

COUNCIL

15 FEBRUARY 2022

REPORT OF THE CABINET

A.2 EXECUTIVE'S PROPOSALS – HOUSING REVENUE ACCOUNT BUDGET 2022/23 (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 2022/23.

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 28 January 2022.
- There have been no further changes required to the forecast or budgets, so **Appendices A to E** remain the same as those considered by Cabinet on 28 January 2022.
- As reported to Cabinet on 28 January 2022, there is a budget surplus of **£0.333m** in 2022/23, that is committed to investing in capital works, which includes the delivery of new affordable housing but also the continued investment in the homes of our existing tenants. The surplus **£0.333m** therefore remains as a contribution to the HRA capital programme.
- For 2022/23, the Executive's budget proposals set out an increase in dwelling rents of 4.1% along with a total net HRA expenditure budget of **£14.926m** and a capital programme totalling **£3.790m**.
- As mentioned within previous reports to Cabinet, due to the relatively volatile CPI rates experienced since the start of the COVID 19 pandemic, if the proposed level of rent increase in 2022/23 is taken together with the relatively low figure of 1.5% last year, then the average annual increase would be 2.8% over the two years.
- The 4.1% increase in dwelling rents results in an average weekly rent of **£87.55** in 2022/23. (*£84.10 in 2021/22*)
- The proposed budget reflects the continued repayment of debt, with the total level of existing debt falling to **£35.350m** at the end of 2022/23.
- The estimated HRA general balance at the end of 2022/23 totals **£4.325m**.

RECOMMENDATION(S)

That Council approves:

- (a) a 4.1% increase in dwelling rents in 2022/23;
- (b) subject to (a) above, the Housing Revenue Account Budget for 2022/23 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.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The HRA budget and Business Plan plays a significant role in the delivery of affordable and decent housing in the district and the Council's responsibilities as a landlord has direct implications for the Council's ability to deliver on its objectives and priorities.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in this report and its appendices.

Although the availability of financial resources is a key component in the delivery of HRA services, there will also be a need for appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are inherent risks associated with the forecast such as:

- Changes in income achieved and future rent setting policy
- Emergence of additional areas of spend
- Emergence of new or revised guidance
- New legislation / burdens
- Changing stock condition requirements
- Adverse changes in interest rates
- National welfare reforms

In view of the above, it is important that a sufficient level of balances / reserves is available to support the HRA. HRA General Balances are currently forecast to be **£4.325m** at the end of 2022/23, which although required to support the business plan and HRA investment in future years, provides a 'buffer' to the 30 year Business Plan if, for example, some of the items highlighted above emerge or are required to deal with changing financial and service demand issues.

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.

To date the HRA has been largely unaffected financially from the impact of the COVID 19 pandemic and at the present time it is not expected that this situation will significantly change heading into 2022/23. However, the position will be kept under on-going review and the financial sustainability of the HRA remains underwritten by the current level of general balances, which are forecast to be **£4.325m** at the end of 2022/23 as mentioned above.

LEGAL

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

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

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

In 2016, Parliament passed the Welfare Reform and Work Act, which, together with Regulations made under it, created a legislation-based regime of rent reduction across the sector by 1% per year until 2020. Therefore, over this 4-year period, providers 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 applies from 1 April 2020. That Direction was published alongside the Government's Policy Statement on Rents (the Policy Statement) and the regulator is required to have regard to this when setting its Rent Standard.

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

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

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

The 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 2022/23 reflects the latest / updated forecast position set out in **Appendix A**.

OTHER IMPLICATIONS

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

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected /

Consultation/Public Engagement.

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

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

Investment decisions will also reflect the Council's commitment to carbon neutrality, as schemes and projects that are supported by the proposed budgets and business plan are developed.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

On 28 January 2022 Cabinet considered the following report:-

A.4 HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2022/23

It was resolved that Cabinet:

- (a) authorises the Assistant Director (Finance & IT), in consultation with the Housing Portfolio Holder, to adjust the forecast / budget, including the use of reserves, in the event that the financial position changes prior to Council considering the HRA budget on 15 February 2022;*
- (b) subject to (a) above, approves and recommends to Full Council on 15 February 2022 a 4.1% increase in dwelling rents in 2022/23 along with the detailed HRA Budget proposals for 2022/23, as set out in Appendices B to E to item A.4 of the Joint Report of the Housing Portfolio Holder and the Corporate Finance & Governance Portfolio Holder.*

FINAL HRA BUDGET PROPOSALS / HRA BUDGET SUMMARIES 2022/23 (including changes subsequent to Cabinet's Proposals of 28 January where necessary)

There have been no required changes to the HRA Budgets since 28 January 2022, so **Appendices A to E** remain the same as those considered by Cabinet on 28 January 2022. In respect of **Appendix A**, the third column from the right (**'Proposed Budget 2022/23' - Reported 28 January 2022**), therefore sets out the forecast against which the detailed budgets have been finalised.

As reported to Cabinet on 28 January 2022, there remains a budget surplus of **£0.333m** in 2022/23, which will be transferred to the Capital Programme to invest in new build and acquisition projects and existing tenant's homes.

Summaries of the proposed budgets for 2022/23 are as follows:

Table 1 – HRA Fund Revenue Budget

	2021/22 Original Budget £m	2022/23 Original Budget £m
Direct Expenditure	6.572	7.072
Direct Income	(13.690)	(14.312)
Indirect Income / Expenditure including Financing Costs	7.140	7.240
NET (SURPLUS) / DEFICIT	0.022	0
Contribution to / (from) Reserves	(0.022)	0
Contribution to the Capital Programme	0.281	0.614

Table 2 – HRA Capital Programme 2022/23

	2022/23 Original Budget £m
EXPENDITURE	3.790
FINANCING	
Major Repairs Reserve	3.176
Direct Revenue Contribution	0.614
Total Financing	3.790

As highlighted in the report to Cabinet on 28 January 2022, the redevelopment of the Honeycroft site has not yet been included within the HRA Capital Programme. For information, the relevant extract from the report mentioned above is as follows:

*Although the redevelopment of the Honeycroft site was agreed by the Leader in 2021, it has not yet been included within the capital programme. However, depending upon the final development design and density, build costs are estimated to be in the region of **£4.000m**.*

Within the report agreed by the Leader referred to above, it was confirmed that a further report would be presented to Cabinet once a tender exercise had been undertaken for the design and build of the scheme. It was also stated that this same report would set out the funding required for the development and seek approval for prudential borrowing within the HRA. £0.281m remains set aside within the HRA on an on-going basis that can be used to support the borrowing costs that are likely to be required to meet the cost of the redevelopment of Honeycroft. It is anticipated that borrowing / capital investment costs can be reduced by seeking grant from Homes England through the Affordable Homes Programme and officers are still exploring this option to establish the level of grant subsidy that the Council may be able to access.

The final borrowing decision will need to be made by Full Council following a recommendation by Cabinet. Although a separate report will be presented to Cabinet as mentioned above, the potential to borrow money to support the cost of the site will be further explored as part of the Treasury Strategy that will be presented to both Cabinet and Full Council in March.

HRA 30 YEAR BUSINESS PLAN / ROBUSTNESS OF THE HRA ESTIMATES

The formulation of the budget for 2022/23 is set against the context of the longer-term business plan. As set out in the reports to Cabinet in December and January, 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 possible response to the Hackett review along with changes that are likely to emerge from the upcoming review into the 'decent homes standard'. The cost of a stock condition survey is included in the 2022/23 budget to inform the necessary investment across the later years of the current business plan. This issue will be kept under review, but it is recognised that there is a need to balance the maintenance of the existing stock with the affordability, scale and speed of investing in housebuilding / acquisitions.

The business plan will be updated during 2022/23 to reflect the required adjustments to the forecast, which will be required before any major investment in housebuilding or acquisitions is undertaken given the potential financial risks to the long term 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 2022/23 can be considered as robust.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in accountancy

APPENDICES

Appendix A	Updated HRA Business Plan (Revised figures for 2022/23 and Comparison with 2021/22 only)
Appendix B	Detailed HRA Budget Proposals 2022/23
Appendix C	HRA Proposed Scale of Charges 2022/23
Appendix D	HRA Capital Programme
Appendix E	HRA Reserves 2022/23