



## CABINET

Tuesday, 03 January 2023

<b>Subject</b>	Housing Revenue Account (HRA) Budget Report 2023/24 to 2026/27
<b>Report by</b>	Maurice Cook, Cabinet Member with responsibility for Resources Richard Kerry, Cabinet Member with responsibility for Housing
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Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### Purpose of Report:

The report brings together the relevant information to enable Cabinet to review, consider, and comment upon the Council's proposed 2023/24 to 2026/27 Housing Revenue Account (HRA) budget, including the revised position for 2022/23, before making recommendations to Council on 22 February 2023. This report also forms the basis of Scrutiny Committee's review of the HRA Budget at its meeting on 19 January 2023 as required under the Budget and Policy Framework. The report details how rents and service charges are determined, and the proposed increases/decreases for 2023/24 are set out for approval.

The report also notes changes in welfare and benefits and the impact of the cost-of-living crisis, which have been considered when completing the budgets, and rents and service charges for 2023/24.

### Options:

#### HRA Budget Setting

The Housing Revenue Account Budget forms part of the Council's Budget and Policy Framework. The Council is required to set an annual budget and therefore no other options have been considered for this.

#### Rent Setting

Under normal circumstances, following four years of compulsory rent reduction, setting rents from 2020/21 below the maximum permitted under the Rent Standard is not recommended for the following reasons:

- 1) Under self-financing, the debt settlement figure that the Council can afford is based on a valuation of the Council's housing stock. This valuation is based on assumptions about income and need to spend over 30 years and that the Council will follow the Government's social rent policy. Therefore, the main disadvantage of setting rents lower than that permitted by the Rent Standard is the loss of revenue over the 30 years of the HRA business plan, the ability to service the debt and the adverse impact this will have on investment in the Council's existing housing stock and the delivery of the housing development programme as currently planned. There is an expectation from Government for the social housing sector to make the best use of their resources to provide the homes needed.
- 2) The HRA has the option to borrow additional funds for future projects, as the borrowing cap has been removed, but the affordability of taking any additional borrowing would need to be assessed. At this time there is no requirement for additional borrowing, but this situation could change if rental income streams are not maintained to the level included in the budget, or there are additional costs relating to compliance, decarbonisation, or the housing development programme. In addition to this, the Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP). The CFR is expected to increase by £77.48 million between 2022/23 and 2026/27 which is due to capital projects potentially being financed through borrowing. Statutory guidance is that debt should remain below the CFR. The Council expects to comply with this in the medium term, but the scale of the

capital programme as currently drafted is such that the Council would begin to approach its borrowing limits over the life of the proposed programme if other sources of finance were not available, although the programme as presented does not pre-empt the realisation of capital receipts.

However, due to the unexpected high levels of inflation during 2022/23, for rent setting of 2023/24 only, there is a small opportunity to increase rents slightly below the government guidance.

#### **Recommendation/s:**

Cabinet is recommended to approve the following for review and consideration by the Scrutiny Committee as part of the Budget process:

1. The draft HRA budget for 2023/24, and the indicative figures for 2024/25 to 2026/27;
2. Movements in HRA Reserves and Balances;
3. Proposed rent increase of up to 6%. 1% less than the Government 7% rent Cap for 2023/24 rent setting.
4. Service charges and associated fees for 2023/24;
5. Rent and Service Charges to be charged over a 50-week period unless being used for Temporary Accommodation when a 52-week period will be applied.

Cabinet is recommended to note the following:

6. Revised outturn position for 2022/23;
7. Changes affecting public and private sector housing and welfare to be noted;
8. Effects of the cost-of-living crisis to the HRA to be noted.

## **Corporate Impact Assessment**

#### **Governance:**

As set out in the Council's Finance Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting reports on revenue budget forecasts to Cabinet and Council. The 2023/24 budget will be considered at the following Council meetings:

- Cabinet 3 January 2023
- Scrutiny Committee 19 January 2023
- Cabinet 7 February 2023
- Full Council 22 February 2023

#### **ESC policies and strategies that directly apply to the proposal:**

The HRA budget directly supports the Council's aim of maintaining financial sustainability. With balanced budgets, and the ability to pay off its current debt, it demonstrates its ability to be financially self-sufficient.

The following policies and strategies apply to the proposals of this report.

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy

- East Suffolk HRA Business Plan 2018-2048
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Financial Management Code

#### **Environmental:**

Consideration has been given in the budget to progressing the Council's wider ambition to become a carbon neutral organisation. Budgets are included within the HRA's capital programme for 2 pilot schemes for retrofitting existing housing stock during 2023/24 and 2024/25, with a further £2 million set aside from 2025/26 onwards for additional schemes in the future.

New intelligent Energy software has been implemented which will help develop improvement strategies and specific programmes for work, to reduce energy cost (SAP) or improve carbon reduction (CO2) to meet targets set by East Suffolk Council (ESC) and the Government.

The current average EPC rating for the housing stock is C. A stock condition survey will be carried out which will help with planned programmes of work to target energy efficiency within the stock.

In addition to this, a new build design guide is being worked on to ensure all new properties will meet a standard that helps address the climate emergency by providing more sustainable housing on a site-by-site basis.

#### **Equalities and Diversity:**

An Equality impact assessment has been completed for setting the HRA budgets and proposed rent setting for 2023/24, EQIA471131609.

There is potential for a negative impact on low-income households if rents are increased. However, every measure has been put in place to support these tenants if this should happen. Affordable rents are capped at the LHA rate which is the most a tenant can receive for the housing element of benefits. This should mean the rents are affordable to all.

#### **Financial:**

A summary analysis of the budget movement is shown in **Table A**. This table is supported by **Appendix A1**, that gives a full breakdown of all budget changes between 2022/23 and 2026/27, with a brief explanation to the changes.

**Table A**

HRA MTFS Updates	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Additional Cost	1,210	1,412	1,571	1,473	2,453
Additional Income	-194	-243	-628	-787	-1,365
Reduced Income	1,256	559	553	545	525
Saving	-5,493	-495	-1,244	-1,584	-177
Use of Reserves	-256	-38	-40	-500	-500
<b>Net Movement Each Year</b>	<b>(3,477)</b>	<b>1,195</b>	<b>212</b>	<b>(853)</b>	<b>936</b>
<b>Net Movement over the period 2022/23 to 2026/27</b>					<b>(1,987)</b>

The full HRA budget and relevant information can be seen in **Appendix A2**.

**Human Resources:**

The budget has been increased to cover staffing requirements of the HRA, with 8.75 new permanent posts being added in 2023/24. These posts will help to meet the growing demands of all service areas, including housing compliance, estates, temporary accommodation, and choice based letting.

All new permanent posts were approved as part of the Housing Team Restructure report taken to Cabinet on 6 December 2022.

In addition to these posts, there are 2 fixed term posts added to the budget.

- A Post Graduate Project Officer within the digital and data transformation team for 1 year, which is corporately funded.
- A Financial Inclusion Officer on a 2-year fixed term contract to help support tenants through the cost-of-living crisis as well as the rent refund process, funded from the Hardship/DHP top up reserve.

The HRA also has 7 apprentice posts included in the 2023-24 budget contributing towards the East Suffolk Apprenticeship Strategy 2018-22.

Further changes to the staffing budgets are a result of the following:

- 2022-23 national pay award agreed.
- The announcement from the Chancellor that the temporary 1.25% increase on national insurance would be removed from November 2022.
- The reduction on employer's pension contribution from 32% to 25% for 3 years from 2023-24.

**ICT:**

No impacts directly arising from this report.

**Legal:**

No impact directly arising from this report.

The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget.

From 1 April 2020 the Government set out a new policy statement for rents on social housing (the Policy Statement). This was implemented through the Regulator for Social Housing rather than through legislation. The Government published a 'Direction to the Regulator' to set a Rent Standard, and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government has directed the Regulator to apply its Rent Standard to all registered providers, including local authorities.

**Risk:**

No impact directly arising from this report.

The HRA self-financing regime transferred the financial risk to the Council. The HRA manages this risk through prudent budgeting, careful financial management and adoption of a rolling 30-year financial business plan. The financial sustainability of the budget is managed by ensuring adequate funds are set aside to repay the debt and appropriate levels of working balances are available for any unforeseen costs. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.

The HRA budgets 2023/24 to 2026/27 (including the revised 2022/23 position) have been updated in the 30-year financial business plan, it shows the current requirements are financially sustainable if the proposed income levels are approved, and no further borrowing will be required at this point.

<b>External Consultees:</b>	<p>Tenants will be informed in writing of any changes to their rent and service charges one month before they take effect as normal. Tenants will have the opportunity to speak to their rent officer or the HRA's financial inclusion officer if they have any concerns.</p> <p>The Government ran a consultation for the period 31 August 2022 to 12 October 2022 for all Social Housing providers (Housing Associations and stock holding Local Authorities) on the proposal of the rent cap for 2023/24 rent setting.</p>
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		

P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>  Under the Self-Financing regime, the future resources and spend of the HRA are based on local decisions. The budget includes financing the capital programme and reserve balances as per the HRA financial business plan. Currently there is no requirement for any additional borrowing, demonstrating financial sustainability and supporting how ESC governs itself.			

## Background and Justification for Recommendation

1 Background facts	
	<b>Self-Financing Arrangement</b>
1.1	The HRA self-financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future housing subsidy. This change is beneficial to the HRA over the long-term.
1.2	A 30-year financial business model is used to support the delivery of the HRA under the self-financing regime. It makes assumptions regarding the level of income available and the key risks facing housing service delivery within this timeframe. It programmes in the years the Council expects to pay back the current borrowing, whilst delivering the required service.
1.3	The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.
1.4	Originally the HRA had a 'borrowing cap' of £87.26 million imposed on it by Central Government, however this was removed in 2018 when Central Government issued a determination revoking the limit of indebtedness on the HRA. However, the HRA's borrowing capacity is still restricted to the operational boundary for external debt for the whole Council. The boundary is set at £153 million, which includes both the General Fund (GF) and the HRA. Therefore, consideration must be given to the Council's total borrowing and the requirements for borrowing by the GF, before considering increasing the current borrowing of the HRA.
1.5	<p>As of 1 April 2022, the total debt of the HRA was £60.4 million (£58 million from the self-financing settlement and £2.4 million pre-self-financing). In March 2022, £10.77 million was repaid.</p> <p>During the budget period 2023/24 to 2026/27 a further £960,000 is due to be repaid in 2024/25 and £10 million in 2026/27. Both amounts have already been set aside in the debt repayment reserve and the major repairs reserve.</p> <p>Interest on all current HRA borrowing is fixed therefore the HRA will see a reduction in interest payments in the subsequent years of repayment.</p>

	<p>The HRA spending plans, including its capital investment programme, are fully funded from existing resources. Therefore, there is currently no need to make use of any additional borrowing.</p>
1.6	<p><b>Welfare Reform</b></p> <p><b>Universal Credit (UC)</b> was first introduced 10 years ago as part of 'The Welfare Reform Act 2012'. It is a single payment for working aged people who are looking for work or are on a low-income. It replaces housing benefit, working tax credit, child tax credit, income support, income-based jobseekers' allowance and income related employment and support allowance. It was rolled out in the district in 2015.</p>
1.7	<p>New claimants of UC have an initial wait time of five weeks before receiving their first payment, however if they are already receiving housing benefits, this will continue for the first two weeks of the claim process, reducing pressure on tenants.</p>
1.8	<p>The benefit cap has always been £20,000 per annum (outside of Greater London), since the introduction of the Welfare Reform Act 2012. However, Government have announced that the cap will be raised by 10.1% for the first time in its history. From April 2023 the new cap will be £22,020 per annum, giving claimants a much-needed boost during a cost-of-living crisis.</p> <p>If new claimants' previous income was higher than the benefit cap, they are given a 'grace period' of nine months, easing the transition for the claimant.</p>
1.9	<p><b>Under-Occupation Charge</b> (also referred to as the 'Bedroom tax') is a fixed cut to housing benefit or the housing element of UC received based on the number of spare bedrooms in the property. The charge only applies to working aged tenants and is set by Central Government. The cut is 14% for one spare room, or 25% for two or more spare rooms.</p>
1.10	<p>To help alleviate the pressure of this penalty, the Council's HRA offers the incentive called 'Cash-for-Moving'. This is a widely used scheme across Councils to encourage tenants to downsize. Tenants can bid for a smaller property on Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up. The scheme was in place before welfare reform to encourage better use of the housing stock.</p>
1.11	<p><b>The Right to Buy (RTB) Scheme</b> allows tenants to purchase their Council house at a discounted rate. The maximum discount available is 70% or £87,200 (outside of Greater London) whichever is lower. This value is set by Central Government and increases each year in line with inflation.</p>
1.12	<p>In 2012, the Council entered into an agreement with the Secretary of state to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. As of April 2021, the conditions of this agreement were updated by Central Government. The receipts can now fund up to 40% of investment in new affordable housing (previously only 30%) and they can now contribute to the delivery of shared ownership properties, which they could not before.</p>
1.13	<p>On average the HRA loses approximately 30 properties a year through RTB, and this is the assumption used within the 30-year business plan. However, numbers reduced during the COVID-19 pandemic, but started to recover in 2021/22 with 27 sold during the year. For 2022/23, at the end of November 2022, 18 properties have been sold through RTB.</p>



1.14	The implication of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB is on average £140,000 per annum (year on year), adding to the importance of increasing the HRA housing stock. RTB sales are considered when setting the dwelling income budget.
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## 2 Current position

### Dwelling Rents and Service Charges

- 2.1 **The 2020 Rent Standard** is the policy statement for rents on social housing and has been in effect from 1 April 2020. It is the first-time Government have directed the Regulator of Social Housing to apply its Rent Standard to all social housing providers, including local authorities.
- 2.2 From 1 April 2020, all Registered Provider rents (including Local Authorities) must be charged in accordance with the Government Policy Statement on Rents for Social Housing. This document was initially issued in 2018 and has subsequently been updated. The latest version is the Ministry of Housing, Communities and Local Government (MHCLG), "Policy Statement on Rents for Social Housing", February 2019. The Rent Standard, published by the Regulator of Social Housing in 2020 requires Rents to be set in line with this policy statement for the setting of rent.
- 2.3 The new rent policy permits the Council to increase its rents for at least five years to 2024/25 by up to the Consumer Price Index (CPI) of the September of the previous year plus 1%. The Rent Standard also provides freedom to apply a lower increase or to freeze or reduce the rent if a registered housing provider chooses to do so.
- 2.4 Due to rising inflation, CPI hit 10.1% in September 2022, which would result in social housing landlords having the ability to increase rents by up to 11.1% (10.1% CPI + 1%). However, Government has announced this will be capped at 7% for 2023/24.
- 2.5 The new rent policy aims to strike a balance between the interests of existing social housing tenants who pay some or all their own rent, the need to build more homes, and the importance of ensuring that providers of social housing have sufficient income to manage and maintain their housing stock.
- 2.6 Following the four years of rent reduction, the new rent policy was welcomed. A five-year rent deal provides some stability to the Council in terms of its rental income stream, enabling the Council to plan for its housing development programme and decarbonisation of its housing stock.
- 2.7 **Rent Setting** is different dependent on the type of rent set. There are two types of rents used within the HRA. Social Rent and Affordable Rent.
- 2.8 **Social Rent** is described as all low-cost rental accommodation. Since 2001 social rents have been set based on a formula set by Government. This new policy follows a similar process with the formula and rent setting guidance, set out in the Policy Statement. Annual updates to the formula calculations are published in November of the previous year.
- 2.9 Under the Rent Policy the initial rent may be set at a level no higher than formula rent, subject to rent flexibility. The formula rent takes account of relative property values, relative local earnings, and a bedroom factor, i.e. smaller properties

	<p>should have lower rents. The formula rent is also subject to a rent cap. The rent cap applies a maximum ceiling on the formula rent. Therefore, if the formula rent is higher than the rent cap for a particular property, the rent cap must be used instead. The rent caps will increase each year by CPI (September of the previous year) plus 1.5%.</p>
2.10	<p>The Government's Rent Policy recognises that registered housing providers should have some flexibility over the rent set for individual properties, to take account of local factors. As a result, the Policy Statement contains flexibility to set rents at up to 5% above the formula rent (10% for supported housing). However, it must be demonstrated that there is clear rationale for doing so, such as the demand for new housing developments, redevelopment, and decarbonisation of stock.</p>
2.11	<p>The Governments Rent Policy states any social rents that exceed the flexibility level must not be increased by more than CPI (rather than CPI plus 1%) each year, until the rent is brought within the rent flexibility level. Also, the property must be re-let at the formula rent value. If this arises when setting the HRA rents, the rent will be frozen or potentially reduced until it reaches the formula rent value. Such situations will be dealt with on a case-by-case basis.</p>
2.12	<p><b>Affordable Rent</b> values were introduced in 2011 and must not exceed 80% of gross market rent (inclusive of service charges), i.e. rent for which the accommodation might reasonably be expected to be let in the private rented sector. The size, location and service provision must be taken into consideration.</p>
2.13	<p>Affordable rent is exempt from the social rent requirements of the Policy Statement. The Government expects new build properties to be let at affordable rent values. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable local authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new build or purchased properties and can do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain RTB receipts for investment in new affordable rented homes.</p>
2.14	<p>The private rented market can fluctuate from month to month. Therefore, the Council charges the Local Housing Allowance (LHA) rate for all affordable rents (inclusive of service charges). The LHA rate is less than 80% of market rent, but more than social rents. The LHA rate is the most a tenant can receive in benefits towards their rent, therefore anything charged over this value would need to be financed by the tenant's own resources, which could cause financial hardship and potential arrears.</p>
2.15	<p>An additional benefit to this approach ensures a consistent and fair approach to all tenants.</p>
2.16	<p>Affordable rents must not increase by more than CPI (September of the previous year) plus 1%. As with social rent setting, this is a ceiling and a lower increase, or to freeze or reduce affordable rents is permitted.</p>
2.17	<p><b>Full Market Rent</b> can be charged by a social landlord from April 2015, where a social tenant has an annual household income of at least £60,000. This change allowed landlords to make better use of their social housing for properties rented to households with relatively high incomes. However, the HRA does not currently charge any tenants full market rent as very few tenants are in this position, and the cost to identify these tenants outweighs the benefit of the additional income.</p>

2.18	<b>Shared Ownership Rent</b> is calculated at 2.75% of the share still owned by ESC. This is a nationwide calculation for the initial rent charged. Future year increases will follow the 2020 Rent Standard of the previous year's September CPI + 1%.
2.19	<p><b>The Rent Period</b> the Council works on is a 50-week period. The 52-week rent value is converted to the slightly higher 50-week value, allowing tenants to have two 'rent free weeks' over the Christmas period. This helps tenants at an expensive time of year, and for those in arrears, can help them 'catch up'.</p> <p>A small number of HRA properties are used as temporary accommodation. These properties are charged at the 52-week value as they will not be in the property for more than a year, and therefore would not benefit from the rent-free weeks.</p>
2.20	<b>Garage Rents</b> do not follow the same restrictions as dwelling rents. These are based on market research in the district and have been considered for approval by Cabinet as part of the 2023/24 Fees and Charges Report.
2.21	<b>Service Charges</b> are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. Communal facilities in sheltered accommodation (Grouped Homes).
2.22	Councils can review their service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. Therefore, not all service charges will necessarily increase each year, they will replicate the cost of the service provided. As set out in the Policy Statement, increases for service charges should be managed, where possible, within the limit on rent changes of CPI plus 1%. Exceptions to this include new charges or where services have been extended.
	<b>Arrears</b>
2.23	2021/22 had a slight increase on arrears from 2020/21 of just £6,369.87. As at 31.03.22 arrears were 5.79% of total rents and charges raised. This was a 0.08% increase from the previous year and 0.93% (cumulative) from the year before, demonstrating arrear levels are stabilising for the first time since 2015/16 when UC was introduced.
2.24	In February 2021, the tenant's portal went live, allowing tenants to have 24-hour digital access to their rent account. Currently, approximately 15% of tenants are using this function. Further work is to be completed to enable the text messaging service, which is anticipated to go live early 2023, which will enable texting for automated balances or request contact from their Rent Officer. It will also offer paperless direct debits.
2.25	Predictive analytics software was implemented 2018/19 for current tenant arrears. This has been successful in reducing the number of cases rent officers look at each week, allowing them to get through their case load and contact the tenants whose accounts require action. Due to the success of the software, the former tenant model was introduced in 2019/20.
2.26	To reduce the risk of arrears, new tenants are asked to pay rent in advance. The amount they pay is linked to how regularly they pay their rent e.g. if a tenant pays weekly, they will be required to pay one week in advance. As of 27 November 2022, the HRA holds £709,967.33 in rent in advance.
2.27	The current arrears position as of the 27 November 2022 is higher than the 2021/22 position. November and December traditionally show the worst position due to the impending 2 'rent free' weeks at the end of December. Therefore, a

	more accurate and comparable position will be updated in the new year before the report is taken to Cabinet.
2.28	In addition to the rent-free weeks to be processed, a rents and service charge audit is being completed during 2022/23 which has highlighted errors to some tenants' rents and service charges. Corrections will be applied to tenant rent accounts which will have a positive impact on the current arrears position, as arrears will be required to be cleared before refunds can be processed.
2.29	<b>Repairs and Maintenance</b> The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Revenue costs are to be funded from the revenue income derived from rents, whilst capital will be funded from the Major Repairs Reserve (MRR).
2.30	The HRA is currently undertaking a programme of essential safety inspections, primarily relating to fire safety and essential works identified during inspections. A report detailing the required works was approved at Cabinet on 4 October 2022 and increases of £2 million to the HRA capital programme budget have since been made in the 2022/23 budget to cover these works.
2.31	Material supplies have increased considerably, some timbers have seen an increase of 50%. Due to these high fluctuations in material prices, suppliers are now looking for more flexibility within their contracts.
2.32	<b>Capital programme</b> The HRA capital programme forms part of the Council's 'Capital Programme Report 2023/24 to 2026/27'. The HRA capital programme consists of capital budgets for housing repairs, project development such as decarbonisation and the housing development programme.
2.33	The HRA capital programme will be funded via the rental income it retains, the Major Repairs Reserve (MRR), Right-to-Buy (RTB) receipts, external funding and capital receipts held. Funding of the repairs and maintenance aspect of the capital programme is through the MRR. The 2023/24 HRA capital programme is partly funded by Direct Revenue Financing, which totals £3.520 million. This represents £365,000 towards housing projects and redevelopment and £3.155 million on the housing development programme. This is an increase on 2022/23 as it includes carry forwards from reprofiled developments.
2.34	On 31 March 2022, the Council's housing stock totalled 4,451 units. Between 31 March 2022 and 30 November 2022 there have been 18 RTB sales. There have also been 8 new properties added to the housing stock in Darsham, of which 4 are shared ownership and are all occupied. This gives a net decrease to the housing stock of 10 as of 30 November 2022. It is expected a further 5 recently purchased RTB buy-backs will be renovated and back in use by the end of this financial year, reducing the net movement to a decrease of 5.
2.35	In addition to delivering new homes, 2 retrofit projects for existing housing stock have been included in the HRA capital programme. 17 units to be delivered in 2023/24 and 19 units in 2024/25.
2.36	<b>Special Services</b> are made up of revenue costs for Sheltered Schemes, Warden Services, redevelopment/decarbonisation, and the new build programme. As the redevelopment and new build programmes pick up pace, the associated revenue costs also increase. These costs include architect fees, consultant's fees, and staffing.

### 3 How to address current situation

#### Rents and service charges

##### Rent Setting

- 3.1 In accordance with the Rent Standard for 2020, rent increases for 2023/24 would have been increased by the September 2022 CPI plus 1%. September CPI was 10.1%, which would have resulted in a rent increase of up to 11.1%.
- 3.2 However, as part of the autumn statement, Government have imposed a cap on social housing rent increases for 2023/24 of 7%. Government understands the need to protect our residents during a cost-of-living crisis but also the pressures social housing providers face with investing in their existing stock and providing much needed new affordable homes.
- 3.3 Although rents can be increased by up to 7%, social housing providers have the freedom to apply a lower increase or to freeze or reduce the rent if they choose to do so.
- 3.4 Official guidance has yet to be released by Government, but a consultation released by Government in September 2022 suggested that the rent cap is to protect existing tenants only. The formula rent (a nationwide calculation) will still increase by the September CPI plus 1%. The Council has no option on this, and it will affect new tenancies only.
- 3.5 ESC has a commitment to providing all tenants with a home at a decent home's standard, as well as investing in its existing housing stock to meet the Council's aim of becoming Carbon Neutral by 2030, while building much needed new homes for those waiting on the housing register.
- 3.6 The balance between service provision and protecting current tenants have been carefully considered, and as a result of that, a rent increase of up to 6% for 2023/24 is proposed in this report.
- 3.7 Not all tenants will see a rent increase of the full 6% proposed due to social rents being capped at the formula rent value plus flexibility allowance and affordable rents being capped at the Local Housing Allowance (LHA) rate (inclusive of service charges). The Government has confirmed the LHA rate will be frozen for a third year. Therefore, tenants on an affordable rent already charged the LHA rate will see no increase in their rents. This has contributed to the average increase being less than 6%.
- 3.8 As part of a rents and service charge audit taking place at ESC during 2022/23, some tenants will see their rents decrease as corrections are processed on their rent accounts. A separate Report 'Housing Regulation' will be presented to Full Council in January 2023 with the background and full details of this audit. As part of this report, it is proposed that ESC will make use of the rent flexibility available to social housing landlords (see paragraph 2.9). No tenant will have to pay more than they currently pay with the introduction of using the rent flexibility and it will not impact on rent increases for 2023/24 being capped at 6% for ESC tenants.
- 3.9 Rent setting takes place during February each year to ensure the most up to date rents are used as a base and reduces the chance of manual updates relating to properties re-let between February and March (before the new rent values apply).
- 3.10 Applying a 6% rent increase in 2023/24, gives an average rent increase of £3.89 per week. In **Table B** below, the average rent value for 2022/23 takes into consideration anticipated corrections to rent accounts, and both take into consideration the utilisation of rent flexibility.

**Table B**

2022/23 Average Rent (52 Week Value)	£92.39
2023/24 Average Rent (52 Week Value)	£96.28
Average Weekly Rent increase (52 Week Value)	£3.89

- 3.11 The average rent for the East of England as provided by the HomeLet statistics for November 2022 is £1,108 per month. This is the equivalent to £255.69 per week. This equates to ESC 2022/23 average rent being just 36.18% of the average rents for the area. The proposed 2023/24 ESC average rent increases this to 37.65% of the average rent charged in the area.
- 3.12 The ESC average rent value will fluctuate slightly week-to-week, depending on the number of voids and re-lets during a month. However, the change will be pence, and it is compared each year during December, giving a consistent approach.
- 3.13 The maximum tenants who are charged an affordable rent can receive in housing allowance of UC or Housing Benefits is the LHA rate. Therefore, all HRA Affordable Rents are set no higher than this value and are therefore eligible for benefits. This means that tenants who are in receipt of limited incomes will not be disadvantaged by the proposed rent increase.
- 3.14 Not increasing rents by 6% or utilising rent flexibility where applicable would put a financial strain on the HRA. With increasing demands and costs across all service areas, and the requirement for significant investment in the decarbonisation of the current housing stock and new build programme, if rents are not utilised, the capital programme will be reduced.
- 3.15 Due to the agreement ESC holds with the Secretary of State to retain its RTB receipts, the Council must invest in the provision of new affordable homes. Therefore, if the HRA capital programme was to be reduced, retrofitting the existing stock would have to be put on hold or reduced significantly. This will have an impact on tenants as it is within their best interest that the Council continues to invest in this, as these improvements will improve the energy efficiency of their home and contribute to reducing their energy bills.
- 3.16 The HRA dwelling budgets for the period 2024/25 to 2026/27 are based on the Bank of England (BoE) CPI predictions plus 1% (Quarter 3 each year).
- 2024/25 (BoE) CPI 4.2% plus 1%
  - 2025/26 (BoE) CPI 2.9% plus 1%
  - 2026/27 (BoE) CPI 2.4% plus 1%
- 3.17 Although the same model has been used for 2025/26 and 2026/27 rent increases, the current arrangement finishes in 2024/25, and there is no indication at this time as to how rent increases will be determined. From 2027/28 onwards, a more prudent approach has been taken on the 30-year business plan, applying a 3% increase each year.
- 3.18 Other factors are also taken into consideration when calculating the dwelling rent budget for future years. Such as disposals through RTB's or asset management of underperforming stock, reconversions, new build developments and acquisitions.
- Service Charges**
- 3.19 The proposed service charges for 2023/24 are set out in **Appendix C** of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered. The HRA cannot make a profit on the service charges, these are purely to recover HRA costs.



3.20	Not all service charges, outlined in <b>Appendix C</b> will increase in 2023/24. This is due to contracts that run for more than one year for a fixed price. The heating charges are based on the previous full year's costs, hence no increases on charges have been applied to 2023/24. This will help tenants in sheltered schemes during the cost-of-living crisis. Any major increases relating to the current utility crisis will be reviewed in the 2024/25 service charges.
3.21	Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2023/24 is set at an average weekly charge of £16.10 based on a 50-week collection year. This is an increase of £1.53 compared to 2022/23. However, all other grouped home service charges will remain the same, and communal water will reduce. Giving a net impact of an average increase of £0.24 per week (50-week bases).
3.22	The average communal heating charge for 2023/24 will remain the same. The 2023/24 average Grouped Homes heating charge will be £13.35 based on a 50-week collection year. This will give tenants stability during the cost-of-living crisis.
3.23	As part of the rents and service charge audit being undertaken during 2022/23 (see paragraph 3.8) it has been identified that a heating service, service charge has been incorrectly charged in previous years. This charge will be corrected on all tenants' accounts who are affected and will no longer be charged in the future. This has been taken into consideration when setting the HRA income budgets.
	<b>Garage Rents</b>
3.24	Garage rents are also set out in <b>Appendix C</b> . Garage rents are also collected on a 50-week collection period. For 2023/24 tenant's weekly garage rent is proposed to increase from £9.00 to £9.45, an increase of £0.45 on the 2022/23 charge. The proposed increased for non-tenant weekly garage rent is £13.23 from £12.60 (inclusive of VAT), an increase of £0.63 on the 2022/23 charge.
3.25	The Garage rents are based on local market research. Historically, ESC has charged particularly low garage rents, however they are now at a similar level as other local council providers. Garage rents form part of the Councils' annual fees and charges report considered by Cabinet on 3 January 2023.
	<b>Repairs and Maintenance</b>
3.26	The repairs and maintenance revenue budget for 2023/24 has been set at £6.815 million, compared to a revised forecast of £6.254 million in the 2022/23 budget. An analysis of the repairs and maintenance revenue budget is set out in <b>Appendix D</b> . The revised forecast for 2022/23 includes budget identified as being required as part of the compliance work approved at Cabinet 6 October 2022.
3.27	The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties. It should also be sufficient to cover significant levels of work on fire risk safety, compliance contract management and decarbonisation of the housing stock. Much of the cost relating to decarbonisation and retro fitting is within the HRA capital programme.
3.28	An additional £3.615 million has been identified as being required in 2023/24 as part of the compliance work currently undertaken, which will be recommended to Full Council as part of the Capital Programme Report 2022/23 to 2026/27. These

	costs reflect significant increases in already planned works, as well as some new projects.
3.29	Also, as part of the same compliance works, an additional £367,000 has been added to the 2022/23 revised budget to cover Fire Risk Assessments, Surveying, and fitting of Carbon Monoxide detectors to all HRA properties, which became a legal requirement during this financial year.
	<b>Reserves and Balances</b>
3.30	The HRA has five main Reserves as well as the HRA revenue working balance (see section 5.18 in <b>Appendix A2</b> for details on the revenue working balance), and the Major Repairs Reserve (MRR). <b>Appendix E</b> shows the movement and balances of these reserves for the budget period 2022/23 to 2026/27.
3.31	<b>HRA Debt Repayment Reserve</b> was set up in 2012/13. The viability of the self-financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The balance at 31 March 2027 is forecasted to be £2 million. This is after planned repayment of £960,000 in 2024/25 and a substantial borrowing instalment of £10 million in 2026/27. Payments into this reserve from 2027/28 will need to be substantial to meet the following instalment of £10 million due in 2031/32. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.
3.32	<b>HRA DHP Top-Up Reserve</b> was set up in 2012/13 with a fund of £500,000 taking the Welfare Reform Act 2012 into account. The reserve recognises the unexpected and exceptional difficulties tenants may face arising from these changes. Although the Act is now ten years old, the financial difficulties tenants face has not faded.
3.33	This reserve was set up to 'top up' the Discretionary Housing Payments (DHP) made by the Council by the value used by HRA tenants, only if the total payments made were to exceed the value of the DHP grant received by the Council. To date, this has not been required. With increased Department for Work and Pensions (DWP) grant in recent years, it is unlikely to be required in 2022/23.
3.34	Due to this, discussions have been held to repurpose this reserve to help tenants during the cost-of-living crisis. Initially, a financial inclusion officer on a 2-year fixed-term bases has been identified, to provide support to tenants struggling with managing their finances.
3.35	Further discussions are being held on how to make best use of the remaining £422,000 balance. An update will be provided on this in the new year.
3.36	<b>MMI Reserve</b> is the Municipal Mutual Insurance Reserve. This reserve covers any potential old insurance claims relating to when the Council was covered by this insurer, and the new insurance providers will not cover such claims.
3.37	<b>Impairment/Revaluation Reserve</b> covers any unforeseen costs relating to revaluations of assets as part of the annual asset valuation. A review of this reserve has identified that it has not been required in over 7 years, and therefore will be released into the HRA during 2023/24, making best use of the funds held.
3.38	<b>Acquisition and Development Reserve</b> is used to transfer potential underspends into during a given financial year, to later fund the new build and redevelopment capital programme. The reserve is planned to be utilised between 2022/23 and 2024/25.



3.39	<p><b>Major Repairs Reserve (MRR)</b> was set up following the introduction of the self-financing on 1<sup>st</sup> April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13. Depreciation charged to the HRA is no longer in the movement on the HRA statement, instead, the depreciation charged to the HRA is credited to the MRR. The MRR can be used to repay the principal elements of the HRA debt, as well as to finance capital expenditure on our existing dwelling stock. There are plans to use the MRR to part fund the capital programme in each financial year. The balance as 31 March 2027 is projected to be a £1.747 million, after paying the first debt instalment of £10.766 million borrowing in 2021/22. The balance of this reserve is monitored through the 30-year financial business model to ensure it remains at a balance sufficient to fund capital programme repairs and contribute to debt repayment in future years.</p>
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4 Reason/s for recommendation	
4.1	<p>This report brings together all relevant information to enable Members to review, consider and comment upon the Council's Housing Revenue Account budgets, the proposed rental rent increase, service and other charges and movements in reserves and balances, before making final recommendations to Full Council on 22 February 2023. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 19 January 2023 as required under the Budget and Policy Framework.</p>
4.2	<p>To advise Members of the wider housing and welfare changes that will impact on future service delivery.</p>

## Appendices

Appendices:	
<b>Appendix A1</b>	Budget changes to the financial period 2022/23 to 2026/27
<b>Appendix A2</b>	HRA 2023/24 to 2026/27 Budget – inclusive of revised 2022/23 position
<b>Appendix B</b>	Summary of Headings on chart of account
<b>Appendix C</b>	HRA Service and other charges
<b>Appendix D</b>	HRA Repairs and Maintenance Revenue Budget
<b>Appendix E</b>	HRA Balances and Reserve Summary
<b>Appendix F</b>	HRA Budget Key Assumptions

Background reference papers:		
Date	Type	Available From
November 2022	Budget Working papers	Financial Services
November 2022	Bank of England Monetary Policy Report November 2022	<a href="#">Monetary Policy Report - November 2022   Bank of England</a>
November 2021	Limit on annual rent increases 2022-23	<a href="#">Limit on annual rent increases 2021-22 (publishing.service.gov.uk)</a> (This does relate to 2022-23, please follow link)
November 2022	East of England average rent statistics – November 2022	<a href="#">Average Rents in The East of England   Average Rental Prices 2019   HomeLet Rental Index</a>
17/11/2022	Article – Chancellor Confirms 7% rent cap for social landlords – Inside Housing	<a href="#">Inside Housing - News - Chancellor confirms 7% rent cap for social landlords</a>
February 2019	MHCLG Policy Statement on Rents	<a href="#">Policy statement on rents for social housing (publishing.service.gov.uk)</a>
31/08/2022	Rent Cap Consultation (official guidance yet to be released)	<a href="#">Rent cap on social housing to protect millions of tenants from rising cost of living - GOV.UK (www.gov.uk)</a>
Last updated 15/11/2021	Rent Standard 2020	<a href="#">Rent Standard and guidance - GOV.UK (www.gov.uk)</a>

## Budget changes to the financial period 2022/23 to 2026/27.

Table C

HRA Budget update	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Strategic Theme/Other Factors	
<b>Additional Cost</b>							
Repairs and Maintenance service cost increase	419	198	329	235	335	Growing our Economy/Caring for our Environment	Increase Material costs, increased cost of services and additional compliance works previously approved at cabinet.
Digital Transformation Programme	0	29	6	10	10	Digital by Default	Increase in investment in analytical software and digital transformation programme.
Norse Services	25	40	40	40	40	Economic Impact	Norse services increased charges. Future years still to be fully reviewed.
Consultancy costs	330	0	0	0	0	Growing our Economy	External consultancy costs relating to HRA compliance.
running of schemes (sheltered and non- sheltered)	47	51	49	48	48	Economic Impact	Increases in utilities bills for all schemes.
Housing Development Programme	29	221	90	91	91	Pandemic Impact	Revenue costs associated with Housing devleopment, Redevelopment and retrofit programme.
Housing staff payaward	185	290	290	290	290	Economic Impact	2023-24 payaward impact on HRA staffing.
New Compliance Team - Repairs	0	197	206	215	224	Government Policy	New team approved at Cabinet 06.12.22
New Post with in Choice Based Letting Team	10	79	87	91	105	Economic Impact	Additional posts approved at Cabinet 06.12.22
New Handyman & caretaker posts	0	86	90	94	99	Economic Impact	Additional posts approved at Cabinet 06.12.22
New Financial Inclusion Officer	0	38	40	0	0	Economic Impact	Additional 2 year fixed Term post to support tenants through the cost-of-living crisis and rent refund process.
Rents, rates and other charges	11	20	0	0	0	Enabling our Communities	Increase on council tax and rates, increase due to redevelopment and development programme.
Baseline budget increase	0	0	0	0	72	Economic Impact	2026/27 budget starts at 2025/26 budget value. Inflation added to running costs of the HRA.
Insurance Premiums	14	50	53	55	56	Economic Impact	External impact, insurance premiums have increased across the Council.
Depreciation charge	140	113	291	304	558	Government Policy	Depreciation is linked to the capital programme.
Direct Revenue Financing - source of finance for capital programme	0	0	0	0	525	Remaining Financially Sustainable	2026/27 base is 2025/26 budget. Increase as other funding such as Capital receipts are utilised.
	<b>1,210</b>	<b>1,412</b>	<b>1,571</b>	<b>1,473</b>	<b>2,453</b>		
<b>Additional Income</b>							
Dwelling Rent income	0	-31	-438	-642	-1,215	Government Policy	7% increase applied to 2023/24. 2026/27 base is 2025/26 budget. BOI predicted CPI + 1% for 2024/25 to 2026/27.
Non Dwelling Income (Garage Rents)	-2	-5	-5	-5	-10	Remaining Financially Sustainable	2026/27 base is 2025/26 budget. 5% increase applied to 2023/24 to increase rents inline with out local authority providers.
Non Dwelling Income (Leases and Wayleaves)	-15	-15	-15	-15	-15	Remaining Financially Sustainable	New lease in place for HRA property, and correction to baseline budget for Wayleaves.
Contribution towards expenditure	-36	0	0	0	0	Government Policy	One off payment of repaid RTB discount.
Contribution towards expenditure	-15	0	0	0	0	Remaining Financially Sustainable	Solar energy and renewable contributions increase in 2023/24.
Contribution towards expenditure	-19	-24	0	0	0	Remaining Financially Sustainable	Reserve contribution to specific development sites.
Grant funding for TA extended for 2 years	0	-44	-40	0	0	Remaining Financially Sustainable	Funding through Rough Sleeper Initiative to contribute to the use of HRA scheme as TA.
Interest on cash balances	-107	-124	-130	-125	-125	Economic Impact	Increase in average interest received.
	<b>-194</b>	<b>-243</b>	<b>-628</b>	<b>-787</b>	<b>-1,365</b>		
<b>Reduced Income</b>							
Dwelling Rent income	654	0	0	0	0	Government Policy	Conversion of affordable rents back to social formula rent + Flexibility allowance.
Service charges and facilities income	392	349	340	330	310	Government Policy	Removal of incorrec heating service charge.
Reimbursement of costs	200	203	206	208	208	Remaining Financially Sustainable	Removal of private works income, focusing on HRA stock. Equivalent costs removed also.
Reimbursement of costs	10	7	7	7	7	Economic Impact	Correction to baseline - reduction of court costs recovered.
	<b>1,256</b>	<b>559</b>	<b>553</b>	<b>545</b>	<b>525</b>		

<b>Savings</b>							
Dwelling Rent Write-offs	-100	-100	0	0	0	Economic Impact	Unlikely Dwelling rent write-offs will be carried out in 2023/24 and 2024/25.
Housing Staff Vacancies across all teams	-646	0	0	0	0	Economic Impact	Unable to fill some vacant post, new posts not yet filled, and movement in staff.
Change in NI and Pension % applied	-14	-94	-94	-94	-94	Government Policy	Government reduced NI contribution from Nov 2022 and Employer Pension contribution reduced from 32% to 25% from 2023/24.
Digital Transformation Programme	-7	0	0	0	0	Digital by Default	Reprofiling of implimentation of some software.
Provision for Bad Debt	-31	-29	-27	-25	-25	Economic Impact	Increase on provision for bad debt not required while rent refunds being processed. Will reassess in 2023/24.
HRA Contribution to Corporate and Democratic Services	-3	-3	-3	-3	-3	Remaining Financially Sustainable	HRA share of corporate costs reduced slightly.
Rents, rates and other charges	0	0	-11	-11	-10	Remaining Financially Sustainable	Once redevelopment programme progresses, charges for associated properties/sites will be removed.
Support recharge from General Fund to HRA	-15	-41	-71	-76	-45	Remaining Financially Sustainable	Support recharges reviewed to reflect the services used by the HRA.
Direct Revenue Financing - source of finance for capital programme	-4,677	-228	-1,038	-1,375	0	Remaining Financially Sustainable	Delays in new build programme in 2022/23 and other sources of finance utilised in future years.
	<b>-5,493</b>	<b>-495</b>	<b>-1,244</b>	<b>-1,584</b>	<b>-177</b>		
<b>Use of Reserves</b>							
Debt repayment reserve	0	0	0	-500	-500	Use of Reserves	Remove transfer to Debt repayment reserve in 2025/26 and 2026/27, increase requirement in years thereafter.
Impairment/Revaluation Reserve	-256	0	0	0	0	Use of Reserves	Reserve unchanged for over 7 years. Release balance into the HRA.
Hardship/DHP Top up Reserve	0	-38	-40	0	0	Use of Reserves	Fund the financial inclusion officer 2 year fixed term post above.
	<b>-256</b>	<b>-38</b>	<b>-40</b>	<b>-500</b>	<b>-500</b>		
<b>Net Total Movements</b>							
	<b>-3,477</b>	<b>1,195</b>	<b>212</b>	<b>-853</b>	<b>936</b>		
<b>Net Total Movements between 2022/23 and 2026/27</b>						<b>-1,987</b>	

**5.1 Table C** details the changes across each financial year, with a brief description for the change. All changes have been put through the 30-year business plan to ensure the financial viability of the HRA. There is no adverse effect to the long-term financial position of the HRA by making these changes, and no requirement to take on additional borrowing at this stage. However, if the proposed dwelling rent increase of 6% is not adopted, reductions will be required in the Capital Programme. Careful budgeting and utilisation of all sources of finance, including capital receipts held has enabled the HRA to kick start its ambitious project to decarbonise its current housing stock, and future proof all new developments.

## HRA 2023/24 to 2026/27 Budget – inclusive of revised 2022/23 position

**5.2 Table D** summarises the 2023/24 budget through to 2026/27, with a revised position for 2022/23. A brief description for each heading can be found in **Appendix B**.

**Table D**

	2022/23 Original £'000	2022/23 Revised £'000	2022/23 Movement £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
<b>Income</b>							
Dwelling Rent	(19,926)	(19,372)	554	(20,634)	(21,481)	(22,182)	(22,755)
Non-Dwelling Rent	(160)	(177)	(17)	(184)	(188)	(192)	(197)
Service & Other Charges	(1,098)	(707)	391	(732)	(740)	(748)	(768)
Leaseholders Charges for Services	(10)	(10)	-	(10)	(10)	(10)	(10)
Contribution towards Expenditure	(33)	(89)	(56)	(57)	(33)	(33)	(33)
Reimbursement of Costs	(276)	(66)	210	(68)	(69)	(69)	(68)
Interest Income	(169)	(276)	(107)	(276)	(276)	(276)	(276)
<b>Total Income</b>	<b>(21,672)</b>	<b>(20,697)</b>	<b>975</b>	<b>(21,961)</b>	<b>(22,797)</b>	<b>(23,510)</b>	<b>(24,107)</b>
<b>10% of total income</b>	<b>(2,167)</b>	<b>(2,070)</b>	<b>98</b>	<b>(2,196)</b>	<b>(2,280)</b>	<b>(2,351)</b>	<b>(2,411)</b>
<b>Expenditure</b>							
Repairs & Maintenance	6,141	6,254	113	6,815	6,926	6,949	7,060
Supervision & Management	3,683	3,503	(180)	3,724	3,749	3,808	3,892
Special Services	2,440	2,870	430	2,699	2,612	2,653	2,690
Rents, Rates and other Charges	146	156	10	143	112	113	113
Movement in Bad Debt Provision	31	-	(31)	-	-	-	-
Contribution to CDC	95	92	(3)	92	92	92	92
Capital Charges	3,650	3,792	142	4,202	4,709	4,993	5,247
Interest Charges	2,106	2,106	-	2,106	2,066	2,026	2,026
Revenue Contribution to Capital	5,863	1,186	(4,677)	3,520	2,137	1,800	3,700
Transfer to Earmarked Reserves	-	(256)	(256)	(38)	(40)	-	-
<b>Total Expenditure</b>	<b>24,155</b>	<b>19,703</b>	<b>(4,452)</b>	<b>23,263</b>	<b>22,363</b>	<b>22,434</b>	<b>24,820</b>
<b>Movement in the HRA balance</b>	<b>2,483</b>	<b>(994)</b>	<b>(3,477)</b>	<b>1,302</b>	<b>(434)</b>	<b>(1,076)</b>	<b>713</b>
<b>HRA Balance carried forward</b>	<b>(807)</b>	<b>(4,284)</b>	<b>(3,477)</b>	<b>(2,982)</b>	<b>(3,416)</b>	<b>(4,492)</b>	<b>(3,779)</b>

**Highlights regarding 2022/23 revised position – Table D****Income**

**5.3** The decrease in dwelling rent is the result of estimated corrections to tenant rent accounts identified in the rents and service charge audit during 2022/23. Details and background information can be found in the Housing Regulation report going to Full council January 2023.

**5.4** The increase on non-dwelling rents relates to a new lease in place for an HRA Property.

**5.5** The decrease in service charges is the removal of an incorrect de-pooled service charge. This also forms part of the rent and service charge audit being carried out during 2022/23.

**5.6** Increase in contribution to expenditure is a one-off income relating to a repayment of RTB discount. This is where an individual has sold their property which they purchased from the

Council through RTB less than five years ago, therefore, requiring them to repay part of the discount they originally received. Also, a contribution towards a specific development project.

**5.7** Reimbursement of costs has reduced, due the maintenance team no longer carrying out disabled facility adaptations for the private sector housing team. The maintenance team will be focusing on HRA stock only. The equivalent expenditure has also been removed from the budget, giving a net nil impact.

**5.8** The increase in interest income directly relates to the increases in interest received by the council on cash balances.

## **Expenditure**

**5.9** The increase in repairs and maintenance relate to fire risk assessments, surveys and CO2 detectors being fitted to all HRA owned stock. This was the result of the 'Smoke and Carbon Monoxide Alarm (Amendment) Regulation 2022'.

**5.10** The saving on Supervision and Management is the result of in year staff vacancies, and savings relating to the reduction in National Insurance from November 2022.

**5.11** The increase on special services relates to Consultancy costs for both the rents and service charge audit and repairs compliance work, as well as increased revenue costs associated with the development and redevelopment programme.

**5.12** The increase on rents, rates and other charges are linked to properties and sites that will be developed or redeveloped for housing provision.

**5.13** The decrease relating to Bad Debt Provision relates to corrections to be processed on tenants rent accounts that will likely reduce arrears levels. Bad Debt provision to revisited in 2023/24.

**5.14** Contribution to CDC is calculated on the HRA budget as a % of the Councils overall budget, giving a slight saving.

**5.15** The increase on Capital related charges is an increase in depreciation charge directly linked to the capital programme. This increase is transferred to the MRR and will help fund the repairs element of the capital programme and contribute to repayment of debt.

**5.16** There is a significant decrease in the revenue contribution to capital. This is a combination of reprofiling the development programme, redevelopment programme and making use of other sources of capital financing in year.

**5.17** The saving relating to Earmarked reserves is releasing the unused Reserve for impairments and revaluation of housing stock (See section 3.37).

## **2023/24 to 2026/27 Budgets**

**5.18 Table D** demonstrates a healthy HRA working balance. The carry forward balance from 2022/23 takes into consideration the estimated provision required for potential rent and service charge refunds. This gives an opening balance of £3.29 million. Best practice is considered to have a minimum working balance that approximates to 10% of the total income received in one year. The balance is planned to be drawn down in financial years 2023/24 and 2026/27, to make best use of the funds, but always remaining above the required 10% minimum.

**5.19** Key Assumptions used to assist in setting the HRA budgets can be seen in **Appendix F**.

## **SUMMARY OF HEADINGS ON CHART OF ACCOUNT**

### **Income.**

- **Dwelling Rent;** Rental income from tenants for housing (Including Housing Benefits).
- **Non-Dwelling Rent;** Rental income for garages, and any other assets rented out by the HRA.
- **Services and other Charges;** Service Charges and nonspecific income.
- **Leaseholder's charges for services;** Recharges to Leaseholders for works and services.
- **Contributions towards expenditure;** External contributions towards expenditure.
- **Reimbursement of costs;** Rechargeable works to a third party.
- **Interest Income;** Interest received on cash balances held by the HRA.

### **Expenditure.**

- **Repairs and Maintenance;** General Repairs and Maintenance to all housing stock.
- **Supervision and Management;** Costs associated with running the HRA, e.g. tenant's services, office-based staff, IT etc.
- **Special Services;** Sheltered schemes, warden costs, property acquisitions, redevelopment/decarbonisation, and new development revenue costs.
- **Rents, Rates, and other Charges;** Council Tax charges for void properties and Business Rates.
- **Movement in Bad Debt Provision;** Bad debt provision is to hold funds to cover debt (arrears) that are unlikely to be recovered by the HRA. Current Bad Debt provision is at £872k.
- **Contribution to CDC;** CDC is Corporate & Democratic Core costs. This is the HRA's contribution towards these.
- **Capital Charges;** Depreciation charged to HRA assets. (This is transferred to the Major Repairs Reserve. This can fund capital work or contribute to paying down the debt).
- **Interest Charges;** The interest payments relating to HRA borrowing.
- **Revenue contribution to Capital;** Capital expenditure is large repairs work such as 'replacing a kitchen' or building new properties. These are funded from either the HRA 'Revenue Contribution', receipts held through the sale of assets (e.g. Right to Buy Properties), or other reserves and contributions.
- **Transfer to Earmark Reserves;** The HRA has several reserves, but the one used most frequently is the Debt Repayment Reserve. Money is transferred to this reserve each year to pay off the debt held by the HRA.

## HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases/(Decreases) in charges are proposed for 2023/24.

	Average Weekly Charge 2022/23 £	Average Proposed Weekly Charge 2023/24 £	Average Weekly Increase/ (Decrease) £
<b><u>Grouped Homes Service Charges (average):</u></b>			
General Service Charge	14.57	16.10	1.53
Heating Charge	13.35	13.35	0.00
Communal Water Charge	2.51	1.22	-1.29
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.90	0.00

	Weekly Charge 2022/23 £	Proposed Weekly Charge 23/24 £	Weekly Increase/ (Decrease) £
<b><u>Caretaker:</u></b>			
St Peter's Court	6.80	7.15	0.35
Dukes Head Street	5.05	5.30	0.25
Chapel Court	3.65	3.75	0.10

<b><u>Servicing:</u></b>			
Septic Tank Emptying/Servicing	5.34	5.61	0.27
Flue Maintenance	2.36	2.53	0.17
Grounds Maintenance (average) *	1.37	1.39	0.02

\* Cost vary depending on size of land to maintain.

<b><u>Other:</u></b>			
Communal Area Cleaning Service (average) **	2.22	2.55	0.33

\*\* Cost vary depending on number and size of communal areas.

	Weekly Charge 2022/23 £	Proposed Weekly Charge 2023/24 £	Weekly Increase/ (Decrease) £
<b><u>Garage Rents:</u></b>			
Tenants	9.00	9.45	0.45
Non Tenants (net of VAT)	10.50	11.03	0.53 (13.23 inclusive of VAT)



## Appendix D

### HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2022/23 Approved Budget	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
	£	£	£	£	£	£
<b>Responsive Maintenance</b>						
Supervision and Management (See note 1 below)	2,205,400	2,306,700	2,365,500	2,416,700	2,429,000	2,535,300
Compliance Contract Management (See note 2 below)	0	8,800	331,500	348,900	363,900	379,100
Jobbing Repairs	1,133,200	1,347,700	1,350,000	1,350,000	1,350,000	1,350,000
Loft and Cavity wall Insulation	10,000	50,000	50,000	50,000	50,000	50,000
Tenant Allowances	40,000	30,000	40,000	40,000	40,000	40,000
Relet Repairs (Voids)	922,000	876,000	925,000	922,000	922,000	922,000
Asbestos - Removal	80,000	30,000	80,000	80,000	80,000	80,000
Asbestos - Testing	95,000	30,000	95,000	95,000	95,000	95,000
Legionella	6,000	10,000	10,000	10,000	10,000	10,000
Communal Areas	30,000	40,000	60,000	60,000	60,000	60,000
Solid Fuel and Heating Repairs	10,000	23,000	33,000	33,000	33,000	33,000
Electrical Testing & Repairs (See Note 3 below)	200,000	200,000	200,000	200,000	200,000	200,000
Emergency Lighting	10,000	25,000	0	10,000	10,000	10,000
External Decoration	130,000	50,000	100,000	100,000	100,000	100,000
Roof and PVC Panelling Cleaning	25,000	0	25,000	25,000	25,000	25,000
Fire Fighting Equipment and Detection	5,000	17,000	17,000	17,000	17,000	17,000
Fire Risk Assessments (See note 3 below)	0	180,000	9,800	15,400	25,900	15,400
Installation of CO2 detectors (See note 3 below)	0	139,000	0	0	0	0
Lift servicing, maintenance and installation (See note 3 below)	8,000	62,000	55,000	55,000	55,000	55,000
Disabled Adaptations (See note 4 below)	230,300	30,000	30,000	30,000	30,000	30,000
Door Porter and Security Systems (See Note 5 below)	0	20,000	20,000	20,000	20,000	20,000
Environmental Works/Energy Efficiency	5,000	9,400	7,500	7,500	7,500	7,500
Drainage and Pumping Stations	9,900	11,500	9,500	9,500	9,500	9,500
Mutual Exchange	10,000	12,000	10,000	10,000	10,000	10,000
Rechargeable Works - Incl's Leaseholder Properties	40,000	40,000	40,000	40,000	40,000	40,000
Servicing Contracts & Repairs	486,000	476,000	486,000	516,000	516,000	516,000
<b>Total Responsive Maintenance</b>	<b>5,690,800</b>	<b>6,024,100</b>	<b>6,349,800</b>	<b>6,461,000</b>	<b>6,498,800</b>	<b>6,609,800</b>
<b>Planned Maintenance</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chimneys	20,000	10,000	20,000	20,000	20,000	20,000
External Walls, Boundary and retaining walls (See Note 2 below)	60,000	15,000	60,000	60,000	60,000	60,000
Canopy's and Porches	0	5,000	15,000	15,000	0	0
Paths / Hardstanding	250,000	100,000	250,000	250,000	250,000	250,000
Outbuildings	40,000	20,000	40,000	40,000	40,000	40,000
Structural / Damp / Drainage / etc	80,000	80,000	80,000	80,000	80,000	80,000
<b>Total Planned Maintenance</b>	<b>450,000</b>	<b>230,000</b>	<b>465,000</b>	<b>465,000</b>	<b>450,000</b>	<b>450,000</b>
<b>Total HRA Housing Repairs</b>	<b>6,140,800</b>	<b>6,254,100</b>	<b>6,814,800</b>	<b>6,926,000</b>	<b>6,948,800</b>	<b>7,059,800</b>

#### Notes:

Note 1 - Supervision and Management of the Repairs and Maintenance Team, unrecoverable cost, stock and equipment.

Note 2 - New Contract Compliance Team to be recruited from 2023/24 approved at Cabinet 06 December 2022.

Note 3 - As part of the compliance work identified and undertaken, previously approved by Cabinet 04 October 2022.

Note 4 - The Housing team previously completes Disabled Adaption works for the Private Sector Housing team, however this has finished to concentrate on HRA stock.

Note 5 - Door Porter security system charges where previously charged directly under the schemes they relate to, however they have been combined to monitor more accurately.

## Appendix E

### HRA BALANCE AND RESERVE SUMMARY

#### HRA WORKING BALANCE

	Closing Balance 31/03/22	2022/23 Movements		Closing Balance 31/03/23	2023/24 Movements		Closing Balance 31/03/24	2024/25 Movements		Closing Balance 31/03/25	2025/26 Movements		Closing Balance 31/03/26	2026/27 Movements		Closing Balance 31/03/27
	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000
HRA Working Balance *	-3,290	-994	0	-4,284	0	1,302	-2,982	-434	0	-3,416	-1,076	0	-4,492	0	713	-3,779
10% Requirement	-2,121			-2,167			-2,224			-2,278			-2,328			-2,328

#### HRA EARMARKED RESERVES

	Closing Balance 31/03/22	2022/23 Movements		Closing Balance 31/03/23	2023/24 Movements		Closing Balance 31/03/24	2024/25 Movements		Closing Balance 31/03/25	2025/26 Movements		Closing Balance 31/03/26	2026/27 Movements		Closing Balance 31/03/27
	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000
Debt Repayment Reserve	-13,000	0	0	-13,000	0	0	-13,000	0	960	-12,040	0	0	-12,040	0	10,000	-2,040
HRA DHP topup Reserve	-500	0	0	-500	0	38	-462	0	40	-422	0	0	-422	0	0	-422
MMI Reserve	-60	0	0	-60	0	0	-60	0	0	-60	0	0	-60	0	0	-60
Impairment/Revaluation Reserve	-256	0	256	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition & Development Reserve	-6,300	0	234	-6,066	0	4374	-1,692	0	1692	0	0	0	0	0	0	0
Brampton Sinking Fund	-1	0	0	-1	0	0	-1	0	0	-1	0	0	-1	0	0	-1
<b>Total HRA Earmarked Reserves</b>	<b>-20,117</b>	<b>0</b>	<b>490</b>	<b>-19,627</b>	<b>0</b>	<b>4,412</b>	<b>-15,215</b>	<b>0</b>	<b>2,692</b>	<b>-12,523</b>	<b>0</b>	<b>0</b>	<b>-12,523</b>	<b>0</b>	<b>10,000</b>	<b>-2,523</b>

#### HRA CAPITAL RESERVE

	Closing Balance 31/03/22	2022/23 Movements		Closing Balance 31/03/23	2023/24 Movements		Closing Balance 31/03/24	2024/25 Movements		Closing Balance 31/03/25	2025/26 Movements		Closing Balance 31/03/26	2026/27 Movements		Closing Balance 31/03/27
	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000	Transfer In	Transfer Out	£'000
HRA Major Repairs Reserve	-13,754	-3,764	4,369	-13,149	-4,175	14,051	-3,273	-4,681	6,430	-1,524	-4,965	4,980	-1,509	-5,218	4,980	-1,747

## HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	2023/24	2024/25	2025/26	2026/27
Dwelling rents annual increase (see paragraph 3.16)	6.0%	5.2%	3.9%	3.4%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase	5.0%	3.0%	3.0%	3.0%
Charges for services & facilities annual increase *	0.00%	3.00%	3.00%	3.00%
Write-off allowance **	£0	£0	£100,000	£100,000
Number of dwellings lost through Right To Buys (RTB's)	30	30	30	30
Number of new dwellings added to the stock	21	46	42	40
Average interest rate on HRA balances	2.32%	2.32%	2.32%	2.32%

## Expenditure

Bad Debt Provision	No amendments to the bad debt provision until the rent and service charge audit is complete and potential credits applied to tenant rent
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\* The 2023/24 service charges have varying increases, see appendix C. 3% has been applied to future years inline with increased budget costs.

\*\* No write-off allowance is included in 2023/24 and 2024/25 while the rent and service charge audit is being carried out and potential refunds are to be processed.