

COUNCIL

16 FEBRUARY 2021

REPORT OF CABINET

A.2 EXECUTIVE'S PROPOSALS – HOUSING REVENUE ACCOUNT BUDGET 2021/22 (Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to Council the Executive's Housing Revenue Account (HRA) budget proposals including the increase in dwelling rents for 2021/22.

EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the Executive's HRA budget proposals which were approved for submission to Council at their meeting on 29 January 2021.
- The above report highlighted that further changes were expected that related to salary costs and recharges. These two areas of the budget have now been finalised with the following changes made:
 - i) Increase in salary costs - **£0.025m**
 - ii) Increase in recharges from the General Fund - **£0.009m**
- The above results in a small deficit for the year of **£0.022m**, a change of **£0.034m** compared with the small surplus of **£0.012m** that was report to Cabinet on 29 January 2021. The deficit is to be met by calling money from HRA general balances.
- For 2021/22, the Executive's budget proposals set out an increase in dwelling rents of 1.5% along with a total net HRA expenditure budget of **£13.712m** and a capital programme totalling **£3.457m**.
- The 1.5% increase in dwelling rents results in an average weekly rent of **£84.10** in 2021/22. (*£82.42 in 2020/21*)
- The proposed budget reflects the continued repayment of debt, with the total debt position falling to **£36.777m** at the end of 2021/22.
- The estimated HRA general balance at the end of 2021/22 totals **£5.248m**.

RECOMMENDATION(S)

That Council approves:

- (a) a 1.5% increase in dwelling rents in 2021/22;
- (b) the 2021/22 Scale of Charges shown in Appendix B; and

(c) subject to (a) and (b) above, the Housing Revenue Account Budget for 2021/22 as set out in Appendix A, along with the HRA Capital Programme and the movement in HRA Balances / Reserves as set out in Appendix C and Appendix D respectively.

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 **£5.248m** at the end of 2021/22, which although required to support the business plan and HRA investment in future years, provides a 'buffer' to the 30 year Business Plan if, for example, some of the items highlighted above emerge or are required to deal with changing financial and service demand issues.

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

To date the HRA has been largely unaffected financially from the impact of the COVID 19 crisis. Although there are some secondary impacts as set out in the report to Cabinet in December (increased voids), it is not expected that this situation will significantly change over the remainder of this financial year and into 2021/22. However, the position will be kept under on-going review and the financial sustainability of the HRA remains underwritten by the current level of general balances, which are forecast to be **£5.248m** at the end of 2021/22 as mentioned above.

LEGAL

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

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

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

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

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

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

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

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

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

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

OTHER IMPLICATIONS

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

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

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

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

PART 3 – SUPPORTING INFORMATION

2021/22 HRA BUDGET PROPOSALS

On 29 January 2021 Cabinet considered the following report:-

A.9 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2021/22

It was resolved that:

- (a) if the financial position changes prior to Council considering the HRA budget on 16 February 2021, the Chief Executive, in consultation with the Housing Portfolio Holder, be authorised to adjust the forecast / budget, including the use of reserves; and*
- (b) subject to (a) above, a 1.5% increase in dwelling rents in 2021/22 along with the detailed HRA Budget proposals for 2021/22, as set out in Appendices A to D to item A.9 of the Joint Report of the Housing Portfolio Holder and the Corporate Finance & Governance Portfolio Holder, be agreed and recommended to Full Council on 16 February 2021 for its approval.*

In respect of item (a), the next section of this report sets out the changes that have been required to the forecast. This report has been approved by the Portfolio Holder for Housing in line with the above delegation.

CHANGES SUBSEQUENT TO CABINET'S PROPOSALS OF 29 JANUARY 2021 AND HRA BUDGET SUMMARIES

The two following changes to the budget have been required since it was considered by Cabinet at its 29 January 2021 meeting:

- Increase in employee costs of **£0.025m** to reflect the final salary estimates for the year.
- Increase in recharges from the General Fund of **£0.009m** to reflect the final internal recharge calculations for the year

Summaries of the proposed budgets for 2021/22 which reflect the above two changes are as follows:

Table 1 – HRA Fund Revenue Budget

	2020/21 Original Budget £m	2021/22 Original Budget £m
Direct Expenditure	6.585	6.572
Direct Income	(13.713)	(13.690)
Indirect Income / Expenditure including Financing Costs*	7.128	7.140
NET (SURPLUS) / DEFICIT	(0)	0.022
Contribution to / (from) Reserves	0	(0.022)

*Includes a contribution to the HRA Capital Programme of £0.281m

Table 2 – HRA Capital Programme 2021/22

	2021/22 Original Budget £m
EXPENDITURE	3.457
FINANCING	
Major Repairs Reserve	3.176
Direct Revenue Contribution	0.281
Total Financing	3.457

BACKGROUND PAPERS FOR THE DECISION

Working papers held in accountancy

APPENDICES

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