EASTSUFFOLK
COUNCIL

CABINET

Tuesday, 01 February 2022

Subject	Housing Revenue Account (HRA) Budget Report 2022/23 to 2025/26
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources Councillor Richard Kerry Cabinet Member with responsibility for Housing
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Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report provides an opportunity for Cabinet to submit any comments to Full Council on the proposed 2022/23 to 2025/26 Housing Revenue Account (HRA) budget, including the revised position for 2021/22.

The report details how rents and service charges are determined, and the proposed increases/decreases for 2022/23 are set out for approval.

The report also notes changes in welfare and benefits and the impact of COVID, which have been considered when completing the budgets, and rents and service charges for 2022/23.

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

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 need to make use of any additional borrowing, but this situation could change if rental income streams are not maintained, or there are additional costs relating to decarbonisation or 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 £72 million between 2021/22 and 2025/26 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.

Recommendation/s:

That it be recommended to Full Council:

1. That the HRA budget for 2022/23, and the indicative figures for 2023/24 to 2025/26, be approved
2. That the Revised outturn position for 2021/22 be noted
3. That the movements in HRA Reserves and Balances be approved
4. That the proposed rent increase of up to 4.1% (September 2021 CPI + 1%) as per the Rent Standard 2020 be approved
5. That the service charges and associated fees for 2022/23 be approved
6. That the 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, be approved
7. That the changes affecting public and private sector housing and welfare be noted
8. That the effects of COVID-19 to the HRA 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.

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 be Carbon Neutral by 2030. Budget has been added to assess the status of the HRA's current housing stock, and further budget has been added to both the HRA revenue budget and capital programme to cover the works that is yet to be determined to bring the stock to a carbon neutral or more environmentally friendly standard.

In addition to this, budget has been included to create an 'East Suffolk Design Guide'. The design guide is for HRA new build developments and will ensure all new properties will meet a standard that helps to address the climate emergency by providing more sustainable housing on a site-by-site basis.

Equalities and Diversity:

No direct impact from this report, where subsequent individual business cases are presented Equality Impact Assessments are prepared.

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 2021/22 and 2025/26, with a brief explanation to the changes.

Table A

HRA MTFS Updates	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Additional Cost	1,983	2,633	1,899	1,759	2,016
Additional Income	-122	-57	-66	-33	-534
Reduced Income	273	124	81	71	67
Saving	-3,772	-614	-836	-2,377	-2,207
Use of Reserves	1,500	-	-1,000	-500	-
Net Movement Each Year	**(138)**	**2,086**	**78**	**(1,080)**	**(658)**
Net Movement over the period 2021/22 to 2025/26					**288**

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. **Table B** shows a breakdown of the movement in staffing budgets over the next four years.

12 new posts have been added to the budget. These posts will help to meet the growing demands of all service areas, including repairs and maintenance, tenant's services, housing compliance and data analysis.

In addition to these posts, budget has been included to permanently have 2 apprentices within the tenant's services team, and 5 apprentices within the repairs and maintenance team contributing towards the East Suffolk Apprenticeship Strategy 2018-22.

All other costs are unavoidable, such as the central government 1.25% increase in National Insurance from April 2022, regrading of posts in line with other local employers and costs relating to sickness, maternity and COVID pressures.

Table B

Breakdown of staffing movement	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
New posts/Additional Hours	232	580	607	606	622
Sickness/Maternity cover	23	21	0	0	0
Regrading of posts	11	27	32	37	43
Vacancies Savings	(131)	(64)	(110)	(115)	(115)
Budget adjustments	47	223	226	229	231
COVID Related costs	58	10	0	0	0
One off overtime	5	0	0	0	0
Net Total Movement	**245**	**797**	**755**	**757**	**781**

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 2022/23 to 2025/26 (including the revised 2021/22 position) have been updated in the 30-year financial business plan, it shows the current requirements are financial sustainable, and no further borrowing is required at this point.

External Consultees:	The proposed increase in rent would normally be presented at the January Housing Benefit and Tenants Services Consultation Group. However, due to COVID-19 these meetings have been suspended. As an alternative method of communication, an article has been included in the February 2022 'Tenants Magazine'. If tenants have any issues, they will have the opportunity to contact their rent officer before any changes are implemented. Tenants will also be informed in writing of any changes to their rent and service charges one month before they take effect as normal. Internally, the Scrutiny Committee has considered the HRA Budget Report 2022/23 to 2025/26 at its meeting on 20 January 2022.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		Primary priority	Secondary priorities
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☒
P12	Being commercially astute	☐	☐
P13	Optimising our financial investments and grant opportunities	☐	☒
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☒
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☒
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		
P20	Lead by example	☐	☐
P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☒
P23	Protection, education and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐

How does this proposal support the priorities selected?

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
	Self-Financing Arrangement
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 the 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	As of 1 April 2021, the total debt of the HRA was £71.17 million (£68 million from the self-financing settlement and £3.17 million pre-self-financing). In March 2022, a further £10.77 million will be repaid, reducing the debt to £60.4 million. 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.
	Welfare Reform
1.6	**Universal Credit** (UC) 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.
1.7	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.
1.8	The benefit cap is £20,000 per annum (outside of Greater London). This may not affect new claimants immediately as they are given a 'grace period' of nine months

	if their previous income was higher than this, easing the transition for the claimant.
1.9	**Under-Occupation Charge** (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.
1.10	To help alleviate the pressure of this penalty, the Council's HRA offers the incentive of '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.
1.11	**The Right to Buy (RTB) Scheme** allows tenants to purchase their council house at a discounted rate. The maximum discount available is 70% or £84,600 (outside of Greater London) whichever is lower. This value is set by central government and increases each year in line with inflation.
1.12	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.
1.13	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 have been much lower during the COVID-19 pandemic, with only eleven RTB sales in 2020/21, and fifteen to 31.12.21 during 2021/22.
1.14	The implication of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB is on average £100,000 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.

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 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	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.
2.3	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.
2.4	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.
2.5	**Rent Setting** is different dependant on the type of rent set. There are two types of rents used within the HRA. Social Rent and Affordable Rent.
2.6	**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.
2.7	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 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%.
2.8	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, in consultation with tenants. 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 which considers local circumstances and affordability. This flexibility can be applied to new developments.
2.9	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 delt with on a case-by-case basis.
2.10	**Affordable Rent** 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.
2.11	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.
2.12	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 could 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. An additional benefit to this approach ensures a consistent and fair approach to all tenants.
2.13	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.
2.14	**Full Market Rent** 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.
2.15	**The Rent Period** 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'.
2.16	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.
2.17	**Garage Rents** 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 2022/23 Fees and Charges Report.
2.18	**Service Charges** 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. heating services and communal facilities in sheltered accommodation (Grouped Homes).
2.19	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.
	Arrears
2.20	2020/21 had an increase on arrears from 2019/20. 2019/20 was the first year to see an improvement on arrears since 2015/16 when UC was introduced. The improvement was the combined result of 2019/20 being a 53-week rent period, and tenants benefiting from an additional rent-free week (as advised by central government), boosting payments in the final week of the financial year.
2.21	In addition to this, the tenant's portal went live in February 2021, allowing tenants to have 24-hour digital access to their rent account. Further work is to be completed to enable the text messaging service, which is anticipated to go live early 2022, which will enable texting for automated balances or request contact from their Rent Officer. It will also offer paperless direct debits.

2.22 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.

2.23 To reduce the risk of arrears, new tenants are now 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 2 January 2022, the HRA holds £987,058.52 in rent in advance.

2.24 The current arrears position as of the 2 January 2022 is slightly higher than the same week in the previous year. The arrears are currently at £1,156,968.81 compared to £1,107,681.33 for the same rent week in 2020/21. Although this is an increase, this is good considering the current economic factors that will be affecting tenants' ability to pay rent. Including the pandemic, increased utility bills, and increased living costs.

2.25 With additional training and implementation of digital support for tenants (in addition to personal support) and targeting arrears will help to improve the arrears position again in 2022/23.

Repairs and Maintenance

2.26 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).

2.27 COVID has had an impact on the way the operatives work, increasing the time it takes to complete jobs. Operatives are required to clean and sanitise areas they are working in, including the tools they use. The void team have been restricted to how many operatives can work in one property at any one time, which has increased the void turnaround time. In addition to this, many staff have also had COVID and had to self-isolate, reducing staffing levels available.

2.28 Material supplies have sometimes been sporadic, however this has not impacted on work being completed. Pricing on some materials 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, having an effect on the procurement process.

Capital programme

2.29 The HRA capital programme forms part of the council's 'Capital Programme Report 2022/23 to 2025/26'. The HRA capital programme consists of capital budgets for housing repairs, project development such as decarbonisation and the housing development programme.

2.30 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 2022/23 HRA capital programme is partly funded by Direct Revenue Financing, which totals £5.863 million. This represents £1.049 million towards housing projects and redevelopment and £4.814 million on the housing development programme. This is higher than future years as it includes carry forward budget from 2021/22.

2.31 On 31 March 2021, the council's housing stock totalled 4,459 units. Between 31 March 2021 and 31 December 2021 there have been fifteen RTB sales. There have also been nineteen new properties added to the housing

	stock (ten new builds purchased on Nursery Close, six units at the St Peters Street HMO, and three RTB buy backs). Giving a net increase to the housing stock of four up to 2020/21 Q3.
2.32	**Special Services** 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 2022/23 are proposed to be increased by up to 4.1%. This is the CPI for September 2021 of 3.1% plus 1%.
3.2	Although rents can be increased by up to 4.1%, this has been capped at the formula rent value for social rents, and the Local Housing Allowance (LHA) rate (inclusive of service charges) for affordable rents. Although the formula rent increased by 4.1% for 2022/23, the government has confirmed the LHA rate will be frozen for a second year. Therefore, tenants already charged the LHA rate will see no increase in their rents. This has contributed to the average increase being less than 4.1%.
3.3	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).
3.4	By applying the rent setting policy, the average weekly rent for the HRA as of the beginning of December for 2022/23 is £92.19 (£90.22 for 2021/22) and is based on a 50-week collection year. This is an average weekly increase of £1.97 or 2.18% from 2021/22 to 2022/23.
3.5	The average rent value will change week-to-week, depending on the number of voids and re-lets during a month. However, the change will not be much, and it is compared each year during December, giving a consistent approach.
3.6	The maximum tenants can receive in the housing allowance of UC or Housing Benefits is the LHA rate. All ESC HRA rents are set no higher than this value and is therefore eligible for benefits. This means that tenants who are in receipt of limited incomes will not be disadvantaged by the proposed rent increase.
3.7	Not increasing rents in line with the rent setting standard 2020 by 4.1% where applicable will 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 likely be reduced.
3.8	The HRA dwelling budgets for the period 2023/24 to 2025/26 are based on the Bank of England (BoE) CPI predictions plus 1%. • 2023/24 (BoE) CPI 2.5% plus 1% • 2024/25 (BoE) CPI 2% plus 1% • 2025/26 (BoE) CPI 1.9% plus 1%

3.9	Although the same model has been used for 2025/26 rent increase, the current arrangement finishes in 2024/25, and there is no indication at this time as to how rent increases will be determined. From 2026/27 onwards, a more prudent approach has been taken on the 30-year business plan, applying a 2% increase each year.
3.10	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
3.11	The proposed service charges for 2022/23 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 does not make a profit on the service charges, these are purely to recover HRA costs.
3.12	Many of the service charges, outlined in **Appendix C** will not increase in 2022/23. This is due to contracts that run for more than one year for a fixed price, or new contracts have been tendered resulting in reduced costs.
3.13	Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2022/23 is set at an average weekly charge of £14.57 based on a 50-week collection year. This is an increase of £0.41 compared to 2021/22.
3.14	The average heating charge is set to increase in 2022/23. The 2022/23 average Grouped Homes heating charge will be £13.35 based on a 50-week collection year. This is an average weekly increase of £0.20 compared to 2021/22.
3.15	The heating charges are based on the previous full year's costs, hence no real increase on charges. Any major increases relating to the current utility crisis will be addressed in the 2023/24 service charges.
	Garage Rents
3.16	Garage rents are also set out in **Appendix C**. Garage rents are also collected on a 50-week collection period. For 2022/23 tenant's weekly garage rent is proposed to increase from £8.50 to £9.00, an increase of £0.50 on the 2021/22 charge. The proposed increased for non-tenant weekly garage rent is £12.60 from £11.90 (inclusive of VAT), an increase of £0.70 on the 2021/22 charge.
3.17	The Garage rents form part of the councils' annual fees and charges report considered by Cabinet on 04 January 2022.
	Repairs and Maintenance
3.18	The repairs and maintenance revenue budget for 2022/23 has been set at £6.141 million, compared to a revised forecast of £6.003 million in the 2021/22 budget. An analysis of the repairs and maintenance revenue budget is set out in **Appendix D**. The revised forecast for 2021/22 has a large increase that nets off against savings on the capital programme. It relates to increased staffing requirements, increased supplier cost/contract costs, delays relating to COVID protocols and sickness as well as a contingency to catch up on repairs delayed due to COVID where possible.
3.19	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 decarbonisation of the housing stock. Much of the additional budget has been allocated to 'Supervision and

	Management' (**See Appendix D**) to be allocated out as required. The cost of decarbonisation is yet to be identified, and on what types of work. Until the work streams are identified, the budget will be held here.
	Reserves and Balances
3.20	The HRA has five Reserves as well as the HRA revenue working balance (see section 5.13 in **Appendix A2** for details on the revenue working balance), and the Major Repairs Reserve (MRR). **Appendix E** shows the movement and balances of these reserves for the budget period 2021/22 to 2025/26.
3.21	**HRA Debt Repayment Reserve** 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 as 31 March 2026 is forecasted to be £15 million. This is planned to pay the second substantial borrowing instalment of £10 million in 2026/27, and then a further £10 million in 2031/32. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.
3.22	**HRA DHP Top-Up Reserve** 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.
3.23	This reserve is 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. In 2020/21 there was a 72% uptake of DHP grants, and to date 64% has been utilised in 2021/22. However, the reserve will remain, in case it is required for future years. If any funds are to be transferred, it would require approval by the Secretary of State.
3.24	**MMI Reserve** 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.
3.25	**Impairment/Revaluation Reserve** covers any unforeseen costs relating to revaluations of assets as part of the annual asset valuation.
3.26	**Acquisition and Development Reserve** is used to transfer potential underspends into, to later fund the new build and redevelopment capital programme. The reserve is planned to be utilised between 2021/22 and 2024/25.
3.27	**Major Repairs Reserve (MRR)** was set up following the introduction of the self-financing on 1st 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 year, whilst still increasing its balances to service future year's debt repayments. The balance as 31 March 2026 is projected to be a £5.281 million, after paying the first instalment of £10.766 million borrowing that is due in 2021/22. This is sufficient to contribute to future years capital programme and paying down the debt.

4	Reason/s for recommendation
4.1	To bring 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 recommendations to Full Council on 23 February 2022.
4.2	To advise Members of the wider housing and welfare changes that will impact on future service delivery.

Appendices

Appendices:	
Appendix A1	Budget changes to the financial period 2021/22 to 2025/26
Appendix A2	HRA 2022/23 to 2025/26 Budget – inclusive of revised 2021/22 position
Appendix B	Summary of Headings on chart of account
Appendix C	HRA Service and other charges
Appendix D	HRA Repairs and Maintenance Revenue Budget
Appendix E	HRA Balances and Reserve Summary
Appendix F	HRA Budget Key Assumptions

Background reference papers:		
Date	**Type**	**Available From**
November 2021	Budget Working papers	Financial Services
04/11/2021	Bank of England Monetary Policy Report November 2021	Monetary Policy Report - November 2021 | Bank of England
November 2021	Limit on annual rent increases 2022-23	Limit on annual rent increases 2021-22 (publishing.service.gov.uk) (This does relate to 2022-23, please follow link)
Last updated 15/11/2021	Rent Standard 2020	Rent Standard and guidance - GOV.UK (www.gov.uk)

Appendix A1

Budget changes to the financial period 2021/22 to 2025/26.
Table C

HRA Budget update	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Strategic Theme/Other Factors	Comments
Additional Cost							
Repairs and Maintenance staffing costs	305	575	582	570	580	Economic Impact	External pay inflation pressures and increased complexity of Council projects and initiatives.
Repairs and Maintenance service cost increase	1,407	1,146	964	826	914	Growing our Economy/Caring for our Environment	Increase Material costs, increased cost of services and ramping up of decarbonisation of housing stock.
Supervision and Management staffing costs	14	186	131	144	151	Economic Impact	External pay inflation pressures and increased complexity of Council projects and initiatives.
Digital Transformation Programme	31	29	32	32	32	Digital by Default	Increase in investment in analytical software and digital transformation programme.
Supervision and Management service cost increase	0	20	18	25	93	Economic Impact	Corporate recharges including insurance, central charges, and staff training.
Data Analysis Staffing	0	79	83	87	91	Government Policy	Growing government requirements for analytical data analysis.
Housing Development Staffing	0	8	8	9	11	Economic Impact	Unable to recruit to vacant post, adjust JD and budget to attract more candidates.
Non-Sheltered Staffing	6	14	14	14	14	Economic Impact	Increased staffing costs relating to non-sheltered schemes, funded by saving from sheltered schemes.
Consultancy costs	60	220	0	0	0	Growing our Economy	External consultancy costs relating to Decarbonisation of housing stock, ESC build guide and policy and strategy.
running of schemes (sheltered and non- sheltered)	0	0	42	31	51	Economic Impact	Increases in utilities, cleaning and general running costs associated with all schemes.
Rents, rates, and other charges	59	43	21	21	21	Enabling our communities	Increase on council tax and rates, increase due to redevelopment programme, and increased charges.
Provision for Bad Debt	101	9	4	0	0	Economic Impact	Provision based on current arrears, increased provision from 4.76% to 5% of budgeted income in each year.
Depreciation charge	0	0	0	0	58	Government Policy	2025/26 budget based on 2024/25, increase is an inflationary increase.
Direct Revenue Financing - source of finance for capital programme	0	304	0	0	0	Roll Forward of Budget	Roll forward of 2021/22 budget to 2022/23.
	1,983	**2,633**	**1,899**	**1,759**	**2,016**		
Additional Income							
Dwelling Rent income	0	0	-29	-1	-497	Government Policy	2025/26 base is 2024/25 budget. BOI predicted CPI + 1% (2.9%) added to this.
Contribution towards expenditure	-26	0	0	0	0	Government Policy	One off payment of repaid RTB discount.
Interest on cash balances	-96	-57	-37	-32	-37	Economic Impact	Increase in average interest received and increase in cash balances due to delays in the capital programme.
	-122	**-57**	**-66**	**-33**	**-534**		

Reduced Income							
Dwelling Rent income	192	35	0	0	0	Pandemic Impact	Income forecasted for 2021/22 will not be realised due to a delay in the development programme.
Garage Rent income	31	29	30	30	26	Caring for our Environment	Survey of garages led to some being decommissioned, and some sites being redeveloped for housing.
Other Rents	0	0	1	1	1	Economic Impact	Slight reduction in other rents and wayleaves.
Service charges and facilities income	3	28	18	8	11	Remaining Financially Sustainable	Service charges and facility income can only recover costs and not make a profit. The reduced income reflects the reduced cost in services provided.
Reimbursement of costs	47	32	32	32	29	Remaining Financially Sustainable	Reimbursement for DFG works reduced, as cost of service reduced.
	273	**124**	**81**	**71**	**67**		
Savings							
Supervision and Management service cost increase	-20	0	0	0	0	Pandemic Impact	Further savings due to homeworking and use of technology for remote meetings.
Housing Development Staffing	-25	0	0	0	0	Economic Impact	Unable to fill vacant post.
Strategy Staffing	-40	-40	-41	-41	-42	Remaining Financially Sustainable	Retirement - post no longer required. Savings used to fund new post.
Sheltered scheme staffing	-15	-23	-24	-24	-25	Remaining Financially Sustainable	Retirement - Work covered by existing staff. Saving used to fund new post.
Housing Development Programme	-100	-22	0	0	0	Pandemic Impact	Delays in the development programme due to the pandemic.
Depreciation charge	-430	-479	-296	-212	0	Government Policy	Depreciation is linked to the capital programme, delays in the programme has reduced depreciation cost.
Interest payable on HRA debt	-10	-50	-50	-50	-90	Economic Impact	Interest rate slightly decreased, and charge decreases as debt is repaid.
Direct Revenue Financing - source of finance for capital programme	-3,132	0	-425	-2,050	-2,050	Remaining Financially Sustainable	Delays in development programme in 2021/22 to 2022/23 and other sources of finance utilised in future years.
	-3,772	**-614**	**-836**	**-2,377**	**-2,207**		
Use of Reserves							
Debt repayment reserve	1,500	0	-1,000	-500	0	Use of Reserves	Use saving in 2021/22 to top up reserve, to minimise cost pressures in future years.
	1,500	**0**	**-1,000**	**-500**	**0**		
Net Total Movements	**-138**	**2,086**	**78**	**-1,080**	**-658**		
				Net Total Movements between 2021/22 and 2025/26	**288**		

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. 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.

Appendix A2

HRA 2022/23 to 2025/26 Budget – inclusive of revised 2021/22 position

5.2 **Table D** summarises the 2022/23 budget through to 2025/26, with a revised position for 2021/22. A brief description for each heading can be found in **Appendix B**.

Table D

HRA Budget	2021/22 Original £'000	2021/22 Revised £'000	2021/22 Movement £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000
Income							
Dwelling Rent	(19,496)	(19,302)	194	(19,926)	(20,502)	(21,043)	(21,540)
Non-Dwelling Rent	(185)	(153)	32	(160)	(164)	(168)	(172)
Service & Other Charges	(1,227)	(1,224)	3	(1,098)	(1,096)	(1,095)	(1,092)
Leaseholders Charges for Services	(10)	(12)	(2)	(10)	(10)	(10)	(10)
Contribution towards Expenditure	(33)	(59)	(26)	(33)	(33)	(33)	(33)
Reimbursement of Costs	(306)	(259)	47	(276)	(278)	(281)	(284)
Interest Income	(109)	(205)	(96)	(169)	(152)	(146)	(152)
Total Income	**(21,366)**	**(21,214)**	**152**	**(21,672)**	**(22,235)**	**(22,776)**	**(23,283)**
10% of total income	**(2,137)**	**(2,121)**	**15**	**(2,167)**	**(2,224)**	**(2,278)**	**(2,328)**
Expenditure							
Repairs & Maintenance	4,292	6,003	1,711	6,141	6,121	6,084	6,182
Supervision & Management	3,397	3,421	24	3,683	3,706	3,800	3,875
Special Services	2,190	2,076	(114)	2,440	2,327	2,345	2,372
Rents, Rates and other Charges	103	162	59	146	123	123	123
Movement in Bad Debt Provision	12	113	101	31	29	27	25
Contribution to CDC	95	95	-	95	95	95	95
Capital Charges	3,768	3,339	(429)	3,650	4,088	4,416	4,687
Interest Charges	2,194	2,184	(10)	2,106	2,106	2,066	2,026
Revenue Contribution to Capital	5,368	2,236	(3,132)	5,863	3,748	3,175	3,175
Transfer to Earmaked Reserves	500	2,000	1,500	-	-	-	500
Total Expenditure	**21,919**	**21,629**	**(290)**	**24,155**	**22,343**	**22,131**	**23,060**
Movement in the HRA balance	**553**	**415**	**(138)**	**2,483**	**108**	**(645)**	**(223)**
HRA Balance carried forward	**(5,467)**	**(5,605)**	**(138)**	**(3,122)**	**(3,014)**	**(3,659)**	**(3,882)**

Highlights regarding 2021/22 revised position – Table D

Income

5.3 The decrease in dwelling rent is minor adjustment to such a large income stream. The movement is 0.99%. This will on the main part relate to income budgeted for on developments that have seen delays due to COVID.

5.4 Reduction in non-dwelling rent relates to garage rent income. Some garages in poor disrepair have been considered for redevelopment for housing or demolished to provide additional parking.

5.5 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.

5.6 Reimbursement of costs has reduced, but this directly links to the cost of providing a service. The cost of carrying out disabled facility adaptions for the private sector housing team was reduced, therefore this has no true impact to the HRA budget.

5.7 The increase in interest income relates to the HRA holding higher cash balances than originally anticipated, due to delays in the capital programme. Also, the interest received is slightly higher than last year's prediction.

Expenditure

5.8 The larges movement is in the saving relating to delays in the housing development programme because of COVID. The saving on revenue contribution to capital, special services and capital charges are all linked to this. These savings have been reinvested in repairs and maintenance, and the debt repayment reserve.

5.9 Increasing the payment into the debt repayment reserve in 2021/22 has reduced the pressure to budget for this reserve during 2022/23 to 2024/25 ensuring the HRA can continue with its programme of works, while still paying down the debt.

5.10 The increased investment in repairs and maintenance is made up of increased staffing, increased material costs, and ensure budget availability to ramp up work to 'catch up' from COVID. In addition to this, in future years, as decarbonisation of the housing stock is in progress, budget will be available for this work. Although the cost of this work is not yet known, by adding budget in both the Capital programme, and revenue, it puts the HRA in a good position to get the work done without being held back by lack of funding/budget.

5.11 The increase in bad debt provision reflects on the current position on arrears. Arrears have increased from last year slightly, from 4.76% of income to 5%. This is an incredibly good position to be in during the pandemic. 5% has been used for future year budgets, although the tenants services team continue to work hard to bring this down further.

5.12 The increase on rents, rates and other charges are linked to council tax payments. Due to the increase in council tax charges with some properties being held for redevelopment and increases on void turnaround times due to COVID restrictions, this has impacted on the cost of these charges to the HRA.

2022/23 to 2025/26 Budgets

5.13 **Table D** demonstrates a healthy HRA working balance. The carry forward balance from 2021/22 was £6.020 million, more than double the requirement. 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 between 2021/22 and 2023/24, to make best use of the funds, but remaining well above the required 10% minimum.

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

APPENDIX B

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.
- **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 £850k.
- **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.

Appendix C

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 2022/23.

	Average Weekly Charge 2021/22 £	Average Proposed Weekly Charge 2022/23 £	Average Weekly Increase/ (Decrease) £
Grouped Homes Service Charges (average):			
General Service Charge	14.16	14.57	0.41
Heating Charge	13.15	13.35	0.20
Communal Water Charge	2.95	2.51	-0.44
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.75	-0.15

	Weekly Charge 2021/22 £	Proposed Weekly Charge 22/23 £	Weekly Increase/ (Decrease) £
Caretaker:			
St Peter's Court	6.65	6.80	0.15
Dukes Head Street	4.90	5.05	0.15
Chapel Court	3.60	3.65	0.05
Servicing:			
Electric Central Heating System (Wet Systems)	1.60	1.60	0.00
Solid Fuel Central Heating System	2.36	2.36	0.00
Gas Fire	0.50	0.50	0.00
Ecodan Central Heating System Air Source Heat Pump	2.30	2.30	0.00
Septic Tank Emptying/Servicing	5.34	5.34	0.00
Flue Maintenance	2.36	2.36	0.00
Grounds Maintenance (average) *	1.38	1.37	-0.01

* Cost vary depending on size of land to maintain.

Other:			
Communal Area Cleaning Service (average) **	1.86	2.22	0.36

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

	Weekly Charge 2021/22 £	Proposed Weekly Charge 2022/23 £	Weekly Increase/ (Decrease) £	
Garage Rents:				
Tenants	8.50	9.00	0.50	
Non Tenants (net of VAT)	9.92	10.50	0.58	**(12.60 inclusive of VAT)**

Appendix D

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2021/22 Approved Budget	2021/22 Forecast Outturn	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
Responsive Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Supervision and Management (See note 1 below)	490,300	2,259,200	2,205,400	2,122,300	2,052,300	2,147,900
Jobbing Repairs	1,131,300	1,158,800	1,132,200	1,183,100	1,183,100	1,183,100
Loft Insulation	0	10,000	10,000	10,000	10,000	10,000
Tenant Allowances	40,000	30,000	40,000	40,000	40,000	40,000
Relet Repairs (Voids)	913,000	913,000	923,000	923,000	923,000	923,000
Asbestos - Removal (See Note 2 below)	80,000	50,000	80,000	80,000	80,000	80,000
Asbestos - Testing (See Note 2 below)	95,000	40,000	95,000	95,000	95,000	95,000
Legionella	6,000	6,000	6,000	6,000	6,000	6,000
Communal Areas	30,000	30,000	30,000	30,000	30,000	30,000
Solid Fuel and Heating Repairs	13,000	10,000	10,000	10,000	10,000	10,000
Electrical Testing & Repairs (See Note 3 below)	100,000	200,000	200,000	200,000	200,000	200,000
Emergency Lighting	7,000	10,000	10,000	10,000	10,000	10,000
External Decoration (See Note 2 below)	100,000	70,000	130,000	130,000	130,000	130,000
Roof and PVC Panelling Cleaning	25,000	15,000	25,000	25,000	25,000	25,000
Fire Fighting Equipment and Detection	5,000	5,000	5,000	5,000	5,000	5,000
Lifts	8,000	8,000	8,000	8,000	8,000	8,000
Disabled Adaptations (See note 4 below)	257,500	229,600	230,300	233,100	235,900	238,100
Door Porter and Security Systems (See Note 5 below)	0	2,000	0	0	0	0
Environmental Works	5,000	5,000	5,000	5,000	5,000	5,000
Drainage and Pumping Stations	8,900	9,900	9,900	9,900	9,900	9,900
Mutual Exchange	10,000	5,000	10,000	10,000	10,000	10,000
Rechargeable Works - Incl's Leaseholder Properties	40,000	30,000	40,000	40,000	40,000	40,000
Servicing Contracts & Repairs	477,000	477,000	486,000	496,000	526,000	526,000
Total Responsive Maintenance	**3,842,000**	**5,573,500**	**5,690,800**	**5,671,400**	**5,634,200**	**5,732,000**

Planned Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Chimneys	20,000	20,000	20,000	20,000	20,000	20,000
External Walls (See Note 2 below)	30,000	10,000	30,000	30,000	30,000	30,000
Paths / Hardstanding	250,000	250,000	250,000	250,000	250,000	250,000
Boundary / Retaining Walls	30,000	40,000	30,000	30,000	30,000	30,000
Outbuildings	40,000	30,000	40,000	40,000	40,000	40,000
Structural / Damp / Drainage / etc	80,000	80,000	80,000	80,000	80,000	80,000
Total Planned Maintenance	**450,000**	**430,000**	**450,000**	**450,000**	**450,000**	**450,000**

Total HRA Housing Repairs	**4,292,000**	**6,003,500**	**6,140,800**	**6,121,400**	**6,084,200**	**6,182,000**

Notes:

Note 1 - Supervision and Management costs have increased. This budget covers unrecoverable cost, but also budget to cover works yet to be identified for decarbonisation.

Note 2 - The drop in expenditure in 2021/22 is directly linked to restrictions relating to COVID-19 and the delays on supply of materials.

Note 3 - Increased budget in line with planned programme of works.

Note 4 - The Housing team completes Disabled Adaption works for the Private Sector Housing team. Income is received for this work covering the costs.

Note 5 - Door Porter security system charges are now accounted for directly under the schemes they relate to, giving a true cost of each asset.

Appendix E HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

	Closing Balance 31/03/21	2021/22 Movements Transfer In	Transfer Out	Closing Balance 31/03/22	2022/23 Movements Transfer In	Transfer Out	Closing Balance 31/03/23	2023/24 Movements Transfer In	Transfer Out	Closing Balance 31/03/24	2024/25 Movements Transfer In	Transfer Out	Closing Balance 31/03/25	2025/26 Movements Transfer In	Transfer Out	Closing Balance 31/03/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Working Balance	**-6,020**	0	415	**-5,605**	0	2,483	**-3,122**	0	108	**-3,014**	-645	0	**-3,659**	-223	0	**-3,882**
10% Requirement	**-2,111**			**-2,121**			**-2,167**			**-2,224**			**-2,278**			**-2,328**

HRA EARMARKED RESERVES

	Closing Balance 31/03/21	2021/22 Movements Transfer In	Transfer Out	Closing Balance 31/03/22	2022/23 Movements Transfer In	Transfer Out	Closing Balance 31/03/23	2023/24 Movements Transfer In	Transfer Out	Closing Balance 31/03/24	2024/25 Movements Transfer In	Transfer Out	Closing Balance 31/03/25	2025/26 Movements Transfer In	Transfer Out	Closing Balance 31/03/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Repayment Reserve	**-12,500**	-2,000	0	**-14,500**	0	0	**-14,500**	0	0	**-14,500**	0	0	**-14,500**	-500	0	**-15,000**
HRA DHP top-up Reserve	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**
MMI Reserve	**-60**	0	0	**-60**	0	0	**-60**	0	0	**-60**	0	0	**-60**	0	0	**-60**
Impairment/Revaluation Reserve	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**
Acquisition & Development Reserve	**-6,300**	0	795	**-5,505**	0	2140	**-3,365**	0	2000	**-1,365**	0	1365	**0**	0	0	**0**
Total HRA Earmarked Reserves	**-19,616**	-2,000	795	**-20,821**	0	2,140	**-18,681**	0	2,000	**-16,681**	0	1,365	**-15,316**	-500	0	**-15,816**

HRA CAPITAL RESERVE

	Closing Balance 31/03/21	2021/22 Movements Transfers In	Transfers Out	Closing Balance 31/03/22	2022/23 Movements Transfer In	Transfer Out	Closing Balance 31/03/23	2023/24 Movements Transfer In	Transfer Out	Closing Balance 31/03/24	2024/25 Movements Transfer In	Transfer Out	Closing Balance 31/03/25	2025/26 Movements Transfer In	Transfer Out	Closing Balance 31/03/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Major Repairs Reserve	**-22,444**	-3,289	12,923	**-12,810**	-3,609	9,100	**-7,319**	-4,052	5,040	**-6,331**	-4,380	5,040	**-5,671**	-4,650	5,040	**-5,281**

Appendix F

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Dwelling rents annual increase (see paragraph 3.8)	1.8%	3.5%	3.0%	2.9%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase *	5.9%	3.0%	3.0%	3.0%
Charges for services & facilities annual increase **	0.00%	0.00%	0.00%	0.00%
Write-off allowance	£100,000	£100,000	£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	30	50	50	50
Average interest rate on HRA balances	0.78%	0.78%	0.78%	0.78%
Expenditure				
Bad Debt Provision	5.00%	5.00%	5.00%	5.00%

* Garage rent increases may seem high, but following extensive market research, it was determined ESC garage rents are particularly low.

** As service charges are to recover costs, no increases have been assumed. New build properties are less likely to have service charges, compared to properties sold through RTB. Therefore there is a slight decrease in service charge budgets.