

Meeting: Cabinet
Date: 13 February 2024
Classification: Part 1
Key Decision: Yes
Title of Report: Housing Revenue Account (HRA) Budget and Rent Setting Report 2024/25

Executive Directors: Joe Chesterton, Finance and Resources and Alan Richards, Environment and Place,
Report Author: Pete Bates, Director of Financial Services
Glyn Halksworth, Director of Regeneration, Housing & Regulatory Services
Executive Councillor: Councillor Garston, Cabinet Member for Housing and Planning

1. Executive Summary

- 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 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 City Council's annual rent review and associated rent setting proposals for all council dwellings within the HRA for 2024/25. This report also sets out the HRA budget for 2024/25 – 2028/29, together with the information necessary to set a balanced budget as required by legislation.

2. Recommendations

That Cabinet recommends to Council that, as part of the budget setting process, it approves the following increases with effect from 1 April 2024:

- 2.1. **An average rent increase of 7.7% on all tenancies.**
- 2.2. **An average rent increase of 7.7% on shared ownership properties.**
- 2.3. **An increase of 10% for garage rents to £15.38 per week for tenants and £18.46 for non-tenants (being £15.38 plus VAT), a rise consistent with the standard approach taken across the range of City Council's fees and charges for 2024/25. 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 £7,678,000 for 2024/25.**
- 2.5. South Essex Homes proposals for average decreases of 3.1% in service charges to reflect the estimated costs incurred be agreed for 2024/25.**
- 2.6. South Essex Homes proposals for an average 7.4% decrease in heating charges for sheltered housing tenants and for hostel tenants to reflect the estimated costs incurred be agreed for 2024/25.**
- 2.7. The following appropriations be agreed:**
 - £60,000 to the Repairs Contract Pensions Reserve.**
 - £4,761,000 to the Capital Investment Reserve.**
 - £8,015,000 from the Capital Investment Reserve.**
- 2.8. Subject to the approval of items 2.1 through to 2.7 above, the HRA budget for 2024/25 as set out in Appendix 1 be agreed and**
- 2.9. The value of the Council's capital allowance from 2024/25 be declared as £57,098,000 as determined in accordance with regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations.**

That Cabinet notes:

- 2.10. The 30-year Housing Revenue Account Business Plan as set out in Appendix 4 and supports any minor amendments to be completed by the Executive Director (Environment and Place) in consultation with the Cabinet Member for Housing and Planning.**

3. Background

- 3.1. The Housing Revenue Account (HRA) is the statutory "landlord" account for the authority. For Southend-on Sea City Council, this expresses in financial terms the level of housing service provided within agreed policy guidelines.**
- 3.2. The finance and corporate performance reports throughout 2023/24 have highlighted the significant challenges facing the country, local government generally and within this context Southend-on-Sea City Council. Given the volatility in price inflation and the continued squeeze on the cost of living there has been pressure on the HRA throughout the year which emphasises the importance of robust and regular reviews and an updated long term business plan to allow the Council to forward plan its resources efficiently and effectively.**

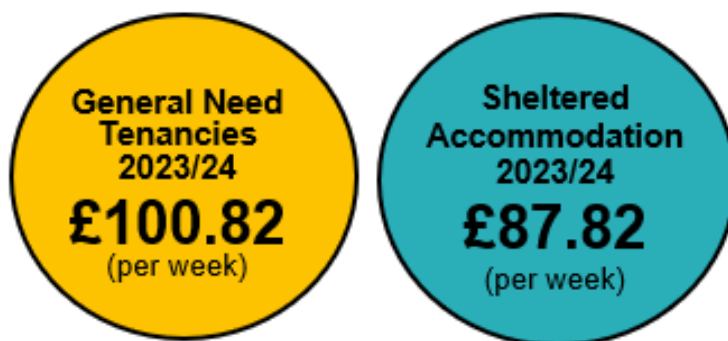
- 3.3. Following the Grenfell tragedy in 2017, an independent review of Building Regulations and Fire Safety was undertaken. This body found that some of the current arrangements nationally were not fit for purpose, and this has led to some legislative changes, the Fire Safety Act 2021 and the Building Safety Act 2022. As a landlord, this legislation requires the Council to have in place a named Accountable Person for each High-Risk Residential Building (any building over 18 meters in height or 6 storeys). These officers will have direct accountability to residents for all aspects of safety management of the property. There are also significant additional compliance requirements resulting from this new legislative and regulatory framework which will require additional resources, both as a direct investment into the Council's housing stock, as well as additional staffing requirements.
- 3.4. The sector has also experienced unprecedented growth in regulation, with a range of specific areas of work required to respond to and comply with. The expansion of the duties and reach of the Housing Ombudsman and the Regulator of Social Housing, following such events as the avoidable death of Awaab Ishak due to damp, mould and condensation present in his social home, have contributed to growing expectations of the Council and South Essex Homes.
- 3.5. Inflation has been a significant issue for both businesses and individuals for the last 2 years, however the construction materials price index has been as high as 30% during this same time period. This has had a significant effect on the costs of the repairs and maintenance contract as the cost of materials has been considerably affected by this.
- 3.6. The current repairs and maintenance contract is due to end in June 2024 and a procurement process is currently underway for a new contract.
- 3.7. Under 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 and complies with this requirement.
- 3.8. The estimates have been prepared alongside South Essex Homes and incorporate their proposed management fee for 2024/25.
- 3.9. The HRA Budget for 2024/25 is summarised at **Appendix 1**.

4. Southend-on-Sea's Housing Ambition

- 4.1. South Essex Homes has a vital role to play in helping to deliver the Council's Housing, Homelessness and Rough Sleeping Strategy and our ambition, developed together with our local community, to ensure that 'everyone has a good quality, sustainable 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 **£57,098,000** over the next five years. This will ensure that we maintain decent homes standards and improve those properties that need it. The types of works will include electrical rewiring, bathroom installations, new roofs, new kitchens, new windows and door replacements and installation of new, more economical and energy efficient boilers. Full compliance with the range of additional local requirements and responsibilities due to new building and fire safety legislation will remain a top priority.
- 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 2023/24 on HRA secure general needs tenancies was £100.82 and for sheltered accommodation was £87.82.



- 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 what is known as 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 625 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 a maximum of 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, the Council's Tenancy Strategy requires our affordable rent level to be set at the Local Housing Allowance (LHA) rates which is lower than the 80% level of market rents in line with our Tenancy Strategy. The council currently has 146 properties on the LHA rate, and all new HRA properties will be set at LHA levels and calculated on this basis.
- 5.4. The Local Housing Allowance (LHA) rates in the UK will be raised to the 30th percentile of local market rents from April 2024, as announced by the chancellor in his 22 November Autumn Statement. LHA rates are used to calculate housing benefit for tenants renting from private landlords and have been frozen since 2020, despite rising inflation and increasing rental prices. We perceive that for many people the unfreezing of LHA will provide some temporary relief and make some property more affordable for them through allowing more of people's rent costs to be met by housing benefits.

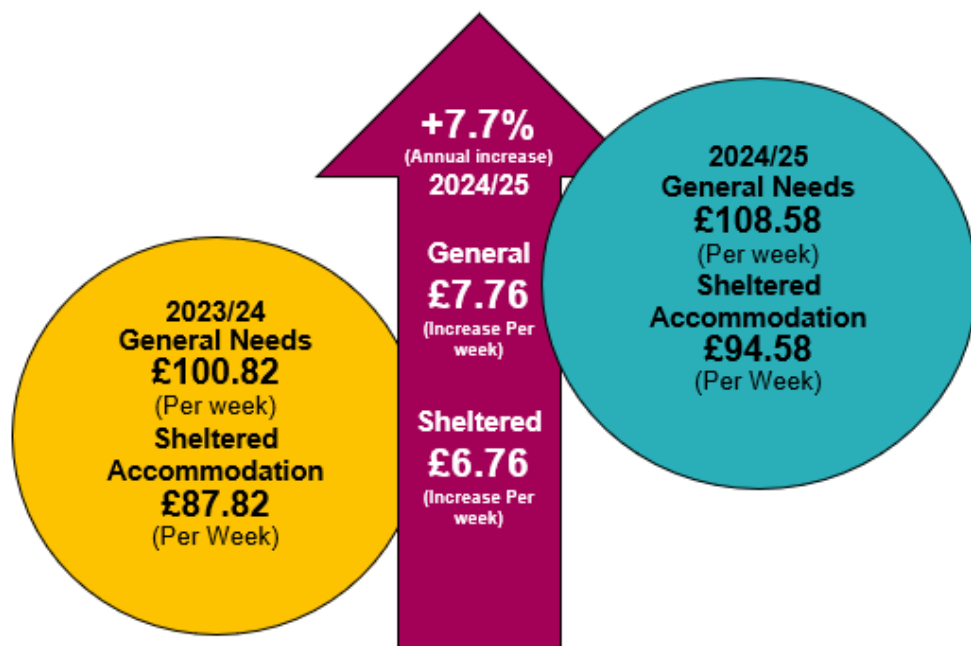
- 5.5. However, the benefit cap allowance rates have not increased, for some claimants this will likely mean that an increase in housing allowances may now mean they reach their benefit cap or will negate the increase in the LHA for anyone already capped. LHA is a calculation of private sector rents, but it is worth noting that **all rent levels of council accommodation is below that set by the LHA**. Housing benefit is not based on rental prices in the local area for social housing tenants.
- 5.6. 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 would have meant an 11.1% increase for 2023/24 (September 2022 CPI of 10.1% + 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.
- 5.7. Due to the unprecedented high levels of inflation experienced in the UK through 2022/23, the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on 31 August 2022 seeking the views of registered social housing providers on the impacts of limiting rent increases in 2023/24. Included within the 2022 Autumn Statement issued on 17 November 2022 was confirmation that social housing rents could increase by a maximum of 7% instead of 11.1% for 2023/24 and the Council's HRA budget was constructed on this basis. However, whilst this reduced the level of rent increases for 2023/24 and provided some positive news for tenants who were being squeezed due to other general cost-of-living increases, it did exacerbate the pressure on the future financial sustainability of the HRA though.
- 5.8. With a reduction in the level of inflation experienced during 2023/24, the original rent setting formula is back in place for the 2024/25 rent setting year and therefore rents will be increasing by 7.7% for the forthcoming year (September 2023 CPI of 6.7% + 1%).

- 5.9. 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 properties	Average Rent 2023/24 (£)	Average Rent 2024/25 (£)	Average weekly increase (£)	Average percentage increase
0	501	83.95	90.41	6.46	7.7%
1	2,512	89.21	96.08	6.87	7.7%
2	1,260	101.45	109.26	7.81	7.7%
3	1,559	120.46	129.73	9.28	7.7%
4	99	133.31	143.58	10.27	7.7%
5	2	123.96	133.50	9.54	7.7%
Total Tenancies	5,933				

- 5.10. The rents for the Council's 11 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 are also **uplifted by 7.7% in line with the social rent cap**, being consistent with the proposal for the main rent increase. Across the 11 properties, the Council's ownership ranges from 10% up to 75%.
- 5.11. Rent levied in the Council's hostels provision is currently charged at £191.43 per week. It is proposed that the increase remains consistent with the general rent increase. This is a fair and reasonable approach to take for the residents in our hostel accommodation, so it is recommended that hostel rents also **increase by 7.7% to £206.17**. This charge is inclusive of service charges but is subject to additional charges for heating and water.
- 5.12. 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 £22,020 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 £22,020. Single people with no dependent children are capped at £14,753.

- 5.13. Based on work with South Essex Homes it is known that around **70% of all tenancies** will receive some form of housing support (Housing Benefit or Universal Credit) 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.
- 5.14. The effective date of any change in rent will be 1 April 2024, 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 2024/25.

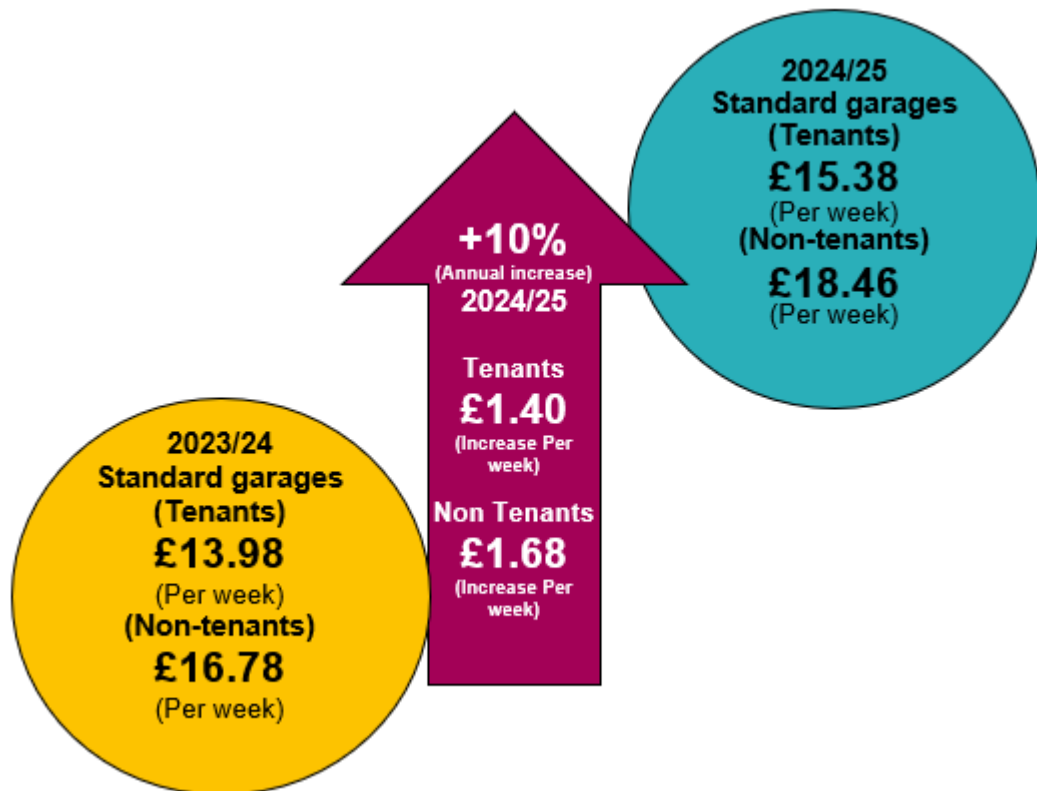


6. Other Fees and Charges

- 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 formal resolution for any changes.

Garages

- 6.2. Standard garages are currently charged at £13.98 per week for tenants and £16.78 for non-tenants (being £13.98 plus VAT). **It is proposed that both these charges be increased by 10%**, to be consistent with the standard approach taken across the council's fees and charges for the 2024/25 financial year as agreed at Cabinet on 31 October 2023. 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 request for the following financial year is sent to the Executive Director (Finance and Resources) by the Board of South Essex Homes. This fee is calculated in line with the requirements placed upon South Essex Homes by the Council in the form of the Partnership Agreement in place between the two organisations. Following negotiations, the proposed fee below has now been agreed and has been set, mindful of the financial pressures and ambitions within the HRA. The recommended management fee for 2024/25 is summarised in the following table.

	2023/24 Forecast £000	2024/25 Budget £000
Management Fee	7,030	7,184
Inflationary Pay Pressures	393	232
Partial pay increase absorbed through charging	(239)	(77)
Inflationary Non-Pay Pressures	0	567
Partial Non-Pay pressures absorbed through charging	0	(228)
Total Management Fee	7,184	7,678

- 7.2. The inflationary pressures for South Essex Homes are in respect of the estimated national pay award impact for employee related costs and other inflationary pressures which cannot be absorbed through charging. The pay award estimate for 2024/25 is based on an anticipated 3% increase and other inflation pressures are linked to CPI in September 2023 (6.7%).
- 7.3. There were four pilot schemes which were approved for 2022/23 and continued into 2023/24. These were increased Support for Hostel Provision, Professional Support for Residents, Difficult Access Co-ordinator and Complex Needs Support Officer. The benefits of these initiatives are currently being evaluated and they are due to continue into 2024/25.
- 7.4. To deliver a balanced and sustainable budget within this management fee request, South Essex Homes are intending to deliver several efficiencies and productivity improvements via their own one-off resources in 2024/25. These range of initiatives will help to improve the customer experience by further developing the ICT functionality of core systems, meet governance responsibility via a regulatory compliance team and develop sustainable communities by continuing to support a hardship fund and community development initiatives.

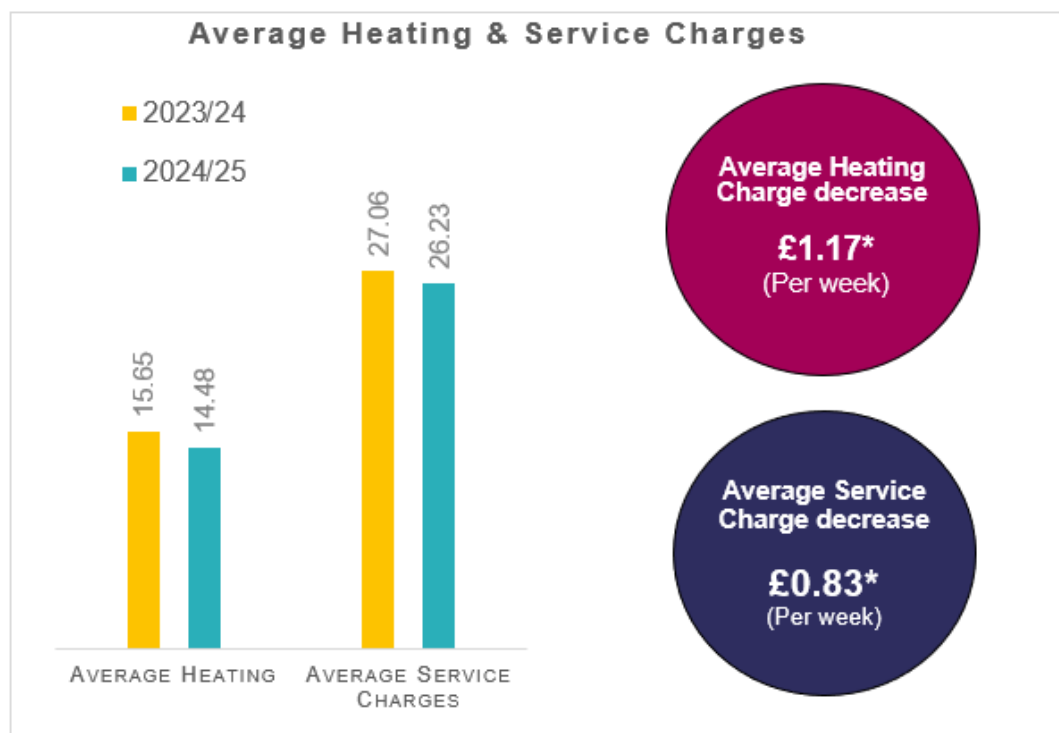
- 7.5. South Essex Homes strives to deliver the best possible value to the Council and the residents of Southend-on-Sea. They are increasingly seeking to fund some activities from other income sources in addition to the management fee, as well as using all available resources prudently and effectively. Their subsidiary, South Essex Property Services, is a commercial operation which will provide a £150,000 dividend back to Southend-on-Sea City Council in 2024/25. This has been achieved partly by joint management arrangements, 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.
- 7.6. 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 Upper Quartile 1 or Quartile 2, showing that South Essex Homes continues to deliver good value.
- 7.7. Following the 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.

Service Charges and Heating Charges (South Essex Homes Charge)

- 7.8. The price of energy paid by South Essex Homes on behalf of tenants is part of a wider bulk purchasing agreement of energy through the Council which is contracted through a framework via Kent Commercial Services. This effectively means that the cost of energy purchased on behalf of our tenants is at a more favourable rate than the prices obtained by most individual domestic customers across the country.
- 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 actual costs of service provision. Cabinet agreed a report in November 2022 to allow South Essex Homes to collect heating charges in line with estimated costs rather than collecting income to offset these costs which could be up to 17 months in arrears (heating charges were based on actual costs from November to October of the previous year).
- 7.10. Due to the volatility of energy prices and a significant reduction in the anticipated price paid for utilities, Cabinet approved a report in July 2023 to reduce the heating charges applied to tenants to reflect the reduced prices paid centrally for energy.

- 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 forecast costs for gas in 2024/25 which are directly associated with heating, South Essex Homes are proposing that there is an average **7.4% decrease in heating charges for sheltered housing tenants and for hostel tenants in 2024/25**. These proposals are based on the forecast actual costs that will be incurred over the year.
- 7.13. As the amount paid by tenants was reduced in September 2023 due to lower utility costs, this means that the average 7.4% is based on the total cost paid for the full financial year 2023/24. This means that tenants may well see a slight increase in monthly cost from March 2024 to April 2025, but if this amount remains static for the full 2024/25 year, then the total cost will be 7.4% lower than the full cost in 2023/24.
- 7.14. A similar piece of work has been undertaken on service charges and based on this analysis South Essex Homes are proposing an average **3.1% decrease for 2024/25**.
- 7.15. 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 actual cost of providing the service. Service charges are generally covered by housing benefit where tenants are eligible.

- 7.16. The actual charges levied for 2024/25 will be based on the actual costs associated with each individual scheme. The following graphic illustrates the estimated average increase in heating & service charges for 2024/25.



*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 **£4,821,000** and on that basis the HRA is 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 **£4,761,000** 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 ongoing 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 **£8,015,000** from the HRA Capital Investment Reserve. The net overall impact is an appropriation from earmarked reserves of **£3,194,000** (£8,015,000 - £4,821,000) in 2023/24.
- 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 developed based on the assumption that inflation will be at 5% in 2024/25 and 2% in 2025/26 with future years general assumption at 2% consistent with the Council Medium Term Financial Forecast.
- 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, and any other known movements based on market intelligence / trading conditions. The plan allows for borrowings to rollover on maturity.
- 9.3. For income, it is assumed that rent will continue with the current formula arrangement of CPI at September + 1% for the foreseeable future. Other income increases will be 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. In respect of the proposed Better Queensway regeneration programme, the HRA Medium Term Financial Strategy assumes that this development would be broadly revenue neutral at this stage. This calculation is made 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 2024/25 to 2028/29 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 2024/25. 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. Housing Revenue Account (HRA) New 30 Year Business Plan

- 10.1. The HRA is a critical financial mechanism for local authorities to effectively manage their housing stock. It covers the income and expenditure associated with local authority housing, including the maintenance, management, and improvement of housing assets. A clear business plan is essential for effective decision-making, resource allocation, and the delivery of quality housing and vital related services to our communities. It helps to outline the ambition and long-term intentions of meeting local housing needs.
- 10.2. The key objectives of the business plan and supporting financial model are:
- **Sustainability:** Ensure the financial sustainability of the HRA over the next 30 years by balancing income and expenditure, optimising existing assets, and exploring innovative funding models.
 - **Affordability:** Develop and maintain a diverse housing portfolio that meets the needs of our communities, with a focus on affordability, accessibility, and inclusivity.
 - **Quality of Housing Stock:** Prioritise investments in the maintenance, renovation, and development of housing units to meet decency standards and provide a high quality of living for residents.
- 10.3. The financial model which supports the business plan has been developed by an industry expert with input from all relevant service areas from both Southend City Council and South Essex Homes. The assumptions within this model have been revised, challenged and agreed upon and the model will receive regular updates based on the latest available data such as inflation trends, rent setting calculations etc. The Cabinet will be required to review the level of rent and service charges levied as part of the annual budget cycle for Southend-on-Sea.
- 10.4. The 30-year business plan includes high level financial projections, considering income from rents, grants, and other sources, as well as anticipated expenditure requirements for maintenance, construction, and other operational costs. These projections are based on a comprehensive analysis of current economic trends, housing market conditions, and potential funding sources. Clearly given the 30-year time frame, all of these elements will be kept under review, particularly the key components of the supporting financial model, which will be updated regularly and at least on an annual basis.

11. HRA Capital Allowance and Housing Strategy

- 11.1. South Essex Homes supports our ambition that 'everyone has a good quality, sustainable 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 Council's Budget Report for 2024/25 to 2028/29, elsewhere on the agenda. This proposes an indicative programme of works over the next 5 years totalling **£57,098,000**.

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	Project code	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 and future years Budget £000	Total Budget (all years) £000
Council Housing New Build Programme							
Housing Construction Scheme - Phase 2	C11097						-
Council Affordable Housing Development (Phase3) - Shoebury	C11098	4,586	1,879	1,879	1,879	1,879	12,102
Council Affordable Housing Development (Phase4) - St Laurent	C11099	2,718	-	-	-	-	2,718
Council Affordable Housing Development (MMC) - West Shoeb	C11100	700	-	-	-	-	700
Housing Construction Scheme - Phase 5/6 feasibility (S106)	C11101	-	-	-	-	-	-
Housing Construction Scheme - Land Assembly Fund (S106)	C11102	-	-	-	-	-	-
Total Council Housing New Build Programme		8,004	1,879	1,879	1,879	1,879	15,520
Council Housing Acquisitions Programme							
HRA Affordable Housing Acquisitions Programme	C11044	1,500	1,500	1,500	1,500	1,500	7,500
Next Steps Accommodation Programme	C11125	100	-	-	-	-	100
Housing and Development Pipeline Feasibility - HRA	C11054	-	-	-	-	-	-
Acquisition of tower block leaseholds - Queensway	C10814	-	-	-	-	-	-
LAHF - Afghan & Ukraine resettlement scheme	C11231	-	-	-	-	-	-
Total Council Housing Acquisitions Programme		1,600	1,500	1,500	1,500	1,500	7,600
Council Housing Refurbishment							
HRA Disabled Adaptations - Major Adaptations	C10015	1,044	109	-	-	-	1,153
Passive House Pilot	C11233	976	-	-	-	-	976
Social Housing Decarbonisation funding	C11236	1,902	-	-	-	-	1,902
Total Council Housing Refurbishment - HRA		1,902	-	-	-	-	1,902
Council Housing Refurbishment - delivered by South Essex Homes Limited							
Energy Efficiency Measures	C11033	-	-	-	-	-	-
Bathroom Refurbishment	C10161	210	264	183	183	183	1,023
Central Heating	C10162	246	296	210	210	210	1,172
Environmental - H&S works	C10163	2,970	2,160	2,484	2,484	2,484	12,582
Kitchen Refurbishments	C10164	184	114	114	114	114	640
Rewiring	C10165	443	208	275	275	275	1,476
Roofs	C10166	173	242	86	86	86	673
Windows and Doors	C10167	159	723	94	94	94	1,164
Common Areas Improvement	C10168	1,523	2,106	2,700	2,700	2,700	11,729
Sprinkler System Installation Pilot	C11081	-	-	-	-	-	-
HRA - SCC Buybacks Refurbishment	C11134	-	-	-	-	-	-
Remodelling of Tied Accommodation	C11187	302	216	345	345	345	1,553
Balmoral Estate Improvement and Structural Works	C11112	64	-	-	-	-	64
Total Council Housing Refurbishment		6,274	6,329	6,491	6,491	6,491	32,076
TOTAL PROPOSED CAPITAL INVESTMENT PROGRAMME - HRA		17,780	9,708	9,870	9,870	9,870	57,098

The indicative investment for 2026/27 to 2028/29 and the associated financing via MRR is not currently included in the proposed capital investment programme report and is shown for illustration only.

- 11.2. 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.

- 11.3. 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 **circa £10M over the next 2 years** 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. 13 council houses and bungalows will be developed in Shoeburyness as part of Phase 3a of the HRA Land Review Project, with Phase 3b also providing 16 flats. Phase 4 will see 9 council homes built in the St Laurence ward and the council is also progressing with plans to build 3 highly energy efficient 'Passivhaus' pilot homes on two sites across the city.
- 11.4. A regeneration framework 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 Council housing in the city.
- 11.5. 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 years. Councils will also be able to fund up to 40% of the cost of constructing any new HRA dwelling. 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 an introductory 2 years, with 2024/25 being the final year. The aim is to increase overall housing supply, by constructing new dwellings, exploring potential conversion opportunities and bringing long term empty properties back into use.
- 11.6. The HRA Affordable Housing Acquisitions Programme will therefore be 40% financed by retained 'Right to Buy' capital receipts from April 2024. The profile for acquisitions has been programmed as £1,500,000 in 2024/25. The Housing construction programme has been profiled as £8,004,000 in 2024/25 and £1,879,000 in 2025/26. The remaining 60% will be financed from the HRA capital investment reserve.

12. Reasons for Decisions

- 12.1. 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.

13. Other Options

- 13.1. There are other options available to Members in relation to the proposed rent and other services and facilities increases.
- 13.2. The rent standard policy statement published on 4 January 2024, allows the council to apply a rent increase up to the level of the agreed formula of CPI at September + 1%. The Council could increase rents at a lower rate or freeze rents, or even reduce the rents if they wish to do so. Setting a rent increase lower than what is proposed in this report would quite quickly have a detrimental impact on the viability and future financial sustainability of the HRA.
- 13.3. 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 2024/25 and the future as well as lead to possible criticism from the Regulator of Social Housing.

14. Future Developments

- 14.1. 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.
- 14.2. Given the recent outcome of the coroner's report and media interest on the issues of dampness, mould and condensation which have led to the Secretary of State, the Regulator of Social Housing and the Housing Ombudsman to write formally to all local authorities and social housing Registered Providers, it is considered likely there will be specific additional requirements placed on all landlords to ensure their properties have measures in place to prevent such problems from occurring.
- 14.3. The Fire Safety Act 2021 and Building Safety Act 2022 require significant and 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 other planned programmes of work.
- 14.4. The building services industry is experiencing a significant increase in the level of inflation, which is outstripping other sectors. Most of the existing

repairs and maintenance contracts have automatic annual increases in line with the Building Indices.

- 14.5. 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. The council's work to retrofit existing council homes through its Social Housing Decarbonisation Fund Project and the 'Retrofit Show Home', along with its new developments being designed to surpass Future Homes Standard and Passivhaus house standards are examples of delivering in support of this commitment.

15. Financial Implications

- 15.1. As set out in the report

16. Legal Implications

- 16.1. 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.
- 16.2. 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.
- 16.3. 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.

17. Policy Context

- 17.1. One of the council's priorities of the Corporate Plan 2023-27 is of achieving '*A safe city with a good quality of life for all*'. Within this priority is the outcome of providing quality, affordable homes which includes making sure all our council housing stock continues to meet the Decent Homes Standard and continuing to build more council housing and affordable homes in appropriate areas. This report highlights the investment required and work being undertaken to achieve these outcomes.

18. Carbon Impact

- 18.1. The Council has a clear commitment via its declaration of a Climate Emergency and in the ambitions of Green City Action Plan to achieve Net Zero carbon emissions by 2030. Maintaining, improving and developing new housing stock is an intrinsic part of this ambition. This report highlights the proposed investment programme required to improve the energy performance of the overall stock and create better, more comfortable and energy efficient homes for our local tenants including via the Social Housing Decarbonisation Fund Project and the 'Retrofit Show Home', and new council housing developments such as the 'Passivhaus' pilot schemes.

19. Equalities

- 19.1. A full equality 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.
- 19.2. 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.

20. Consultation

- 20.1. Policy and Resources Scrutiny Committee on 1 February 2024 were supportive of the overall budget report but raised some questions and sought clarification in relation to garage rents benchmarking, the challenges of damp, mould and condensation, the status of the repairs and maintenance contract and the level of surplus being generated within the HRA. Responses were provided during the discussion.

- 20.2. With regards to the level of HRA surplus, it is worth highlighting the information in section 8.2 of this report which confirms that the surplus from the Housing Revenue Account will be appropriated to the HRA capital investment reserve to fund the significant capital programme to maintain decent homes standard and to support the Council's ambitious housing acquisition programme. The planned use of this capital reserve will ensure that all surplus generated in 2024/25 will all be reinvested back into the Council's housing stock.
- 20.3. Appropriate notice of proposed increases in rents and charges has been factored into the timetable for implementing the recommendations of this report.

21. Appendices

- 21.1. **Appendix 1:** HRA Budget 2024/25
 21.2. **Appendix 2:** HRA Budget 2024/25 to 2028/29
 21.3. **Appendix 3:** HRA Reserves 2024/25 to 2028/29
 21.4. **Appendix 4:** HRA 30-Year Business Plan

22. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	05/02/24
Monitoring Officer	Kim Sawyer	05/02/24
Executive Director	Alan Richards	05/02/24
Cabinet Member	Councillor Garston	05/02/24