Grounds		
Direct Expenditure	12,620	12,620
Direct Income	(55,080)	(64,760)
Indirect Income/Expenditure	183,650	183,650
Net Total	141,190	131,510

HRA - Tenants Rentals		
Direct Expenditure	0	0
Direct Income	(12,815,240)	(13,089,180)
Net Total	(12,815,240)	(13,089,180)
HRA - Rents & Other Charges		
Direct Expenditure	130,090	130,090
Net Total	130,090	130,090
HRA - Rent Income		
Direct Expenditure	0	0
Direct Income	(28,080)	(28,080)
Net Total	(28,080)	(28,080)
HRA - Interest Receivable		
Direct Income	(51,600)	(51,600)
Net Total	(51,600)	(51,600)
HRA - Rent Arrears Provision		
Direct Expenditure	156,500	156,500
Net Total	156,500	156,500
HRA - Interest Charges		
Direct Expenditure	1,413,490	1,358,430
Net Total	1,413,490	1,358,430
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	75,330	0
Net Total	75,330	0
Total for Housing and Environmental Health	(6,217,010)	(6,508,380)
HRA - Repair & Maintenance		
Direct Expenditure	3,034,610	3,034,610
Direct Income	0	0
Indirect Income/Expenditure	882,510	882,510
Net Total	3,917,120	3,917,120
Total for Building and Engineering	3,917,120	3,917,120
Total for HRA	0	0

Housing Portfolio - HRA

Scale of Charges 2020/21

	Date last revised	(A) 2019/20	(B) 2019/20	(C) 2020/21	(D) 2020/21	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		01/04/2019 £	01/04/2019 £	01/04/2020 £	01/04/2020 £	
<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	20.83	25.00	21.33	25.60	V
Without en-suite facilities (Vyntoner House, Kate Daniels House, Mead House, Crooked Elms)	Apr-18	16.67	20.00	17.08	20.50	V
Garage rents HRA (not subject to VAT unless separately let to non-council tenants)	Apr-18	8.84	8.84	9.08	9.08	*
<u>QUESTIONNAIRES</u>						
Second mortgage enquiries (per enquiry)	Apr-18	155.00	186.00	158.33	190.00	V
Solicitors enquiries on resale of council flats	Apr-18	155.00	186.00	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	8.04	8.04	8.26	8.26	Z
Coronation Villas, Beaumont	Apr-18	7.99	7.99	8.21	8.21	Z
Whitehall Lane, Thorpe	Apr-18	5.40	5.40	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	7.53	7.53	7.73	7.73	Z
Septic Tanks	Apr-18	2.86	2.86	2.94	2.94	Z
Pumping Stations (not subject to VAT)	Apr-18	5.22	5.22	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	6.97	6.97	7.16	7.16	N
Double units	Apr-18	8.03	8.03	8.25	8.25	N
Belmans Court	Apr-18	1.63	1.63	1.67	1.67	N
Other Service Charges (not subject to VAT):						
Sheltered Housing:						
Grounds Maintenance	Apr-18	1.26	1.26	1.29	1.29	X
Communal Electricity	Apr-18	2.24	2.24	2.30	2.30	N
Non Sheltered Housing						

Grounds Maintenance	Apr-18	0.94	0.94	0.97	0.97	N
Communal Electricity	Apr-18	0.87	0.87	0.89	0.89	N

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

Langham Drive, Clacton	Apr-18	2.72	2.72	2.79	2.79	N
Nayland Drive, Clacton	Apr-18	2.70	2.70	2.77	2.77	N
Boxted Ave (3 Storey) , Clacton	Apr-18	2.66	2.66	2.73	2.73	N
Boxted Ave (2 Storey) , Clacton	Apr-18	1.51	1.51	1.55	1.55	N
Polstead Way, Clacton	Apr-18	1.51	1.51	1.55	1.55	N
Porter Way, Clacton	Apr-18	1.28	1.28	1.31	1.31	N
Tanner Close, Clacton	Apr-18	1.20	1.20	1.23	1.23	N
Mason Road, Clacton	Apr-18	1.36	1.36	1.40	1.40	N
Maldon Way, Clacton	Apr-20	NEW		1.40	1.40	N
Groom Park, Clacton	Apr-18	1.41	1.41	1.45	1.45	N
Leas Road , Clacton	Apr-18	1.41	1.41	1.45	1.45	N
Rivers House, Walton	Apr-18	1.20	1.20	1.23	1.23	N
Rochford House, Walton	Apr-18	1.20	1.20	1.23	1.23	N
D'arcy House , Walton	Apr-18	1.20	1.20	1.23	1.23	N
Churchill Court, Dovercourt	Apr-18	1.55	1.55	1.59	1.59	N
Cliff Court, Dovercourt	Apr-18	1.81	1.81	1.86	1.86	N
Nichols Close, Lawford	Apr-20	NEW		2.46	2.46	N
Grove Avenue Walton	Apr-18	0.75	0.75	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:

Council Tenant

Non-Council Tenant

N

V

Storage:

Homeless persons goods

Premises suitable for parking

Premises unsuitable for parking

N

V

X

HRA Capital Programme

	2019/20 Original Budget £	2020/21 Budget £	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	2,696,410
Disabled adaptations for Council Tenants	400,000	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	20,000
New Build Initiatives and Acquisitions	0	363,040	0	0	0	0
Jaywick Sands Starter Homes	0	0	0	0	0	0
Cash Incentive Scheme	60,000	60,000	60,000	60,000	60,000	60,000
	3,176,410	3,539,450	3,176,410	3,176,410	3,176,410	3,176,410
<i>FINANCING</i>						
External Contributions	0	0	0	0	0	0
Capital Grants	0	0	0	0	0	0
Major Repairs Reserve	3,176,410	3,176,410	3,176,410	3,176,410	3,176,410	3,176,410
Direct Revenue Financing of Capital	0	363,040	0	0	0	0
	3,176,410	3,539,450	3,176,410	3,176,410	3,176,410	3,176,410

HRA RESERVES

APPENDIX D

	Est. Balance 31 March 2020	Contribution from Reserves 2020/21	Contribution to Reserves 2020/21	Est. Balance 31 March 2021
	£	£	£	£
HRA Reserves				
HRA General Balance	(5,028,520)	0	0	(5,028,520)
HRA Commitments	0	0	0	0
Housing Repairs Reserve	(864,260)	3,917,120	(3,917,120)	(864,260)
Major Repairs Reserve	(5,387,850)	3,176,410	(3,176,410)	(5,387,850)
Total Reserves	(11,280,630)	7,093,530	(7,093,530)	(11,280,630)

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