

CABINET

26 JANUARY 2024

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

A.7 UPDATED HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET PROPOSALS 2024/25

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek Cabinet's approval of the updated HRA Business Plan for 2023/24 and 2024/25 along with final HRA budget proposals 2024/25 (including fees and charges, capital programme and movement in HRA Balances) for recommending to Council on 13 February 2024.

EXECUTIVE SUMMARY

- At its meeting on the 15 December 2023, Cabinet considered the Housing Revenue Account Business Plan and Budget Proposals for 2024/25. The updated HRA Business plan / budget proposals at that time provided for a deficit of **£0.764m** in 2023/24 and a surplus of **£0.180m** in 2024/25.
- The initial budget proposals were subject to consultation with the Resources and Services Overview and Scrutiny Committee, which met on the 10 January 2024 to consider them and their comments are considered elsewhere on the agenda.
- Since the Cabinet's meeting on 15 December 2023, only two amendments to the proposed budget for 2024/25 have been required as set out later on in this report, with 2023/24 remaining unchanged.
- The changes required in 2024/25 have resulted in the overall surplus increasing to **£0.300m** a change of **£0.120m** compared to the position reported to Cabinet in December as highlighted above. **Appendix A** sets out the updated Business Plan, in terms of 2023/24 and 2024/25, with **Appendix B** setting out the proposed detailed budgets that reflect this latest position.
- 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.
- This position remains subject to further adjustments that are likely to be required as part of finalising the budget for presenting to Council on 13 February 2024, with a delegation included in the recommendations to respond to this possibility.
- **Appendix C** sets out the proposed fees and charges for 2024/25, which broadly reflect inflationary uplifts of 7.7% where relevant or other inflationary changes to better reflect the cost of providing the associated service.
- The proposed HRA Capital Programme for 2024/25 is set out in **Appendix D**, which

reflects the commitment to maintain the necessary investment in the existing homes of tenants.

- The average weekly rent remains unchanged to the figure reported in December at **£100.89**, an increase of 7.7% over the comparable figure of **£93.68** for 2023/24.
- The HRA general balance is forecast to total **£3.651m** at the end of 2024/25, 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 2024/25 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 2024/25 forecast to be **£32.535m** (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 shortly, with any comments planned to be reported to Members either ahead of or directly at the Full Council meeting on 13 February 2024.

RECOMMENDATION(S)

That Cabinet:

- (a) approves the updated HRA Business Plan, which includes the proposed position for 2023/24 and 2024/25 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 Portfolio for Housing and Planning and the Portfolio Holder for Finance and Governance if the financial position changes prior to Council considering the HRA budget on 13 February 2024.**

That subject to a) and b) above, Cabinet approves and recommends to Full Council on 13 February 2024:

- (a) a 7.7% increase in dwelling rents in 2024/25 along with the detailed HRA Budget proposals for 2024/25 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 2023/24 along with the proposed HRA budget for 2024/25, to enable associated recommendations to be presented to Full Council on 13 February 2024.

ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report and earlier reports presented to Cabinet as part of developing the forecast and detailed estimates.

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. As part of the associated emerging highlight priorities, the following has been included:

Supporting decent housing for residents - In the Council's own housing stock – driving improvement with expanded estate management and well informed enhancements around kitchens and bathrooms etc. Enhanced tenancy engagement.

The HRA Business Plan and proposed budget 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

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.

A consultation exercise with the Tenant's Panel is scheduled to take place ahead of the Full Council meeting on 13 February 2024. Any comments arising from this consultation will be provided to Members, either ahead of the Full Council meeting 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 plan and strategy which comprise the Housing Investment Programme (HRA Business Plan and Housing Strategy) form part of the Council's policy framework which must be approved or adopted by the Full Council, as set out in Article 4 of the Council's Constitution.

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 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 2024. 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 as 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 the associated borrowing was agreed by Full Council in February 2012, with the budget proposed for 2024/25 reflecting the latest / updated forecast position as 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.

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 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. 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 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.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including;	
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 13 February 2024.

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 **£3.651m** at the end of 2024/25. This is after drawing down money in 2023/24, but after the proposed contribution to the same reserve in 2024/25. 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 potentially 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.

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 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 AND LATEST HRA BUSINESS PLAN AND BUDGET PROPOSALS 2024/25

On 15 December 2023, Cabinet considered the Housing Revenue Account Business Plan and Budget Proposals 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated deficit of **£0.764m** in 2023/24 and a surplus of **£0.180m** in 2024/25.

The development of the forecast / budget has continued since Cabinet's meeting on 15 December 2023, to reflect the most up to date information. There have only been two

changes to the budget proposals for 2024/25, with 2023/24 remaining unchanged. The detailed position is set out in **Appendix A**.

The two changes made to the 2024/25 position are summarised as follows:

- **Line 4 of Appendix A** – The budget for management costs has been increased by **£0.029m** that reflects the most up to date position against a number of budgets including employee costs.
- **Line 5 of Appendix A** – The budget for utility costs has been reduced to reflect the most up to date estimated energy prices.

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 7.7% resulting in an average weekly rent of **£100.89** in 2024/25.
- **£7.550m** 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 **£8.134m** by the end of 2024/25, with the general balances element within this amount being **£3.651m**.
- With forecast repayments of principal of **£1.414m** in 2024/25, the level of HRA debt at the end of 2024/25 is forecast to be **£32.535m**.

Taking the above into account, the overall estimated surplus has increased to **£0.300m**, from the **£0.180m** position reported to Cabinet in December, with 2023/24 remaining the same.

As set out in the report to Cabinet in December, in terms of 2023/24 it is proposed to meet the forecast deficit of **£0.764m** highlighted earlier 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 in the previous 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 revised net surplus of **£0.300m** to HRA balances which partly offsets the proposed use of the same reserve in 2023/24.

The forecast may change as part of finalising the budget that will be presented to Full Council in February 2024, with an associated recommendation included above.

The business plan will continue to be updated during 2024/25 to reflect on-going adjustments

to the forecast as part of continuing to deliver the long term financial sustainability of the HRA.

After taking into account the changes to the business plan highlighted above, the proposed detailed HRA budgets for 2024/25 are set out in **Appendix B**.

Fees and Charges

These are set out in **Appendix C** and broadly reflect inflationary increases of 7.7% where relevant (in line with the same increase applied to rents) or other inflationary changes to better reflect the cost of providing the associated service.

HRA Capital Programme

There are no changes proposed, with the detailed Capital Programme set out in **Appendix D**.

HRA Reserves

The only change required to reserves is the additional contribution to reserves of **£0.120m** to reflect the changes highlighted above. The detailed position is set out in **Appendix E**.

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.

HRA Debt

There are no changes proposed, with the level of HRA debt at the end of 2024/25 forecast to be **£32.535m** as highlighted earlier.

BUDGET SUMMARIES

Based on all of the adjustments set out earlier in this report, the proposed HRA budget for 2024/25 is summarised below.

HRA Revenue Budget

Table 1

	2023/24 Original Budget £m	2024/25 Original Budget £m
Direct Expenditure	10.117	10.963
Direct Income	(15.266)	(16.720)
Indirect Income / Expenditure including Financing Costs <i>(including use of planned revenue commitments reserve in 2024/25)</i>	5.429	5.457
NET (SURPLUS) / DEFICIT	0.280	(0.300)
Contribution to / (from) Reserves	(0.280)	0.300

HRA Capital Programme

Table 2

	2024/25 Original Budget
	£m
EXPENDITURE	3.928
FINANCING	
Major Repairs Reserve	3.314
Direct Revenue Contribution	0.614
Total Financing	3.928

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

Updated Housing Revenue Account Business Plan and Budget Proposals 2024/25 – Item A.6
Cabinet 15 December 2023.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A	Updated HRA Business Plan (2023/24 and 2024/25)
Appendix B	Detailed HRA Budget Proposals 2024/25
Appendix C	HRA Proposed Service Charges / Fees and Charges 2024/25
Appendix D	HRA Capital Programme
Appendix E	HRA Reserves

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