

**Meeting:** Cabinet  
**Date:** 11 February 2025  
**Classification:** Part 1  
**Key Decision:** Yes  
**Title of Report:** Housing Revenue Account (HRA) Budget and Rent Setting Report 2025/26  
**Executive Directors:** Joe Chesterton, Finance and Resources and Alan Richards, Environment and Place,  
**Report Authors:** Pete Bates, Director of Financial Services and Glyn Halksworth, Director of Regeneration, Housing & Regulatory Services  
**Executive Councillor:** Councillor Jones, Cabinet Member for Planning and Housing  
Councillor Collins, Cabinet Member for Finance, Assets and Investments

## **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 2025/26. This report also sets out the indicative HRA budget for 2026/27 – 2029/30, 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 7 April 2025:**

- 2.1. **An average rent increase of 2.7% on all tenancies.**
- 2.2. **An average rent increase of 2.7% on shared ownership properties.**

- 2.3. An increase of 2.75% on garage rents for tenants and leaseholders to £15.80 per week, a rise consistent with the standard approach taken across the range of City Council's fees and charges for 2025/26. An increase of 20% on private garage rents to £22.15 (inclusive of VAT). 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 £8,275,000 for 2025/26.**
- 2.5. South Essex Homes proposals for an average decrease of 6.1% in service charges to reflect the estimated costs incurred be agreed for 2025/26.**
- 2.6. South Essex Homes proposals for an average 22.3% decrease in heating charges for sheltered housing tenants and for hostel tenants to reflect the estimated costs incurred be agreed for 2025/26.**
- 2.7. The following appropriations be agreed:**
- £60,000 to the Repairs Contract Pensions Reserve.**
  - £4,720,000 to the Capital Investment Reserve.**
  - £7,237,000 from the Capital Investment Reserve.**
- 2.8. Subject to the approval of items 2.1 through to 2.7 above, the HRA budget for 2025/26 as set out in Appendix 1 be agreed and**
- 2.9. The value of the Council's capital allowance from 2025/26 be declared as £64,983,000 as determined in accordance with regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations.**
- 2.10. To delegate authority to the Executive Director for Environment and Place to submit the final bid for the Warm Homes Wave 3 bid once completed.**

### **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 2024/25 have highlighted the significant challenges facing the country, local government generally and within this context Southend-on-Sea City Council. Given the lasting impact of recent 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 both the Council and South Essex Homes.
- 3.5. Although now stabilising, inflation has been a significant issue for both businesses and individuals in recent years, taking the construction materials price index in isolation – this has been as high as 30% during this same period, with almost constant price increases. This has had a significant effect on the costs of the repairs and maintenance contract as the cost of materials has been directly affected by these economic conditions.
- 3.6. In July 2024, the new contract for the delivery of repair services and refurbishment of empty properties was awarded to Axis Europe PLC. This followed a procurement exercise conducted in accordance with the Public Contracts Regulations 2015. The contract is based on a Price Per Property arrangement which provides greater opportunity to control costs as the service is driven by resident requests. The contract is in its early stages of operation and South Essex Homes colleagues continue to monitor service delivery and ensuring a tenant need driven focus.

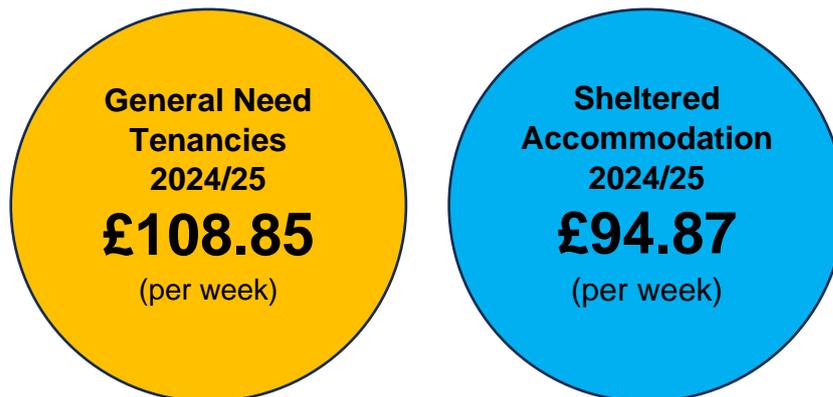
- 3.7. Under these unprecedented circumstances the Council is obliged by law to set rents and other charges at a level, to avoid a deficit on the HRA balance (i.e. the legal minimum balance at any time during the financial year must be greater than zero). This report proposes an HRA budget that avoids a deficit balance and complies with this statutory requirement.
- 3.8. The estimates have been prepared alongside South Essex Homes and incorporate their proposed management fee for 2025/26.
- 3.9. The HRA Budget for 2025/26 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 **£64,983,000** 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 that are planned 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 always 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 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 2024/25 on HRA secure general needs tenancies was £108.85 and for sheltered accommodation was £94.87.



- 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 582 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-on-Sea, 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 163 properties on the LHA rate, and all new HRA properties will be set at LHA levels and calculated on this basis.

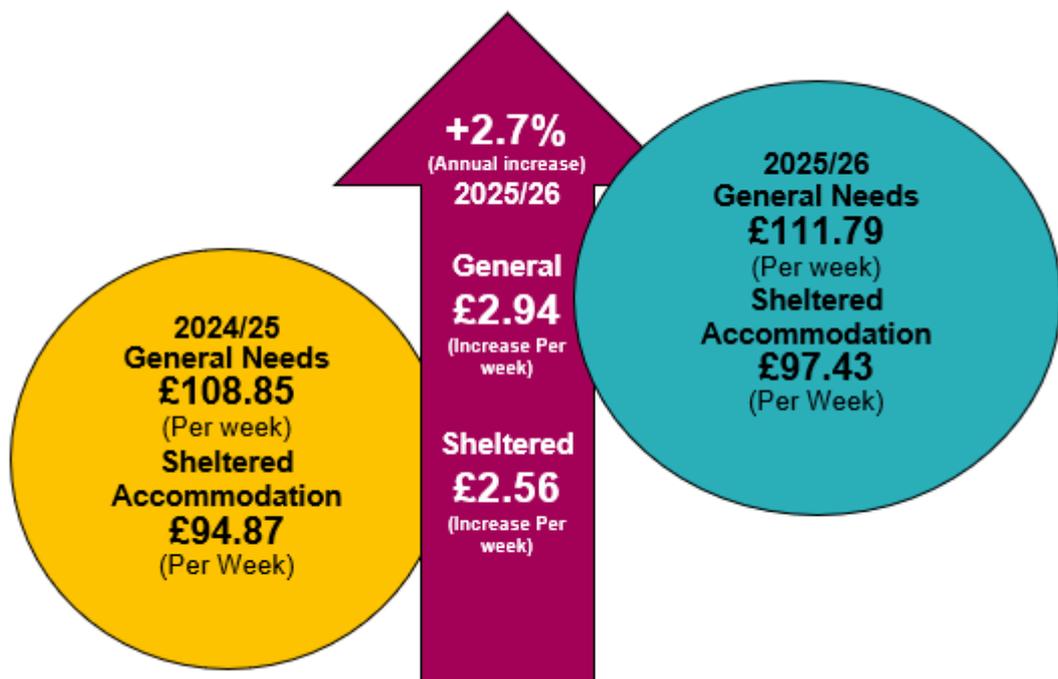
- 5.4. The Local Housing Allowance (LHA) rates in the UK were raised to the 30th percentile of local market rents from April 2024, as announced by the chancellor in the 2023 Autumn Statement. However, these rates have been frozen for the 2024/25 financial year. LHA rates are used to calculate housing benefit for tenants renting from private landlords and had been frozen since 2020, despite rising inflation and increasing rental prices. Although the one-off unfreezing of LHA in 2024/25 would have provided some temporary relief and made some property more affordable for tenants through allowing more of people's rent costs to be met by housing benefits, the freezing of the rate for 2025/26 may prove challenging for some residents.
- 5.5. LHA is a calculation of private sector rents, but it is worth noting that **all rent levels for 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 in 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 locally and right across the country.
- 5.8. With a reduction in the level of inflation experienced during 2023/24, the original rent setting formula returned for the 2024/25 rent setting year and has continued into 2025/26.

- 5.9. A government consultation on the future of social housing rent policy concluded on 23 December 2024 regarding the length of any future policy decisions on rent setting. Whatever the conclusion from this consultation, it has already been confirmed in the Budget in October 2024 that rents will be increasing by 2.7% for the forthcoming year (September 2024 CPI of 1.7% + 1%).
- 5.10. 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 2024/25 (£)	Average Rent 2025/26 (£)	Average weekly increase (£)	Average percentage increase
0	469	91.61	94.09	<b>2.48</b>	2.7%
1	2,476	95.87	98.46	<b>2.59</b>	2.7%
2	1,248	110.00	112.97	<b>2.97</b>	2.7%
3	1,537	130.43	133.95	<b>3.52</b>	2.7%
4	100	146.85	150.81	<b>3.96</b>	2.7%
5	3	193.08	198.29	<b>5.21</b>	2.7%
<b>Total Tenancies</b>	5,833				

- 5.11. 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 2.7% 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%.
- 5.12. Rent levied in the Council's hostels provision is currently charged at £206.17 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 2.7% to £211.74**. This charge is inclusive of service charges but is subject to additional charges for heating and water.

- 5.13. 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.
- 5.14. Based on work with South Essex Homes it is known that around **80% 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.
- 5.15. The effective date of any change in rent will be 7 April 2025, 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 2025/26.



## 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 £15.38 per week for tenants and £18.46 for non-tenants (being £15.38 plus VAT). **It is proposed that the charge for tenants and leaseholders be increased by 2.75%**, to be consistent with the standard approach taken across the council's fees and charges for the 2025/26 financial year. **It is proposed that the charge for private users be increased by 20%** to £22.15 per week (inclusive of VAT). All variants on a standard garage will receive a proportionate increase.
- 6.3. There will be a full review of the garage stock and condition through 2025/26 to assess their occupation levels and to understand not only the use as garages across all sites but to ensure that sites/locations are being used in the most efficient and effective way. Any regeneration opportunities highlighted from this review will be considered through the established housing development pipeline process.

## **Water Charges**

- 6.4. 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, a proposed fee has now been agreed and is recommended for approval, following careful consideration of the financial pressures and ambitions within the HRA. An analysis of the recommended management fee for 2025/26 is presented in the following table.

	<b>2024/25 Forecast £000</b>	<b>2025/26 Budget £000</b>
Management Fee	7,184	7,707
Inflationary Pay Pressures	261	411
Partial pay increase absorbed through charging	(77)	(70)
Inflationary Non-Pay Pressures	567	59
Partial Non-Pay pressures absorbed through charging	(228)	0
<b>Management Fee</b>	<b>7,707</b>	<b>8,107</b>
One off funding for 2025/26		168
<b>Total Management Fee</b>	<b>7,707</b>	<b>8,275</b>

- 7.2. The inflationary pressures for South Essex Homes are in respect of the estimated national pay award impact for employee related costs and the increases in Employer NI contributions. The pay award estimate for 2025/26 is based on an expected 2.5% increase and other inflation pressures are linked to CPI in September 2024 (1.7%).
- 7.3. There were four pilot schemes which were approved for 2023/24 and have now been included in the base position of the management fee. These were increased Support for Hostel Provision, Professional Support for Residents, Difficult Access Co-ordinator and Complex Needs Support Officer.
- 7.4. There is also a request for £168k of one-off funding in 2025/26 to support two new complaints investigation officers and a preparation resource for ensuring compliance with the new consumer standards and associated inspection regime.
- 7.5. 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 the use and investment of their own one-off resources in 2025/26. These range of initiatives will help to improve the customer experience by further developing the ICT functionality of core systems, implement agreed data and communications strategies and develop more sustainable communities by continuing to support a hardship fund and a range of community development initiatives.

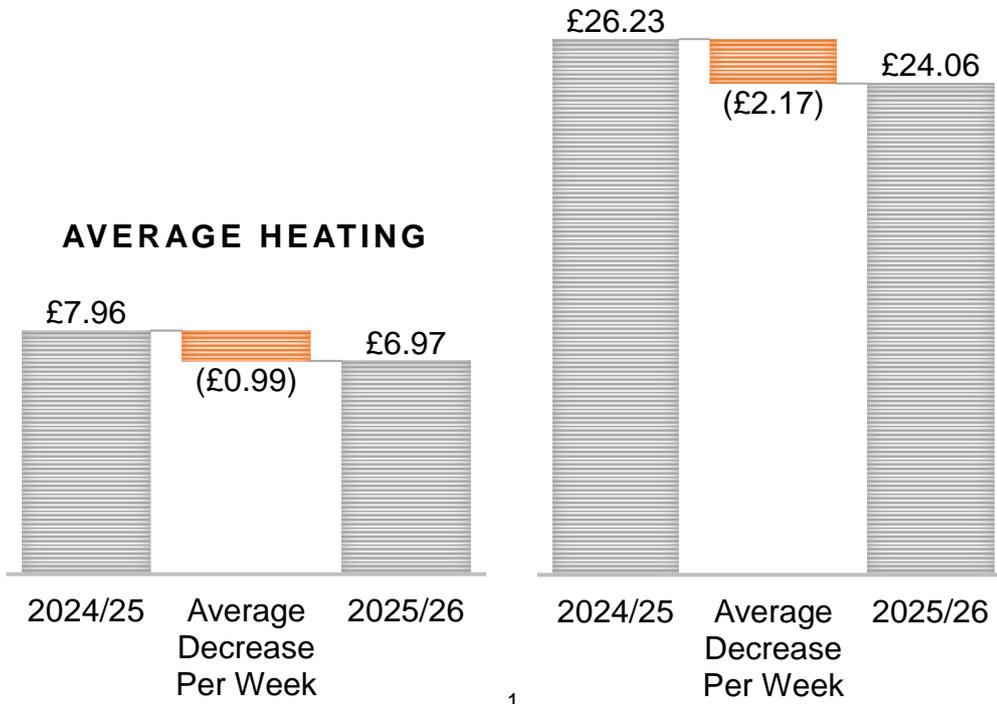
- 7.6. South Essex Homes strives to deliver the best possible value to the Council and the residents of Southend-on-Sea. They are increasingly looking to fund some activities from other income sources in addition to the management fee, as well as using all available resources prudently and effectively. Their subsidiary, South Essex Property Services, is a commercial operation which is estimated to provide a circa £150,000 dividend back to Southend-on-Sea City Council in 2025/26. 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.
- 7.7. 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 Upper Quartile 1 or Quartile 2, showing that South Essex Homes continues to deliver good value.
- 7.8. 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)**

- 7.9. 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 bought on behalf of our tenants is at a more favourable rate than the prices obtained by most individual domestic customers across the country.
- 7.10. Recently, 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).
- 7.11. Due to the volatility of energy prices and a significant reduction in the expected 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.

- 7.12. 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 in line with the Heat Network (Metering and Billing) Regulations 2014.
- 7.13. Based on the forecast costs for gas in 2025/26 which are directly associated with heating, South Essex Homes are proposing that there is an average **22.3% decrease in heating charges for sheltered housing tenants and for hostel tenants in 2025/26**. These proposals are based on the forecast actual costs that will be incurred over the year.
- 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 **6.1% decrease for 2025/26**.
- 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 usually covered by housing benefit where tenants are eligible.
- 7.16. The actual charges levied for 2025/26 will be based on the actual costs associated with each individual scheme. The following graphic illustrates the estimated average decrease in heating & service charges for 2025/26.

## AVERAGE SERVICE CHARGES



Heating charges were adjusted mid-year in 2024/25 based on revised estimates.

### 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 **£4,780,000** 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 **£4,720,000** 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.

<sup>1</sup> *Estimated charges (these could increase or decrease)*

<sup>2</sup> *Estimated charges (these could increase or decrease)*

8.3. Finally, to finance these ambitious plans it will also be necessary to appropriate **£7,237,000** from the HRA Capital Investment Reserve. The net overall impact is an appropriation from earmarked reserves of **£2,457,000** (£7,237,000 - £4,780,000) in 2025/26.

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

8.5. Careline

It is proposed that this service remains free to tenants within our sheltered housing accommodation for 2025/26 however it is intended that there will be an options appraisal of how the service is delivered, including exploring the best value for money products and services currently available on the market. To support the evaluation of any potential transfer in the future to an alternative provider a subsidy (at a reduced negotiated level) will continue to be paid by the HRA to support a 'free service' to these tenants. This will avoid the Council (via South Essex Homes) investing in new equipment, keep the service up to date and free for these tenants and give overall better value for money to the HRA.

## **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 0.8% in 2025/26 and 1.7% in 2026/27 in line with the Council's Medium Term Financial Forecast.

9.2. For expenditure, the forecast is usually 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 all borrowings to rollover on maturity.

9.3. For income, it is assumed that rent will continue with the current formula arrangement of CPI in September + 1% for the foreseeable future. The consultation on the future of social housing rent policy concluded on 23 December regarding the length of any future policy decisions on rent setting. 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 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 processes 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 shows that the HRA is currently financially robust and sustainable. From 2025/26 to 2029/30 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 2025/26. 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) 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-on-Sea 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, service charges etc. 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 period, all 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 2025/26 to 2029/30, elsewhere on the agenda. This proposes an indicative programme of works over the next 5 years totalling **£64,983,000**.

The Government announced in the Autumn Budget 2024 that it will continue to allow councils in England to keep all receipts generated from Right to Buy Sales. The Council is taking appropriate action to maximise usage of the retained receipts 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	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000	2029/30 and future years Budget £000	Total Budget (all years) £000
<b>Council Housing New Build Programme</b>							
Housing Construction Scheme – Modern Methods of Construction (MMC)	C11100	664	-	-	-	-	664
Housing Construction Scheme – Phase 3 (Eagle Way, Shoeburyness)	C11098	3,815	-	-	-	-	3,815
Housing Construction Scheme – Phase 4 (Lundy Close, Eastwood)	C11099	2,784	-	-	-	-	2,784
Housing Construction Scheme – Phase 5/6 Feasibility (S106)	C11101	40	-	-	-	-	40
Passive House Pilot	C11233	1,300	-	-	-	-	1,300
The Cattery, Prittlewell	C11284	517	5,950	5,950	-	-	12,417
<b>Total Council Housing New Build Programme</b>		<b>9,120</b>	<b>5,950</b>	<b>5,950</b>	-	-	<b>21,020</b>
<b>Council Housing Acquisitions Programme</b>							
Affordable Housing Acquisitions Programme	C11044	1,500	1,500	1,500	1,500	1,500	7,500
LAHF – Afghan and Ukraine Resettlement Scheme	C11231	156	-	-	-	-	156
Next Steps Accommodation Programme	C11125	75	-	-	-	-	75
<b>Total Council Housing Acquisitions Programme</b>		<b>1,731</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>7,731</b>
<b>Council Housing Refurbishment – to be delivered by the Council</b>							
HRA Disabled Adaptations – Major Adaptions	C10015	503	650	650	650	650	3,103
Social Housing Decarbonisation Funding	C11236	335	-	-	-	-	335
<b>Total Council Housing Refurbishment – to be delivered by the Council</b>		<b>838</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>3,438</b>

<b>Council Housing Refurbishment – to be delivered by subsidiary company</b>							
Bathroom Refurbishment	C10161	264	183	191	216	216	1,070
Central Heating	C10162	296	210	350	378	378	1,612
Common Areas Improvement	C10168	2,106	2,700	1,404	1,944	1,944	10,098
Environmental Health and Safety Works	C10163	2,160	2,484	1,836	2,050	2,050	10,580
HRA – SCC Buybacks Refurbishment	C11134	325	325	325	325	325	1,625
Kitchen Refurbishments	C10164	114	114	133	324	324	1,009
Remodelling of Tied Accommodation	C11187	216	-	-	-	-	216
Rewiring	C10165	613	275	780	864	864	3,396
Roofs	C10166	242	86	1,201	162	162	1,853
Windows and Doors	C10167	723	94	194	162	162	1,335
<b>Total Council Housing Refurbishment – to be delivered by partners</b>		<b>7,059</b>	<b>6,471</b>	<b>6,414</b>	<b>6,425</b>	<b>6,425</b>	<b>32,794</b>
<b>TOTAL PROPOSED CAPITAL INVESTMENT PROGRAMME – HRA</b>		<b>18,748</b>	<b>14,571</b>	<b>14,514</b>	<b>8,575</b>	<b>8,575</b>	<b>64,983</b>

*Some items within this programme and any associated financing is subject to approval of the wider capital investment programme report elsewhere on the agenda and includes some items which are subject to a viable business case.*

*Most of the amounts for 2029/30 are indicative and haven't been included in the main capital programme.*

- 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 £15M 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. Over the next two years the Council's affordable housing development programme will see 29 homes brought forward in Eagle Way (Shoeburyness) across two sites, 9 homes in Lundy Close (St Laurence) and a further 3 Passivhaus dwellings across two sites (Bradford bury and Denton Avenue). The Council has also begun initial design and site investigation works on The Cattery (Prittlewell) which aims to deliver up to 30 units of affordable housing built utilising Passivhaus principles.
- 11.4. The new build Council housing is augmented by other approaches to housing supply being progressed, including the use of HRA Capital and Right-to-Buy receipts to buy properties on the open market and bring these into use as Council housing in the city.
- 11.5. On 30 July 2024, the government increased flexibilities on the use of Right to Buy receipts. For the two financial years 2024/25 and 2025/26, the maximum permitted contribution from Right to Buy receipts to replacement affordable housing will increase from 50% to 100%. The cap on the percentage of replacements delivered as acquisitions will also be lifted. Right to Buy receipts will also be allowed to be used with section 106 contributions. These flexibilities will be in place for an initial 24 months, subject to review. This will reduce the additional contribution needed from other HRA sources.
- 11.6. On 20 November 2024, the government opened a 'Reforming the Right to Buy' consultation, seeking views on how the scheme should be reformed to make it fairer and more sustainable. The government has also reduced the Right to Buy discounts from 21 November 2024 and allows councils to keep full receipts from the same date. This will help deliver the government's commitments on existing council housing stock and boost council capacity to ensure that vital housing is available to those who need it most.
- 11.7. The HRA Affordable Housing Acquisitions Programme will therefore be 40% financed by retained 'Right to Buy' capital receipts from April 2025. The profile for acquisitions has been programmed as £1,500,000 in 2025/26. The Housing construction programme has been profiled as £9,120,000 in 2025/26 and £5,950,000 in future years. The remaining 60% will be financed from the HRA capital investment reserve.

- 11.8. It is intended to allocate £1.5M from HRA reserves per year between 2025/26 and 2027/28 to housing sustainability. It is proposed that this funding, totalling £4.5M across the 3-year period, will be used for match funding in the Council's Warm Homes: Social Housing Fund (formerly SHDF) Wave 3 bid, which could unlock up to an additional £4.5M of grant funding.
- 11.9. If successful this combined funding is proposed in part to install a ground source heat pump heating system and to install a range of energy efficiency measures, such as air source heat pumps, solar panels, and cavity wall insulation in several other council houses. The projects will reduce bills for residents, reduce carbon emissions from council housing, and improve the EPC ratings of council properties. Should this funding bid not be successful, a scaled in-house retrofit programme could be developed.

## **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 is yet to be published; however, it was announced in the Autumn Budget statement that the council is permitted to apply a rent increase up to the level of the agreed formula of CPI in 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 2025/26 and the future and could lead to 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 assess 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 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.
- 14.5. There has never been as much regulation of social housing as the sector is currently facing. Following the tragedies of Grenfell and the death of Awaab Ishak as a direct result of damp and mould in his housing association home in Rochdale, the regulatory environment has understandably been enhanced and requirements placed upon Registered Providers of Social Housing (RPs) such as Southend-on Sea City Council by the Regulator of Social Housing, the Building Safety Regulator and the Housing Ombudsman require significant resourcing in order to meet new standards and to be able to demonstrate compliance in these regards.

- 14.6. Alongside the requirements placed upon the council to ensure its high-risk residential buildings comply with regulations, an increase in Housing Ombudsman capacity nationally has led to more cases being investigated by them and creating additional work for RPs across the country. These are all essential sector developments to ensure that social homes everywhere are safe and suitable for tenants to thrive in. This is further underpinned by the work of the RSH and its programme of Consumer Standards inspections whereby all RPs will be inspected over between 2024-28 and will be provided with a grading of its compliance, ranging from C1 (top) to C4 (worst). These inspections require investment both in terms of preparation and, based on the findings in many of the inspections to have taken place thus far, ensuring deliverable improvement plans are in place to respond to findings. Southend has recently been informed that its inspection will be due to start imminently and work is underway to collate all the information requested by the Inspector.

## **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 2024-28 is '*Caring 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 conducted 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 collaborating with residents to sustain their tenancies and to provide advice and signposting on money management.

## **20. Consultation**

- 20.1. Appropriate notice of proposed increases in rents and charges has been factored into the timetable for implementing the recommendations of this report.
- 20.2. Policy and Resources Scrutiny Committee on 30 January 2025 asked a number of questions and also sought clarification on a range of areas

contained within the draft Housing Revenue Account budget and rent setting proposals. These included:

- The Cattery development and its associated cost and value for money, and to remove the erroneous entry in the 2028/29 year and therefore amend the overall Total HRA Capital Investment to £64,983k.
- The level and type of investment in decent homes.
- Whether the proposed rent increase of 2.7% could be amended.
- Various matters on garage rent levels and future options.

Full responses were provided at the engagement session with no further follow-up requested.

## 21. Appendices

- 21.1. **Appendix 1:** HRA Budget 2025/26
- 21.2. **Appendix 2:** HRA Budget 2025/26 to 2029/30
- 21.3. **Appendix 3:** HRA Reserves 2025/26 to 2029/30

## 22. Report Authorisation

<b>This report has been approved for publication by:</b>		
	<b>Name:</b>	<b>Date:</b>
S151 Officer	Joe Chesterton	03/02/2025
Deputy Monitoring Officer	Jayne Middleton	03/02/2025
Executive Directors	Alan Richards	03/02/2025
	Joe Chesterton	03/02/2025
Cabinet Member	Councillor Jones	03/02/2025
	Councillor Collins	02/02/2025