

CABINET

27 JANUARY 2023

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

A.6 UPDATED HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET PROPOSALS 2023/24

(Report prepared by Richard Barrett and Richard Hall)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek Cabinet's approval of the updated HRA Business Plan for years 2022/23 and 2023/24 along with final HRA budget proposals 2023/24 (including fees and charges, capital programme and movement in HRA Balances) for recommendation to Council on 14 February 2023.

EXECUTIVE SUMMARY

- At the meeting on the 16 December 2022, Cabinet considered the Housing Revenue Account Business Plan and Budget Proposals for 2023/24. The updated HRA Business plan / budget proposals at that time provided for a deficit of **£0.196m** and **£0.274m** in 2022/23 and 2023/24 respectively.
- The initial budget proposals were subject to consultation with the Resources and Services Overview and Scrutiny Committee, which met on the 11 January 2023 to consider them and their comments are considered elsewhere on the agenda.
- Since the Cabinet's meeting on 16 December 2022, a number of minor changes have been required in 2023/24, with 2022/23 remaining unchanged.
- The changes required in 2023/24 have resulted in the overall deficit increasing marginally to **£0.296m** a change of **£0.022m** compared to the position reported to Cabinet in December as highlighted above. **Appendix A** sets out the updated Business Plan, in terms of 2022/23 and 2023/24, with **Appendix B** setting out the proposed detailed budgets that reflect this latest position.
- This position remains subject to further adjustments that may be required as part of finalising the budget for presenting to Council on 14 February 2023, with a delegation included in the recommendations to respond to this possibility.
- **Appendix C** sets out the proposed fees and charges for 2023/24, which broadly reflect inflationary uplifts of 7% where relevant or changes to better reflect the cost of providing the associated service.
- The proposed HRA Capital Programme for 2023/24 is set out in **Appendix D**, which now includes the Honeycroft New Build Scheme and the redevelopment of Spendells House.

- The average weekly rent remains unchanged to the figure reported in December at **£93.68**, an increase of 7% over the comparable figure of **£87.55** for 2022/23.
- The HRA general balance is forecast to total **£3.754m** at the end of 2023/24, which retains a strong financial position against which the associated HRA 30 year Business Plan can continue to be delivered / developed.
- The HRA balances, together with the proposed rent increase for 2023/24 are important elements of delivering a sustainable HRA in the longer term.
- HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2023/24 forecast to be **£33.949m** (A reduction of **£1.414m** compared with the figure at the end of this year).
- The Tenant's Panel play an important role in developing the HRA Business Plan and budget proposals and it is proposed to consult with them on 7 February 2023, with any comments planned to be reported to Members either ahead of or directly at the Full Council meeting on 14 February 2023.

RECOMMENDATION(S)

That Cabinet:

- (a) approves the updated HRA 30 year Business Plan, which includes the proposed position for 2022/23 and 2023/24 as set out in Appendix A; and**
- (b) agrees a delegation to the Assistant Director Finance & IT to adjust the forecast / budget, including the use of reserves, in consultation with the Housing Portfolio Holder if the financial position changes prior to Council considering the HRA budget on 14 February 2023.**

That subject to a and b above, Cabinet endorses and approves for submission to Full Council on 14 February 2023:

- (a) a 7% increase in dwelling rents in 2023/24 along with the detailed HRA Budget proposals for 2023/24 as set out in Appendices B to E.**

REASON(S) FOR THE RECOMMENDATION(S)

To enable Cabinet to consider the most up to date HRA Business Plan which sets out a revised position for 2022/23 along with the proposed HRA budget for 2023/24, to enable associated recommendations to be presented to Full Council on 14 February 2023.

ALTERNATIVE OPTIONS CONSIDERED

Not applicable as this report reflects the budget setting requirements that are set out within the Council's Constitution

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The HRA budget and Business Plan play 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.

OUTCOME OF CONSULTATION AND ENGAGEMENT

A consultation exercise with the Tenant's panel is scheduled to take place on 7 February 2023. Any comments arising from this consultation will be provided to members, either ahead of the Full Council meeting on 14 February 2023 or directly at that meeting.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	<input checked="" type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.

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 were 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. However, the Government have intervened for 2023/24 due to the current level of CPI and will issue a Directive, which sets a 'ceiling' of 7% to rent increases for the upcoming year. Further details, including the impact on the HRA are set out later on in this report.

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. In continuing with the approach agreed last year, given the very challenging administrative issues associated with charging higher rents to high-income tenants, it is not proposed to introduce this in 2023. 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 original 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 2023/24 reflects the latest / updated forecast position set out in **Appendix A**.

YES	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
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Although there are no additional comments above those set out in this report, it is important to highlight that further decisions may be necessary to take actions forward that are reflected in the business plan.

FINANCE AND OTHER RESOURCE IMPLICATIONS

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.

YES	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:
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The Section 151 Officer is the co-author of this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

This reports forms part of the Council’s wider budget setting processes, with final budget proposals being set out in this report for recommending to Full Council on 14 February 2023.

ASSOCIATED RISKS AND MITIGATION

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. These have been brought into even sharper relief given the current challenging economic environment. The Council’s initial / short-term response is set out in the body of this report and will continue to be addressed as part of the future financial update reports.

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 **£3.754m** at the end of 2023/24. This is after drawing down money in both 2022/23 and 2023/24 from balances to support the Council through the difficult financial position faced by the Council in the immediate term. The remaining balance continues to be available to support the delivery of the HRA business plan in the medium to longer term.

A 30 year HRA Business Plan is maintained on an on-going basis 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.

EQUALITY IMPLICATIONS

See comments below within the ‘*Other Relevant Considerations or Implications*’ section.

SOCIAL VALUE CONSIDERATIONS

See comments below within the ‘*Other Relevant Considerations or Implications*’ section.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

See comments below within the 'Other Relevant Considerations or Implications' section.

OTHER RELEVANT CONSIDERATIONS OR 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.

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 and decision making processes will recognise and include such issues where appropriate and relevant.

Whilst this report does not have a direct impact on the Council's commitment to carbon neutrality, any work undertaken within the HRA and associated capital programme will take into account any opportunities to contribute to this key priority where possible. The planned stock condition survey will also support this approach.

Crime and Disorder

Please see comments above

Health Inequalities

Area or Ward affected

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND LATEST HRA BUSINESS PLAN AND BUDGET PROPOSALS 2023/24

On 16 December 2022, Cabinet considered the Housing Revenue Account Business Plan and Budget Proposals 2023/24 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out estimated deficits of **£0.196m and £0.274m** in 2022/23 and 2023/24 respectively. Rather than make corresponding reductions in expenditure e.g. capital investment, Cabinet proposed to 'draw' this money down from general HRA balances.

The development of the forecast / budget has continued since Cabinet's meeting on 16 December 2022, to reflect the most up to date information. There have only been very minor changes to the budget proposals for 2023/24, with 2022/23 remaining unchanged, with the detailed position set out in **Appendix A**. The changes for 2023/24 broadly reflect the latest fees and charges proposals set out in **Appendix C**.

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 7% resulting in an average weekly rent of **£93.68** in 2023/24.
- **£7.602m** is included within the forecast that relates to the major refurbishment and

repairs to the housing stock.

- Current estimates put the total HRA reserves at **£8.489m** by the end of 2023/24, with the general balances element within this amount being **£3.754m**.
- With forecast repayments of principal of **£1.414m** in 2023/24, the level of HRA debt at the end of 2023/24 is forecast to be **£33.949m**.

The business plan will continue to be updated during 2023/24 to reflect on-going adjustments to the forecast as part of continuing to deliver the long term financial sustainability of the HRA.

HRA Capital Programme

Within the report to Cabinet on 16 December 2023, the following two key capital projects were highlighted:

- **The Redevelopment of the Honeycroft Site in Lawford**
- **The Redevelopment of Spendells House in Walton**

In respect of the **Honeycroft Scheme**, this is subject to a separate report set out elsewhere on the agenda. Although subject to the recommendations set out in that report, the necessary funding of **£3.250m** has now been included within the capital programme.

In respect of the **Spendells House Scheme**, after considering a separate report at its meeting on 16 December 2022, it was resolved that Cabinet:

- a) notes the update on progress and continues to support, in principle, the Spendells house site being retained and reconfigured for the provision of temporary housing accommodation;*
- b) requests that Officers revisit and update the original financial appraisal / business case; and*
- c) delegates the decision to proceed or otherwise to the Portfolio Holder for Corporate Finance and Governance and the Portfolio Holder for Housing subject to:-*
 - i) the updated financial appraisal / business case remaining financially advantageous and value for money to the Council in terms of the overall provision of temporary accommodation; and*
 - ii) the identification and approval by Full Council of the necessary funding as part the separate HRA budget setting process.*

In respect of cii) above, the additional funding of **£0.800m** that is required to meet the revised cost of the scheme (**£1.400m**), which was set out in the report referred to above, has now been included in the capital programme.

Whether to continue with the scheme or not still remains subject to a separate decision in-line with b) and ci) above, but the funding is now included within the capital programme to allow the project to continue if the business case to do so remains financially advantageous.

In line with the proposals set out in earlier reports, it is proposed to fund these two projects from capital receipts given the current interest rate 'premium' that would be payable if the money was borrowed.

The current level of uncommitted capital receipts totals **£6.470m**, so the estimated **£4.050m** use of this funding source to meet the cost of the two schemes above can be accommodated within the available amount, which would leave **£2.420m** still available for future investment opportunities.

It is also worth highlighting that there may be opportunities to maximise the benefit of the 1-4-1 capital receipts, which will be reviewed during the year as part of the usual financial performance / outturn reports.

In addition to the above two schemes, there has been an underlying increase to the investment in the existing homes of tenant's as set out in the report to Cabinet on 16 December 2022.

Fees and Charges

These are set out in **Appendix C** and broadly reflect a 7% increase across a number of fees in line with the same increase applied to rents or to better reflect the cost of providing the associated service.

HRA Reserves

The only change required to reserves is the additional 'draw' down from reserves of **£0.022m** that is required to meet the marginal increase deficit of highlighted earlier in this report.

HRA Debt

There are no changes proposed.

BUDGET SUMMARIES

Based on all of the adjustments set out elsewhere in this report, the proposed HRA budget for 2023/2024 is summarised below.

HRA Revenue Budget

Table 1

	2022/23 Original Budget £m	2023/24 Original Budget £m
Direct Expenditure	7,072	7,424
Direct Income	(14,312)	(15,265)
Indirect Income / Expenditure including Financing Costs	7.240	8.137
NET (SURPLUS) / DEFICIT	0	0.296
Contribution to / (from) Reserves	0	(0.296)

HRA Capital Programme

Table 2

	2023/24 Original Budget
	£m
EXPENDITURE	7.978
FINANCING	
Capital Receipts	4.050
Major Repairs Reserve	3.314
Direct Revenue Contribution	0.614
Total Financing	7.978

PREVIOUS RELEVANT DECISIONS

Updated Housing Revenue Account Business Plan and Budget Proposals 2023/24 – Item A.6 Cabinet 16 December 2022.

Update on Spendells House and Review of the Budget – Item A.4 Cabinet 16 December 2022.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A	Updated HRA Business Plan (2022/23 and 2023/24)
Appendix B	Detailed HRA Budget Proposals 2023/24
Appendix C	HRA Proposed Service Charges / Fees and Charges 2023/24
Appendix D	HRA Capital Programme
Appendix E	HRA Reserves 2023/24

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