

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

24 JANUARY 2020

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

#### A.5 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2020/2021

(Report prepared by Richard Barrett and Richard Hall)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To seek Cabinet's approval of the final HRA budget proposals 2020/21 (including fees and charges, capital programme and movement in HRA Balances) for recommendation to Council on 11 February 2020.

##### **EXECUTIVE SUMMARY**

- At the meeting on the 20 December 2019, Cabinet considered the initial Housing Revenue Account Budget Proposals 2020/21. The budget proposals at that time provided for a surplus of **£0.363m** that was to be contributed to the HRA Capital Programme.
- The initial budget proposals were subject to consultation with the Resources and Services Overview and Scrutiny Committee which met on the 6 and 8 January 2020 to consider them and their comments are set out in this report along with the response from the Housing Portfolio Holder.
- Since the Cabinet's meeting on 20 December 2019, only a very limited number of changes have been required, primarily as a result of new or revised information becoming available.
- The changes required result in a revised surplus for 2020/21 of **£0.281m**, a change of **£0.082m** compared to the **£0.363m** surplus presented to Cabinet in December 2019. **Appendix A** provides further details across the various lines of the HRA budget.
- This figure may change as further adjustments may be required as part of finalising the budget for presenting to Council on 11 February 2020, with a delegation included in the recommendations to reflect this.
- The revised forecast surplus of **£0.281m** in 2020/21 has remained as a contribution to the Capital Programme as originally set out in December, albeit at a lower amount. The proposed HRA Capital Programme for 2020/21 therefore now totals **£3.457m** and continues to provide for a range of schemes and projects as set out within **Appendix C**.
- The average weekly rent remains unchanged to the figure reported in December at **£82.42**, an increase of 2.7% over the comparable figure of **£80.25** for 2019/20.
- All other figures presented to Cabinet in December 2019 remain unchanged and include the following:

1) 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.

2) 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).

#### **RECOMMENDATION(S)**

(a) **That if the financial position changes prior to Council considering the HRA budget on 11 February 2020, Cabinet agrees a delegation to the Chief Executive to adjust the forecast / budget, including the use of reserves, in consultation with the Housing Portfolio Holder;**

(b) **that Cabinet thanks the Resources and Services Overview and Scrutiny Committee for the work they have undertaken and continue to undertake in supporting the development of the forecast / budgets and agrees the comment of the Housing Portfolio Holder in response to the one made by the Committee as set out in this report;**

*That subject to a) above, Cabinet approves and recommends to Full Council on 11 February 2020:*

(c) **A 2.7% increase in dwelling rents in 2020/21 along with the detailed HRA Budget proposals for 2020/21 as set out in Appendices A to D**

## **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 general 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**

On 20 December 2019 Cabinet considered the initial Housing Revenue Account Budget Proposals 2020/21 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated surplus of **£0.363m** in 2020/21, which was proposed to be contributed to the HRA Capital Programme to support the continuation of the new build and acquisition project.

The development of the forecast / budget has continued since Cabinet's meeting on 20 December 2019, primarily to reflect the latest information such as the outcome of the annual review of recharges between the General Fund and Housing Revenue Account.

Subject to the recommendations set out in this report, Cabinet's final HRA Budget Proposals 2020/21 will be presented to Full Council on 11 February 2020.

#### **RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE COMMENTS**

Cabinet has consulted with the Resources and Services Overview and Scrutiny Committee on the initial Housing Revenue Account Budget Proposals 2020/21.

The Committee met on 6 and 8 of January 2020 to consider the HRA budget proposals being put forward by Cabinet. The Committee's recommendation to Cabinet is set out below along with the response of the Housing Portfolio Holder:

<b>RECOMMENDATION</b>	<b>The response of the Housing Portfolio Holder</b>
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<p>That Cabinet be recommended to approve the retention of the estimated surplus of £363K in the HRA in 2020/21 for capital investment in the Council's housing stock.</p>	<p>The comment from the Committee is welcomed and the overall surplus remains as a contribution to the capital programme, albeit at a reduced amount of <b>£0.281m</b> due to the impact of the latest budget changes that have been required as set out elsewhere in this report.</p>
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**LATEST HRA BUDGET PROPOSALS 2020/21**

As highlighted earlier in this report, the HRA Budget Proposals considered by Cabinet at its 20 December 2019 meeting provided for a surplus of **£0.363m**, which was proposed to be contributed to the HRA Capital Programme.

This has subsequently been revised to a surplus of **£0.281m**, a reduction of **£0.082m** as set out in **Appendix A**. This change is due to revisions to the recharges between the HRA and the General Fund. It is still proposed to contribute this overall surplus of **£0.281m** to the capital programme in 2020/21 – this change in the surplus / contribution to the capital programme reduces the overall capital programme amount to **£3.457m** (from **£3.539m** reported in December).

All other figures reported to Cabinet in December and considered by the Resources and Services Overview and Scrutiny Committee remain unchanged with some key headlines as follows:

- Rents are proposed to be increased by 2.7% (CPI + 1%) resulting in an average weekly rent of **£82.42** in 2020/21
- **£6.313m** remains within the budget proposals for the major refurbishment and repairs to the housing stock.
- 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**.
- With forecast repayments of principal of **£1.664m** in 2020/21, the level of HRA debt at the end of 2020/21 is forecast to be **£38.442m**.

As set out in the report to Cabinet in December, it is acknowledged that the Government may reconsider previous housing policy decisions or introduce new housing related initiatives / requirements on local authorities. This is in addition to potential changes to the 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.

The HRA budget proposals for 2020/21 set out a robust position and with estimated balances of **£5.029m**, it presents a strong financial position against which the Housing Strategy and associated HRA 30 year Business Plan can be developed.

**It is possible that further changes to the budget may be required before a final position is presented to Full Council. A delegation is therefore included in the recommendations earlier on in this report to enable further changes to be reflected in the budget, including the use of reserves that will then be reported to Council on 11 February 2020.**

## BUDGET SUMMARIES

Based on all of the adjustments set out elsewhere in this report, the proposed HRA budgets for 2020/2021 is summarised below.

### HRA Revenue Budget

Table 1

	2019/20 Original Budget £m	2020/21 Original Budget £m
<b>Direct Expenditure</b>	6.532	6.585
<b>Direct Income</b>	(13.437)	(13.713)
Indirect Income / Expenditure including Financing Costs	6.830	6.847
<b>NET (SURPLUS) / DEFICIT</b>	<b>(0.075)</b>	<b>(0.281)</b>
<b>Contribution to / (from) Reserves</b>	0.075	0
<b>Contribution to the Capital Programme</b>	0	0.281

### HRA Capital Programme

Table 2

	2020/21 Original Budget £m
<b>EXPENDITURE</b>	3.457
<b>FINANCING</b>	
Major Repairs Reserve	3.176
Direct Revenue Contribution	0.281
<b>Total Financing</b>	<b>3.457</b>

## BACKGROUND PAPERS FOR THE DECISION

Working Papers in Accountancy

**APPENDICES**

<b>Appendix A</b>	HRA Budget Proposals 2020/21
<b>Appendix B</b>	HRA Proposed Service Charges / Fees and Charges 2020/21
<b>Appendix C</b>	HRA Capital Programme
<b>Appendix D</b>	HRA Reserves 2020/21