



Cabinet Member Decision
19 December 2019

Report from the Director of Finance

Draft Budget 2020/21 – 2022/23 and medium term financial outlook: HRA Extract

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt:	Open
No. of Appendices:	One Appendix A – HRA Business Plan
Background Papers:	None
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1. Purpose of the Report

- 1.1. This report seeks approval from the Cabinet Member for Housing and Welfare Reform to launch consultation with Council tenants on the proposal to increase rents by CPI + 1%.

1.2. This proposal formed a larger report presented to Cabinet in November, which set out the Council's budget proposals for 2020/21 and beyond. It therefore includes other key activities in relation to setting the 2020/21 budget, including dealing with any surplus on the Council's collection fund and the updating of technical budget assumptions since they were last presented to Cabinet in July 2019. It also provides a general update on the overall financial position, including an assessment of the Government's one-year spending review and other reforms to Local Government finances.

2. Recommendation(s)

2.1. The Lead Member for Housing and Welfare Reform approves the Council to enter into consultation with Council tenants.

3. Housing Revenue Account

3.1. The Housing Revenue Account (HRA) is a ring-fenced account which contains the income and expenditure relating to the Council's landlord duties in respect of approximately 12,000 dwellings.

3.2. The HRA budget is set each year in the context of the 30 year business plan. The business plan is reviewed annually allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long term. Early identification of risks enables planning and implementation of mitigations to ensure the HRA can continue to remain financially secure and deliver on its commitments:

- a) Expand and accelerate the development of new Council homes.
- b) Continue to maintain and improve existing Council homes.
- c) Transformation and continuous improvement of front line services to tenants and leaseholders.

3.3. Budget setting over the past 4 years has been principally directed by the Welfare Reform Act 2016 imposing the 4 year 1% rent reductions. The impact of this has been a reduction of rental income and bottom line surpluses previously assumed in the business plan. The total loss of income of £23m against previous regime along with increased capital expenditure on major works has meant that the major repairs reserve held in the balance sheet has been fully used to finance investment in existing stock. To ensure that the HRA was balanced in the short term a savings target of £3.6m was set to be delivered from 2017/18 to 2019/20. The £3.6m savings were made up of the transfer of the Housing Management function back into the council and the Transformation of the Housing Management service in general.

3.4. For 20/21 and the following 4 years the Council will have the power to increase rents annually up to a maximum of CPI + 1%. For 2020/21, CPI + 1% equates to 2.7% allowing for the potential to increase rental income by £1.2m and up to £6m over the 5 year rent control period.

- 3.5. HRA rent setting needs to be considered in the context of the ring-fence and the 30-year business plan. A return to the CPI plus 1% model for the five years from 2020 will provide some stability and certainty over planned investment in the stock, service improvement and new development, at least in the medium term as a £1.2m increase in rent has the effect of an additional £34m investment in the HRA over a 30-year period. The approach beyond 2025 remains uncertain but continuation of the CPI plus 1% formula is probable.
- 3.6. The average rent in 2015/16 was £114.53 per week and currently sits at £112.06 per week in 2019/20. A 2.7% increase would equate to an average rent of £115.08 per week in 2020/21, which would be an increase of £0.55 per week when compared to 2015/16 rent levels.
- 3.7. The 2020/21 HRA Business Plan is attached as Appendix A. Following the consultation processes proposed in the plan, the HRA budget for 2020/21 will be presented to Cabinet in February 2020 for approval by Full Council.

4. Legal Implications

- 4.1. A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.
- 4.2. Standing Order 24 sets out the process that applies within the council for developing budget and capital proposals for 2020/21. There is a duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans before each annual budget under Section 65 of the Local Government Finance Act 1992. The council also has a general duty to consult representatives of council tax payers, service users and others under Section 3 (2) Local Government Act 1999.
- 4.3. The council is also required to comply with other statutory and common law consultation obligations relevant to particular options being considered and with the Public Sector Equality Duty. As a Social Housing Landlord, the Council is obliged to consult under the Housing Act 1985 and the Social Housing Regulator standards.
- 4.4. The council must consult at a formative stage in the decision making process and adequate time must be given for public consideration and response. The consultation information must be accurate, fair and balanced, give sufficient reasons for proposals to permit of intelligent consideration and response and the information produced by the consultation must conscientiously be taken into account in finalising the proposals.

5. Equality Implications

- 5.1. Under the Public Sector Equality Duty (PSED) in the Equality Act 2010, Brent Council is required to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between different to those who have a protected characteristic and those who don't when making decisions. The protected characteristics are age, disability, gender, race, religion or belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment. Although socio-economic status (people on low income, young and adult carers, people living in deprived areas, groups suffering multiple disadvantage, etc.) is not a characteristic protected by the Equality Act 2010, Brent Council is committed to considering the impact on socio-economic groups.
- 5.2. The PSED does not prevent decision makers from making difficult decisions in the context of the requirement to achieve a significant level of savings across all operations. It supports the Council to make robust decisions in a fair, transparent and accountable way that considers the diverse needs of all our local communities and workforce. Consideration of the duty should precede and inform decision making. It is important that decision makers have regard to the statutory grounds in the light of all available material, including relevant equality analyses and consultation findings. If there are significant negative equality impacts arising from a specific proposal, then decision makers may decide to amend, defer for further consideration or reject a proposal after balancing all of the information available to them. This may mean making up the shortfall from additional reductions elsewhere.

Related Document

July Finance Review, Cabinet July 2019

Report sign off:

Minesh Patel
Director of Finance