

Report to Council

Housing Revenue Account Estimates for 2022/23 to 2026/27 and Proposed Outturn for 2021/22

Portfolio Holder:

Joint Report of Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon and Councillor Hannah Roberts, Cabinet Member for 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 for the Housing Revenue Account (HRA), the detailed budget estimates for 2022/23, the strategic estimates for the four years 2023/24 through to 2026/27 and outturn estimate for 2021/22. The report also sets out the recommended dwelling, non-dwelling rents and service and concierge charges to be applied from April 2022.

Executive Summary

The report sets out the HRA proposed 2022/23 original budget and the forecast outturn for 2021/22. The opportunity is also taken to present the provisional strategic budgets for 2023/24 through to 2026/27.

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 2021/22 is estimated to be a £4.828m positive variance when compared to the original budget forecast for 2021/22 approved at the Budget Council meeting, 4 March 2021. Of this variance, £1.756m is attributable to a higher than anticipated brought forward balance from

2020/21 and the remaining £3.072m is as a result of the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles. The estimated balance at the end of 2021/22 is projected to be £22.291m.

The closing financial position for 2022/23 shows an estimated HRA closing balance of £20.483m which is sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2022/23 position has been presented after allowing for an increase in dwelling rents of 2.1%, an increase in non-dwelling rents in line with individual contracts, the freezing of all service charges and the setting of Extra Care Housing concierge charges to fully recover costs.

The current Government policy guidance for the period 2020-2025 is that all rents are calculated based on a maximum of the Consumer Price Index (CPI) rate at September of the preceding year plus 1%. Oldham's projections for the 2022/23 budget have been set assuming rental increases of 2.1% which is 2% lower than if it were to follow the maximum uplift (September 2021 CPI rate being 3.1% plus 1%). The Council has opted to propose this reduced rate given the current healthy levels of HRA balances and the ongoing pressures, including inflation, on household incomes.

The financial projections for the HRA over the period 2021/22 to 2026/27 show an overall reduction in the level of balances from £22.291m at the end of 2021/22 to £8.123m at the end of 2026/27. HRA resources are to be used to support several major approved housing capital projects including development within the town centre and on smaller sites around the borough. There is also a commitment to purchase currently empty properties owned by private sector landlords to increase the number of Council owned housing stock.

The HRA detailed budget for 2022/23 and strategic estimates for the four years 2023/24 to 2026/27 and the outturn estimate for 2021/22 were presented to the Policy Overview Scrutiny Committee on 27 January 2022. The Committee was content to commend the report to Cabinet without amendment. Cabinet duly considered and approved the report at its meeting on 14 February 2022 and commended the report to Council.

Recommendations

That Council approves the:

1. Forecast HRA outturn for 2021/22 (as per Appendix A)
2. Proposed HRA budget for 2022/23 (as per Appendix B)
3. Strategic estimates for 2022/23 to 2026/27 (as per Appendix D)
4. Proposed increase to dwelling rents for all properties of 2.1%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that service charges are unchanged from those of 2021/22.
7. Proposal to set Extra Care Housing concierge charges to fully recover actual costs.

Housing Revenue Account Estimates 2022/23 to 2026/27 and Proposed Outturn for 2021/22**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 was scrutinised at the Policy Overview and Scrutiny Committee on 27 January 2022. The Select Committee accepted the recommendations and commended the report to Cabinet. Cabinet duly considered and approved the report at its meeting on 14 February 2022 and commended the report to Council.
- 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 2,100 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 8 properties under the Right to Buy Scheme (RTB) leaving a current stock total of 626 properties.

Holly Bank Apartments

- 2.4 Holly Bank Apartments is a 20-unit supported housing facility for Adults with Learning Disabilities. The scheme was built for a total capital value of approximately £4.4m. The scheme was completed in November 2019 with its first tenants housed in March 2020.

Primrose Bank Extension

- 2.5 In 2020 the Council purchased 19 5-bedroom properties at Primrose Bank. These properties formed part of the Housing Revenue Account stock and were let at affordable rents. The properties benefit from new technology that help increase energy efficiency. The properties are designed to re-appraise how homes are heated, using a combination of solar photovoltaic (PV), electric heating and battery storage.

The Self-Financing Housing Revenue Account

- 2.6 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 residents and tenants in a transparent, accountable and in a cost-effective way.
- 2.7 In non-PFI arrangements depreciation is charged to ensure Councils are accumulating appropriate balances in order to have enough resources to allow for any repairs needed to their housing stock.
- 2.8 However, as most of the 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 Department of Levelling Up, Housing and Communities (DLUHC) has confirmed that depreciation need not be charged to the HRA in respect of Oldham's PFI housing stock.

Government Guidance for Rent Increases

- 2.9 Government had previously advised that PFI properties were exempt from Central Government's 1% Social Rent Reduction policy. This policy ended on 31 March 2020. Since this date, Central Government has reverted to its pre-2015 guidance for the period 2020-2025 for all properties, confirming all rents are calculated based on a maximum of the Consumer Price Index (CPI) rate at September of the preceding year plus 1%. Following this guidance, the maximum level of increase in rents allowed in 2022/23 would be 4.1% (the September 2021 CPI was 3.1%). The proposed annual increase for Oldham Council's 2022/23 HRA rents is a lower amount of 2.1%. This proposal is made as a result of the continuing health of HRA balances (£21.370m at the end of 2020/21) and the current adverse impact on household income due to the on-going effects of the pandemic. It is therefore estimated that the average rent increase from April 2022 will be £1.92 per week (from £91.42 to £93.34).

The Revised HRA Budget 2021/22

- 2.10 The 2021/22 estimated outturn is attached at Appendix A and shows an estimated year end working balance of £22.291m, £4.828m higher than the original budget approved at the February 2021 Budget Council meeting. Current estimates align to forecasts included within the Council's Month 8 Revenue Monitoring report. The majority of the 'in year' variance of £3.072m 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 2020/21 resulted in HRA Balances brought forward of £21.370m, £1.756m higher than the position reported at the March 2021 Budget Council Meeting.

2.11 The composition of the balance is summarised below:

Analysis of HRA Balances 2021/22	Original Budget £000	Revised Budget £000	Variance £000
HRA Balances b/fwd	(19,614)	(21,370)	(1,756)
(Surplus)/Deficit for the year on HRA Services	2,151	(921)	(3,072)
HRA Balances c/fwd	(17,463)	(22,291)	(4,828)

The HRA Budget 2022/23

2.12 The proposed HRA budget for 2022/23 is attached at Appendix B including all income and expenditure due to be financed from HRA Balances.

2.13 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.

2.14 Other key assumptions made in determining the proposed HRA revenue budget are that:

- 1) Average rents are 2.1% higher than for 2021/22 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 a more prudent assessment of the PFI 2 and Holly Bank Apartment property void position;
- 3) There are 48 chargeable rent weeks in 2022/23; and
- 4) Service Charges and Extra Care Housing charges are continued/applied from 1 April 2022 in line with previous approvals.

2.15 The estimated 2022/23 HRA closing balance is £20.483m and is enough to meet future operational commitments and the potential financial pressures identified in the risk assessment. Appendix B presents the projected 2022/23 HRA budget based on the proposed position.

2.16 The estimated HRA budget for 2022/23 to 2026/27 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 the Capital Strategy report elsewhere on the agenda). For the period 2022/23 to 2026/27 the HRA has £20.474m allocated as Revenue Contributions to Capital Outlay. Although this is a sizeable portion of the HRA balances, the RCCO employed over this time will allow the HRA to again grow its balances from 2025/26 through the receipt of additional rental income and the reduction of future costs. The HRA Business Plan has been set mindful of the agreed minimum required HRA balance of £3m.

HRA Income and Expenditure Account 2022/23 to 2026/27 Strategic Forecast	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Income (including interest and investment income)	(29,418)	(29,644)	(29,937)	(30,236)	(30,547)
Expenditure	31,226	36,441	36,604	30,221	29,458
Net (surplus)/Deficit	1,808	6,797	6,667	(15)	(1,089)
HRA Balances b/fwd.	(22,291)	(20,483)	(13,686)	(7,019)	(7,034)
HRA Balances c/fwd.	(20,483)	(13,686)	(7,019)	(7,034)	(8,123)

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2022/23

- 2.17 The proposed 2022/23 HRA budget is based on dwelling rents increasing by 2.1%. This is a lower amount than the maximum 4.1% rental increase allowed based on current Government rent setting guidance as outlined in paragraph 2.9 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 based on 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 even a 2.1% rent uplift will have on tenants and for this reason it has chosen to freeze service charges for all tenants in 2022/23.

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, from £21.52 to £22.20 per week reflecting the actual cost incurred by the Council.

HRA Contributions to Capital

- 2.22 Given the reducing HRA balances following the planned intense level of capital investment over the next few years, coupled with the current low cost of borrowing, the Council will need to determine for all future HRA projects, the best source of funding. However, the forecasts in this report reflect a planned use of balances.
- 2.23 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:
- **Town Centre Housing** - A key element of the vision for the Town Centre is the development of new affordable housing.
 - **Smaller Pocket Sites** – Five small sites across the borough have been identified as being able to be developed for approximately 45 new homes. These sites will produce a mix of Extra Care or Supported Housing along with General Needs Stock.

- **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 has 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.
- **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.

2.24 In addition to the approved major housing projects outlined above, the strategic estimates for 2023/24 onwards (see Appendix D) contain some indicative RCCO projections for aspirational housing projects. These projects are included within the Capital Strategy presented elsewhere on the agenda. They were also incorporated within a Cabinet report entitled “Creating A Better Place” which was approved by Cabinet on 16 December 2019 and later amended on 24 August 2020.

Strategic HRA Estimates 2023/24 to 2026/27

2.25 The projected forecasts for 2023/24 to 2026/27 are shown 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 £13.686m at the end of 2023/24, £7.019m at the end of 2024/25, £7.034m at the end of 2025/26 and £8.123m at the end of 2026/27. As detailed above the period of 2022/23 to 2024/25 is one of extensive investment by the HRA. Following this period, the HRA is again forecast to grow its balances through the receipt of additional rental income from additions to the Council’s property portfolio and the planned reduction of future costs. The HRA Business Plan has been set mindful of the agreed minimum required HRA balance of £3m.

2.26 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 a budget for the HRA for 2022/23.

3.2 Three options regarding rent levels are presented below.

- proposed rent increase of 4.1%
- proposed rent increase of 2.1%
- rents are frozen for 2022/23.

Compared to a 4.1% increase, the loss to the HRA for 2022/23 in terms of rental income would be, £0.184m at a 2.1% rent increase and £0.359m with no rent increase, as shown below.

Average Increase in Rent	2.1% £000	0% £000
Impact in 2022/23	184	359
Impact over remaining life of Business Plan	8,342	17,101

- 3.3 Given the overall health of HRA balances, as previously mentioned in para 2.9, and the adverse impact of the pandemic on household income, it is proposed that Oldham Council approve rental increases in 2022/23 **lower** than the maximum levels available under current government guidance. A full financial assessment has been undertaken to justify this proposal ensuring the HRA has the necessary resources to fully fund all known current and future commitments. Future years forecasts highlighted in Appendix D show that despite the lower than usual rental increase proposed in 2022/23, at no time does the HRA come close to the agreed minimum balance of £3m. The lowest balance estimated within the next 5 years being £7.019m in 2024/25.
- 3.4 Given the proposed reduction in balances due to the increased levels of RCCO for the period 2022/23 to 2024/25, it is evident that any decision to vary from the maximum income achievable may have an adverse impact on future project decisions. Whilst the Council has chosen to limit rent increases in 2022/23 to 2.1%, future rent proposals will consider the impact on both operational and aspirational expenditure commitments.

4 Preferred Option

- 4.1 Given the current favourable financial position of the HRA and the known adverse impact on household incomes, both across the borough and nationally, the preferred option is that a dwelling rent increase of 2.1% is implemented together with other recommendations related to charges included in the report. This decision has been assessed successfully against the Council's ability to maintain a sustainable HRA whilst contributing to the aspirations of the wider Housing Strategy.

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 usually stages additional, frequent drop-in sessions and Court Voices meetings where tenants are encouraged to raise any concerns thus allowing a forum for further consultation. However due to Covid restrictions, it has not been possible to organise these meetings this year, so tenants have been kept informed of events via a quarterly newsletter and have been encouraged to give their views outside of the resident meetings. It was through Court Voices that tenants, in conjunction with Housing Officers, compiled a list of specific needs which were then considered and approved as part of the HRA element of the Council's Capital Strategy. Examples of this include works on the Chew Vale conservatory and Brownedge Road Community bungalow, installation or improvement of sensory gardens and improvements to communal areas.
- 5.2 A key element of the consultation process is the consideration of the detailed HRA budget estimates for 2022/23, the strategic estimates for the four years 2023/24 through to 2026/27 and outturn estimate for 2021/22 by the Policy Overview and Scrutiny Committee. The Committee considered the HRA budget at its meeting on 27 January 2022 and was content to commend the report to Cabinet without amendment. Cabinet subsequently approved the report at its meeting on 14 February 2022 and commended it to Council also without amendment

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 2021/22 to 2026/27. 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, although significantly reduced over the period to 2024/25, are considered sufficient to meet known obligations for the foreseeable future and are not considered to fall below acceptable levels. A minimum level of £3m has been agreed as the point below which balances should not fall. Close budget monitoring will continue to be undertaken and should the balances position deteriorate, appropriate management action would be introduced.
- 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 Capital Programme 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 2021/22 to 2026/27. Attached at Appendix C is a risk register as at February 2022. Forecasting remains challenging and there are several 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 FLC-15-21

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 and Anne Ryans
Contact No: 0161 770 1323/4902

20 Appendices

Appendix A Revised HRA Income & Expenditure Account 2021/22.
Appendix B Original HRA Income & Expenditure Account 2022/23.
Appendix C 2022/23 – 2026/27 Risk Assessment as at March 2022.
Appendix D HRA Income & Expenditure Account 2022/23 to 2026/27 Strategic Forecasts.

Revised HRA Income & Expenditure Account 2021/22	Original Budget	Latest Forecast	Variance to Budget
	£000	£000	£000
Income			
Dwellings Rents (gross)	(9,074)	(9,145)	(71)
Non Dwelling Rents	(39)	(34)	5
Charges for Services and Facilities	(1,235)	(1,235)	-
Contributions towards Expenditure	(20)	(0)	20
PFI Grant	(18,799)	(18,799)	-
Total Income	(29,167)	(29,213)	(46)
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	24,175	24,125	(50)
Supervision & Management	526	526	-
Depreciation and Impairment of Fixed Assets	146	80	(66)
Rent, Rates and Other Charges	3,278	2,845	(433)
Revenue Contribution to Capital Outlay (RCCO)	3,412	785	(2,627)
Total Expenditure	31,537	28,361	(3,176)
Net Cost of HRA Services	2,370	(852)	(3,222)
Interest and Investment Income	(219)	(69)	150
(Surplus)/Deficit for the year on HRA Services	2,151	(921)	(3,072)
HRA Balances brought forward	(19,614)	(21,370)	(1,756)
HRA Balances carried forward	(17,463)	(22,291)	(4,828)

<u>Original HRA Income & Expenditure Account 2022/23</u>	Original Budget
	£000
Income	
Dwellings Rents (gross)	(9,271)
Non-Dwelling Rents	(34)
Charges for Services and Facilities	(1,244)
Contributions towards Expenditure	(0)
PFI Grant	(18,799)
Total Income	(29,348)
Expenditure	
Unitary Charge Payments (PFI2 and PFI4)	24,426
Supervision & Management	680
Depreciation and Impairment of Fixed Assets	80
Rent, Rates and Other Charges	2,756
Revenue Contribution to Capital Outlay (RCCO)	3,283
Total Expenditure	31,226
Net Cost of HRA Services	1,878
Interest and Investment Income	(69)
(Surplus)/Deficit for the year on HRA Services	1,808
HRA Balances brought forward	(22,291)
HRA Balances carried forward	(20,483)

HOUSING REVENUE ACCOUNT

2022/23 – 2026/27 RISK ASSESSMENT AS AT FEBRUARY 2022

<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 to leave social housing and increase void levels. Void levels were marginally affected by Covid restrictions in the first lockdown, meaning that some tenants were unable to move in on the allocated day. This was kept to a minimum and was resolved as soon as restrictions were lifted.	A change in the void percentage of 1% (approximately 21 properties) has the impact, in a full year, of £0.093m.	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. The Covid pandemic has had a detrimental impact on collection rates as some tenants were furloughed or made redundant. This will continue to be monitored within the performance meetings and appropriate measures taken to mitigate the impact.	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 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.

<u>RISK EVENT/ DESCRIPTION</u>	<u>LIKELIHOOD</u>	<u>IMPACT</u>	<u>RESERVE POSITION</u>
3. Service Charge Recovery	Service charges are currently eligible for Housing Benefits so it is relatively low risk that most 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 2022/23 the total level of service charges is budgeted for approximately £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 balance, although given the high number of tenants in receipt of 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 Benefit 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. However, the percentage of self-payers as part of the overall tenancy profile is relatively small.	In 2022/23 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 £1,070 p.a. towards ECH charges. Costs of chasing recovery will also need to be considered.	Tenants failing to pay their ECH charge will have a detrimental effect on the level of the reserve, although given the close correlation to Housing Benefit, the levels of 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 2021, the month used for all rent calculations, the difference between the two indices (RPI and CPR) was 1.8%. The business plan has been modelled on the basis that in 2022/23, rent increases will be 2.1%. Thereafter there is an assumption of 3% annual rent increases (represented by 2% CPI plus 1%).	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.

<u>RISK EVENT/ DESCRIPTION</u>	<u>LIKELIHOOD</u>	<u>IMPACT</u>	<u>RESERVE POSITION</u>
6. Balances fall below a level considered acceptable to manage risks faced by the HRA	Given the pressures on the HRA it is possible that a combination of factors could lead to HRA balances falling below £7.019m, the minimum projected, although this is considered unlikely.	The HRA may have reduced resources to manage any significant increases in expenditure /reduction in income without the consideration of budgetary measures outside those included in the projections.	Close budget monitoring will be undertaken and management action would be introduced, including the potential for some short term borrowing or the revision to capital plans, should the HRA balances position prove challenging.

HRA Income & Expenditure Account 2022/23 to 2026/27 Strategic Forecasts

Appendix D

HRA Income & Expenditure Account 2022/23 to 2026/27 Strategic Forecasts	Original 2022/23	Original 2023/24	Original 2024/25	Original 2025/26	Original 2026/27
	£000	£000	£000	£000	£000
Income					
Dwellings Rents (gross)	(9,271)	(9,488)	(9,772)	(10,062)	(10,363)
Non-Dwelling Rents	(34)	(34)	(35)	(35)	(35)
Charges for Services and Facilities	(1,244)	(1,252)	(1,262)	(1,271)	(1,281)
Contributions towards Expenditure	(0)	(0)	(0)	(0)	(0)
HRA Subsidy ~ PFI Credits	(18,799)	(18,799)	(18,799)	(18,799)	(18,799)
Total Income	(29,348)	(29,574)	(29,867)	(30,167)	(30,478)
Expenditure					
Unitary Charge Payments (PFI2 and PFI4)	24,426	24,730	25,038	25,349	25,665
Supervision & Management	680	690	700	710	720
Depreciation and Impairment of Fixed Assets	80	80	80	80	80
Rent, Rates and Other Charges	2,756	2,814	2,872	2,932	2,994
Revenue Contribution to Capital Outlay (RCCO)	3,283	8,127	7,914	1,150	0
Total Expenditure	31,226	36,441	36,604	30,221	29,458
Net Cost of HRA Services	1,878	6,867	6,736	54	(1,019)
Interest Payable and Other Similar Charges					
Interest and Investment Income	(70)	(70)	(70)	(69)	(69)
(Surplus)/Deficit for the year on HRA Services	1,808	6,797	6,667	(15)	(1,089)
HRA Balances brought forward	(22,291)	(20,483)	(13,686)	(7,019)	(7,034)
HRA Balances carried forward	(20,483)	(13,686)	(7,019)	(7,034)	(8,123)