

COUNCIL

13 FEBRUARY 2024

REPORT OF CABINET

A.2 EXECUTIVE'S PROPOSALS – HOUSING REVENUE ACCOUNT BUDGET 2024/25

(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 for 2024/25.

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 26 January 2024.
- There have been only a very limited number of changes since Cabinet met on 26 January 2024, which have been reflected in **Appendices A to E** as necessary. The outcome of the changes required is an increased estimated surplus of **£0.493m** in 2024/25 compared with the figure of **£0.300m** reported to Cabinet in January. It is proposed to contribute this net surplus to general balances, which partly offsets the proposed use of the same reserve in 2023/24.
- For 2024/25, the Executive's budget proposals set out an increase in dwelling rents of 7.7% along with a total HRA expenditure budget of **£16.227m** (net of indirect income / expenditure) and a capital programme totalling **£3.928m**.
- The 7.7% increase in dwelling rents results in an average weekly rent of **£100.89** in 2024/25. (*£93.68 in 2023/24*)
- The proposed budget reflects the continued repayment of debt, with the total level of existing debt falling from **£33.949m** to **£32.535m** at the end of 2024/25.
- The HRA general balance is forecast to total **£3.843m** 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 financially sustainable HRA in the longer term.
- 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 wider priorities. This recognises the socio-demographics of the area and the increased focus on housing standards by the Government.

RECOMMENDATION(S)			
That Council approves:			
<p>(a) a 7.7% increase in dwelling rents in 2024/25; and</p> <p>(b) subject to (a) above, the Housing Revenue Account Budget for 2024/25 as set out in Appendix B, along with the Scale of Charges, HRA Capital Programme and the movement in HRA Balances / Reserves as set out in Appendix C to Appendix E respectively.</p>			

REASON(S) FOR THE RECOMMENDATION(S)			
To enable the Council to consider for approval the most up to date HRA Business Plan and proposed HRA budget for 2024/25.			

ALTERNATIVE OPTIONS CONSIDERED			
This is broadly covered in the main body of the report and earlier reports presented to Cabinet as part of developing the business plan and detailed estimates.			

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES			
<p>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:</p> <p><i>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.</i></p> <p>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.</p>			
OUTCOME OF CONSULTATION AND ENGAGEMENT			
<p>Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution.</p> <p>The Resources and Services Overview and Scrutiny were consulted on the budget proposals at their meeting on 10 January 2024, with their comments considered by Cabinet on 26 January 2024.</p> <p>A consultation exercise with the Tenant's panel is scheduled to take place on 6 February 2024. Any comments arising from this consultation will be provided to members, either ahead of the Full Council meeting on 13 February 2024 or directly at that meeting.</p>			
LEGAL REQUIREMENTS (including legislation & constitutional powers)			
Is the	Yes	If Yes, indicate which	X Significant effect on two or

recommendation a Key Decision (see the criteria stated here)	by which criteria it is a Key Decision	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 2024/25. 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:**

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 S151 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:

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	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.
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 the final element of the Council's annual HRA budget setting process, with the final budget proposals set out in this report being considered by Full Council in advance of the year that they relate to.

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 **£3.843m** 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 FINAL HRA BUSINESS PLAN AND BUDGET PROPOSALS 2024/25

On 26 January 2024 Cabinet considered the following report:-

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

It was resolved 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 to the joint report;*
- (b) *authorises 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 Corporate Finance and Governance if the financial position changes prior to Council considering the HRA budget on 13 February 2024; and*
- (c) *recommends to Full Council 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 to the joint Portfolio Holder report (A.7).*

There have been only a limited number of charges required since 26 January 2024, which primarily reflect the final recharges from the General Fund (including 'technical' changes to pension costs). The changes required are highlighted in Column 7 within **Appendix A**. The net change totals **£0.193m**, with the surplus reported to Cabinet in January increasing from **£0.300m** to **£0.493m**. **Appendices B and E** have also been updated to reflect this change, which includes a corresponding increase in the contribution to HRA balances.

Appendices C and D set out proposed fees and charges and the HRA capital programme respectively. These have remained unchanged to the figures reported to Cabinet in January.

In respect of **Appendix A**, Column 6 sets out the forecast against which the detailed budgets have been finalised.

Summaries of the proposed budgets for 2024/25 are as follows:

Table 1 – HRA Fund Revenue Budget

	2023/24 Original Budget £m	2024/25 Original Budget £m
Direct Expenditure	10.117	10.252
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	5.975
NET (SURPLUS) / DEFICIT	0.280	(0.493)
Contribution to / (from) Reserves	(0.280)	0.493

Table 2 – HRA Capital Programme 2023/24

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

HRA 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 being experienced at the present time. This therefore reduces net interest costs, which has been reflected in the business plan and budget attached. It is important to highlight that even though the money has been 'borrowed' internally, it will still be 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 adopted back in 2022/23 where a previous external loan of **£0.800m** was 'refinanced' via internal borrowing rather than via external loan finance.

The level of HRA debt, including the **£1.200m** referred to above, is forecast to be **£32.535m** at the end of 2024/25.

HRA 30 YEAR BUSINESS PLAN / ROBUSTNESS OF THE HRA ESTIMATES

The formulation of the budget for 2024/25 is set against the context of the longer-term business plan. As highlighted within the legal section above, one area that is important to note, as it will have a major impact on the overall financial position of the HRA in future years, is the new era of social housing regulation emerging from the Social Housing (Regulation) Act 2023. This is in addition to the continuing national trend of increasing housing disrepair claims made against local authorities.

The Council remains committed to providing good quality housing and the proposed budgets reflects the necessary investment in existing tenant's homes.

The business plan and budget continue to be 'built' on the basis of balancing optimism and caution across the various lines of the forecast. This includes acknowledging the increases in rent each year within the limits set out by the Social Housing regulator. The telescopic impact from not maximising rent increases are acknowledged as part of the budget setting process with the aim of avoiding the knock-on impact from any alternative short term approach in later years of the forecast. Rental income has also been supported by strong management intervention over the last few years to bring the level of void loss down to more favourable historic levels.

The structure of the loans taken out to support the self-financing reforms highlighted earlier will also provide financial 'headroom' in later years of the forecast to support future investment decisions.

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. The business plan will continue to be subject to updates during 2024/25 with the on-going aim of delivering the long term financial sustainability of the HRA.

Taking into account all relevant issues including the background to future years of the business plan highlighted above, the estimates for 2024/25 can be considered as robust.

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.

Updated Housing Revenue Account Business Plan and Budget Proposals – Item A.7 Cabinet 26 January 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A	Updated HRA Business Plan
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 2024/25

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Assistant Director (Finance and IT)
Email/Telephone	rbarrett@tendringdc.gov.uk 686521