

# COUNCIL

11 FEBRUARY 2020

## REPORT OF CABINET

### A.2 EXECUTIVE'S PROPOSALS – HOUSING REVENUE ACCOUNT BUDGET 2020/21 (Reference prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present to Council the Cabinet's Housing Revenue Account (HRA) budget proposals including the increase in dwelling rents for 2020/21.

##### EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the Cabinet's HRA budget proposals approved for submission to Council at their meeting on 24 January 2020.
- There have been no changes made to the budget since Cabinet considered the proposals at their meeting referred to above.
- The estimated surplus for the year remains as **£0.281m** which has been included in the budget as a contribution to the Capital Programme as originally proposed.
- For 2020/21, the Cabinet's budget proposals set out an increase in dwelling rents of 2.7% along with a total net HRA expenditure budget of **£13.713m** and a capital programme totalling **£3.457m**.
- The 2.7% increase in dwelling rents results in an average weekly rent of **£82.42** in 2020/21. (*£80.25 in 2019/20*)
- The proposed budget reflects the continued repayment of debt, with the total debt position falling to **£38.442m** at the end of 2020/21.
- The estimated HRA general balance at the end of 2020/21 totals **£5.029m**.

##### RECOMMENDATION(S)

That Council approves:

- (a) A 2.7% increase in dwelling rents in 2020/21;
- (b) the 2020/21 Scale of Charges shown in Appendix B; and
- (c) subject to (a) and (b) above, 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.

## 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**

#### **2020/21 HRA BUDGET PROPOSALS**

On 24 January 2020 Cabinet considered the following report:-

## **A.5 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2020/21**

It was resolved that (minute 106 refers):

- (a) *if the financial position changes prior to Council considering the HRA budget on 11 February 2020, the Chief Executive be authorised, in consultation with the Housing Portfolio Holder, to adjust the forecast / budget, including the use of reserves; and*
- (b) *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 comment made by the Committee as set out in this joint report.*

**RECOMMENDED TO COUNCIL** that 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 of the Joint Report be approved.

### **CHANGES SUBSEQUENT TO CABINET'S PROPOSALS OF 24 JANUARY 2020 AND HRA BUDGET SUMMARIES**

No changes have been required to the HRA budget 2020/21 since it was considered by Cabinet's at its 24 January 2020 meeting.

Summaries of the proposed budgets for 2020/21 therefore remain as previously reported and are as follows:

**Table 1 – HRA Fund Revenue Budget**

	<b>2019/20 Original Budget £m</b>	<b>2020/21 Original Budget £m</b>
<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

**Table 2 – HRA Capital Programme 2020/21**

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

**BACKGROUND PAPERS FOR THE DECISION**

Working papers held 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