CABINET

15 DECEMBER 2023

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

A.6 UPDATED HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET PROPOSALS 2024/25

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To set out and seek approval of an updated Housing Revenue Account (HRA) Business Plan, which includes proposed changes in 2023/24 along with budget proposals for 2024/25.

EXECUTIVE SUMMARY

- Similarly, to the General Fund's long-term forecast, a 'live' HRA Business Plan is maintained on an on-going basis, with the most up to date position in December each year being 'translated' into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- A number of changes have been made to the business plan for 2024/25 onwards that largely reflect increased inflationary pressures. Some of these pressures are also being experienced in 2023/24, with corresponding adjustments set out accordingly.
- Unlike last year where the Government intervened and set a rent increase 'cap', unless the Council hears to the contrary, it is proposed to increase rents in-line with the formula set out by the Regulator for Social Housing which allows rents to increase by up to CPI+1% each year.
- Although Councils can set lower increases, this would be a very difficult approach to adopt in terms of the future sustainability of the HRA business plan, given the 'telescopic' impact this would have and imbalance it would create as expenditure would be increasing ahead of income increases. Such an impact was experienced when the Government required Councils to reduce rents by 1% over the 4 year period from 2016/17 to 2019/20 that continues to have an impact over the long-term life of the business plan.
- Based on the above, the average weekly rent proposed for 2024/25 is **£100.89** (£93.68 in 2023/24)
- After taking into account the various adjustments set out in **Appendix A** and discussed in more detail later on in this report, there is an estimated budget deficit of **£0.764m in 2023/24** and an estimated surplus of **£0.180m** in 2024/25. In respect of 2023/24, this is **£0.484m** more than the budgeted deficit.
- It is proposed to fund the estimated deficit for 2023/24 by calling money from HRA balances as an alternative to reducing expenditure, which is partly offset by the proposal to transfer the estimated surplus in 2024/25 to the same reserve.
- HRA General Balances are currently estimated to total **£3.572m** at the end of 2024/25

(after taking account of the use of balances highlighted above) that remains available to support the 30 year Business Plan and associated risks to the forecast.

- There will undoubtedly be further changes required to the forecast before the detailed estimates are finalised for reporting to Cabinet in January 2024, which will provide the opportunity to revisit the above proposals accordingly.
- The proposed HRA Capital Programme for 2024/25 reflects the commitment to maintain the necessary investment in the existing tenant's homes.
- HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2024/25 forecast to be **£32.535m,** which also takes into account the refinancing of an historic loan via an internal borrowing approach.
- In addition to requesting comments from the Resources and Services Overview and Scrutiny Committee, it is also proposed to consult with the Tenant's panel during January, with the outcome reported to Cabinet later that month, where the final HRA budget proposals will be considered for recommending onto to Full Council in February 2024.

RECOMMENDATION(S)

That Cabinet:

a) approves the updated Housing Revenue Account (HRA) 30 year Business Plan, which includes the proposed revised position for 2023/24 along with budget proposals for 2024/25; and

b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast.

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 2023/24 along with the proposed HRA budget for 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee.

ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Pride in our Area and Services to Residents, with a commitment to providing decent housing that everyone deserves.

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.

OUTCOME OF CONSULTATION AND ENGAGEMENT
Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the business plan / budget, and is carried out early in the year with the budget proposals presented to the Tenant's Panel for discussion / feedback.

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**	◻ **Significant effect on two or more wards** X **Involves £100,000 expenditure/income** ◻ **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 intervened last year, as based on this formula, rents would have increased by amounts in excess of 10% for 2023/24 given the high level of CPI at the time. Therefore to ‘protect’ existing tenants, whilst balancing the financial impact on Local Authorities, the Government set a rent increase ‘cap’ of 7% for 2023/24. The Government made it clear that this rent ‘cap’ would be set for only 2023/24 rather than for any longer period.

To date there has been no further direction provided by the Government so it is assumed that the ‘standard’ CPI+1% increase remains applicable in 2024/25. As set out elsewhere in this report, the proposed rent increase for 2024/25, is 7.7% based on the level of CPI at September 2023 of 6.7%.

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 2025. 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 Social Housing (Regulation) Act 2023 received royal assent earlier in the year which will see new era of regulation for the social housing sector, with a some of key elements as follows:

Enhanced powers for the Regulator of Social Housing - The Act will facilitate the introduction of proactive consumer regulation by strengthening the RSH, allowing intervention in cases where landlords are performing poorly on consumer issues. This will enable the Regulator to take action to address any shortcomings and protect tenants.

Stronger enforcement powers - The Act establishes stronger enforcement powers for the Regulator to take action including provisions for regular inspections of social housing properties to ensure landlords are providing high-quality services and accommodation. These inspections will help maintain and improve the standard of housing for tenants across the country. The Regulator has the powers to issue unlimited fines as well Personal Improvement plans to those Authorities that fail to meet the new standards.

Tenant empowerment - The Act will establish strict time limits for social landlords to address hazards and empowers social housing tenants to request information from their landlords, promoting transparency and accountability. This will ensure tenants have the right to access crucial information about their homes and can access swift redress where things go wrong.

Standards for Registered Providers - The Act introduces a set of standards for registered housing providers, requiring social housing managers to possess specific qualifications or be actively working towards gaining them. These standards will help ensure residents receive the best possible service from their housing associations.

Now that the Act has received Royal Assent, the Regulator of Social Housing will consult on revisions to the consumer standards, and the Department of Levelling Up, Housing and Communities (DLUHC) will consult on the measures to take forward the government's social housing reform programme such as Awaab's Law, changes to the Decent Homes Standards and professionalisation of the sector.

These consultations will play a crucial role in shaping the implementation of the Act and in turn the impact on the HRA over the 30 Year Business Plan. The Council is taking a timely, positive and proactive approach to this new era for social housing, which will include working with partners and stakeholders to deliver meaningful actions and deliver expected outcomes.

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 2024/25 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:**

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.

It is also necessary to highlight the key elements of the Best Value Duty that is set out within the General Fund Budget report presented earlier in the agenda. These equally apply to the HRA with financial management and sustainability a reoccurring expectation of a well-functioning local authority.

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:**

The Section 151 Officer is the 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:

<table>
<tr><td>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</td><td rowspan="2">This is addressed in the body of the report.

In terms of an independent view, the Council's previous External Auditor has unfortunately yet to complete their work on the Council's Statement of Accounts for 2020/21 and</td></tr>
<tr><td>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</td></tr>
</table>

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.	2021/22, or started the necessary work on the 2022/23 statements. At the present time it is not known when they will be able to provide their own commentary on the Council's use of resources.

MILESTONES AND DELIVERY

This reports forms part of the Council's wider budget setting processes and sets out the most up to date HRA Business Plan and proposed budget for 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee (RSOSC) in January.

Final budget proposals, taking into account the comments of the RSOSC, will be considered by Cabinet at the end of January 2024, which will include their associated recommendations to Full Council.

In February 2024, Full Council will be asked to consider the detailed HRA Budget proposals for 2024/25 as recommended by Cabinet.

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 and new era of social housing regulation mentioned earlier. 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.

The inherent risks associated with the 30 year business plan forecast include:

- Changes in income achieved and future rent setting policy
- Emergence of additional areas of spend
- Emergence of new or revised guidance
- New legislation / burdens / regulation
- 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 **£3.572m** at the end of 2024/25. 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 and changes to the regulatory regime.

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. Work undertaken within the HRA and associated capital programme will take into account any opportunities to contribute to this key priority where possible. The on-going stock condition survey work will also support this approach.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

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 imposed annual rent reductions of 1% each year for a period of 4 years. As mentioned 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 rate of CPI used is the figure for September of the preceding year that the increase will apply to. For 2024/25, the figure for September 2023 was 6.7%. As highlighted within budget reports from previous years and discussed earlier in this report, one area that is important to note as it may have a bearing on the overall financial position of the HRA in future years is the emerging regulatory regime for social housing. This is in addition to the national trend of increases in housing disrepair claims made against local authorities. As highlighted in the delivering priorities section above, the Council has always

been committed to providing good quality housing in terms of both its current stock of housing and in its ambition of building / acquiring new homes for local people. Given the financial issues set out in this report, the balance between the two remains increasingly more challenging in the short term.

The Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary, with further commentary set out below.

HOUSING REVENUE ACCOUNT UPDATED BUSINESS PLAN, PROPOSED IN-YEAR BUDGET CHANGES FOR 2023/24 ALONG WITH THE PROPOSED BUDGET FOR 2024/25

The latest iteration of the 30 year HRA Business Plan is set out within **Appendix A.**

Similarly to the General Fund position reported elsewhere on the agenda, a number of issues that will have an impact in 2023/24 will also have an impact in 2024/25 and future years. Columns (3) and (6) of **Appendix A** highlight the changes against the previously reported figures for 2023/24 and 2024/25 respectively. **Appendix A** also includes a RAG risk rating against each line of the forecast.

The table below sets out the changes proposed in 2023/24 and 2024/25 along with additional commentary:

The relevant line of the 30 year Business Plan	Change / Impact in 2023/24	Change / Impact in 2024/25	Comments
Line 1 - Maintenance	Increase of £2,000	Reduction of £234,800	The figure for 2023/24 reflects minor forecasting changes / separate decisions during the year. In respect of 2024/25 there has been an underlying inflationary increase of 10%. However this has been more than offset by a change to recharges that was highlighted in the report to Full Council in February 2023 – please see associated comments further on in this table. It is important to emphasise that this latter change has not reduced the overall 'spending power' but simply reflects the

			movement of costs across lines of the budget / business plan.
Lines 2 & 3 - Depreciation and the Revenue Contribution to the Major Repairs Allowance	Increase of £400,000	0	As reported during the year, additional expenditure is being incurred across a number of capital programme elements. Although these are actively being managed within the wider capital programme, it is likely that additional expenditure will be incurred for items such as boiler replacements etc. It is therefore proposed to increase the contribution /use of the Major Repairs Reserve in the short term with the aim of making a corresponding adjustment elsewhere in the capital programme in 2024/25 by way of a reduced use of the same Major Repairs Reserve in that year.
Line 4 - Management Costs	Increase of £254,870	Increase of £335,780	These primarily reflect the increase in employee costs resulting from the recent Officer pay award along with the addition of a number of items (and their on-going impact) that were subject to an earlier separate decision made by the Leader in response to the emerging Social Housing Regulator requirements.
Line 5 - Utilities	Increase of £150,000	Increase of £157,500	The increase to this budget reflects the continuing / relatively

			volatile environment within the energy markets.
Line 10 – HRA Interest Repayments	0	Reduction of £38,040	These changes largely reflect the reduced costs from not refinancing an existing loan of £1.200m via external finance. Further comments are set out later on in this report.
Line 12 - Recharges	Increase of £164,870	Increase of £612,990	The figures include underlying estimated increases in recharges from the General Fund that reflect increased costs such as employee, utility and other expenditure included within the updated forecast. In terms of 2024/25, this also reflects the 'technical' change in recharges that was set out in the report to Full Council in February 2023 that also relates to the maintenance line of the forecast highlighted above.
Total Change / Impact on Expenditure	**Increase of £971,740**	**Increase of £833,431**	
Line 13 - Dwelling Rents	0	Increase of £735,880	This reflects a proposed 7.7% increase – further commentary is set out later on in this report.
Line 14 - Service Charges	0	Increase of £11,830	
Line 15 - Garage Rents	0	Increase of £8,330	
Line 16 – Non Dwelling Rents	Increase of £44,890	Increase of £103,800	This primarily reflects the income for the Sunspot units in Jaywick Sands that are accounted for within the

			HRA.
Line 17 - Misc. Income	Increase of £4,290	Increase of £4,290	This minor change reflects the annual rent review across various non- dwelling properties 'held' within the HRA.
Line 18 - Investment Income	Increase of £232,590	Increase of £237,540	Similarly to the General Fund, income from treasury activities is higher than earlier forecasts due to current high interest rates.
Total Change / Impact on Income	**Increase of £281,770**	**Increase of £1,101,670**	
Line 20 – Planned Use of Reserves	**£205,760**	**£152,460**	These adjustments relate to the separate decisions made by the Leader earlier in the year where the costs are to be met from the HRA General Reserve in the short term with the on-going impact now also reflected in later years of the business plan.
Net Change Impact	**Increase of £484,210**	**Reduction of £420,699**	

** Although the table above reflects the changes for 2023/24 and 2024/25, the 30 year Business Plan set out in **Appendix A** reflects the knock-on impact of the above where appropriate along with inflationary uplifts where necessary from 2025/26 onwards along with known changes such as those relating to the repayment of debt and interest charges as they represent fixed costs over the life of the respective loans. The above changes also reflect further accounting entries associated with the operation of the Sunspot in Jaywick sands which are accounted for within the HRA.*

Some additional commentary against the major items highlighted (including those with a red RAG rating) within **Appendix A** are set out below.

***Line 1 -* Maintenance**

Similarly to this year, an inflationary uplift of just over 10% has been reflected in the forecast for 2024/25. However there is a risk that additional inflationary / spending pressures may emerge in the short term. This will remain under review over the next stages of the budget cycle and in-year as part of the regular financial performance reports.

***Lines 2 and 3 -* Depreciation and the Revenue Contribution to the Major Repairs Allowance**

This line of the plan represents the capital investment in existing stock that is over and above the more routine maintenance highlighted above. This therefore includes major items such as replacement kitchens, bathrooms, windows and doors etc.

The risk to this line of the plan is not only inflationary pressures, but also from the new era of social housing regulation highlighted earlier within this report, which will include updated decent homes standards.

Given the current net estimated position for 2024/25, it would not be possible to increase this line of the forecast without putting the budget into a deficit position. This issue will therefore be kept under review as this is unlikely to be a sustainable position in the longer term given the regulatory reforms discussed earlier and on-going inflationary pressures. It may also be necessary to review current maintenance / replacement cycles and frequencies in later years of the forecast to ensure a financial sustainable position can be delivered. Stock condition survey work will continue within the HRA to inform these future investment requirements and the knock-on impact on the business plan.

It is also recognised that there is a continuing need to balance the focus of maintaining the existing stock with the affordability, scale and speed of other activities such as investing in housebuilding / acquisitions.

Line 5 **- Utilities**

Although at a smaller scale to the issues facing the General Fund, the volatility in energy prices will also impact on HRA budgets. Additional estimated amounts have been included in both 2023/24 and 2024/25, which will be kept under review going forward to enable further action to be taken as necessary during 2024.

Line 13 - **Dwelling Rents**

Unlike in 2023/24 where the Government intervened and 'capped' the annual rent increases, the forecast currently includes a 'standard' CPI+1% rent increase of 7.7% in 2024/25.

Councils have the ability to set rents at below this level but lower increases in rents will add risk to the future sustainability of the HRA given the 'telescopic' impact over the remaining years of the business plan along with the fact that many HRA expenditure lines of the budget are likely to see increases in-line with CPI or even above. As highlighted last year, this approach also helps the continuation of recovering from the unsustainable 1% reduction in rents over the period 2016/17 to 2019/20 that was imposed by the Government.

Based on the 7.7% increase, this results in an average rent of **£100.89** (an increase from £93.68 in 2023/24). After taking account of other adjustments such as estimated void periods and the level of right to buy sales, this will raise additional income of **£0.736m** compared to the figure originally included in year 13 of the business plan (or **£1.100m** over and above the budget for 2023/24).

In line with the increases above, the figures set out within **Appendix A** also reflect 7.7% increases in service charges and garage rents. This approach reflects the underlying cost of providing the associated services and current inflationary increases to expenditure.

In conclusion, the business plan from 2024/25 onwards continues to react to changes in costs / prices, demands on the service, loan refinancing and other timely changes to the forecast.

The following table sets out a summary of the overall HRA position for 2023/24 and 2024/25 after taking into account the adjustments set out above:

	2023/24 £	2024/25 £
Estimated Expenditure	16,517,530	16,692,630
Estimated Income	(15,547,430)	(16,720,040)
Planned Use of Reserves	**(205,760)**	**(152,460)**
Net (Surplus) / Deficit Position	**764,340**	**(179,870)**

In terms of 2023/24, it is proposed to meet the above deficit from HRA balances rather than reduce other lines of the budget which could be an alternative approach. Many of the other lines of the forecast are effectively 'fixed' or largely unavoidable, for example the financing of loan repayments, with the only viable option therefore relating to potentially reducing officer capacity or expenditure on tenants homes etc. These options would be a significant risk given the new era of social housing regulation explained earlier. As was the case last year, the use of balances strikes a necessary balance of 'protecting' the investment in tenant's homes whilst recognising the need to use reserves to respond to the on-going financial challenges that the Council continues to face. It is however recognised that this is not a sustainable long-term solution, but it enables the Council to meet its key priorities in the immediate term, which can be revisited as part of the HRA Business Plan in future years.

In terms of 2024/25, it is proposed to contribute the net surplus to HRA balances which partly offsets the proposed use of this reserve in 2023/24.

The forecast will undoubtedly change as part of finalising the budget that will be presented to Cabinet in January 2024, so there may be opportunities to revisit this approach as part of that process.

Based on current projections, the 30 Year Business Plan is still expected to deliver annual surpluses in the medium to longer term to support the on-going financial viability of the HRA in the years ahead.

HRA Capital Programme

Although a more detailed schedule will be included in the report to Cabinet in January as part of finalising the budget for presenting to Full Council in February, it is not proposed to reduce the existing overall level of investment in 2024/25, although it is recognised there may be changes to the timing of when cyclical / planned maintenance is carried out that reflects inherent financial and capacity challenges.

HRA BALANCES / RESERVES

The forecast position for HRA balances at 31 March 2024 and 31 March 2025 will vary over time depending on the outturn positions for 2023/24 and 2024/25 as well as the emergence of other unexpected or unplanned matters that could occur in or across these years.

Based on the updated Business Plan attached, the total HRA reserves are forecast to total **£8.014m** by the end of 2024/25, with the general balances element within this amount being

£3.572m.

The above figures reflect the proposed transfers to and from reserves in 2023/24 and 2024/25 that were set out earlier in this report.

HRA DEBT

The total HRA debt at the end of 2023/24 is estimated to be **£33.949m.**

With forecast repayments of principal along with the proposed refinancing of an historic loan highlighted below, the level of HRA debt at the end of 2024/25 is forecast to be **£32.535m**

With the Government's removal of the HRA debt cap, any future borrowing will need to be considered against the 30 Year Business Plan and underlying prudential code principles.

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 **£4.442m** at the end of 2024/25, but a balance needs to be struck between investing in capital projects and tenant's homes and reducing / managing debt repayment costs. Although no adjustments are included within the proposed budget for 2024/25, this option can be revisited in future years of the business plan.

HRA Interest Payments on Debt and Principal Repayments on Debt

Loans taken out to support the self-financing reforms back in 2012 continue to be repaid each year, with individual loans being completely paid off on a five year cycle that reflects the loan structure agreed at the time. This approach results in lower debt and interest payments on an on-going basis over the 30 years of the business plan.

As part of previous business plan reviews it was agreed that more historic debt would be considered in future years, especially as it became repayable. Historic debt was traditionally based on 'interest only' type loans, which were 'replaced' as they matured. With this in mind, an historic loan of **£1.200m** matures in 2024/25. However rather than simply refinance the loan with a further external loan, it is instead proposed to be refinanced via internal borrowing that takes advantage of the current positive cash flow position of the Council, whilst avoiding the current high interest rates at the present time. This therefore reduces net interest costs, which has been reflected in the attached business plan. It is important to highlight that even though the money has been 'borrowed' internally, it is still included within the total outstanding HRA debt, which will need to be repaid at some time in the future either directly via revenue contributions / major repairs allowance or via 'replacement' external loans.

Although no provision has been made to repay the loan off at the present time, the position will be considered in future years along with the other historic HRA loans that were in place before the self-financing reforms to provide a prudent / sustainable approach to managing this debt in the longer term.

The above extends the same approach that was a adopted back in 2022/23 where a previous external loan of **£0.800m** was 'refinanced' via internal borrowing rather than via external loan finance.

OTHER HRA RELATED MATTERS

Although there are no underlying / significant issues to raise at this stage of the budget setting process, it is always acknowledged that the Government may revisit / consider further housing policy changes that could have an impact on the 30 Year HRA Business Plan. Such issues will be considered as they arise and will be reported to members at the earliest opportunity along with the impact of the business plan where necessary.

PREVIOUS RELEVANT DECISIONS

The last iteration of the HRA 30 Year Business Plan was report to Cabinet on 16 December 2022 with further general updates included in subsequent budget reports and regular financial performance reports as follows:

Financial Performance Report 2023/24 – General Update at the end of July 2023 – Item A.5 Cabinet 6 October 2023

Financial Performance Report 2023/24 – General Update at the end of September 2023 – Item A.3 Cabinet 10 November 2023

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A – Updated HRA 30 Year Business Plan

REPORT CONTACT OFFICER(S)	
Name	**Richard Barrett**
Job Title	**Assistant Director (Finance and IT)**
Email/Telephone	**rbarrett@tendringdc.gov.uk** **(01255) 686521**