

Report to Overview and Scrutiny Performance and Value for Money Select Committee

Housing Revenue Account Estimates for 2020/21 to 2024/25 and Proposed Outturn for 2019/20

Portfolio Holder:

Joint Report of the Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member (Finance and Corporate Services) and Councillor Hannah Roberts, Cabinet Member (Housing)

Officer Contact: Anne Ryans, Director of Finance

Report Author: John Hoskins, Finance Manager
Ext. 1323

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Reason for Decision

The report sets out the latest Housing Revenue Account (HRA) outturn estimate for 2019/20, the detailed budget for 2020/21 and strategic estimates for the four years 2021/22 through to 2024/25. The report also sets out the recommended dwelling, non-dwelling rents and service and concierge charges to be applied from April 2020.

Executive Summary

The report sets out the HRA proposed 2020/21 original budget and the forecast outturn for 2019/20. The opportunity is also taken to present the provisional strategic budgets for 2021/22 through to 2024/25.

HRA activities are a key element of the Council's Housing Strategy (approved by Council on 10 July 2019) which aims to provide a diverse Oldham Housing offer that is attractive and meets the needs of different sections of the population at different stages of their lives.

After taking all relevant issues into account, the projected financial position for 2019/20 is estimated to be a £2.273m positive variance when compared to the original budget forecast for 2019/20 approved at the Budget Council meeting, 27 February 2019. Most of this variance is attributable to

the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles. The balance at the end of 2019/20 is projected at £21.750m.

The financial position for 2020/21 shows an estimated HRA closing balance of £18.230m which is sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2020/21 position has been presented after allowing for an increase in dwelling rents of 2.7%, the increase in non-dwelling rents in line with individual contracts, the freezing of all service charges and the setting of Extra Care Housing and Holly Bank concierge charges to fully recover costs.

Members will recall that the Government had previously advised that PFI properties were exempt from Central Government's 1% Social Rent Reduction policy. This policy is due to end on 31 March 2020. In preparation, Central Government has recently issued updated guidance for the period 2020-2025 for all properties, confirming a return to rents being set based on the Consumer Price Index (CPI) rate at September of the preceding year plus 1%. All Oldham's budget projections for the 2020/21 budget will follow the rent setting guidance of CPI plus 1%, resulting in an increase of 2.7% (CPI is taken as at September 2019).

The financial projections for the HRA over the period 2019/20 to 2024/25 show an overall reduction in the level of balances from £21.750m at the end of 2019/20 to £7.713m at the end of 2024/25. This is because HRA resources are to be used to support several major approved housing capital projects including development at Princes Gate Site C, developing temporary accommodation to meet homelessness demands, developing purchase and repair / lease and repair pilot schemes in the private rented sector and financing the purchase of additional housing to add to the Council's HRA stock.

Recommendations

That PVFM considers and comments on the:

1. Forecast HRA outturn for 2019/20 (as per Appendix A)
2. Proposed HRA budget for 2020/21 (as per Appendix B)
3. Strategic estimates for 2020/21 to 2024/25 (as per Appendix D)
4. Proposed increase to dwelling rents for all properties of 2.7%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that service charges are unchanged.
7. Proposal to set Extra Care Housing and Holly Bank concierge charges to fully recover actual costs.

Overview and Scrutiny Performance and Value for Money Select Committee

Housing Revenue Account Estimates 2020/21 to 2024/25 and Proposed Outturn for 2019/20

1 Background

- 1.1 The budget and policy framework set out an annual timetable for the HRA budget process. Production of this report and the ability to scrutinise the budget are key features of that framework, along with consultation with tenants. The HRA Budget report for 2020/21 is presented here with the intention that it will be considered by Cabinet on 10 February 2020 and Council on 26 February 2020.
- 1.2 HRA activities are a key element of the Council's Housing Strategy (approved by Council on 10 July 2019) which aims to provide a diverse Oldham Housing offer that is attractive and meets the needs of different sections of the population at different stages of their lives.

2 Current Position

Housing Stock

- 2.1 The Council's housing stock currently comprises 2,079 properties with most properties being managed and maintained within two Private Finance Initiative (PFI) schemes.

PFI 2 Sheltered Housing

- 2.2 The PFI 2 Contract between the Council and Housing 21 was signed in 2006 to provide 1,431 (plus 1 additional property subsequently added in 2016) sheltered accommodation dwellings in a mixture of bungalows and group schemes with construction finishing in May 2012. The operational contract runs to September 2036. The total construction value was £105m, all of which is payable through an annual unitary charge and funded by the annual PFI grant from Government alongside rental income received.

PFI 4 Gateways to Oldham

- 2.3 The Gateways to Oldham PFI 4 scheme reached financial close in November 2011 and has seen the refurbishment of 317 existing properties and the creation of 317 new homes, with a total capital value of £77m. The Council has entered into a 25 year contract with Inspiral Oldham who utilised private finance to fund the construction works and to manage and maintain the properties for the duration of the contract through to October 2036. Construction was completed in December 2014 (317 refurbishments and 317 new homes in total) with all the required highway works and public open space improvements finalised in November 2015. The Council has subsequently sold 7 properties under the Right to Buy Scheme (RTB).

2.4 Holly Bank Apartments

Holly Bank Apartments is a brand new 20-unit supported housing facility for Adults with Learning Disabilities. The scheme has been built for a total capital value of approximately £4.3m. The scheme was completed in November 2019 with its first tenants being housed during the early part of 2020.

The Self-Financing Housing Revenue Account

- 2.5 The HRA is a self-sufficient ring-fenced account which retains and utilises rental income, and in the case of Oldham, PFI credits, to meet all its management, maintenance and repairs commitments, including the respective unitary charges to provide social housing. The ringfencing arrangements ensure Councils manage their housing stock for the benefit of its residents in a transparent, accountable and in a cost-effective way.
- 2.6 In non-PFI arrangements depreciation is charged to ensure Councils are accumulating appropriate balances in order to have sufficient resources to allow for any repairs needed to their housing stock.
- 2.7 However, as most of Oldham's housing stock is contained within two PFI schemes, there already exists an allocation of funding for ongoing repairs and maintenance within the unitary charge paid. Despite some uncertainty as to the approach over recent years, the Ministry of Housing, Communities and Local Government (MHCLG) has confirmed that depreciation need not be charged to the HRA in respect of Oldham's PFI housing stock.

Government Guidance for Rent Increases

- 2.8 Members will recall that the Government had previously advised that PFI properties were exempt from Central Government's 1% Social Rent Reduction policy. This policy is due to end on the 31st March 2020. The level of rents recommended for approval for 2020/21 and included in the 2020/21 budget projections follow current Government guidance which states rents should increase by the Consumer Price Index (CPI) plus 1%. The 2020/21 proposed annual rents for all HRA tenants will therefore see rents increase by 2.7% (based on CPI as at September 2019 of 1.7% plus 1%). It is therefore estimated that the average rent increase from April 2020 will be £2.37 per week (from £87.72 to £90.09).

The Revised HRA Budget 2019/20

- 2.9 The 2019/20 estimated outturn is attached at Appendix A and shows an estimated year end working balance of £21.750m, £2.273m higher than the original budget approved at the February 2019 Budget Council meeting. Current estimates align to forecasts in the Council's Month 8 Revenue Monitoring report. The majority of the 'in-year' variance of £2.335m can be attributed to the re-profiling of the planned spending on HRA funded capital schemes into later years. Members will also note that the final outturn position for 2018/19 resulted in HRA Balances brought forward of £21.304m, £0.062m lower than the position reported at the February 2019 Budget Council Meeting.
- 2.10 The composition of the balance is summarised below:

Analysis of HRA Balances 2019/20	Original Budget £000	Revised Budget £000	Variance £000
HRA Balances b/fwd	(21,366)	(21,304)	62
(Surplus)/Deficit for the year on HRA Services	1,889	(446)	(2,335)
HRA Balances c/fwd	(19,477)	(21,750)	(2,273)

The HRA Budget 2020/21

- 2.11 The proposed HRA budget for 2020/21 is attached at Appendix B including all income and expenditure due to be financed from HRA Balances.
- 2.12 As previously advised, most of the housing within the HRA is managed within two PFI arrangements which are in part funded by Government grant known as PFI credits. PFI credits for the two schemes are paid on an annuity basis; that is, they remain constant throughout the life of the contracts. In the early years of the schemes, these credits exceed the unitary charges and other costs payable. These early year surpluses, together with any interest earned, are retained to meet later year deficits as unitary charge payments to the service provider are increased year on year by an inflationary factor. HRA balances are specifically earmarked to finance these contracts and other planned HRA capital schemes, as identified in Appendix B
- 2.13 Other key assumptions made in determining the HRA revenue budget are that:
- 1) Average rents are 2.7% higher than for 2019/20 for all HRA tenants;
 - 2) Void levels have been assumed at 2% per annum on PFI 4 properties and at 3% per annum on PFI 2 properties and Holly Bank Apartments. PFI 2 void percentages have historically been higher as a result of the ongoing tenancy placement work, ensuring tenant mixes in the six extra care schemes are appropriate to the levels of care provision required. The 3% void levels have been considered to be a more prudent assessment of the PFI 2 and Holly Bank Apartment property void position;
 - 3) There are 48 chargeable rent weeks in 2020/21;
 - 4) Service Charges and Extra Care Housing charges are continued/applied from 1 April 2020 in line with previous approvals.
- 2.14 The estimated 2020/21 HRA closing balance is £18.230m and is sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment. Appendix B presents the projected 2020/21 HRA budget based on the proposed position.
- 2.15 The estimated HRA budget for 2020/21 to 2024/25 is summarised below and presented in more detail at Appendix D. Forecast expenditure includes the use of Revenue Contributions to Capital Outlay (RCCO) to support the financing of the HRA Capital Programme (see Capital Strategy report elsewhere on the agenda). For the period 2020/21 to 2024/25 the HRA has £23.395m allocated as a Revenue Contribution to Capital Outlay.

2.16

HRA Income and Expenditure Account 2020/21 to 2024/25 Strategic Forecast	2020/21	2021/22	2022/23	2023/24	2024/25
Income (including interest and investment income)	(29,228)	(29,478)	(29,734)	(30,140)	(30,414)
Expenditure	32,748	31,481	34,121	36,022	28,659
Net (surplus)/Deficit	3,520	2,003	4,387	5,882	(1,755)
HRA Balances b/fwd	(21,750)	(18,230)	(16,227)	(11,840)	(5,958)
HRA Balances c/fwd	(18,230)	(16,227)	(11,840)	(5,958)	(7,713)

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2020/21

- 2.17 The proposed 2020/21 HRA budget is based on dwelling rents increasing in line with current Government rent setting guidance as outlined in paragraph 2.8 above. Non-dwelling rents will be increased in line with individual agreements.
- 2.18 Central heating charges remain for some of the PFI properties and it is proposed to continue recharging tenants on the basis of actual costs incurred.
- 2.19 From the Council's perspective, service charges are deemed necessary as it helps minimise long term risk to the Council's HRA Business Plan, whilst also allowing the establishment of a more stable and realistic financial environment in which to manage the housing stock.
- 2.20 The Council has recognised the financial pressure that a 2.7% rent uplift will have on tenants and for this reason it has chosen to freeze service charges for all tenants.

Extra Care Housing (ECH) and Holly Bank Apartments

- 2.21 All six ECH schemes (Trinity House, Aster House, Charles Morris House, Tandle View Court, Old Mill House and Hopwood Court) incur a service charge for concierge services. It is proposed that the weekly charge is increased in line with Housing 21's pay inflation to £20.85 per week reflecting the actual cost incurred by the Council.
- 2.22 The new facility for adults with learning disabilities, Holly Bank Apartments, will also include a concierge service. As with Extra Care Housing outlined above, the weekly charge for concierge services at Holly Bank will be set at a level to fully recover actual costs incurred.

Increase in Borrowing Limits

- 2.23 In the Budget Announcement of October 2018, the Government announced plans to remove the borrowing cap for all authorities. A determination statement was issued by The Secretary of State for Housing, Communities and Local Government at the time, the Rt Hon James Brokenshire MP stating that Councils would be able to borrow for new build, provided they followed current prudential borrowing guidelines. The determination came into force on 1 November 2018. Whilst this offered greater potential for funding larger projects, consideration was still needed around the length of time it would take to repay the principal sum borrowed along with the interest payable. Current lending and borrowing interest rates make it prudent to use any HRA balances held before any loan is sought. There are already several planned capital projects which will utilise some of the HRA balances and detailed consideration is needed to determine, what if any, prudential borrowing is appropriate, given the requirement to finance the cost of any such borrowing from the HRA.

Increases to The Cost of Borrowing

- 2.24 On 9 October 2019 the UK Debt Management Office (DMO) increased the cost of borrowing from the Public Loans Work Board (PWLB) by 1%. This increase saw a return of rates back to levels last seen in 2018. The Government recently issued a letter to all Local Authorities confirming their need to increase rates to "normal" lending rates considering significant increases in low level borrowing driven by more commercial investment by Local Authorities. Many Local Authorities are now expected to reassess their investment decisions particularly around areas such as housing and infrastructure. Alternative sources of finance may now be sought to help fund capital projects. Alternative sources of finance may include pension funds, insurers and investors willing to lend to public bodies. The Council will continue to assess its requirement for external borrowing and available lending

rates and review the use of its HRA balances for all current and future proposed housing capital projects.

2.25 There are several major approved housing capital projects that the Council wishes to implement over the medium to long term to support the delivery of the overall Housing Strategy. Approved capital projects that will specifically rely on use of HRA balances include:

- **Princes Gate Site C** - A key element of the vision for the Town Centre is the development of new affordable housing including development of this Princes Gate site.
- **Developing temporary accommodation to meet homelessness demands** - There has been a significant increase in the number of homeless households who need help and support. To address this, a range of sustainable options are being considered including the purchasing of a building which could accommodate 18 self-contained flats, and a long-term lease on a building which could accommodate 25 units of mixed accommodation (self-contained and shared). Pursuing these types of long-term arrangements would not only address a definite need but also support the revenue budget by reducing the high levels of reactive costs such as bed & breakfast accommodation charges.
- **Developing the Purchase and Repair and Lease and Repair pilot schemes in the private rented sector** - The Council has launched a pilot empty homes intervention project to work with owners of empty homes to bring their properties back into use through one of the two options available from the Council. A combination of HRA funding and Homes England Grant funding have enabled the development of Purchase & Repair and Lease & Repair options; designed to financially support landlords in bringing their properties back into use. It is envisaged that this scheme will be widened post the pilot phase. This accommodation will be used to prevent homelessness by offering suitable, long term accommodation for those in need. This accommodation will also assist with the 'move-on' options from those households in temporary accommodation by providing a suitable, longer term, settled abode.
- **Future Housing Purchases** – The Council has made provision to purchase additional housing which will be added to the Council's HRA stock and will provide a new social housing option for families within Oldham.

2.26 In addition to the approved major housing projects outlined above, the strategic estimates for 2021/22 onwards (see Appendix D) contain some indicative RCCO projections for aspirational housing projects. These projects are included within the Capital Strategy which is elsewhere on the agenda. They are also incorporated within a Cabinet report entitled "Creating A Better Place" which is due for consideration by Cabinet on 27 January 2020. Financial projections included within Appendix D anticipate that the report will be approved.

Strategic HRA Estimates 2021/22 to 2024/25

2.27 The projected forecasts for 2021/22 to 2024/25 are attached at Appendix D. As per paragraph 2.1, most of the properties within the HRA are managed under two PFI contracts. Based on current estimates, it is expected that the HRA balance will be £16.227m at the end of 2021/22, £11.840m at the end of 2022/23, £5.958m at the end of 2023/24 and £7.713m at the end of 2024/25.

2.28 It should be noted that in both PFI schemes a proportion of the unitary charge is indexed with reference to inflation based on the Retail Prices Index (RPI) rather than the Consumer Price Index (CPI).

3 Options/Alternatives

3.1 For the Council to comply with legislative requirements, it must consider and approve an HRA budget for 2020/21.

3.2 Three options with regard to rent are presented below.

- proposed rent increase of 2.7%
- proposed rent increase of 1.7%
- rents are frozen for 2020/21.

Compared to a 2.7% increase, the loss to the HRA for 2020/21 in terms of rental income would be, £0.084m at a 1.7% rent increase and £0.229m with no rent increase, as shown below.

Average Increase in Rent	1.7% £000	0% £000
Impact in 2020/21	84	229
Impact over remaining life of Business Plan	3,837	10,359

3.3 Although losses in income for 2020/21 could be considered manageable, it is the cumulative impact of sustained losses of income that would have a lasting and significant impact on the long-term financial strength of the HRA and potentially its ability to meet its current and future financial commitments. This is emphasised with the inflation factor built into the Unitary Charge. A proportion of the Unitary Charge expenditure currently increases by an inflation factor linked to the Retail Price Index (RPI), therefore were the Council not to introduce the proposed rent increase, or to increase rents at a level below the current proposal, it would limit the ability of the HRA to meet its future financial commitments support the aspirations of the Council's wider Housing Strategy.

4 Preferred Option

4.1 Given the need to maintain a sustainable HRA financial position over the business plan period and support the aspirations of the wider Housing Strategy, the preferred option is that a dwelling rent increases of 2.7% is implemented together with other recommendations related to charges included in the report.

5 Consultation

5.1 Consultation has taken place with Executive Members, Service Providers and Tenants throughout the year. Where schemes have had a significant impact on a particular group of tenants or subsequently had a material impact on the HRA budget, the Council has endeavoured to undertake a thorough consultation with tenants. For example the Council has staged additional, more frequent drop-in sessions and Court Voices meetings where tenants are encouraged to raise any concerns thus allowing a forum for further consultation. It was through Court Voices that tenants, in conjunction with Housing Officers, compiled a list of specific wants which were then considered and approved as part of the HRA element of the Council's Capital Strategy. A key element of this consultation process is the consideration of the HRA budget by this Select Committee along with its progression to Cabinet and Council.

6 Financial Implications

- 6.1 The proposals set out in this report are based upon the best assessment of the likely financial position of the Council's HRA for 2019/20 to 2024/25. Prudent assessments have been included within these estimates and the financial impact of any variances is identified in the Risk Assessments undertaken.
- 6.2 HRA balances are sufficient to meet known obligations for the foreseeable future.
- 6.3 The Housing Revenue Account Estimates report has direct links to both the Council's Housing Strategy and the Capital Strategy.
- 6.4 The Housing Strategy was approved at the Council meeting of 10 July 2019. The Strategy's key objective has been to reset the housing delivery governance framework that can then begin to start to tackle the challenges identified in the evidence based Local Housing Needs Assessment. Some of these challenges will have direct financial and stakeholder implications for HRA tenants.
- 6.5 The Council's Capital Strategy follows the same approval pathway as this Housing Revenue Account Estimates report. This report is aligned with the Capital Strategy and includes all HRA funded capital projects as summarised under Revenue Contribution to Capital Outlay (RCCO) as contained in Appendices A to D.

(John Hoskins)

7 Legal Services Comments

- 7.1 It is a statutory requirement that the Authority set a balanced HRA budget, having due regard to an appropriate level of working balances and giving due consideration to the risks involved.

(Colin Brittain)

8 Co-operative Agenda

- 8.1 The HRA budget has been prepared so that resources are utilised to support the aims, objectives and co-operative ethos of the Council.

9 Human Resources Comments

- 9.1 None.

10 Risk Assessments

- 10.1 The HRA budget set out in this report is based on the best assessment of the likely financial position of the HRA in 2019/20 to 2024/25. Attached at Appendix C is a risk register as at January 2020. Forecasting remains challenging and there are a number of key issues that, should they change, affect the proposed budget.

(Mark Stenson)

11 IT Implications

- 11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None.

14 Environmental and Health & Safety Implications

14.1 There are non-specific at this stage.

15 Equality, community cohesion and crime implications

15.1 Continuation of a robust consultation process open to all tenants and tenants representatives will ensure maximum engagement and provide the opportunity for the views of all groups to be considered in setting the HRA budget and the provision of services to tenants.

16 Equality Impact Assessment Completed?

16.1 Not Applicable

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 FCS-11-19

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref: Background papers are attached as Appendices A to D
Officer Name: John Hoskins, David Leach and Anne Ryans
Contact No: 0161 770 1323/6679/4902

20 Appendices

Appendix A Revised HRA Income & Expenditure Account 2019/20.
Appendix B Original HRA Income & Expenditure Account 2020/21.
Appendix C 2020/21 – 2024/25 Risk Assessment as at January 2020.
Appendix D HRA Income & Expenditure Account 2020/21 to 2024/25 Strategic Forecasts.

Revised HRA Income & Expenditure Account 2019/20	Original Budget	Latest Forecast	Variance to Budget
	£000	£000	£000
Income			
Dwellings Rents (gross)	(8,464)	(8,541)	(77)
Non Dwelling Rents	(38)	(35)	3
Charges for Services and Facilities	(1,076)	(1,082)	(6)
Contributions towards Expenditure	(39)	(399)	(360)
PFI Grant	(18,799)	(18,799)	
Total Income	(28,416)	(28,856)	(440)
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	23,639	23,638	(1)
Supervision & Management	465	465	-
Depreciation and Impairment of Fixed Assets	146	146	-
Rent, Rates and Other Charges	2,425	2,526	101
Revenue Contribution to Capital Outlay (RCCO)	3,849	1,854	(1,995)
Total Expenditure	30,524	28,629	(1,895)
Net Cost of HRA Services	2,108	(227)	(2,335)
Interest and Investment Income	(219)	(219)	-
(Surplus)/Deficit for the year on HRA Services	1,889	(446)	(2,335)
HRA Balances brought forward	(21,366)	(21,304)	62
HRA Balances carried forward	(19,477)	(21,750)	(2,273)

<u>Original HRA Income & Expenditure Account 2020/21</u>	Original Budget
	£000
Income	
Dwellings Rents (gross)	(8,928)
Non-Dwelling Rents	(38)
Charges for Services and Facilities	(1,224)
Contributions towards Expenditure	(20)
PFI Grant	(18,799)
Total Income	(29,009)
Expenditure	
Unitary Charge Payments (PFI2 and PFI4)	23,876
Supervision & Management	499
Depreciation and Impairment of Fixed Assets	146
Rent, Rates and Other Charges	2,689
Revenue Contribution to Capital Outlay (RCCO)	5,538
Total Expenditure	32,748
Net Cost of HRA Services	3,738
Interest and Investment Income	(219)
(Surplus)/Deficit for the year on HRA Services	3,520
HRA Balances brought forward	(21,750)
HRA Balances carried forward	(18,230)

HOUSING REVENUE ACCOUNT

2020/21 – 2024/25 RISK ASSESSMENT AS AT JANUARY 2020

<u>RISK EVENT/ DESCRIPTION</u>	<u>LIKELIHOOD</u>	<u>IMPACT</u>	<u>RESERVE POSITION</u>
1. The void level assumed on dwelling properties increases.	The proposed budget assumes a void rate of 2% on PFI 4 properties and a 3% void rate on PFI 2 and Holly Bank Apartment properties. These are believed to be realistic estimates at this time. However, arising from the impact of welfare reform a limit on Housing Benefits may force more tenants out of social housing and increase void levels.	A change in the void percentage of 1% (approximately 21 properties) has the impact, in a full year, of £0.090m.	The loss of income arising from movement in void levels would need to be met from HRA balances. The HRA has sufficient balances to absorb small movements on voids.
2. Impact of changes in rental income collection rates.	The collection of rental income is a key performance indicator and one in which the PFI providers have performed at the highest level. Historically it has been considered a low risk that this collection rate will deteriorate to a level to the point where it has a significant impact on the HRA budget. However, welfare reform has the potential to impact on rent collection levels.	Rental income is accounted for within the HRA on a rents receivable not received basis. Continuous monitoring of the levels of uncollected income will help inform the provisions position needed for bad or doubtful debts.	The current HRA bad debt provision is considered to be prudent for the levels of uncollected income currently being held/forecast within the HRA. The HRA bad debt provision is subject to review each year.
3. Service Charge Recovery	Service charges are currently eligible for Housing Benefits so it is relatively low risk that the majority of service charge costs will be unrecovered. Self-payers may incur some level of difficulty. However, the percentage of self-payers as part of the overall tenancy profile is relatively small.	In 2020/21 the total level of service charges is budgeted in excess of £0.800m (excluding concierge and court manager costs). Any reduction in this could impact the HRA's ability to maintain and develop new schemes and services.	Tenants failing to pay their service charges will have a detrimental effect on the HRA reserve, although given the high number of tenants on Housing Benefit, the level of collection is still expected to remain high.
4. Extra Care Housing (ECH) Charge Recovery	ECH charges are eligible for Housing Benefits so it is of relatively low risk that the majority of ECH charge costs will be unrecovered. Self-payers may incur some level of difficulty.	In 2020/21 it is expected each qualifying tenant i.e. a tenant within one of the six approved Extra Care Housing Group Schemes, will need to pay approximately £1,000 p.a.	Tenants failing to pay their ECH charge will have a detrimental effect on the reserve, although given the close correlation to Housing Benefit, the levels of

<u>RISK EVENT/ DESCRIPTION</u>	<u>LIKELIHOOD</u>	<u>IMPACT</u>	<u>RESERVE POSITION</u>
	However the percentage of self-payers as part of the overall tenancy profile is relatively small.	towards ECH charges. Costs of chasing recovery will also need to be considered.	collection are expected to remain high.
5.Rent Restructuring	Currently, Government guidelines suggest rents should increase by CPI + 1%. Any future changes to these guidelines may introduce additional financial pressures to the HRA, particularly if rent increases fail to keep pace with contractual increases in unitary charges (indexed by RPI + 0.5%)	As of September 2019, the month used for all rent calculations, the difference between the two indices was under 1.0%. The business plan has been modelled on the basis that the Council continues to follow Government guidance for rent setting.	The movement in the respective indices will be monitored on an on-going basis, it is however considered that there is sufficient tolerance within the predicted cumulative HRA balances to manage this risk

HRA Income & Expenditure Account 2020/21 to 2024/25 Strategic Forecasts

Appendix D

HRA Income & Expenditure Account 2020/21 to 2024/25 Strategic Forecasts	Original 2020/21	Original 2021/22	Original 2022/23	Original 2023/24	Original 2024/25
	£000	£000	£000	£000	£000
Income					
Dwellings Rents (gross)	(8,928)	(9,169)	(9,417)	(9,671)	(9,932)
Non-Dwelling Rents	(38)	(39)	(39)	(39)	(40)
Charges for Services and Facilities	(1,224)	(1,232)	(1,240)	(1,249)	(1,259)
Contributions towards Expenditure	(20)	(20)	(20)	(163)	(165)
HRA Subsidy ~ PFI Credits	(18,799)	(18,799)	(18,799)	(18,799)	(18,799)
Total Income	(29,009)	(29,259)	(29,515)	(29,921)	(30,195)
Expenditure					
Unitary Charge Payments (PFI2 and PFI4)	23,876	24,175	24,477	24,782	25,091
Supervision & Management	499	508	517	526	535
Depreciation and Impairment of Fixed Assets	146	146	146	146	146
Rent, Rates and Other Charges	2,689	2,730	2,781	2,833	2,887
Revenue Contribution to Capital Outlay (RCCO)	5,538	3,922	6,200	7,735	0
Total Expenditure	32,748	31,481	34,121	36,022	28,659
Net Cost of HRA Services	3,739	2,222	4,606	6,101	(1,536)
Interest Payable and Other Similar Charges					
Interest and Investment Income	(219)	(219)	(219)	(219)	(219)
(Surplus)/Deficit for the year on HRA Services	3,520	2,003	4,387	5,882	(1,755)
HRA Balances brought forward	(21,750)	(18,230)	(16,227)	(11,840)	(5,958)
HRA Balances carried forward	(18,230)	(16,227)	(11,840)	(5,958)	(7,713)