

Public Document Pack

Southend-on-Sea Borough Council

Legal & Democratic Services

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11 February 2022

CABINET - TUESDAY, 15TH FEBRUARY, 2022 SUPPLEMENTARY PACK 1: HRA BUDGET AND RENT SETTING REPORT AND APPENDICES

Please find enclosed, for consideration at the next meeting of the Cabinet taking place on Tuesday, 15th February, 2022, the following report that was unavailable when the agenda was printed.

**Agenda Item
No**

**4 Housing Revenue Account (HRA) Budget and Rent Setting Report 2022/23
(Pages 1 - 22)**

Report of Executive Director (Finance and Resources) attached

Robert Harris
Principal Democratic Services Officer

Southend-on-Sea Borough Council

**Joint Report of Executive Director
(Finance and Resources)
and Interim Executive Director
(Housing & Growth)**

**To
Cabinet**

**On
15th February 2022**

Report prepared by Pete Bates
Interim Director of Financial Services

**Housing Revenue Account (HRA) Budget and Rent Setting Report 2022/23
Policy and Resources Scrutiny Committee
Cabinet Members: Councillor Ian Gilbert and Councillor Anne Jones
Part 1 (Public Agenda Item)**

1 Purpose of Report

- 1.1 To highlight how investment from the Housing Revenue Account (HRA) will contribute towards meeting housing needs in Southend-on-Sea. The planned investment programme and effective management of the Council's housing stock will also contribute to our Southend 2050 ambition for everyone to feel safe and well and for everyone to have a home that meets their needs.
- 1.2 To present the outcome of Southend-on-Sea Borough Council's annual rent review and associated rent setting proposals for all council dwellings within the HRA for 2022/23. This report also sets out the HRA budget for 2022/23 – 2026/27, together with the information necessary to set a balanced budget as required by legislation.
- 1.3 To present proposals to amend service and facilities charges to recover actual costs, together with a review of rental charges for garages.

2 Recommendations

That Cabinet recommends to Council that, as part of the budget setting process, it approves the following increases with effect from 4th April 2022:

- 2.1 **An average rent increase of 4.10% on all tenancies.**
- 2.2 **An average rent increase of 4.10% on shared ownership properties.**

2.3 **An increase of 4.10% for garage rents to £12.70 per week for tenants and £15.24 for non-tenants (being £12.70 plus VAT), a rise consistent with the proposal for the main rent increase. All variants on a standard garage will receive a proportionate increase.**

That Cabinet recommends to Council that, as part of the budget setting process, it approves:

2.4 **South Essex Homes core management fee be agreed at £6,648,000 for 2022/23.**

2.5 **South Essex Homes proposals for average increases of 10.88% in service charges be agreed.**

2.6 **South Essex Homes proposals for an average 16.95% reduction in heating charges for sheltered housing tenants and an average 4.42% increase in heating charges for hostel tenants to reflect the actual costs incurred be agreed.**

2.7 **The following appropriations be agreed:**

- **£60,000 to the Repairs Contract Pensions Reserve.**
- **£2,978,000 to the Capital Investment Reserve.**
- **£8,309,000 from the Capital Investment Reserve.**

2.8 **Subject to item 2.1 through to 2.7 above, the HRA budget for 2022/23 as set out in Appendix 1 be agreed and**

2.9 **The value of the Council's capital allowance for 2022/23 be declared as £76,915,000 as determined in accordance with regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations.**

3 Background

3.1 The Housing Revenue Account (HRA) is the statutory "landlord" account for the authority. For Southend-on Sea Borough Council, this expresses in financial terms the level of housing service provided within agreed policy guidelines.

3.2 The COVID-19 pandemic continues to have a huge direct operational and financial impact right across the world. All local authorities continue to struggle with the challenges of uncertainty, large financial pressures and concerns for their residents and local areas in such unprecedented times.

3.3 South Essex Homes are faced with very similar issues as they continue to try and support tenants and run an effective and responsive local housing service. These challenges were exacerbated with the world-wide concern over the potential impact of a new mutant variant – Omicron, which was discovered towards the end of 2021. The data available so far suggests that the virus does seem to be having generally milder effects on fully vaccinated and boosted people, but its speed of transmission is still much quicker than previous strands which is putting more pressure on the NHS and public services. Since the launch of the Council's budget consultation in early January 2022, the Government have announced an easing of restrictions, whilst continuing to encourage take-up of the national vaccination and booster roll-out programme. It appears that the UK, like most of the rest of the world, are now moving into a phase of getting used to 'living with COVID', closely monitoring the impact and assessing any further mutant variant strains.

- 3.4 Following the Grenfell tragedy in 2017, an independent review of Building Regulations and Fire Safety was undertaken. They found that the current arrangements were not fit for purpose, and this has led to some legislative changes, the recently enacted Fire Safety Act 2021 and the Building Safety Bill published in July 2020. As the landlord, this legislation requires the Council to have in place a named Accountable Person and a Building Safety Manager for each High Risk Residential Building (any building over 18 meters in height or 6 storeys). They will have direct accountability to residents for all aspects of safety management of the property. There are significant additional compliance requirements resulting from this new legislative and regulatory framework which will require additional resources, both as an investment into the housing stock, as well as staffing resources. This is considered at section 7.4 of this report.
- 3.5 Despite these unprecedented circumstances the Council is obliged by law to set rents and other charges at a level, to avoid a deficit on the HRA balance (i.e. the legal minimum balance at any time during the financial year must be greater than zero). **This report proposes an HRA budget that avoids a deficit balance.**
- 3.6 The estimates have been prepared alongside South Essex Homes and incorporate their negotiated management fee for 2022/23.
- 3.7 The HRA Budget for 2022/23 is summarised at **Appendix 1**.

4 Southend 2050 Housing Ambition

- 4.1 South Essex Homes has a vital role to play in helping to deliver the Council's Local Housing Strategy and our ambition, developed together with our local community, to ensure that 'everyone has a home that meets their needs'. The three key aims of South Essex Homes are: -
- 1) To support the delivery of quality housing, including affordable housing to meet local needs and promote a sustainable and balanced housing market.
 - 2) To support improvement in the quality of the existing housing stock to achieve decent, healthy, and environmentally sustainable homes across all tenures.
 - 3) To support greater accessibility to different types of housing and promote independent living for our (most) vulnerable residents and continue to work to prevent homelessness.
- 4.2 This aspiration is being achieved through several initiatives including major investment via the HRA Capital programme of an estimated £76,915,000 over the next five years. This will ensure that we maintain decent homes and improve those properties that need it. The types of works will include electrical rewiring, bathroom installations, new roofs, new kitchens, new windows and doors replacements and installation of new more economical and energy efficient boilers.
- 4.3 A range of temporary accommodation services provide help and support to some of Southend-on-Sea's most vulnerable residents. Our Housing, Homelessness & Rough Sleeping Strategy aims to encourage good quality housing design, management, and maintenance, and this directly relates and supports a lot of the day-to-day work that South Essex Homes undertake.

5 Rent Levels

- 5.1 The Council reviews and sets all council house rents in line with national policy, guidance, and legislation. The average weekly rent charged for 2021/22 on HRA secure general needs tenancies was £90.51 and for sheltered accommodation £78.85.



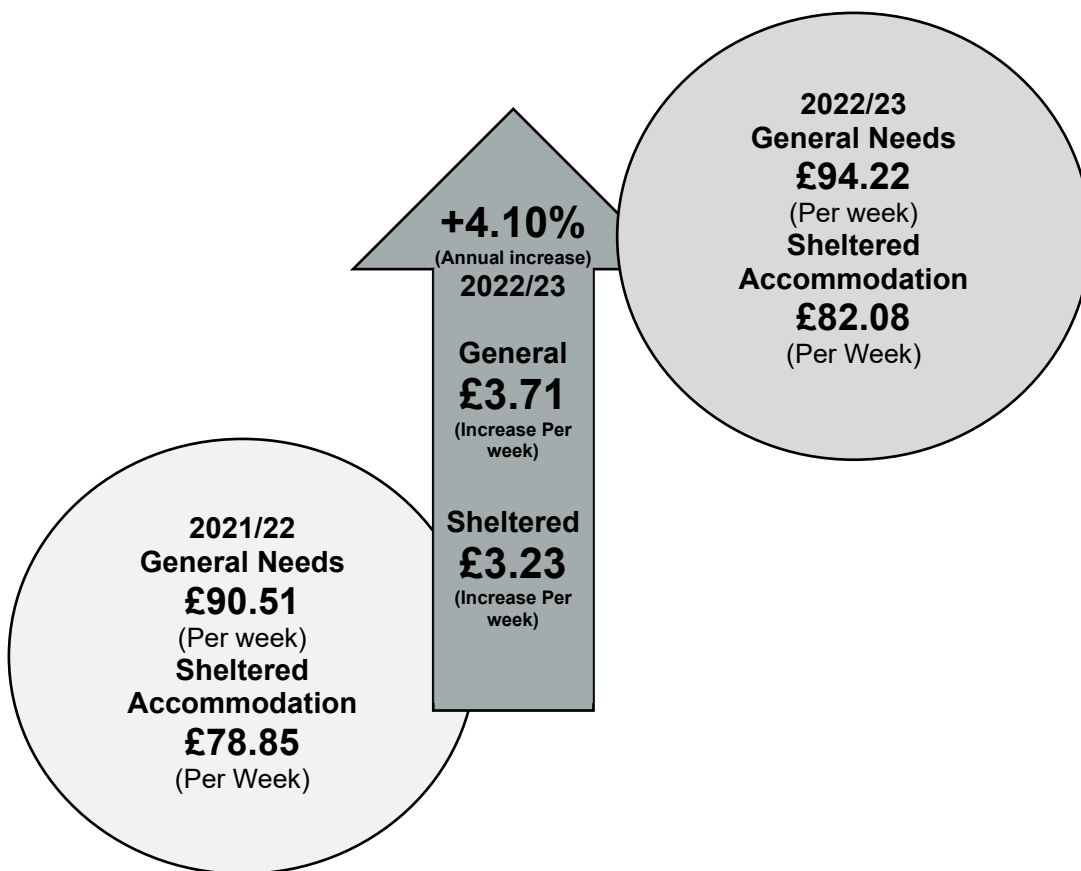
- 5.2 Since 2001, rents for social housing properties have been based on a formula set by Central Government, which was calculated based on the relative value of the property, relative local income levels and the size of the property. This created a 'formula rent'. The aim of this approach was to ensure that similar rents are charged for similar type of properties. In Southend, we have about 650 properties that are yet to convert to a formula rent basis. When tenants vacate a property the new rent agreement will be based on this 'formula rent' so the remaining properties will organically convert to this charging approach over time.
- 5.3 In 2011, Central Government introduced a new regime for defining affordable rents, which permitted rents (inclusive of service charges) to be set at up to 80% of market rent for a local area. Only new properties (or new social housing) can be let at this new affordable rent level. In Southend, our affordable rent level equates to the Local Housing Allowance (LHA) rates which is lower than the 80% level of market rents. The council currently has 105 properties on the LHA rate, and all new HRA properties will be set at LHA levels and calculated on this basis.
- 5.4 In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years ('the new policy'). This equates to a 4.10% increase for 2022/23 (September 2021 CPI of 3.1% + 1%). The new policy, which came into effect from April 2020, recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan effectively and have a viable future financial investment programme.

- 5.5 The Council will be able to continue with its policy to move rents to formula level on change of tenancy. The rent increase for general needs and sheltered tenancies is summarised by the number of bedrooms per dwelling in the following table.

No. of bedrooms	No. of tenancies	Average Rent 2021/22 (£)	Average Rent 2022/23 (£)	Average weekly increase (£)	Average percentage increase
0	506	72.23	75.19	2.96	4.10%
1	2,506	79.14	82.38	3.24	4.10%
2	1,250	88.52	92.15	3.63	4.10%
3	1,568	106.08	110.43	4.35	4.10%
4	93	113.80	118.47	4.67	4.10%
5	3	121.21	126.18	4.97	4.10%
Total Tenancies	5,926				

- 5.6 The rents for the Council's 12 shared ownership properties have traditionally been set on the same basis as a full Council dwelling, on a pro-rata basis to the Council's ownership. It is recommended that these rents continue to increase by the prevailing September CPI rate +1%, being consistent with the proposal for the main rent increase. Across the 12 properties, the Council's ownership ranges from 10% up to 75%.
- 5.7 Rent in the Council's hostels is currently charged at £171.86 per week. It is recommended that this increases by the prevailing September CPI rate +1%, being consistent with the main rent increase to £178.91. This charge is inclusive of service charges but is subject to additional charges for heating and water.
- 5.8 Members are reminded that a proportion of tenants may be impacted by other welfare reforms. Where working age tenants are in under occupation of their home, any housing benefit payable will be reduced by 14% for one extra bedroom or 25% for two or more extra bedrooms. Some tenants may also be affected by the benefit cap, which limits the totality of all benefits to a maximum of £20,000 per year for a couple or a single person with children. Where total benefits, including housing benefit, exceed the cap, the housing benefit will have to be reduced to bring the total package back down to £20,000. Single people with no dependent children are capped at £13,400. Around 50% of all tenancies also receive housing benefit support that will be funded by Central Government. Some of these tenants will receive 100% Government support to cover their rent in full, whilst some will receive partial support dependent upon individual circumstances.

5.9 The effective date of any change in rent will be 4th April 2022, being the first Monday of the new rent year. The illustration below shows the average rent increase for both general needs tenancies and for sheltered accommodation proposed for 2022/23.

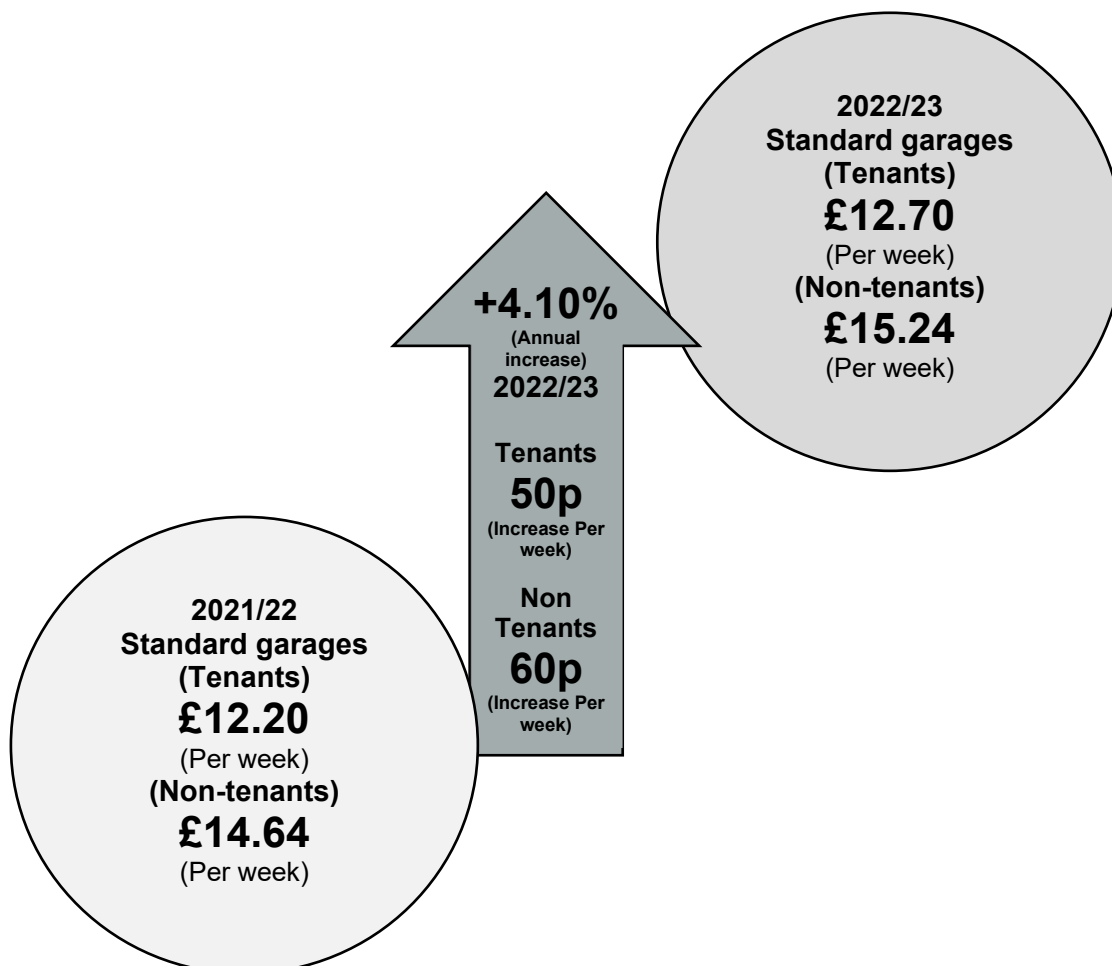


6 Other Fees and Charges

6.1 The HRA has several income streams other than dwelling rents, the majority of which are set by the Council and therefore need a resolution for any changes.

Garages

6.2 Standard garages are currently charged at £12.20 per week for tenants and £14.64 for non-tenants (being £12.20 plus VAT). It is proposed that both these charges be increased by 4.10%, to be consistent with the proposal for the main rent increase. All variants on a standard garage will receive a proportionate increase. This is illustrated in the following graphic.



Water Charges

6.3 The Council (acting as an agent) collects the water rates on behalf of Northumbrian Water Company (trading locally as Essex & Suffolk Water); in respect of all unmetered Council houses and then remits this to the water company in full including void properties. The Council is compensated separately by the water company for collecting these water rates including an appropriate void loss allowance.

7 Management Fee to South Essex Homes

- 7.1 On an annual basis a management fee bid for the following financial year is sent to the Deputy Chief Executive by the Board of South Essex Homes. Following negotiations, the proposed fee has been agreed and has been set mindful of the financial pressures and ambitions within the HRA. The agreed bid for 2022/23 is summarised in the following table.

	2021/22 Forecast £000	2022/23 Budget £000
Management Fee	6,047	6,061
Inflationary Pay Pressures	55	288
Fire Safety Management	57	0
Support for increased Hostel Provision	90	94
Professional Support for Residents	23	20
Difficulty Access Co-ordinator	0	33
Complex Needs Support Officer	32	35
Building Safety Engineers/ Manager*	0	117
Total Management Fee	6,304	6,648

**Additional investment will be met 50:50 in 2022/23 and progress will be assessed and evaluated throughout the year on a transparent basis.*

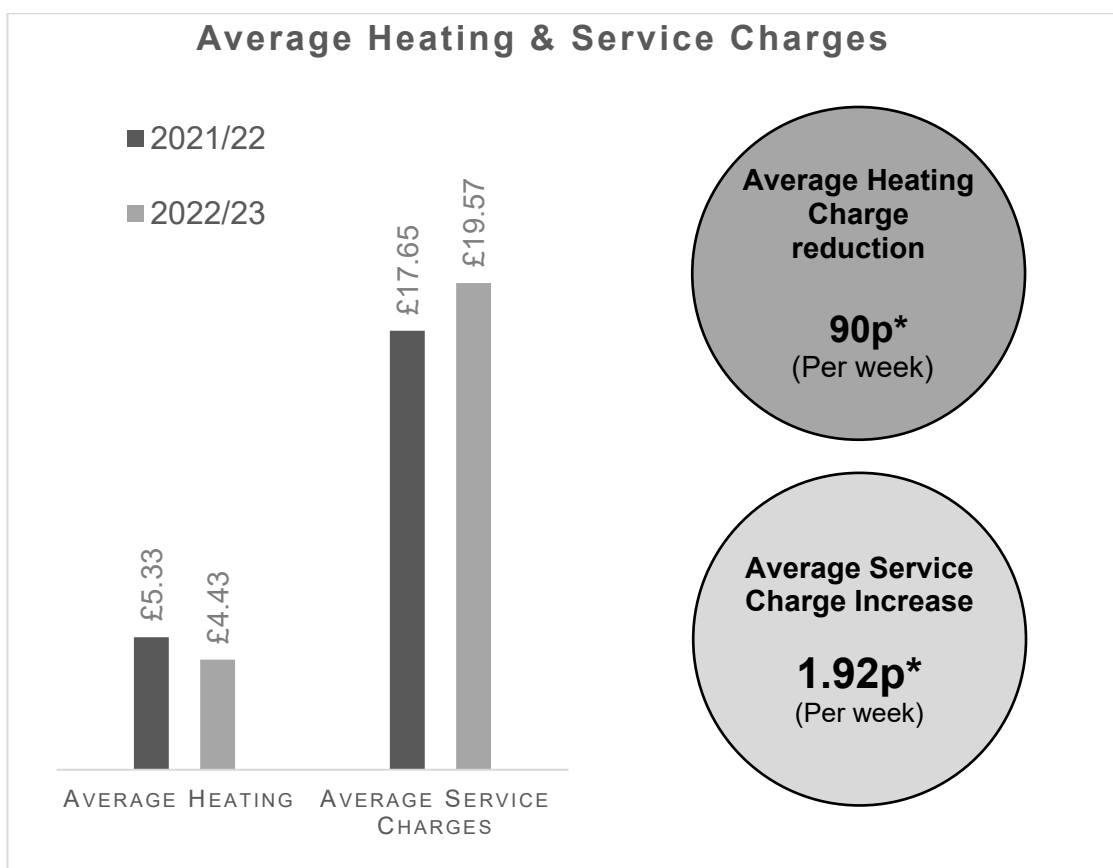
- 7.2 The inflationary pressures for South Essex Homes are primarily in respect of employee related increased costs. The £288,000 includes £114,000 which represents the latest offer of 1.75% for the pay award relating to 2021/22 and £132,000 for 2022/23 being an anticipated 2% increase. There is also £42,000 which has been included for the Health and Social Care Levy (1.25% increase in Employer's National Insurance contributions).
- 7.3 There were four pilot schemes which were approved for 2021/22. These were increased Support for Hostel Provision, Professional Support for Residents, Difficulty Access Co-ordinator (not started in 2021/22) and Complex Needs Support Officer. These initiatives have been extended for further assessment and evaluation into 2022/23.
- 7.4 The recently enacted Fire Safety Act 2021 as well as the Building Safety Bill, provide an added requirement to put in place robust mechanisms to ensure the safety of our properties. A strengthened requirement for robust and effective measures to ensure accountability has also been introduced. A review has recommended that this will require two new Building Safety Engineers and two new Building Safety Managers. These posts will be initially 50% funded by South Essex Homes from their existing resources.

- 7.5 There are further forecast pressures in 2022/23 totalling circa £638,000 for South Essex Homes. These are in respect of improvements to ICT functionality, staff training and development and recognition initiatives, enhancing the commerciality expertise of the business and to support the ambition of the Council and South Essex Homes in becoming carbon neutral by 2030. South Essex Homes plan to use circa £500,000 of their existing reserves to meet these additional pressures. The £138,000 will be delivered via a series of planned efficiencies and productivity improvements.
- 7.6 South Essex Homes strives to deliver the best possible value to the Council and the residents of Southend. They are increasingly seeking to fund some activities from other sources in addition to the management fee, as well as using all available resources prudently and effectively. Their subsidiary, South Essex Property Services, contributes around £150,000 per annum back to South Essex Homes. This has been achieved partly by the joint management arrangement, as well as re-designing the back office and front of house functions. This re-design has also enabled the two organisations to contribute positively towards the new regulatory, legislative, and local demographic challenges for Southend-on-Sea.
- 7.7 South Essex Homes takes part in an annual national benchmarking exercise to assess the value that is delivered when compared to a group of peers. Most of the measures that are designed to assess the cost to deliver vital services show that the organisation is consistently above the median position, usually in Quartile 1 or Quartile 2, showing that South Essex Homes continues to deliver good value from the fees that are provided.
- 7.8 Following decisions made as part of previous budget setting rounds, South Essex Homes also receive a significant proportion of their income from service and heating charges levied directly on tenants and leaseholders. It is the responsibility of South Essex Homes and the Council to ensure that service charges to tenants are reasonable, and that they are set as near as possible on an actual cost recovery basis. South Essex Homes has therefore proposed amendments to these charges as set out below for Member's consideration and endorsement.

Service Charges and Heating Charges (South Essex Homes Charge)

- 7.9 Over the past year, there has been a detailed review of the cost-recovery of all service charges, to ensure that the overall income received covers the cost-of-service provision. Based on this analysis South Essex Homes are proposing an average 10.88% increase in service charges. This increase is due to the protracted pay award negotiations for 2021/22, an anticipated increase in grounds maintenance costs and the significant increase in electricity and gas prices.
- 7.10 As service charges are based on both the actual costs for each housing block and actual costs of services provided, individual charges could change by more or less than the average proposed increase. This will ensure that service charges are kept in line with the cost of providing the service. Service charges are generally covered by housing benefit where applicable.
- 7.11 Heating charges for sheltered housing and hostel tenants are monitored on a scheme-by-scheme basis, with the aim that each scheme broadly covers its costs.

- 7.12 Based on the actual costs associated with heating, South Essex Homes are proposing that there is an average 16.95% reduction in heating charges for sheltered housing tenants, and an increase of 4.42% for hostel tenants in 2022/23. These proposals are based on the actual costs incurred over the year ending October 2021. Although the usage was up in the year to October 2021 (likely due to COVID related restrictions) the reduction in heating charges is a direct result of a reduction in the unit cost of energy prior to recent changes seen in the utilities market. Given the recent upward inflationary pressure on the energy markets this will be kept under scrutiny and careful monitoring throughout 2022/23.
- 7.13 The actual charge for 2022/23 will be the actual costs associated with each individual scheme.



**Indicates an estimate (this could increase or decrease)*

8 Options to Balance the HRA

- 8.1 The HRA budget has been constructed using realistic and reasonable estimates based on the best information currently available. The budget, based on the proposals outlined in this report, is shown at **Appendix 1**. The budget shows an operating surplus of £3,038,000 and on that basis the HRA is clearly viable.
- 8.2 The surplus will be primarily used to fund a revenue contribution towards the completion of the current new build programme, and the commencement of the next phase. This means that £2,978,000 is proposed to be appropriated to the Capital Investment Reserve. The remaining £60,000 of the surplus is proposed to be appropriated to the Repairs Contract Pensions Reserve under the on-going arrangement put in place when the repairs contract was last let.

8.3 Finally, to finance these ambitious plans it will also be necessary to appropriate £8,309,000 from the HRA Capital Investment Reserve. The net overall impact is an appropriation from earmarked reserves of £5,271,000 (£8,309,000 - £3,038,000) in 2022/23.

8.4 General HRA balances will remain above the target of £3,000,000 at £3,502,000.

9 HRA Medium Term Financial Plan and Strategy

9.1 The HRA Medium Term Financial Plan is shown at **Appendix 2**. The HRA budget has been based on a general assumption of an underlying 4.2% CPI (October 2021) with future years general assumption at 2% consistent with the Bank of England's latest forecasts. The bank predicts that the recent increase is short term and forecasts that rates will return to around 2% by the end of 2023 (Monetary Policy Report Nov 2021).

9.2 For expenditure, the forecast is generally based on the current year's run rate. The only variations from this assumption are depreciation and interest charges which are based on the Council's business plan and treasury management strategy. The plan allows for borrowings to rollover on maturity.

9.3 For income, it is assumed that rent will continue to increase by CPI at September + 1% from 2021/22 as indicated by the Government. Other income increases will be at 4.2%, where possible, in line with the Council's Medium Term Financial Strategy assumptions for the General Fund. The value of the proposed Capital Investment Programme includes an agreed 8% recharge for facilitation of the capital works and will clearly vary in line with the size of the Programme.

9.4 Members will be aware of the proposed regeneration of the Queensway Estate. The HRA Medium Term Financial Strategy assumes that this development would be broadly revenue neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The Medium Term Financial Strategy will be updated as soon as a better understanding of the exact timing of any impact is known.

9.5 The Medium Term Financial Strategy demonstrates that the HRA is currently financially robust and sustainable. From 2022/23 to 2026/27 an operational surplus is forecast, which will be appropriated to HRA earmarked reserves and be available for future investment priorities to continue to deliver improved housing outcomes for Southend-on-Sea tenants. The HRA reserves position are shown at **Appendix 3**.

9.6 The Major Repairs Allowance is used to support improvements to existing stock and maintain decent homes standards. The Medium Term Financial Strategy currently assumes around £6,500,000 capital expenditure on the decent homes programme per annum from 2022/23. It is proposed that some of the future HRA surplus be diverted to the Major Repairs Allowance to support and enhance the level of capital investment to maintain and improve the quality of our existing housing stock.

10 HRA Capital Allowance and Housing Strategy

10.1 South Essex Homes supports our ambition that 'everyone has a home that meets their needs'. This will be achieved through a combination of the revenue repairs investment and the HRA capital investment programme, which is included within the main 'Prioritising Resources to Deliver Better Outcomes – 2022/23 to 2026/27' budget report, elsewhere on the agenda. This proposes an indicative programme of works over the next 5 years totalling £76,915,000.

At the same time, capital receipts generated by the sale of HRA assets continue to be subject to pooling arrangements with up to 75% of proceeds being at risk of being paid over to Central Government. The Council is taking appropriate action to minimise the value that is paid over to Central Government, by declaring a capital allowance under regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations. This equates to the value of investment going back into affordable housing, and as such is equal to the value of the HRA capital programme.

Scheme to be delivered by the Council	Project code	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 and future years Budget	Total Budget (all years) £000
Council Housing New Build Programme								
Council Affordable Housing Development (Phase3) - Shoebury	C11098	50	6,049	1,375	150	150		7,774
Council Affordable Housing Development (Phase4) - St Laurence	C11099	30	1,421	1,346	83	83		2,963
Council Affordable Housing Development (MMC) - West Shoebury	C11100	920	832					1,752
Housing Construction Scheme - Phase 5/6 feasibility (S106)	C11101	18	20					38
Housing Construction Scheme - Land Assembly Fund (S106)	C11102	312	1,088	-				1,400
Total Council Housing New Build Programme		1,330	9,410	2,721	233	233		13,927
Council Housing Acquisitions Programme								
HRA Affordable Housing Acquisitions Programme	C11044	2,000	2,500	2,208	1,500	1,500	1,500	11,208
Next Steps Accommodation Programme	C11125	3,123						3,123
Housing and Development Pipeline Feasibility - HRA	C11054	40	255					295
Acquisition of tower block leaseholds - Queensway	C10614	250	559	900	900			2,609
Total Council Housing Acquisitions Programme		5,413	3,314	3,106	2,400	1,500		17,233
Council Housing Refurbishment								
HRA Disabled Adaptations - Major Adaptations	C10015	715	770	770	778			3,031
Total Council Housing Refurbishment - HRA		715	770	770	776	-		3,031
Council Housing Refurbishment - delivered by South Essex Homes Limited								
Bathroom Refurbishment	C10161	148	102	96	105	105	105	659
Central Heating	C10162	745	201	109	93	93	93	1,334
Environmental - H&S works	C10163	806	1,050	1,133	1,134	1,134	1,134	6,391
Kitchen Refurbishments	C10164	669	971	616	972	972	972	5,172
Rewiring	C10165	809	273	380	404	404	404	2,674
Roofs	C10166	620	961	1,074	1,040	1,040	1,040	5,775
Windows and Doors	C10167	756	1,152	1,064	1,013	1,013	1,013	6,011
Common Areas Improvement	C10168	2,833	1,246	1,587	1,587	1,587	1,587	10,427
HRA - SBC Buybacks Refurbishment	C11134	324						324
Sprinkler System Installation Pilot	C11081	486						486
Tower Blocks Boroughwide Annunciation System	C11135	18						18
Sheltered Housing DDA works	C10177		345					345
Balmoral Estate Improvement and Structural Works	C11112	571	1,582	828				2,981
Energy Efficiency Measures	C11033	127						127
Total Council Housing Refurbishment		8,910	7,883	6,887	6,348	6,348	6,348	42,724
TOTAL PROPOSED CAPITAL INVESTMENT PROGRAMME - HRA		16,368	21,377	13,484	9,757	8,081	6,348	76,915

The indicative investment for 2025/26 to 2026/27 and the associated financing via MRR is not currently included in the proposed capital investment programme report and is shown for illustration only.

- 10.2 The HRA will also continue to play its full part in the delivery of the Housing, Homelessness and Rough Sleeping strategy through the appropriate use of its capital and revenue resources. Following the Government's decision to lift the HRA debt capital ceiling, it could be possible to use HRA borrowing to build new affordable homes. Any proposals to explore this possibility would be subject to a full commercial business case and reported through the due processes of the Council.
- 10.3 The council is continuing with its plans for the housing development pipeline. Several sites within the pipeline are currently underway and a major capital investment of £13.1M is included in this programme to deliver the agreed phases of the affordable housing development programme to provide much needed housing for those on the Home Seeker's register.
- 10.4 A Regeneration Framework site pipeline has been developed which will oversee this programme. This work is augmented by other approaches to housing supply being progressed, including the use of HRA Capital and Right-to-Buy receipts to purchase properties on the open market and bring these into use as affordable housing in the borough.
- 10.5 The Government conducted a review of the 'Use of Right to Buy' (RTB) capital receipts which has now been concluded and the reforms announced. Councils have been given 5 years to spend the RTB receipts, increased from 3. Councils will also be able to fund up to 40% of new HRA property. This will reduce the additional contribution needed from other HRA sources. However, a limit on the use of these funds for acquiring existing properties from the open market is being phased in over the next 3 years. The aim is to increase overall housing supply, by constructing new dwellings, rather than acquiring already existing properties.
- 10.6 The HRA Affordable Housing Acquisitions Programme will therefore be 40% financed by retained 'Right to Buy' capital receipts from April 2022. The profile for acquisitions has been programmed as £2,500,000 in 2022/23 and £2,206,000 in 2023/24. The Housing construction programme has been profiled as £9,410,000 in 2022/23 and £2,721,000 in 2023/24. The remaining 60% will be financed from the HRA capital investment reserve.

11 Other Options

- 11.1 There are other options available to Members in relation to the proposed rent and other services and facilities increases.
- 11.2 The rent standard policy statement published by Central Government in February 2019, allows the council to apply a lower increase or to freeze, or to reduce the rents if they wish to do so as well as limiting the increase to CPI at September +1%. Setting a rent increase lower than what is proposed in this report would eventually have a detrimental impact on the viability and sustainability of the HRA.
- 11.3 If the HRA does not recover the full costs of services and facilities provided to tenants and leaseholders, there will be a negative impact in terms of the Council's ability through South Essex Homes to continue to manage, maintain and invest in its housing stock and services. The level of income collected is all invested back into the housing stock and range of tenant services. Any reduction in income will clearly have a detrimental impact on the investment plans in 2022/23 and the future.

12 Future Developments

- 12.1 The Social Housing White Paper published in November 2020 announced a review of the Decent Homes Standard, to understand if it is still appropriate for the social housing sector today. This review will seek to understand the case for any changes to the criteria within the Decent Homes Standard and consider how decency should be defined. Until this review is finalised, it is impossible to quantify the pressure on HRA resources to bring the existing stock up to any revised standard. The Government have not been specific on whether funding will be made available, or at what level. It is hoped that further clarity will be provided by the time the review is finalised.
- 12.2 The Fire Safety Act and Building Safety Bill will require continued capital investment into the existing stock to ensure compliance with the regulations. This is likely to result in an increase in the expenditure on revenue maintenance and any planned programmes of work.
- 12.3 As with many sectors currently, the building services sector is seeing a significant increase in the level of inflation. Most of the existing repairs contracts have annual increases in line with the Building Indices. This measure is currently expected to be around 10% for April 2022 contract increases.
- 12.4 The Council has a clear commitment via its Green City Action Plan and local drive to achieve Net Zero carbon emissions by 2030, the Housing stock managed by South Essex Homes is a critical part of this ambition. The proposed investment programme in this report will help to improve the energy performance of the overall estate and create better, more comfortable and energy efficient homes for our local tenants.

13 Reasons for Recommendations

Part of the process of maintaining a balanced budget for the HRA is to undertake an annual rent review and assessment of other service and facilities charges. Full Council will need to approve the HRA budget and any changes to rent and other services prior to the start of the financial year.

14 Corporate Implications

14.1 Contribution to the Southend 2050 Road Map

The recommendations that are contained in this report, provide the resources to maintain and enhance the quality of the Council owned social housing stock. This will contribute directly to the Southend 2050 ambition, and outcome that 'we are well on our way to ensuring that everyone has a home that meets their needs'.

14.2 Financial Implications

As set out in the report

14.3 Legal Implications

The Council is under a duty to maintain a Housing Revenue Account and prevent a debit balance, in accordance with Part VI of the Local Government and Housing Act 1989. Part VI requires the council to prepare proposals relating to the income generated through the collection of rents and other charges, expenditure in respect of repairs, maintenance, supervision and management of Housing Revenue Account property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the Housing Revenue Account for the coming year does not show a debit balance.

The Council has a power to make reasonable charges (rent) for the tenancy or occupation of its dwelling-houses pursuant to section 24 of the Housing Act 1985 and is required to keep under review, the rent it charges. The Council may increase the rent it charges, in accordance with the current tenancy agreement, by giving its tenants a minimum of 28 days prior written notice as permitted by section 102(1)(b) of the Housing Act 1985.

A service charge is an amount payable (directly or indirectly) by a tenant of a dwelling as part of or in addition to the rent. Costs for service charges must be reasonable and reflect the service being provided and must be identified separately to the rent charge. Rent setting is part of good financial planning and important for the forthcoming financial year. The proposals recommended demonstrate that the Council is complying with its statutory duty and government guidance and is in line with the self-financing regime.

14.4 People Implications

None at this stage.

14.5 Property Implications

The recommendations in this report assist in the proper management of the Council's housing stock.

14.6 Consultation

Policy and Resources Scrutiny Committee on 10th February 2022 provided no specific comments on the draft Housing Revenue Account Rent setting proposals or the proposed Capital Investment Programme for 2022/23 to 2026/27.

Appropriate notice of proposed increases in rents and charges has been factored into the timetable for implementing the recommendations of this report.

14.7 Equalities and Diversity Implications

An equality impact assessment has been carried out in respect of the proposed changes to rent, service and heating charge levels. Notwithstanding these are applied equally and consistently across all groups as appropriate to the accommodation they occupy, there is evidence that those not in receipt of housing benefit may be negatively affected by the change in rent and service charges, and that all groups may be negatively affected by the change in heating charges.

Mitigation across all groups will be through South Essex Homes Tenancy Services working with residents to sustain their tenancies and to provide advice and signposting on money management.

14.8 Risk Assessment

The financial risks associated with these proposals have been considered throughout this report and have been factored into the development of the self-financing business plan; and will be incorporated into the report on the robustness of the budget and the reserves policy to be presented to Cabinet and Council in February 2022.

14.9 Value for Money

The proposals within this report are consistent with the Council's plans to continue to improve value for money within the services it offers.

14.10 Community Safety Implications

None at this stage.

14.11 Environmental Impact

None at this stage.

15 Background Papers

Equalities Assessment into the impact of the increase in rents, service and heating charges have been carried out.

16 Appendices

Appendix 1 – HRA Budget 2022/23

Appendix 2 – HRA Medium Term Financial Plan 2022/23 to 2026/27

Appendix 3 – HRA Reserves 2022/23 to 2026/27

HRA Budget 2022/23

	2021/22		2022/23
	Original	Revised	Budget
	£000	£000	£000
Employees	206	206	206
Premises (excluding repairs)	798	787	787
Repairs	5,664	6,053	6,053
Supplies and Services	141	141	141
Management Fee	6,336	6,336	6,648
MATS	1,475	1,521	1,584
Provision for Bad Debts	455	455	455
Depreciation	6,729	7,993	8,393
Interest and Debt Management Charges	3,236	3,193	3,142
Total Expenditure	25,040	26,684	27,408
Fees and Charges	(349)	(349)	(351)
Dwelling Rents	(26,436)	(26,924)	(27,821)
Other Rents	(1,487)	(1,487)	(1,535)
Other	(20)	(20)	(20)
Interest	(82)	(82)	(136)
Recharged to Capital	(727)	(761)	(584)
Total Income	(29,101)	(29,623)	(30,447)
Net Operating Expenditure/ (Surplus)	(4,061)	(2,939)	(3,039)
Revenue Contribution to capital Outlay	8,334	4,679	8,309
Appropriation to/ (from) Earmarked Reserves	(4,273)	(1,740)	(5,271)
(Surplus) or Deficit in Year	0	0	0

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HRA Budget 2022/23
2022/23 to 2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
Employees	206	206	206	206	206
Premises (excluding repairs)	787	789	791	793	795
Repairs	6,053	6,053	6,053	6,053	6,053
Supplies and Services	141	141	141	141	141
Management Fee	6,648	6,781	6,917	7,055	7,196
MATS	1,584	1,505	1,535	1,565	1,597
Provision for Bad Debts	455	455	455	455	455
Depreciation	8,393	8,812	9,253	9,716	10,201
Interest and Debt Management Charges	3,142	3,199	3,259	3,236	3,161
Total Expenditure	27,408	27,940	28,609	29,220	29,804
Fees and Charges	(351)	(356)	(363)	(370)	(377)
Dwelling Rents	(27,821)	(28,447)	(29,016)	(29,596)	(30,188)
Other Rents	(1,535)	(1,568)	(1,598)	(1,629)	(1,660)
Other	(20)	(20)	(20)	(20)	(20)
Interest	(136)	(227)	(357)	(467)	(467)
Recharged to Capital	(584)	(510)	(470)	(470)	(470)
Total Income	(30,447)	(31,127)	(31,824)	(32,552)	(33,182)
Net Operating Expenditure/ (Surplus)	(3,039)	(3,187)	(3,214)	(3,332)	(3,378)
Revenue Contribution to capital Outlay	8,309	3,784	140	140	140
Potential Impact of Queensway	0	200	200	200	200
Appropriation to/ (from) Earmarked Reserves	(5,271)	(797)	2,874	2,992	3,038
(Surplus) or Deficit in Year	0	0	0	0	0

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HRA Reserves
2022/23 to 2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
General HRA Balance					
Opening Balance	3,502	3,502	3,502	3,502	3,502
Used to meet Deficit	0	0	0	0	0
Closing Balance	3,502	3,502	3,502	3,502	3,502
Earmarked Reserves					
Opening Balance	26,006	18,348	16,239	18,077	20,194
Appropriation to/ (from) Earmarked Reserves	(5,271)	(797)	2,874	2,992	3,038
Transfer to Major Repairs Reserve	(2,387)	(1,313)	(1,036)	(875)	
Closing Balance	18,348	16,239	18,077	20,194	23,232
Total HRA Balances at year end	21,850	19,741	21,579	23,696	26,734
Major Repairs Allowance					
Opening Balance	7,960	12,014	15,310	18,475	21,942
Depreciation Arising	8,393	8,812	9,253	9,716	10,201
Used to Fund Capital Expenditure	(6,726)	(6,829)	(7,124)	(7,124)	(7,124)
Transfer from Ear Marked Reserves	2,387	1,313	1,036	875	
Closing Balance	12,014	15,310	18,475	21,942	25,019

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