

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>SCRUTINY HOMES SUB-COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>6 February 2023</b>	
<b>REPORT TITLE:</b>	Update on the Housing Revenue Account and Housing General Fund budget	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>SUSMITA SEN, CORPORATE DIRECTOR OF HOUSING</b>	
<b>LEAD OFFICER:</b>	<b>VELVET DIBLEY, SENIOR STRATEGY OFFICER</b> Email: <a href="mailto:velvet.dibley@croydon.gov.uk">velvet.dibley@croydon.gov.uk</a>	
<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>All</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.

## 2 RECOMMENDATIONS

- 2.1 For the reasons set out in the report, the Homes Sub-Committee is recommended:
1. to note the Housing Revenue Account P7 outturn position.
  2. to note the Housing Revenue Account Business Plan key headlines.
  3. to note the Housing General Fund budget.
  4. to note the Housing General Fund P7 outturn position.
  5. to consider its conclusions on the budget information provided, which will be submitted to the Scrutiny & Overview Committee meeting on 16 February 2023 as part of the wider Budget Scrutiny process.

## 2 REASONS FOR RECOMMENDATIONS

- 2.1 To enable scrutiny of the Housing Revenue Account and Housing General Fund budget by the Homes Sub-Committee.

### **3 BACKGROUND AND DETAILS**

#### **Housing Revenue Account (HRA)**

- 3.1** 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.
- 3.2** 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.
- 3.3** The spending of the HRA must consider the strategic objectives of the Council and the impact of government policies on rents, disposals and regeneration.
- 3.4** At Month 7, the Housing Revenue Account is forecasting a £4.6m overspend against budget at the end of the year. The main pressures remain utility inflation, increases in legal disrepair costs and void rents. The work being carried out on the recharges to the HRA and will be completed by the end of the financial year, the initial work indicates that this will bring this budget to back a balanced position.

#### **HRA Business Plan**

- 3.5** The 30-year Business Plan for the Housing Revenue Account will be presented to Cabinet on 22 February 2023. The HRA Business Plan details the Council's investment plans in the housing stock which is based upon the current condition of our dwellings.
- 3.6** The proposed HRA budget for 2023/24 is based on total income of £96.4m and assumes that the rent and tenants service charges will be increased by 7% in line with the government-directed cap for the financial year 2023/2024.
- 3.7** 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.
- 3.8** 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. The HRA has a 30-year Business Plan that is currently balanced and has been updated to reflect the impact of the latest rent-setting proposals as well as other agreed increases in expenditure.
- 3.9** The HRA Business Plan builds upon the 5% representative sample stock condition survey completed in December 2022. The results were extrapolated to form the basis of the 2023/24 Capital Programme of £31.476m. A full stock condition survey to assess all Council stock began in January 2023 and will inform the HRA Business Plan going forward.

- 3.10** The budget for the HRA 2023/2024 reflects the work that has been undertaken to review the re-charges from the General Fund (GF) to the Housing Revenue Account (HRA).
- 3.11** Service level agreements (SLAs) are now in place for the recharges from the General Fund to the HRA. Work remains outstanding to ensure that these SLAs are robust and properly reflect the needs of the service.

## Housing General Fund

**Table 1 P7 forecast – Housing Options**

	22/23 Current Budget	22-23 Grant funding	Total 22/23 budget	Actual Spend to Date (P8)	P7 Forecast	Variance forecast to budget
Housing renewal	-75,000		-75,000	287,660	-75,000	0
Allocations	32,000		32,000	183,541	32,000	0
Garage, commercial and miscellaneous properties income	-104,000		-104,000	-48,723	-104,000	0
Emergency accommodation	2,319,000	3,327,282	5,646,282	6,767,698	8,218,282	2,572,000
Temporary accommodation and housing solutions	803,000	3,977,000	4,780,000	5,615,278	5,941,000	1,161,000
Homelessness services	-243,000		-243,000	52,661	-141,000	102,000
No recourse to public funds	2,326,700		2,326,700	1,234,891	2,046,700	-280,000
Support and accommodation contracts	2,391,000		2,391,000	1,771,517	2,391,000	0
Discretionary support team	673,000		673,000	420,908	638,879	-34,121
Rough sleeping initiative fund	22,000	1,529,352	1,551,352	216,346	1,551,352	0
<b>Housing Options</b>	<b>8,144,700</b>	<b>8,833,634</b>	<b>16,978,334</b>	<b>16,501,779</b>	<b>20,499,213</b>	<b>3,520,879</b>

- 3.12** At month 7, Housing is forecasting a £3.5m overspend when compared to budget. The overspend is largely a result of the ongoing pressure within the emergency accommodation area (£2.6m overspend) and other pressures within the longer term leased temporary accommodation (£1.2m). The forecast is reflective of the rapidly worsening housing market within London including the increase of rents by private landlords, movement of private landlords out of the market, and tenants struggling with the cost of living.
- 3.13** Where no variance is forecast we would expect to make accounting adjustments to balance to budget for example carry forward unspent gra
- 3.14** There has been a concerted effort to prevent an increase to homelessness accommodation costs across London through partnerships with Capital Letters, Sub-region Authorities and via the agreed Pan-London temporary accommodation rates. Nonetheless, demand currently outweighs supply, and several boroughs have recently confirmed that they are paying above the agreed Pan-London rates in order to meet demand.
- 3.15** The Council is a net-importer of homelessness placements. Data from the last three years shows that 59% of all placements were made by other boroughs into Croydon. . In contrast, only 15% of placements made by the Council were made outside out of borough. Boroughs with the highest number of placements in Croydon include Wandsworth, Lambeth and Sutton Letters have been issued from the Chief Executive's office to these boroughs in an attempt to reduce this.
- 3.16** Transformation projects are underway as part of the Housing Transformation Programme which aim to reduce the use of emergency accommodation, increase

tenant-move ons into settled housing , and ensure commercially focused negotiations are had with private landlords to improve our property supply.

**Table 2 – DLUHC homelessness grants 2022/23 to 2024/25**

	2022/23	2023/24	2024/25
	£	£	£
Homelessness Prevention Grant (HPG)	7,233,440	7,233,440	7,233,440
HPG winter top-up	1,166,684		
Domestic Abuse grant	71,282	149,386	216,341
Rough Sleeping Initiative	1,529,352	1,451,673	1,148,140
<b>Total</b>	<b>10,000,758</b>	<b>8,834,499</b>	<b>8,597,921</b>

- 3.17** The pressures on the homeless service are recognised by central government. Grant funding is issued in the form of the Homeless Prevention Grant which has existed in varying forms since 2017/18. In 2021/22 and 2022/23 additional amounts of around £1m were allocated late in the year to fund winter pressures. This grant can used flexibly to maximise upstream homelessness prevention to stop vulnerable households from becoming homeless, as well as helping to meet temporary accommodation costs.
- 3.18** 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.
- 3.19** 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.
- 3.20** 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.
- 3.21** 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.

**Table 3 – Housing Options budget 2023/24**

	22/23 Current Budget	22-23 Grant funding	Total 22/23 budget	Growth and savings (base)	23/24 grant funding	Total 23/24 budget
Housing renewal	-33,000		-33,000			-33,000
Allocations	54,900		54,900			54,900
Garage, commercial and miscellaneous properties income	-104,000		-104,000			-104,000
Emergency accommodation	3,302,500	3,256,000	6,558,500	2,544,000	3,323,399	9,169,899
Temporary accommodation and housing solutions	947,200	3,977,000	4,924,200		4,059,324	5,006,524
Homelessness services	-102,000		-102,000			-102,000
No recourse to public funds	2,326,700		2,326,700			2,326,700
Support and accommodation contracts	2,391,000		2,391,000			2,391,000
Discretionary support team	673,000		673,000			673,000
Rough sleeping initiative fund	22,000	1,529,352	1,551,352		1,451,673	1,473,673
<b>Housing Options</b>	<b>9,478,300</b>	<b>8,762,352</b>	<b>18,240,652</b>	<b>2,544,000</b>	<b>8,834,396</b>	<b>20,856,696</b>

**3.22** It has been identified that inflationary pressures are likely to be experienced in 2023/24 as the cost of emergency and temporary accommodation is increasing due to rising interest rates. It's been estimated that £2.1m may be required to cover this pressure and this has informed the corporate inflationary reserve.

**Table 4 – Housing Options MTFS growth**

	2023/24	2024/25	2025/26	2026/27
Description	£000	£000	£000	£000
<b><i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i></b>				
Fund base budget	3,286			
HRA recharges staffing corrections	1,563			
	<b>4,849</b>	<b>0</b>	<b>0</b>	<b>0</b>

**3.23** Amidst the changing market conditions the new management team within the Housing directorate have taken over a service with a number of challenges. As no progress was made on delivering the 2022/23 savings within 2021/22 s, a reassessment has been carried out about the base budget allocation required to support the numbers of homeless households based on current demand estimates a £3.286m gap in base budget funding. This figure is in line with the P7 forecast overspend of £3.5m.

**3.24** As part of the HRA recharges review, the splits of staff time working in the housing department have been assessed and £1.563m of costs will no longer be charged to the HRA from the GF in accordance with the Housing Act 1985.

**Table 5 – Housing Options MTFS Savings**

	2023/24	2024/25	2025/26	2026/27
Description	£000	£000	£000	£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	-625		
Temporary Accommodation occupancy checks	-400	-300		
Temporary Accommodation case review (discretionary cases)	-600	-450		
Data cleanse & rent accounts (income collection)	-300	-200		
Repurpose general needs voids for emergency accommodation		-175	-175	
Vacancy factor	-302			
Demand Management		-239	-414	
<b><i>Transformation Projects</i></b>				
Housing Association liaison, recharges and nominations	-78			
	<b>-2,305</b>	<b>-1,989</b>	<b>-589</b>	<b>0</b>

- 3.25** Table 5 shows the draft MTFS savings programme for 2023/24 budget setting. The key to delivering the level of transformation and saving required is the total £1.25m restructure saving to deliver across 2023/24 and 2024/25 as £0.625m each year. This will put the department in a position to work more effectively and focus on preventing households from becoming homeless wherever possible.
- 3.26** Table 5 also shows a number of other savings lines focusing on making effective use of emergency and temporary accommodation.
- 3.27** This focused savings programme, alongside the implementation of a new housing system, NEC, will allow the department to move into 2024/25 on a strong footing to make the operational changes required to address the current overspend position and also ensure that households presenting as homeless have a clearly defined pathway of support and can access the help they need.