



25 January 2021

Dear Members

**Policy and Performance Advisory Committee - 25 January 2021**

I am now able to enclose, for consideration, the following report/appendices at the above meeting that were unavailable when the agenda was printed.

**Item    Item  
No**

**7(b) Housing Revenue Account Revenue Budget and Rent Setting 2021/22 and HRA Capital Programme 2020-24** (for consideration with the General Fund Revenue Budget 2021/22, Capital Programme) **(Pages 3 - 14)**

Report of Chief Finance Officer

Yours sincerely

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# Agenda Item 7b

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>4 February 2021</b>
<b>Subject:</b>	<b>Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2021/22 and HRA Capital Programme 2020-24</b>
<b>Report of:</b>	<b>Homira Javadi, Chief Finance Officer</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson, Deputy Leader and Cabinet Member for Finance and Assets</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of the report:</b>	<b>To agree the detailed HRA budget proposals, rent levels, service charges for 2021/22, and the HRA Capital Programme 2020-24</b>
<b>Decision type:</b>	<b>Budget and policy framework</b>
<b>Recommendation:</b>	<b>Members are asked to recommend the following proposals to Full Council:</b> <ul style="list-style-type: none"><li><b>i) The HRA budget for 2021/22 and revised 2020/21 budget as set out in Appendix 1</b></li><li><b>ii) That social and affordable rents (including Shared Ownership) are increased by 1.5% in line with government policy</b></li><li><b>iii) That private sector leased property rents are increased by 2.1% (RPI+1%).</b></li><li><b>iv) That the revised service charges are implemented</b></li><li><b>v) That garage rents are increased by 2.1% (RPI+1%).</b></li><li><b>vi) The HRA Capital Programme as set out in Appendix 2</b></li></ul>
<b>Reasons for recommendations:</b>	<b>The Cabinet has to recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.</b>
<b>Contact Officer(s)</b>	<b>Name: Andrew Clarke Post Title: Deputy Chief Finance Officer E-mail: Andrew.clarke@lewes-eastbourne.gov.uk Telephone Number: 01323 415691</b>

## **1.0 Introduction**

- 1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure has to be entirely supported from rental and other HRA-related income. The main tool for the future financial management of the HRA is the 30-Year Business Plan.
- 1.2 Any significant changes to the assumptions underpinning the 30-Year Business Plan will trigger a full review to assess the impact, but, in any event, there will be an annual review and update.

## **2 Proposal**

### **2.1 2021/22 HRA Revenue Budget**

- 2.1.1 The 2021/22 budget is attached at **Appendix 1**
- 2.1.2 The 2021/22 budget is showing a surplus of £297k compared to a surplus of £182k in the 2020/21 revised budget, an increase of £115k.
- 2.1.3 The budget proposes a revenue contribution to capital expenditure of £992k. This will help support the ambitious programme of housing delivery set out in Appendix 2. In addition, a one-off budget of £30k has been allocated in 2021/22 to undertake a strategic land review and an ongoing revenue budget of £175k has been allocated to support delivery of the programme.
- 2.1.4 Rent, Service Charges and other inflationary income increases of £481k are offset by inflationary increases in costs of £184k. There has also been an increase in interest payable of £148k and a decrease in interest receivable of £4k.
- 2.1.5 The Major Repairs Reserve is funded from cash backed depreciation of £5.2m plus inflation per year and is expected to breakeven in the short, medium and long term. Setting depreciation at this level may require review once the results of the imminent stock survey are received and the demands of the asset management plan in the longer term are better understood.
- 2.1.6 The HRA debt outstanding at 31.03.20 was £56.673m which was the maximum borrowing permitted under the self-financing settlement. The outstanding debt at 31.03.22 is estimated to be £71.483m. In later years, debt levels will increase as the Authority begins to borrow more to fund property acquisitions and new build. The average debt per property is currently approximately £18k.
- 2.1.7 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2021/22 and the interest budget has been prepared on this basis.

- 2.1.8 The HRA outturn for 2021/22 is expected to deliver a £182k surplus, a reduction of £153k over the original budget. This is mainly due to the addition of £175k per annum to the budget to support the housing delivery programme (feasibility studies, etc).
- 2.1.9 The HRA Business Plan is based on a policy of maintaining a minimum level of HRA balance at £2.275m. This is deemed to be a prudent level of reserve to ensure that the HRA remains sustainable in the event of any unforeseen risk arising.
- 2.1.10 The forecast balances on the HRA and Reserves are as follows:

	<b>HRA Working Balance</b>	<b>Major Repairs Reserve (MRR)</b>
	£'000	£'000
<b>Balance at 1.4.20</b>	<b>2,791</b>	<b>7,959</b>
Surplus/(Deficit)	182	
Depreciation		5,119
Expenditure Financed from MRR		(11,836)
<b>Estimated Balance 31.3.21</b>	<b>2,973</b>	<b>1,242</b>
Surplus/(Deficit)	(695)	
Depreciation		5,186
Expenditure Financed from MRR		(6,428)
<b>Estimated Balance 31.3.22</b>	<b>2,278</b>	<b>0</b>

## 2.2 Rent Levels for 2021/22

- 2.2.1 The Council has been following the Government's guidance for rents for social housing since December 2001. This has been subject to various legislative changes in recent years and, in 2021/22, rents can be increased by Consumer Prices Index (CPI) + 1%.
- 2.2.2 Although rents for Shared Ownership properties are excluded from Government guidance, the terms of the lease for these properties determine that we should set their rents in line with the socially rented properties. Therefore, it is recommended that rents for all Shared Ownership properties are increased by 1.5%.

## 2.3 Service Charges

- 2.3.1 For properties in shared blocks, these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Sheltered Accommodation the charges additionally include Scheme Managers, lift maintenance contracts, communal furniture, carpet maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they apply.

2.3.2 **The Communal Service Charge** recovers the cost of communal services provided to non-sheltered flats. The services provided include grounds maintenance, maintenance of lifts, caretaking and cleaning, door entry & alarm systems, TV aerials, laundry services and communal lighting.

The average service charge is £12.60 (2020: £12.02) with the lowest at £0.26 and the highest at £64.37. The communal element of the service charge is eligible for housing benefit and Universal Credit.

2.3.3 **The Homeless Accommodation Service Charge:** The service charge relates to the services provided at homelessness accommodation held within the Housing Revenue Account.

The Homeless Accommodation Service Charge for 2021/22 has been reviewed, in accordance with agreed Council policy, to achieve full cost recovery. The communal element of the service charge is eligible for housing benefit and Universal Credit.

2.3.4 **Support Charge for Sheltered Housing:** Following the withdrawal of East Sussex County Council from the Supporting People scheme, the Council introduced, from May 2016, a redesigned Support Scheme for tenants in sheltered accommodation.

The charge for 2020/21 was £3.23 per week. The charge has now been reviewed to reflect experience of the redesigned scheme. The charge achieves full cost recovery and will increase to £4.93 per week in 2021/22.

2.3.5 **Sheltered Accommodation Service Charge:** The service charge has been updated to reflect the 2021/22 budget to achieve full cost recovery.

The communal element of the service charge is eligible for housing benefit and Universal Credit.

2.3.6 All other service charges have been updated to reflect the 2021/22 budget and achieve full cost recovery. This includes charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

## 2.4 **Garage Rents**

2.4.1 It is recommended that garage rents increase by September RPI +1% which amounts to 2.1%.

## 2.5 **Capital Programme**

2.5.1 The Capital Programme set out in Appendix 2 reflects the proposals contained within the HRA 30-Year Business Plan. Total budgeted expenditure for 2021/22 is £23.832m.

- 2.5.2 The major works element of the programme is in line with the budget set last year and the 30-Year HRA Business Plan model. Funding is from the Major Repairs Reserve. The Council is undertaking a comprehensive stock survey to ensure its housing stock is well maintained. The annual budget provision for major works is £5m. Any investment requirements varying significantly from the existing provision will be subject to further cabinet approval and a revision of the Business Plan.
- 2.5.3 There is no longer a HRA debt cap, so, as was the case last year, the Capital Programme includes sums for the acquisition of properties and new builds. In the case of acquisition, each proposed acquisition will be modelled to ensure “viability” (that the annual costs associated with the purchase and upkeep of the property will not exceed the rental income). New build schemes either have been brought or will need to be brought to Cabinet for individual approval. The reports will include an analysis of the effects on the Business Plan.
- 2.5.4 The Council is committed to meeting its target of achieving zero carbon emissions and full climate resilience by 2030. Recognising that is an integral part of its sustainability plans, the 2020/21 budget included a provision of £480k to be invested in emerging initiatives. Sustainability will be a key driver in developing capital repairs schemes going forwards.

### **3 Outcome Expected and Performance Management**

- 3.1 The HRA budget will be monitored regularly during 2021/22 and performance will be reported to members quarterly.
- 3.2 The Council is obliged to ensure that all tenants are given 28 days’ notice of any changes to their tenancy including changes to the rent they pay.

### **4 Consultation**

- 4.1 The rent increase reflects the requirements under The Direction on the Rent Standard 2019 together with the Rent Policy Statement for Social Housing February 2020.

### **5 Corporate Plan and Council Policies**

- 5.1 Delivering Homes is one of the key priorities in the 2020-2024 Corporate Plan – Re-imagining Lewes District. The proposals contained within this report flow directly from the HRA 30-Year Business Plan, which itself aligns with the Corporate Plan. Key (current and future) Council policies, plans and strategies will all be aligned to help deliver the objectives and goals of the HRA 30-Year Business Plan, including the Housing Strategy, Commercial Strategy, Allocations Policy, Homelessness Strategy, Local Plan, Tenancy Policy and Town Centre Strategy.

## **6 Business Case and Alternative Option(s) Considered**

- 6.1 The capital and revenue budgets, rents and service charges have been set in line with Government policy and with the HRA 30-Year Business Plan.

## **7 Financial Appraisal**

- 7.1 This is included in the main body of the report.

## **8 Legal Implications**

- 8.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how there are funded by rents and other income.

- 8.2 Section 76 of the 1989 Act states that budgets must be set for the HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA and all reasonable steps must be taken to avoid a deficit.

- 8.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.

- 8.4 The Welfare Reform and Work Act 2016, passed in March 2016, set the rent setting policy for 4 years whereby social rents in England were to be reduced by 1%. In October 2017 the government confirmed details for future social rents and from 2020/21 providers will be able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.

- 8.5 Under the Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the Council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the full Council. This explains why Cabinet is being asked to recommend its budget proposals to Council.

## **9 Risk Management Implications**

- 9.1 The 2021/22 Budget and Capital Programme will require close monitoring in the forthcoming year to ensure that they, and therefore the 30-Year HRA Business Plan, remain on track. Any large variances to expenditure or income will need to be reviewed and, if significant or ongoing, modelled into the Business Plan to assess the impact and likely mitigation.

- 9.2 Levels of voids and debts will also require close monitoring to ensure that rent and service charge increases are not causing greater levels of non-payment. Timely action will need to be taken if performance targets are not being met.

## **10 Equality Analysis**

- 10.1 An Equalities and Fairness Analysis has been undertaken on these proposals. This has concluded that all groups protected under the Equality Act should benefit from the Council's ability to provide more, and better, affordable housing from 2021/22 onwards. The Equalities and Fairness Analysis has been included as a background paper.

## **11 Sustainability Implications**

- 11.1 Setting aside £480k in 2020/21 in the HRA Business Plan will have helped Lewes District Council move towards meeting its target of achieving zero carbon emissions and full climate resilience by 2030.

## **12 Appendices**

- Appendix 1 - HRA 2020/21 Revised Revenue Budget and 2021/22 Budget
- Appendix 2 - HRA Capital Programme 2020/21-2023/24

## **13 Background Papers**

- HRA 2021/22 Budget Working Papers
- HRA 30-Year Business Plan Model
- HRA Right to Buy Model
- Equalities and Fairness Analysis

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## HOUSING REVENUE ACCOUNT

2020-2021			2021-2022
Original Budget £' 000	Revised Budget £'000		BUDGET £' 000
		<b>INCOME</b>	
(14,669)	(14,716)	Dwelling Rents	(15,177)
(456)	(456)	Non-Dwelling Rents	(461)
(1,203)	(1,203)	Charges for Services and Facilities	(1,216)
(183)	(183)	Contributions towards Expenditure	(185)
<b>(16,511)</b>	<b>(16,558)</b>	<b>GROSS INCOME</b>	<b>(17,039)</b>
4,546	4,553	Repairs and Maintenance	4,610
2,281	2,457	Supervision and Management	2,489
1,376	1,376	Special Services	1,389
182	182	Rents, Rates, Taxes and Other Charges	214
150	139	Increase in Impairment of Debtors	141
5,116	5,116	Depreciation of Fixed Assets	5,182
3	3	Amortisation of Intangible Assets	3
46	46	Debt Management Costs	52
<b>13,700</b>	<b>13,872</b>	<b>GROSS EXPENDITURE</b>	<b>14,080</b>
<b>(2,811)</b>	<b>(2,686)</b>	<b>NET COST OF HRA SERVICES</b>	<b>(2,959)</b>
<b>590</b>	<b>590</b>	HRA share of Corporate and Democratic Core	<b>596</b>
		<b>Capital Financing and Interest Charges</b>	
1,922	1,922	Interest Payable	2,070
(36)	(8)	Interest Receivable	(4)
<b>1,886</b>	<b>1,914</b>	<b>Total Capital Financing and Interest Charges</b>	<b>2,066</b>
<b>(2,221)</b>	<b>(2,096)</b>	<b>NET OPERATING COST (SURPLUS) / DEFICIT</b>	<b>(297)</b>
		<b>CONTRIBUTION TO AND FROM WORKING BALANCE</b>	
<b>(335)</b>	<b>(182)</b>	Revenue Contribution to Working Balance	<b>(297)</b>
		Revenue Contribution to Capital Expenditure	<b>992</b>
		Net Revenue Contribution to Working Balance	<b>695</b>
<b>(3,163)</b>	<b>(2,791)</b>	<b>Working Balance at 1 April</b>	<b>(2,973)</b>
<b>(335)</b>	<b>(182)</b>	<b>(Surplus) or Deficit for the year</b>	<b>695</b>
<b>(3,498)</b>	<b>(2,973)</b>	<b>Working Balance at 31 March</b>	<b>(2,278)</b>

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## HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2020/21 to 2023/24

Ref		Original Programme 2020/21 £	Revised Programme 2020/21 £	Proposed Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £
	<b>HRA HOUSING INVESTMENT CAPITAL PROGRAMME</b>					
	<b>Acquisition and Construction of New Dwellings</b>					
1	RTB Dwelling Buy Backs	200,000				
2	New Acquisitions and New Construction (Block Allocation)	9,854,000	9,427,000	18,812,000	9,330,000	4,100,000
	<b>Total Acquisition and Construction of New Dwellings</b>	<b>10,054,000</b>	<b>9,427,000</b>	<b>18,812,000</b>	<b>9,330,000</b>	<b>4,100,000</b>
	<b>Improvements to Stock (Stock Condition Survey)</b>					
3	Improvements to Existing Stock (Block Allocation)	4,448,000	3,350,148	4,554,000	4,662,000	4,796,000
4	Roof Replacement	-	6,789	-	-	-
4	Heating Improvement Programme	-	398,686	-	-	-
5	Kitchen & Bathroom Renewals	-	116,021	-	-	-
6	Roofing & Chimney Works	-	53,267	-	-	-
7	Structural Works	-	55,488	-	-	-
8	Window & Door Replacement Programme	-	6,843	-	-	-
9	Electrical T & R	-	128,646	-	-	-
10	Block Repair & Redecoration	-	331,572	-	-	-
11	Door Entry Security Systems	-	540	-	-	-
	<b>Total Improvements to Existing Stock</b>	<b>4,448,000</b>	<b>4,448,000</b>	<b>4,554,000</b>	<b>4,662,000</b>	<b>4,796,000</b>
	<b>Improvements to Stock (Non-Stock Condition Survey)</b>					
12	Adaptations for Disabled Tenants	415,000	415,000	415,000	415,000	415,000
	<b>Total Improvements to Stock (Non-Stock Condition Survey)</b>	<b>415,000</b>	<b>415,000</b>	<b>415,000</b>	<b>415,000</b>	<b>415,000</b>
13	Housing Estates Recreation and Play Areas	50,000	50,000	50,000	50,000	50,000
14	Sustainability Initiatives Pilot	500,000	480,000	-	-	-
	<b>Total HRA Capital Programme</b>	<b>15,467,000</b>	<b>14,820,000</b>	<b>23,831,000</b>	<b>14,457,000</b>	<b>9,361,000</b>

	Funding Availability	Original Programme 2020/21 £	Revised Programme 2020/21 £	Proposed Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £
	<b>HRA</b>					
	Capital Receipts	3,902,000	2,984,000	1,600,000	2,502,000	1,443,000
	Major Repairs Reserve	11,565,000	11,836,000	6,428,000	5,337,000	5,519,000
	Revenue Contributions	-	-	992,000	434,000	726,000
	Borrowing Need	-	-	14,811,000	6,184,000	1,673,000
	<b>Total HRA</b>	<b>15,467,000</b>	<b>14,820,000</b>	<b>23,831,000</b>	<b>14,457,000</b>	<b>9,361,000</b>

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