

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>SCRUTINY HOMES SUB-COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>29 January 2024</b>	
<b>REPORT TITLE:</b>	Update on the Housing Revenue Account and Housing General Fund budgets 2024-25	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>SUSMITA SEN, CORPORATE DIRECTOR OF HOUSING</b>	
<b>LEAD OFFICER:</b>	<b>Sarah Attwood and Orlagh Guarnori, Head of Finance – Housing</b>	
<b>LEAD MEMBER:</b>	<b>COUNCILLOR LYNNE HALE, DEPUTY MAYOR &amp; CABINET MEMBER FOR HOMES</b>	
<b>DECISION TAKER:</b>	<b>Not applicable</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>  <i>(* See guidance)</i>	<b>NO</b>	Public
<b>WARDS AFFECTED:</b>	<i>N/A</i>	

## 1 SUMMARY OF REPORT

- 1.1 The report provides the Scrutiny Homes Sub-Committee with an overview of the Housing Revenue Account and General Fund budgets 2024-25 and the 30 Year Business Plan (BP) for the Housing Revenue Account (HRA) with consideration to both capital and revenue investments required for the management and maintenance of Croydon Council’s housing stock.

## 2 RECOMMENDATIONS

- 2.1 For the reasons set out in the report, the Scrutiny Homes Sub-Committee is recommended:
- 2.1.1 to note the Housing Revenue Account P7 outturn position
  - 2.1.2 to note the Housing Revenue Account Budget 2024-25
  - 2.1.3 to note the Housing Revenue Account Business Plan key headlines
  - 2.1.4 to note the Housing General Fund P7 outturn position
  - 2.1.5 to note the Housing General Fund Budget 2024-25

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** To enable scrutiny of the Housing Revenue Account and Housing General Fund budgets and the Housing Revenue Account Business Plan by the Homes Sub-Committee.

### **4 BACKGROUND AND DETAILS**

#### **4.1 Housing Revenue Account (HRA) Outturn P7**

- 4.2** The HRA accounts for the revenue expenditure and income relating to the Council's own housing stock and is ring-fenced from the Council's General Fund as required by the Local Government and Housing Act 1989 which specifies the items that can be charged and credited to it.

- 4.3** The HRA must include all costs and income relating to the Council's landlord role, and the Council has a legal duty to budget to ensure the account remains solvent and is reviewed throughout the year.

- 4.4** The spending of the HRA must consider the strategic objectives of the Council and the impact of government policies on rents, disposals and regeneration.

- 4.5** At period 7, the Housing Revenue Account (HRA) forecast remains at a revenue overspend of £12.0m owing to resolving a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety. The HRA has a reserve of circa £57m and this reserve will fund the 2023-24 overspend, however the HRA budget for 2024-25 will need to take account of ongoing pressures and priorities.

- 4.6** This pressure is a direct result of the significant under-investment over decades in our housing stock which has resulted in the backlogs the teams are now tackling. The implementation of the three new repairs contracts and the commitment to ensuring we are meeting our requirements as a landlord are driving this ongoing pressure.

- 4.7** The Period 7 position of £12.0m overspend is made up of £8.6m responsive repairs costs pressure and £3.4m on disrepair costs, legal fees and settlements.

- 4.8** The Social Housing Regulation Bill will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. This includes changes from 'Awaab's Law' which follows the death of 2-year-old Awaab Ishak in 2020 due to damp and mould exposure in his Rochdale home following repair requests and complaints having been repeatedly ignored. Legislation includes provisions which will require the Council to investigate hazards and fix repairs including damp and mould in their properties within strict new time limits or rehouse residents where a home cannot be made safe. The new rules will form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home

**4.9** The tackling of the legacy voids has had a significant impact due to the state of disrepair in these properties and the subsequent lack of asset renewal. 499 voids have been completed so far this year. Addressing the backlog and managing the ongoing weekly voids is contributing to the cost pressures.

**4.10** Legal disrepair historic legacy demand continues to be a pressure. Work is ongoing to tackle the circa 550 disrepair cases in our backlog. The service has set a plan to clear the backlog in 18 months. This financial year the team have progressed circa 130 cases to completion, however there are typically 7 new cases per week logged. The latest government £2m advertising campaign directed at residents to encourage the reporting of issues is likely to increase the pressure on this budget.

#### **4.11 HRA Budget 2024-25**

**4.12** The revenue budget for 2024-25 is set out in table 1 and shows a total budget of £103m. This is an increase of £7.1m from the current budget and assumes that the proposed 7.7% rent increase for 2024-25 is agreed by Cabinet in February 2024.

**4.13** The increase in budget allocation is required to fund the growing demand on the repairs service, evidenced by the current year forecast overspend of £12m. Responsive Repairs growth of 33% is proposed.

**4.14** The repairs growth is targeted at five key areas:

1. Responding to the increase in repairs requests that have been received from tenants as a consequence of the historical under-investment in the stock including insufficient growth in responsive repair budgets as well as historic legacy issues identified since the implementation of the new contracts in August 2023.
2. Damp and mould treatments and the significant work being undertaken to tackle our response to reports.
3. Enhancing the capacity to meet the needs of The Social Housing (Regulation) Act 2023, including the changes from "Awaab's Law". New rules will form part of the tenancy agreement under which residents can hold landlords to account if they fail to provide a "decent" home.
4. The ongoing work to manage the legacy voids and ensure that we are turning around our stock to a good lettable standard in a timely way.
5. Tackling the disrepair and legacy disrepair cases that are yet to be addressed. The increased budget is made with a commitment to clear the current backlog within 18 months.

#### **4.15 HRA Business Plan**

**4.16** The 30-year Business Plan for the Housing Revenue Account will be presented to Cabinet on 14 February 2024. The HRA Business Plan details the Council's investment plans in the housing stock which is based upon the current condition of our dwellings.

- 4.17** The HRA Business Plan will demonstrate that the investment proposals are fundable, subject to the assumptions within the Plan, and that the HRA remains sustainable and viable over the 30-year period based on the data at this point in time.
- 4.18** Whilst the HRA Business Plan is for a period of 30 years, more focus is on the first five years as there is more certainty on costs, demands, resources and pressures which will enable the prioritisation of housing investment.
- 4.19** The HRA Business Plan builds upon the 5% representative sample stock condition survey completed in December 2022 by Savills. Stock condition surveys have been commissioned and it is expected that 40% of stock condition will have been surveyed by March 2024. The survey outputs will inform Croydon's Asset Management Strategy which is due to Cabinet in summer 2024 and will also further inform the next iteration of the HRA Business Plan.
- 4.20** The updated Asset Management Strategy will allow for a more developed capital budget to be set and will inform a future iteration of the HRA business plan.
- 4.21** The budget increases in 2024-25 and then significantly increases from 2025-26 over the next three years. The high-level budget in future years can be summarised into provision for:
- 4.21.1 Building Safety:** There is a requirement to comply with the Fire Safety and Building Safety Acts and Croydon is undertaking the requisite surveys and building safety case reviews to ensure compliance.
  - 4.21.2** Other regulation and legislation change requirements for the service to meet the requirements set out by the Regulator for Social Housing (RSH) of four new proposed standards. There is also the Awaab's Law amendment to ensure social landlords fix damp and mould within strict time limits.
  - 4.21.3** From 2025-26 onwards a regeneration programme will reflect the outcomes of the Fire and Building Safety surveys
  - 4.21.4 Programmed Works:** a detailed 2024-25 programme of £23m
  - 4.21.5 Regina Road:** current development plan at Regina Road is incorporated into the business plan at a delivery cost of £103m in accordance with the Cabinet approved budget.
  - 4.21.6 Acquisitions:** For 2024-25 an allocation of £2m has been included to be used in conjunction with the Right to Buy (RTB) receipts to acquire up to 20 new properties.
  - 4.21.7 Sheltered and Extra Care Pilot:** There are plans to develop with Adults Social Care team a pilot for the HRA tenants' sheltered care units and extra care facilities. This is a cross council project that will provide cost and care quality benefits for tenants.

## 4.22 Housing General Fund

**Table 1 P7 forecast – Housing Options**

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	21.4	18.9	21.4	-
Housing Estates and Improvement	0.1	0.2	0.1	-
<b>Total Housing</b>	<b>21.5</b>	<b>19.1</b>	<b>21.5</b>	<b>-</b>

**4.23** At period 7, the Housing directorate has a General Fund breakeven forecast against the budget of £21.5m. At period 6 it was agreed that £2.2m budget would be transferred to the Housing directorate from the Corporate economic demand pressures budget to cover emergency accommodation pressures resulting from evictions and accelerated Home Office decision making which is increasing the numbers of asylum seekers and refugees requiring housing in the borough. In-year changes to the 2023/24 Housing budget are set out in table 2:

**Table 2 In year budget virements - Housing**

	£'000
<b>Original budget</b>	<b>15,614</b>
Inflationary pressures	4,742
Economic Pressures	2,200
No Recourse to Public Funds service move	-2,214
Education capital delivery move	-108
Housing benefit staff move	-433
Salaries inflation	534
Housing benefit audit implication	1,200
<b>Current P7 budget</b>	<b>21,535</b>

**4.24** The table shows that, at period 7, £6,942,000 of corporate contingency budgets held for 2023/24 have been allocated to the homelessness service to ensure that the organisation as a whole stays within budget. A detailed analysis of the reasons for the pressures, both national, London-wide and local is available in the P7 cabinet Financial Performance report.

**4.25** In addition to the corporate allocations detailed, an allocation of £1.234m has been agreed from the Contain Outbreak Management Fund (COMF) grant, with £1m

supporting homelessness costs and £0.234m supporting the clearing of the homelessness casework backlog.

**4.26** The service is directly supported by the government through the issue of the grants detailed below. The Homelessness Prevention Grant, including the top-up amounts, are ringfenced to fund homelessness prevention as described upon the issue of the Ukraine allocation:

*‘As a top-up to the existing Homelessness Prevention Grant, this grant is ringfenced to ensure local authorities are resourced to prevent homelessness. We expect funding will be prioritised for supporting our Ukrainian guests into sustainable accommodation, for example through access to the private rental sector, supporting employment access, and facilitating ongoing sponsorship into guests’ second year.*

*Local authorities are best placed to understand the support needed for local communities and, within England, this funding may also be used to support other people at risk of homelessness in line with local pressures.*

**4.27 Table 3 – Homelessness grants 2023/24 to 2024/25**

	<b>2023/24</b>	<b>2024/25</b>
	<b>£</b>	<b>£</b>
Homelessness Prevention Grant (HPG)	7,233,440	7,233,440
HPG winter top-up		
HPG Ukraine top-up	1,913,926	
Domestic Abuse grant	149,386	216,341
Rough Sleeping Initiative	1,451,673	1,148,140
Contain Outbreak Management Fund (COMF) allocation	1,234,000	
<b>Total</b>	<b>11,833,039</b>	<b>8,597,921</b>

**4.28** Allocated alongside the Homeless Prevention Grant is the Domestic Abuse Act new burdens funding to ensure that local authorities can meet the requirements of the 2021 legislation to ensure that victims of domestic abuse and their children can access the right support in safe accommodation when they need it.

- 4.29** The Rough Sleeping Initiative was originally launched in 2018 and was targeted at local authorities with the highest numbers of people sleeping rough, based on the 2017 rough sleeping snapshot.
- 4.30** The initiative seeks to support people sleeping rough off the streets and develop their wellbeing and stability, helping to reduce the number of people sleeping rough in both the short and longer term.
- 4.31** The funding is ringfenced to a programme of work agreed between the DLUHC and Croydon and includes funding both staff and accommodation to ensure there are places and pathways to help people sleeping rough.
- 4.32** The salaries forecast at period 7 is shown in table 4. The budget is shown after the 2023/24 restructure saving of £625k and vacancy factor saving of £302k. This demonstrates that the restructure savings are forecast to be well on track for delivery at period 7.
- 4.33** The restructure was implemented in September 23. The savings were costed and validated prior to the restructure being implemented, corresponding to the headcount reduction of approximately 26 posts.
- 4.34** **Table 4 – Housing salaries budget and forecast P7**

	<b>Salary Budget</b>	<b>Salary Forecast</b>	<b>Agency Forecast</b>	<b>Total Forecast</b>	<b>Over/(Under) spend</b>
Homelessness	7,037,000	5,688,360	1,344,340	6,532,700	-4,299
Housing Renewal	669,000	600,230	92,987	693,217	24,217
	<b>7,706,000</b>	<b>6,288,590</b>	<b>1,437,327</b>	<b>7,725,917</b>	<b>19,918</b>

- 4.35** Table 5 and the notes below show the P7 forecast for homelessness services only (as the high risk area for Housing general fund) and the assumptions made when putting the figures together. Best case and worst-case scenarios are considered in putting the forecast together and to inform the level of risk added to the financial performance report.

#### 4.36 Table 5 - Homelessness forecast model summary P7

	<b>Budgets (non-salary)</b>	<b>Model</b>	<b>Forecast variance to budget</b>	
Emergency Accommodation (EA)	18,168,440	18,210,985	62,545	Notes 1, 2
Temporary Accommodation (TA) – Private Licencing Agreement	2,493,000	2,165,538	-327,461	Note 3
TA – Guaranteed Rent Scheme	2,061,000	2,035,002	-25,997	Note 3
TA - Croylease	487,000	1,357,870	870,870	Note 3
Increase in bad debt provision - EA	1,109,000	2,156,878	1,047,878	Note 4
Increase in bad debt provision - TA	398,000	831,414	433,414	Note 4
Homelessness Prevention Grant top up	0.00	-1,913,926	-1,913,926	
	<b>24,716,440</b>	<b>24,863,765</b>	<b>147,325</b>	

**Note 1**

Budget includes increases of £3.262m re inflation, £2.2m and £1m from COMF

**Note 2**

Annual inflation of 5%

P-card Expenditure increases by inflation plus £10k per month Nov to Mar

Rental income of £12m

**Note 3**

Budget includes increases of £1.224m re inflation

**Note 4**

EA bad debt provision 10%

TA Bad debt provision 5%



#### 4.37 Table 6 – Housing Options MTFS Savings

Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i></b>				
Housing Needs restructure including Dynamic Purchasing System implementation	-625			
Temporary accommodation occupancy checks	-300			
Temporary accommodation case review (discretionary cases)	-450			
Data cleanse & rent accounts (income collection)	-200			
Repurpose general needs voids for emergency accommodation	-175	-175		
Demand management	-239	-414		
<b><i>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</i></b>				
Demand management			-653	
Supported Housing contracts review			-240	
<b>Total proposed savings</b>	<b>-1,989</b>	<b>-589</b>	<b>-893</b>	<b>0</b>

4.38 Table 6 shows the MTFS savings programme for 2024/25 budget setting.

4.39 The market situation and issues arising from addressing legacy issues and the backlog of homeless applications; alongside the resource issues through the restructure and the process changes linked to the implementation of the new NEC housing system meant that it was impossible for new deliverable savings to be offered up for 2024/25 or 2025/26.

4.40 Legacy commitments from 2023/24 budget setting remain and transformation work continues to drive efforts to reduce placement numbers and costs although the delivery of savings will be highly dependent on the market situation stabilising and the securing of additional longer term lease agreements to both improve conditions for homeless households and reduce the cost of addressing homelessness for LBC

## 5 APPENDICES

5.1 Appendix A - HRA Budget Update Presentation

5.2 Appendix B - Housing General Fund Update Presentation (*To Follow*)