

# Southend-on-Sea City Council

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

To  
Cabinet

On  
12 January 2023

Agenda  
Item No.

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Interim Director of Financial Services and Glyn Halksworth  
Director of Housing

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### Housing Revenue Account (HRA) Budget and Rent Setting Report 2023/24 Policy and Resources Scrutiny Committee Cabinet Member: Councillor Ian Gilbert *Part 1 (Public Agenda Item)*

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#### **1 Purpose of Report**

- 1.1 To highlight how investment from the Housing Revenue Account (HRA) will contribute towards meeting housing needs in Southend-on-Sea. The planned investment programme and effective management of the Council's housing stock will also contribute to our Southend 2050 ambition for everyone to feel safe and well and for everyone to have a home that meets their needs.
- 1.2 To present the outcome of Southend-on-Sea City Council's annual rent review and associated rent setting proposals for all council dwellings within the HRA for 2023/24. This report also sets out the HRA budget for 2023/24 – 2027/28, together with the information necessary to set a balanced budget as required by legislation.
- 1.3 To present proposals to amend service and facilities charges to recover actual costs incurred, together with a review of rental charges for garages.

#### **2 Recommendations**

**That Cabinet recommends to Council that, as part of the budget setting process, it approves the following increases with effect from 3 April 2023:**

- 2.1 **An average rent increase of 7% on all tenancies.**
- 2.2 **An average rent increase of 7% on shared ownership properties.**

- 2.3 **An increase of 10.1% for garage rents to £13.98 per week for tenants and £16.77 for non-tenants (being £13.98 plus VAT), a rise consistent with the standard approach taken across the council’s fees and charges. 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 £7,192,000 for 2023/24.**
- 2.5 **South Essex Homes proposals for average increases of 44.29% in service charges to reflect the estimated costs incurred be agreed for 2023/24.**
- 2.6 **South Essex Homes proposals for an average 104% increase in heating charges for sheltered housing tenants and for hostel tenants to reflect the estimated costs incurred be agreed for 2023/24.**
- 2.7 **The following appropriations be agreed:**
- **£60,000 to the Repairs Contract Pensions Reserve.**
  - **£4,047,000 to the Capital Investment Reserve.**
  - **£6,549,000 from the Capital Investment Reserve.**
- 2.8 **Subject to the approval of items 2.1 through to 2.7 above, the HRA budget for 2023/24 as set out in Appendix 1 be agreed and**
- 2.9 **The value of the Council’s capital allowance from 2023/24 be declared as £49,512,000 as determined in accordance with regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations.**

### **3 Background**

- 3.1 The Housing Revenue Account (HRA) is the statutory “landlord” account for the authority. For Southend-on Sea 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 2022/23 have highlighted the significant challenges facing the country, local government generally and within this context Southend-on-Sea City Council. Given the volatility and what have been described as a once in a generation series of events including Brexit, the pandemic, the war in Ukraine, energy prices doubling and in some case tripling in cost, inflation at the highest level for decades.
- 3.3 Following the Grenfell tragedy in 2017, an independent review of Building Regulations and Fire Safety was undertaken. This body found that 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 Bill published in July 2020. As a landlord, this legislation requires the Council to have in place a named Accountable Person and a Building Safety Manager for each High-Risk Residential Building (any building over 18 meters in height or 6 storeys). These officers will have direct accountability to residents for all aspects of safety management of the property. There are significant additional compliance requirements resulting from this new legislative and regulatory framework which will require additional resources, both as a direct investment into the Council’s housing stock, as well as additional staffing resources.

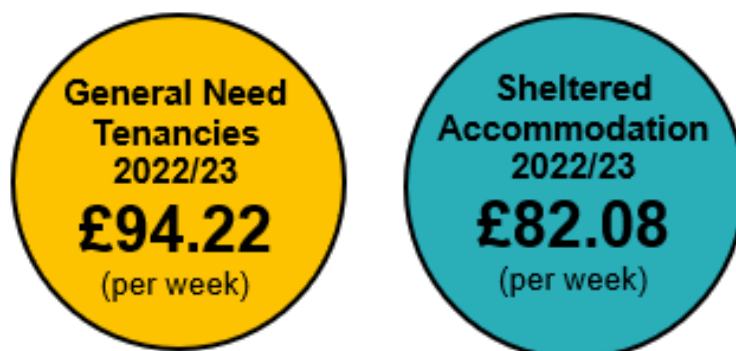
- 3.4 Under these unprecedented circumstances the Council is obliged by law to set rents and other charges at a level, to avoid a deficit on the HRA balance (i.e. the legal minimum balance at any time during the financial year must be greater than zero). **This report proposes an HRA budget that avoids a deficit balance and complies with this requirement.**
- 3.5 The estimates have been prepared alongside South Essex Homes and incorporate their proposed management fee for 2023/24.
- 3.6 The HRA Budget for 2023/24 is summarised at **Appendix 1.**

#### **4 Southend 2050 Housing Ambition**

- 4.1 South Essex Homes has a vital role to play in helping to deliver the Council's Housing, Homeless 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 £49,512,000 over the next five years. This will ensure that we maintain decent homes and improve those properties that need it. The types of works will include electrical rewiring, bathroom installations, new roofs, new kitchens, new windows and doors replacements and installation of new more economical and energy efficient boilers. Full compliance with the range of additional local requirements and responsibilities due to new building and fire safety legislation will be 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 2022/23 on HRA secure general needs tenancies was £94.22 and for sheltered accommodation was £82.08.



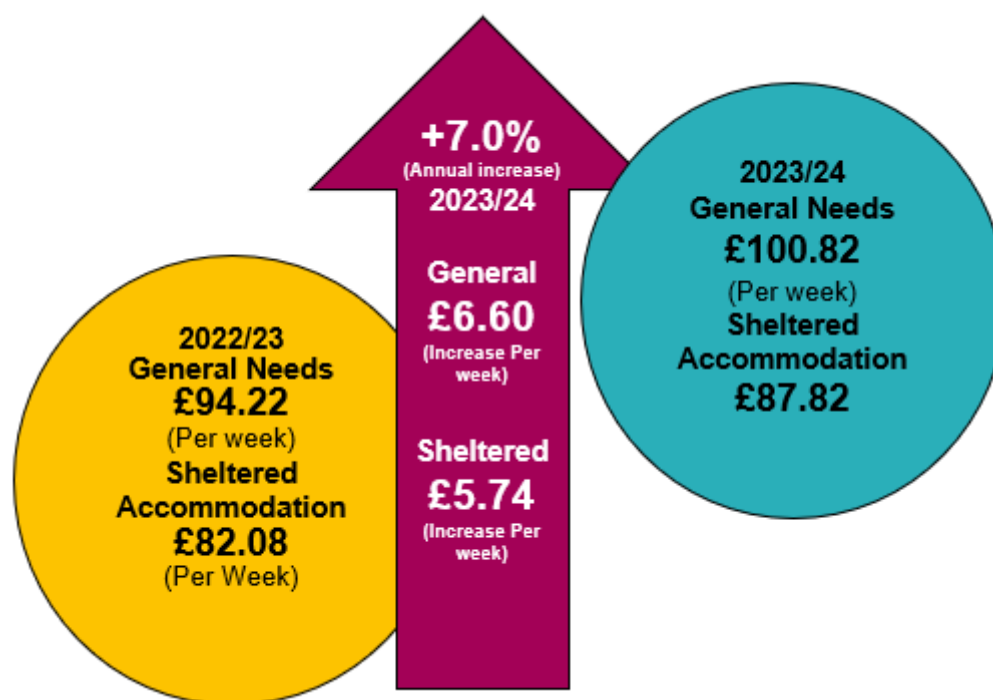
- 5.2 Since 2001, rents for social housing properties have been based on a formula set by Central Government, which was calculated based on the relative value of the property, relative local income levels and the size of the property. This created a 'formula rent'. The aim of this approach was to ensure that similar rents are charged for similar type of properties. In Southend, we have about 640 properties that are yet to convert to a formula rent basis. When tenants vacate a property the new rent agreement will be based on this 'formula rent' so the remaining properties will organically convert to this charging approach over time.
- 5.3 In 2011, Central Government introduced a new regime for defining affordable rents, which permitted rents (inclusive of service charges) to be set at up to 80% of market rent for a local area. Only new properties (or new social housing) can be let at this new 'affordable rent' level. In Southend, our affordable rent level equates to the Local Housing Allowance (LHA) rates which is lower than the 80% level of market rents. The council currently has 115 properties on the LHA rate, and all new HRA properties will be set at LHA levels and calculated on this basis.
- 5.4 In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years ('the new policy'). **This 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.

- 5.5 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 to either 3%, 5% or 7%. Included within the 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 has been constructed on this basis. Whilst this reduced level of proposed rent increase for 2023/24 is some positive news for tenants which are being squeezed due to other general cost-of-living increase, it does exacerbate the pressure on the future financial sustainability of the HRA.
- 5.6 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 2022/23 (£)	Average Rent 2023/24 (£)	Average weekly increase (£)	Average percentage increase
0	517	75.19	80.45	5.26	7.0%
1	2,512	82.38	88.15	5.77	7.0%
2	1,264	92.15	98.60	6.45	7.0%
3	1,561	110.43	118.16	7.73	7.0%
4	98	118.47	126.76	8.29	7.0%
5	3	126.18	135.01	8.83	7.0%
<b>Total Tenancies</b>	5,955				

- 5.7 The rents for the Council's 12 shared ownership properties have traditionally been set on the same basis as a full Council dwelling, on a pro-rata basis to the Council's ownership. It is recommended that these rents are also **uplifted by 7% in line with the social rent cap**, being consistent with the proposal for the main rent increase. Across the 12 properties, the Council's ownership ranges from 10% up to 75%.
- 5.8 Rent levied in the Council's hostels provision is currently charged at £178.91 per week. Although sheltered accommodation and hostel rents were not included within the rent cap consultation (**meaning rents could have increased by 11.1%**), it is proposed that the increase should remain 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% to £191.43**. This charge is inclusive of service charges but is subject to additional charges for heating and water.

- 5.9 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.
- 5.10 Around 73% 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.
- 5.11 The effective date of any change in rent will be 3 April 2023, 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 2023/24.

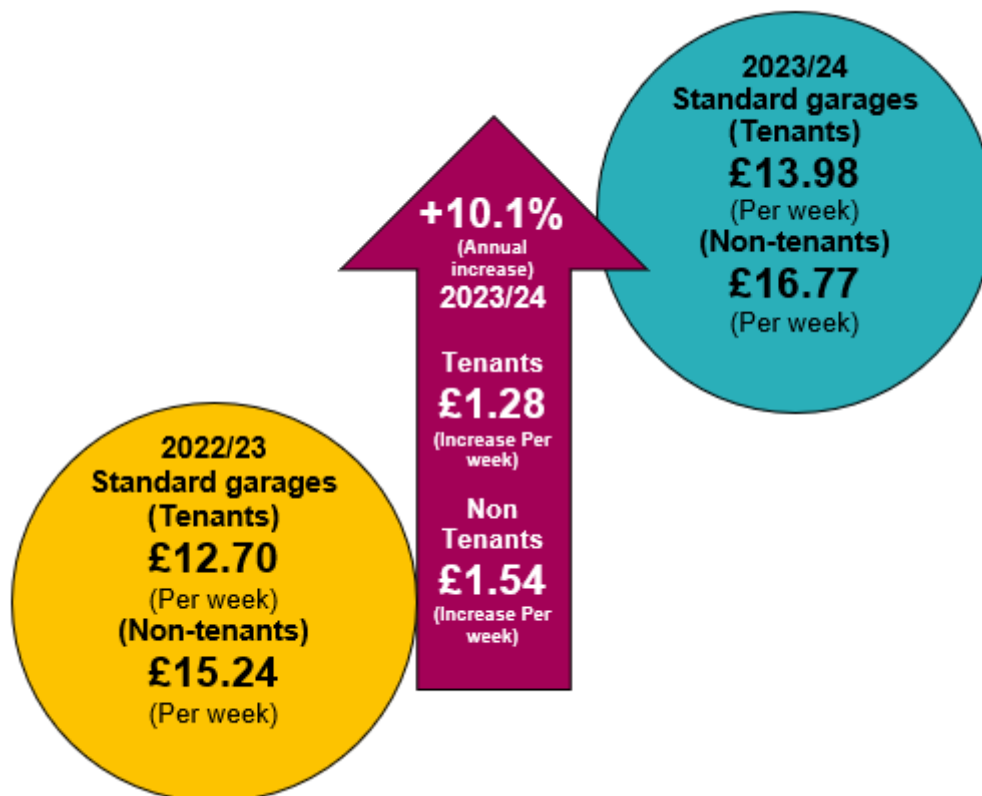


## 6 Other Fees and Charges

- 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 £12.70 per week for tenants and £15.24 for non-tenants (being £12.70 plus VAT). **It is proposed that both these charges be increased by 10.1%**, to be consistent with the standard approach taken across the council's fees and charges – CPI as at September 2022. 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. 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 2023/24 is summarised in the following table.

	<b>2022/23 Forecast £000</b>	<b>2023/24 Budget £000</b>
Management Fee	6,111	6,650
Remove annually agreed initiatives	0	(182)
Inflationary Pay Pressures	288	651
Partial pay increase absorbed through charging	0	(214)
Social Care Levy & Employers Pension	0	(17)
Service Level Agreement increases	0	100
Support for increased Hostel Provision	94	106
Professional Support for Residents	20	20
Difficult Access Co-ordinator	33	41
Complex Needs Support Officer	35	36
Building Safety Engineers/ Manager	117	0
<b>Total Management Fee</b>	<b>6,698</b>	<b>7,191</b>

- 7.2 The inflationary pressures for South Essex Homes are primarily in respect of employee related increased costs. The £651,000 includes £276,000 which represents the additional amount above the original 2022/23 assumption for the pay award and £375,000 estimate for 2023/24 based on an anticipated 5% increase.
- 7.3 There were four pilot schemes which were approved for 2022/23. These were increased Support for Hostel Provision, Professional Support for Residents, Difficult Access Co-ordinator and Complex Needs Support Officer. These initiatives have been extended for further assessment and evaluation into 2023/24.



7.4 Within this management fee proposal there are several mitigating actions which South Essex Homes plan to implement which are summarised below.

	<b>2023/24 movements £000</b>
Holding BQ voids & vehicle running costs	222
Pay pressures	702
Energy inflation	1,763
General Inflation	329
Efficiencies and productivity improvements	(1,012)
Service charge increases	(1,766)
Reduction in Careline service income	120
Increases in management fee (pay pressures and SLA's)	(542)
Dividend from SEPS	(150)
Increase in interest income	(20)
Other revenue changes	27
<b>Movement summary</b>	<b>(327)</b>

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 which will deliver a financial benefit of around £1M in 2023/24. These range of initiatives will help to mitigate the financial impacts of both inflationary and pay pressures across the organisation. These include reviews of contingency provisions and pension contributions, restructures within the company and several other efficiencies delivered by the learning secured from the pandemic. Permanent changes to service delivery arrangements have secured savings by the continuation of remote working for a number of non-operational staff.

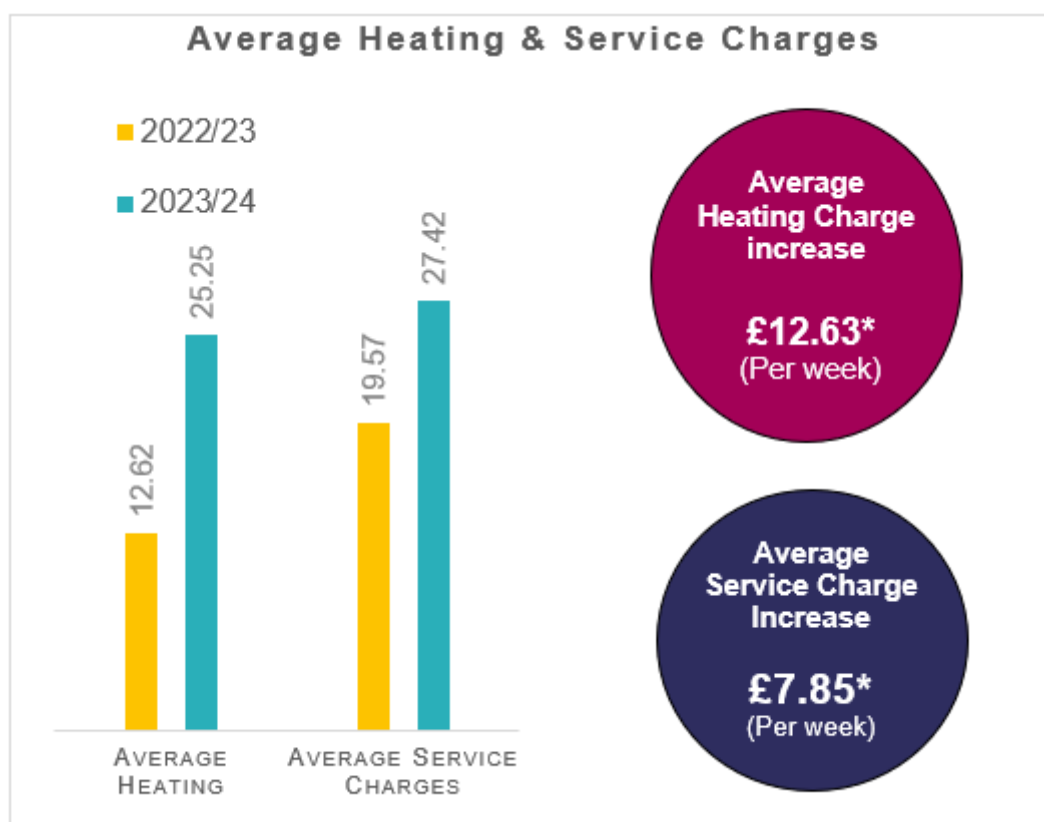
7.6 South Essex Homes strives to deliver the best possible value to the Council and the residents of Southend-on-Sea. They are increasingly seeking to fund some activities from other income sources in addition to the management fee, as well as using all available resources prudently and effectively. Their subsidiary, South Essex Property Services, contributes around £150,000 per annum back to South Essex Homes. This has been achieved partly by the joint management arrangement, as well as re-designing the back office and front of house functions. This re-design has also enabled the two organisations to contribute positively towards the new regulatory, legislative, and local demographic challenges for Southend-on-Sea.

- 7.7 South Essex Homes takes part in an annual national benchmarking exercise to assess the value that is delivered when compared to a group of peers. Most of the measures that are designed to assess the cost to deliver vital services show that the organisation is consistently above the median position, usually in Upper Quartile 1 or Quartile 2, showing that South Essex Homes continues to deliver good value.
- 7.8 Following decisions made as part of previous budget setting rounds, South Essex Homes also receive a significant proportion of their income from service and heating charges levied directly on tenants and leaseholders. It is the responsibility of South Essex Homes and the Council to ensure that service charges to tenants are reasonable, and that they are set as near as possible on an actual cost recovery basis. A report was considered and approved at Cabinet on 8 November 2022 regarding these charges to support the cashflow of South Essex Homes and ensure that they are applied to tenants in a timely manner

### **Service Charges and Heating Charges (South Essex Homes Charge)**

- 7.9 From April 2021 to April 2022, gas prices have risen by 107% and electricity prices have risen by 91% across the country. Due to a variety of factors significant increases in energy prices are also expected to continue into 2023.
- 7.10 The government have provided a variety of discount schemes and grants to support households under the Energy Price Guarantee which started on 1<sup>st</sup> October 2022 and will last until April 2024. Despite this support it is expected that energy costs will continue to increase and add to the cost of living experienced across the country.
- 7.11 OFGEM have applied a price cap to suppliers which was previously reviewed every 6 months but due to the level of volatility in the energy market this has been amended to a review every 3 months. Several energy suppliers have folded during this time as a result of the rapidly increasing wholesale costs of energy.
- 7.12 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.
- 7.13 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).
- 7.14 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.

- 7.15 Based on the forecast costs for gas in 2023/24 which are directly associated with heating, South Essex Homes are proposing that there is an average **104% increase in heating charges for sheltered housing tenants and for hostel tenants in 2023/24**. These proposals are based on the forecast actual costs that will be incurred over the year. We have seen significant increases in the cost of gas across our housing stock, with gas prices increasing by around 200% in April 2022 and a forecast increase of a further 104% in April 23. This means that the price we pay for gas will be around 6 times higher than what was paid in the financial year 2021/22.
- 7.16 A similar piece of work has been undertaken on service charges and based on this analysis South Essex Homes are proposing an average **44.29% increase in for 2023/24**. This increase is predominantly due to the rapid increase in electricity costs for the communal areas of our schemes. Since service charges were set in February 2022, the energy market has dictated increases in electricity costs which are estimated to be around 3 times higher per unit by April 2023.
- 7.17 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.
- 7.18 The actual charges levied for 2023/24 will be based on the actual costs associated with each individual scheme. The graphic below illustrates the estimated average increase in heating & service charges for 2023/24.



*\*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 £4,107,000 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 £4,047,000 is proposed to be appropriated to the Capital Investment Reserve. The remaining £60,000 of the surplus is proposed to be appropriated to the Repairs Contract Pensions Reserve under the on-going arrangement put in place when the repairs contract was last let.
- 8.3 Finally, to finance these ambitious plans it will also be necessary to appropriate £6,549,000 from the HRA Capital Investment Reserve. The net overall impact is an appropriation from earmarked reserves of £2,442,000 (£6,549,000 - £4,107,000) 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 assumptions in the Autumn Statement which predicts inflation to be at 7% in 2024/25 and 5% in 2025/26 with future years general assumption at 2% consistent with the Council's 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. The plan allows for borrowings to rollover on maturity.
- 9.3 For income, it is assumed that rent will return back to the previous formula arrangement of CPI at September + 1% from 2024/25. 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 Members will be aware of the proposed regeneration of the Queensway Estate. The HRA Medium Term Financial Strategy assumes that this development would be broadly revenue neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The Medium Term Financial Strategy will be updated as soon as a better understanding of the exact timing of any impact is known.

- 9.5 The Medium Term Financial Strategy demonstrates that the HRA is currently financially robust and sustainable. From 2023/24 to 2027/28 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 2023/24. It is proposed that some of the future HRA surplus be diverted to the Major Repairs Allowance to support and enhance the level of capital investment to maintain and improve the quality of our existing housing stock.

## **10 HRA Capital Allowance and Housing Strategy**

- 10.1 South Essex Homes supports our ambition that 'everyone has a 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 'Prioritising Resources to Deliver Better Outcomes – 2023/24 to 2027/28' budget report, elsewhere on the agenda. This proposes an indicative programme of works over the next 5 years totalling £49,512,000.

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	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 and future years Budget £000	Total Budget (all years) £000
<b>Council Housing New Build Programme</b>						
Council Affordable Housing Development (Phase3) - Shoebury	4,551	2,586	379	tbc	tbc	7,516
Council Affordable Housing Development (Phase4) - St Laurence	2,269	518	-	tbc	tbc	2,787
Council Affordable Housing Development (MMC) - West Shoebury	765	-	-	tbc	tbc	765
Housing Construction Scheme - Phase 5/6 feasibility (S106)	-	-	-	tbc	tbc	-
Housing Construction Scheme - Land Assembly Fund (S106)	290	-	-	tbc	tbc	290
<b>Total Council Housing new Build programme</b>	<b>7,875</b>	<b>3,104</b>	<b>379</b>	<b>-</b>	<b>-</b>	<b>11,358</b>
<b>Council Housing Acquisition Programme</b>						
Affordable Housing Acquisitions Programme	2,000	tbc	tbc	tbc	tbc	2,000
Next Steps Accommodation Programme	73	50	tbc	tbc	tbc	123
Housing and Development Pipeline Feasibility - HRA	100	-	tbc	tbc	tbc	100
Acquisition of tower block leaseholds - Queensway	673	900	tbc	tbc	tbc	1,573
<b>Total Council Housing Refurbishment</b>	<b>2,846</b>	<b>950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,796</b>
<b>Council Housing Refurbishment</b>						
HRA Disabled Adaptations- Major Adaptations	770	776	109	109	109	1,873
<b>Total Council Housing Refurbishment - HRA</b>	<b>770</b>	<b>776</b>	<b>109</b>	<b>109</b>	<b>109</b>	<b>1,873</b>
<b>Council Housing Refurbishment - delivered by South Essex Homes</b>						
Bathroom Refurbishment	193	210	264	183	183	1,033
Central Heating	210	246	296	210	210	1,172
Common Areas Improvement	1,112	1,523	2,106	2,700	2,700	10,141
Environmental - H&S works	1,282	2,970	2,160	2,484	2,484	11,380
Kitchen Refurbishments	158	184	114	114	114	684
Rewiring	1,390	443	208	275	275	2,591
Roofs	1,184	173	242	86	86	1,771
Windows and Doors	62	159	723	94	94	1,132
HRA - SBC Buybacks Refurbishment	-	-	-	tbc	tbc	-
Remodelling of Tied Accommodation	216	302	216	tbc	tbc	734
Sprinkler System Installation Pilot	-	-	-	tbc	tbc	-
Tower Blocks Boroughwide Annunciation System	-	-	-	tbc	tbc	-
Sheltered Housing DDA works	-	-	-	tbc	tbc	-
Balmoral Estate Improvement and Structural Works	1,783	64	-	tbc	tbc	1,847
Energy Efficiency Measures	-	-	-	tbc	tbc	-
<b>Total Council Housing Refurbishment</b>	<b>7,590</b>	<b>6,274</b>	<b>6,329</b>	<b>6,146</b>	<b>6,146</b>	<b>32,485</b>
<b>TOTAL PROPOSED CAPITAL INVESTMENT PROGRAMME- HRA</b>						
	<b>19,081</b>	<b>11,104</b>	<b>6,817</b>	<b>6,255</b>	<b>6,255</b>	<b>49,512</b>

*The indicative investment for 2026/27 to 2027/28 and the associated financing via MRR is not currently included in the proposed capital investment programme report and is shown for illustration only.*

- 10.2 The HRA will also continue to play its full part in the delivery of the *Housing, Homelessness and Rough Sleeping Strategy* through the appropriate use of its capital and revenue resources. Following the Government's decision to lift the HRA debt capital ceiling, it could be possible to use HRA borrowing to build new affordable homes. Any proposals to explore this possibility would be subject to a full commercial business case and reported through the due processes of the Council.
- 10.3 The council is continuing with its plans for the housing development pipeline. Several sites within the pipeline are currently underway and a major capital investment of circa £11M 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.

- 10.4 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.
- 10.5 The Government conducted a review of the 'Use of Right to Buy' (RTB) capital receipts which has now been concluded and the reforms announced. Councils have been given 5 years to spend the RTB receipts, increased from 3 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 the next 2 years. 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.
- 10.6 The HRA Affordable Housing Acquisitions Programme will therefore be 40% financed by retained 'Right to Buy' capital receipts from April 2023. The profile for acquisitions has been programmed as £2,000,000 in 2023/24. The Housing construction programme has been profiled as £7,875,000 in 2023/24 and £3,105,000 in 2024/25. The remaining 60% will be financed from the HRA capital investment reserve.

## **11 Other Options**

- 11.1 There are other options available to Members in relation to the proposed rent and other services and facilities increases.
- 11.2 The rent standard policy statement published as part of the Autumn Statement in November 2022, allows the council to apply a rent increase up to the level of the agreed cap of 7%. 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.
- 11.3 If the HRA does not recover the full costs of services and facilities provided to tenants and leaseholders, there will be a negative impact in terms of the Council's ability through South Essex Homes to continue to manage, maintain and invest in its housing stock and services. The level of income collected is all invested back into the housing stock and range of tenant services. Any reduction in income will clearly have a detrimental impact on the investment plans in 2023/24 and the future as well as lead to possible criticism from the Regulator of Social Housing.

## **12 Future Developments**

- 12.1 The Social Housing White Paper published in November 2020 announced a review of the Decent Homes Standard, to understand if it is still appropriate for the social housing sector today. This review will seek to understand the case for any changes to the criteria within the Decent Homes Standard and consider how decency should be defined. Until this review is finalised, it is impossible to quantify the pressure on HRA resources to bring the existing stock up to any revised standard. The Government have not been specific on whether funding will be made available, or at what level. It is hoped that further clarity will be provided by the time the review is finalised.

- 12.2 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.
- 12.3 The Fire Safety Act and Building Safety Bill requires 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.
- 12.4 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. This measure is currently expected to still be around 10% by April 2023 contract review.
- 12.5 The Council has a clear commitment via its Green City Action Plan and local ambition to achieve Net Zero carbon emissions by 2030 and our 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.
- 12.6 Development of a comprehensive 30-year HRA business plan is continuing, and we are engaging with other ALMO's and external advisors to provide support and challenge as the process evolves. Our Internal Audit team are also advising on appropriate governance arrangements and helping to provide an independent challenge to ensure the development of the plan is robust, sustainable and deliverable.

### **13 Reasons for Recommendations**

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

### **14 Corporate Implications**

#### **14.1 Contribution to the Southend 2050 Road Map**

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

#### **14.2 Financial Implications**

As set out in the report



### 14.3 **Legal Implications**

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

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

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

### 14.4 **People Implications**

None at this stage.

### 14.5 **Property Implications**

The recommendations in this report are necessary to enable the proper management of the Council's housing stock.

### 14.6 **Consultation**

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

This report will then be directly referred to various scrutiny committees and any comments will be taken into consideration as part of the final report to cabinet on 14th February 2022.

### 14.7 **Equalities and Diversity Implications**

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.

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

## 14.8 **Risk Assessment**

The financial risks associated with these proposals have been considered throughout this report and have been factored into the development of the self-financing business plan; and will be incorporated into the report on the robustness of the budget and the reserves policy to be presented to Cabinet and Council in February 2023.

## 14.9 **Value for Money**

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

## 14.10 **Community Safety Implications**

None at this stage.

## 14.11 **Environmental Impact**

None at this stage.

## 15 **Background Papers**

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

## 16 **Appendices**

Appendix 1 – HRA Budget 2023/24

Appendix 2 – HRA Medium Term Financial Plan 2023/24 to 2027/28

Appendix 3 – HRA Reserves 2023/24 to 2027/28