

Report to Governance, Strategy and Resources Scrutiny Board

Housing Revenue Account Estimates for 2024/25 to 2028/29 and Proposed Outturn for 2023/24

Portfolio Holder:

Joint Report of Councillor Elaine Taylor, Deputy Leader and Cabinet Member for Housing and Licensing and Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Resources

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Reason for Decision

The report sets out for the Housing Revenue Account (HRA), the detailed budget estimates for 2024/25, the strategic estimates for the four years 2025/26 through to 2028/29 and outturn estimate for 2023/24. The report also sets out the recommended dwelling, non-dwelling rents and service and concierge charges to be applied from April 2024.

Executive Summary

The report sets out the HRA 2024/25 proposed original budget and the forecast outturn for 2023/24. The opportunity is also taken to present the provisional strategic budgets for 2025/26 through to 2028/29.

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 2023/24 is estimated to be a £0.032m favourable variance when compared to the original budget

forecast for 2023/24 approved at the Budget Council meeting, 1 March 2023. Of this variance, £0.273m is due to higher utility costs and increased unitary charges. This adverse variance is offset by £0.305m higher than anticipated brought forward balances from 2022/23. The estimated balance at the end of 2023/24 is projected to be £20.884m.

The closing financial position for 2024/25 shows an estimated HRA closing balance of £19.571m which is sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2024/25 position has been presented after allowing for a proposed increase in dwelling rents of 7.7%, an increase in non-dwelling rents in line with individual contracts, a nominal increase of 2% on service charges and the setting of Extra Care Housing concierge charges to fully recover costs. The majority of HRA tenants are either the recipient of Housing Benefit or Universal Credit, meaning that part or all of the increase will be covered by tenant's benefits. Coupled with the recent increase in the Local Housing Allowance, it is assumed that the proposed increase in rents will not represent an unmanageable additional financial burden to tenants.

In order for the Council to finance the construction of any new build social housing through the HRA, it is essential that increased costs are covered by rent increases so that the HRA can remain financially sustainable.

The financial projections for the HRA over the period 2023/24 to 2028/29 show an overall reduction in the level of balances from £22.584m at the start of 2023/24 to £16.872m at the end of 2028/29.

The HRA detailed budget for 2024/25 and strategic estimates for the four years 2025/26 to 2028/29 and the outturn estimate for 2023/24 are presented to the Governance, Strategy and Resources Scrutiny Board for comment.

Recommendations

That the Governance, Strategy and Resources Scrutiny Board considers and comments on the:

1. Forecast HRA outturn for 2023/24 (as per Appendix A)
2. Proposed HRA budget for 2024/25 (as per Appendix B)
3. Strategic estimates for 2024/25 to 2028/29 (as per Appendix D)
4. Proposed increase to dwelling rents for all properties of 7.7%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that service charges are increased by 2%.
7. Proposal to set Extra Care Housing concierge charges to fully recover actual costs.

Housing Revenue Account Estimates 2024/25 to 2028/29 and Proposed Outturn for 2023/24

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. As part of this process, the HRA Budget report for 2024/25 is presented here with the intention that it will be considered by Cabinet on 12 February 2024 and Council on 28 February 2024.
- 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 2,091 properties with most properties being managed and maintained within two Private Finance Initiative (PFI) schemes. The housing stock is explained at paragraphs 2.2 to 2.5 as follows.

PFI 2 Sheltered Housing

- 2.2 The PFI 2 Contract between the Council and Housing 21 was signed in 2006 to provide 1,431 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 12 properties under the Right to Buy Scheme (RTB) leaving a current stock total of 622 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, since this time 1 property has been sold under the Right to Buy scheme at no discount. 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 its residents 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 The proposed annual increase for Oldham Council's 2024/25 HRA rents follows the Government Guidance of a maximum of CPI + 1%. The CPI rate is taken at the preceding September to the next financial year, in this case September 2023, where CPI was 6.7%. The proposed rental increase for 2024/25 therefore being 7.7%. This proposal is made to help support and maintain adequate HRA balances (balance at the end of 2022/23 was £22.584m). It is therefore estimated that the average rent increase from April 2024 will be £7.54 per week (from £97.98 to £105.52).

The Revised HRA Budget 2023/24

- 2.10 The 2023/24 estimated outturn is attached at Appendix A and shows an estimated year end working balance of £20.884m, £0.032m higher than the original budget approved at the March 2023 Budget Council meeting. The majority of the 'in year' variance of £0.273m can be attributed to the increases in utility charges and higher than anticipated unitary charges. Members will also note that the final outturn position for 2022/23 resulted in HRA Balances brought forward of £22.584m, £0.305m higher than the position reported at the March 2023 Budget Council Meeting.
- 2.11 The composition of the balance is summarised below:

Analysis of HRA Balances 2023/24	Original Budget £000	Revised Budget £000	Variance £000
HRA Balances b/fwd	(22,279)	(22,584)	(305)

(Surplus)/Deficit for the year on HRA Services	1,427	1,700	273
HRA Balances c/fwd	(20,852)	(20,884)	(32)

The HRA Budget 2024/25

- 2.12 The proposed HRA budget for 2024/25 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 increased by 7.7% on 2023/24 rents 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 and Primrose Bank. PFI 2 void percentages have historically been higher as a result of the on-going tenancy placement work, ensuring tenant mixes in the six extra care schemes are appropriate to the levels of care provision required.
 - 3) There are 49 chargeable rent weeks in 2024/25.
 - 4) Service Charges are increased by a nominal 2%.
 - 5) Extra Care Housing charges are increased to recover full cost from 1 April 2024 in line with previous approvals.
- 2.15 The estimated 2024/25 HRA closing balance is £19.571m and is enough to meet future operational commitments and any potential financial pressures identified in the risk assessment. Appendix B presents the projected 2024/25 HRA budget based on the proposed position.
- 2.16 The estimated HRA budget for 2024/25 to 2028/29 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 2024/25 to 2028/29 the HRA has £0.787m allocated as its RCCO. The ability of the HRA to support major capital projects has been diminished by the rent increase applied in 2023/24 being below the maximum level (the Government Guidance of a maximum of CPI + 1%) and the result of this decision which impacts on the HRA Business Plan. The HRA Business Plan has been prepared mindful of the agreed minimum required HRA balance of £3m.

HRA Income and Expenditure Account 2024/25 to 2028/29 Strategic Forecast	2024/25	2025/26	2026/27	2027/28	2028/29
Income (including interest and investment income)	(30,783)	(31,326)	(31,786)	(32,263)	(32,760)

Expenditure	32,096	31,853	32,367	32,987	33,627
Net (surplus)/Deficit	1,313	527	581	724	867
HRA Balances b/fwd.	(20,884)	(19,571)	(19,044)	(18,463)	(17,739)
HRA Balances c/fwd.	(19,571)	(19,044)	(18,463)	(17,739)	(16,872)

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2024/25

- 2.17 The proposed 2024/25 HRA budget is based on dwelling rents increasing by 7.7%. This is the maximum 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, 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 a 7.7% rent uplift will have on tenants and for this reason it has chosen to increase service charges by just 2% for all tenants in 2024/25.

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 Miocare's service delivery costs, from £24.87 to £24.98 per week reflecting the actual cost incurred by the Council.

HRA Contributions to Capital

- 2.22 Given the reducing HRA balances, following below inflation rent increases applied over recent financial years, 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 approved small housing capital projects that the Council wishes to implement over the short to medium term to support the delivery of the overall Housing Strategy. Approved capital projects that will specifically rely on use of HRA balances include:
- **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.

Strategic HRA Estimates 2025/26 to 2028/29

2.24 The projected forecasts for 2025/26 to 2028/29 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 £19.044m at the end of 2025/26, £18.463m at the end of 2026/27, £17.739m at the end of 2027/28 and £16.872m at the end of 2028/29. As detailed above, the period of 2025/26 to 2028/29 is one whereby balances are due to reduce by an average of £800k per year. The reduction in balances have been impacted by previous decisions to not increase rents by the maximum allowable by the guidance. The HRA Business Plan has been prepared mindful of the agreed minimum required HRA balance of £3m, ensuring balances are kept above this level to the end of the PFI arrangements.

2.25 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/RPIx) rather than the Consumer Price Index (CPI). For 2023/24, the unitary charge indexed elements for each PFI scheme increased by 13.84% and 12.92%, with but rents only increased by 5%, meaning that there was a shortfall to make up in future years. Based on rates for RPI and RPIx at November 2023 (the most recent publication), current estimates are that the unitary charges for 2024/25 will increase by c. 4.5%. An increase of 7.7% will help move the HRA onto a for sustainable financial footing.

3 Options/Alternatives

3.1 For the Council to comply with legislative requirements, it must consider and approve a budget for the HRA for 2024/25.

3.2 Two options regarding rent levels are presented below. These show the comparison in rental income levels against the proposed option of a 7.7% increase.

- proposed rent increase of 5%
- rents are frozen for 2024/25

Compared to a 7.7% increase, the loss to the HRA for 2024/25 in terms of rental income would be £0.262m at a 5% rent increase and £0.746m with no rent increase, as shown below. This is compounded when taken over the life of the PFI contract with rental losses of £4.162m and £11.870m respectively.

Average Increase in Rent	5% £000	0% £000
Impact in 2024/25	(262)	(746)
Impact over remaining life of Business Plan	(4,162)	(11,870)

3.3 Given the current level of HRA balances, as previously mentioned in para 2.10, and the requirement to ensure HRA balances at a minimum of £3m, it is proposed that Oldham Council approve rental increases in 2024/25 follow the maximum of Government Guidance of CPI+1%, thus resulting in a proposed increase of 7.7%. 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 whilst HRA balances continue to fall, the rate of decline means that account will remain in surplus for the life of the PFI contracts: i.e., until 2036.

3.4 Given the proposed reduction in balances due to the lower than inflation rent increases in previous years, it is evident that any decision to vary from the maximum income achievable will have an adverse impact on future project decisions. Whilst the Council has proposed to

increase rents in 2024/25 by 7.7%, all future rent proposals will continue to consider the impact on both operational and aspirational expenditure commitments.

- 3.5 For future years, the Council has assumed continuing to follow Government rent setting guidance of September's CPI rate plus 1%. Using the Office for Budget Responsibility (OBR) forecasts, it is assumed that there will be a reduced CPI rate in 2025/26 of approximately 3% resulting in potential 4% rental increase in 2025/26. This assumption has been used as a best estimate at this time for all future years rent income within the HRA Business Plan.

4 Preferred Option

- 4.1 Given the current financial position of the HRA the preferred option is that a dwelling rent increase of 7.7% is implemented together with other recommendations related to charges included in the report. This proposal 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. 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 Old Mill, Violet Hill and Hopwood Court Conservatories, installation or improvement of sensory gardens and improvements to communal areas.
- 5.2 A key element of this consultation process is the consideration of the HRA budget by this Governance, Strategy and Resource Scrutiny Board 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 2023/24 to 2028/29. Prudent assessments have been included within these estimates and the financial impact of any variances is identified in the Risk Assessments undertaken. A Risk Register as at January 2024 can be found at Appendix C.
- 6.2 HRA balances, although significantly reduced over the period to 2028/29, are still 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.

(Alex Bougatef)

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 2023/24 to 2028/29. Attached at Appendix C is a risk register as at January 2024. Forecasting remains challenging and there are several key issues that, should they change, affect the proposed budget.

(Victoria Gallagher)

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-13-23

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
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20 Appendices

Appendix A Revised HRA Income & Expenditure Account 2023/24.
Appendix B Original HRA Income & Expenditure Account 2024/25.
Appendix C 2024/25 – 2028/29 Risk Assessment as at January 2024.
Appendix D HRA Income & Expenditure Account 2024/25 to 2028/29 Strategic Forecasts.

Revised HRA Income & Expenditure Account 2023/24	Original Budget	Latest Forecast	Variance to Budget
	£000	£000	£000
Income			
Dwellings Rents (gross)	(9,682)	(9,551)	131
Non Dwelling Rents	(37)	(29)	8
Charges for Services and Facilities	(1,195)	(1,176)	19
PFI Grant	(18,799)	(18,799)	0
Total Income	(29,713)	(29,555)	158
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	26,369	26,450	81
Supervision & Management	600	664	64
Depreciation and Impairment of Fixed Assets	80	80	0
Rent, Rates and Other Charges	3,291	3,261	(30)
Revenue Contribution to Capital Outlay (RCCO)	1,000	1,000	0
Total Expenditure	31,340	31,455	115
Net Cost of HRA Services	1,627	1,900	273
Interest and Investment Income	(200)	(200)	0
(Surplus)/Deficit for the year on HRA Services	1,427	1,700	273
HRA Balances brought forward	(22,279)	(22,584)	(305)
HRA Balances carried forward	(20,852)	(20,884)	(32)

<u>Original HRA Income & Expenditure Account 2024/25</u>	Original Budget
	£000
Income	
Dwellings Rents (gross)	(10,428)
Non-Dwelling Rents	(37)
Charges for Services and Facilities	(1,219)
PFI Grant	(18,799)
Total Income	(30,483)
Expenditure	
Unitary Charge Payments (PF12 and PF14)	27,100
Supervision & Management	701
Depreciation and Impairment of Fixed Assets	80
Rent, Rates and Other Charges	3,523
Revenue Contribution to Capital Outlay (RCCO)	692
Total Expenditure	32,096
Net Cost of HRA Services	1,613
Interest and Investment Income	(300)
(Surplus)/Deficit for the year on HRA Services	1,313
HRA Balances brought forward	(20,884)
HRA Balances carried forward	(19,571)

HOUSING REVENUE ACCOUNT

2024/25 – 2028/29 RISK ASSESSMENT AS AT JANUARY 2024

<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.	A change in the void percentage of 1% (approximately 21 properties) has the impact, in a full year, of £0.105m.	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. The on-going cost of living crisis resulting from higher than anticipated inflation levels could have a detrimental impact on collection rates as some tenants struggle to pay their bills. This area 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.
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 2024/25 the total level of service charges is budgeted for approximately £0.917m (excluding concierge and court manager costs). Any reduction in this could impact the HRA's ability to maintain	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

<u>RISK EVENT/ DESCRIPTION</u>	<u>LIKELIHOOD</u>	<u>IMPACT</u>	<u>RESERVE POSITION</u>
		and develop new schemes and services.	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 2024/25 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 £1,199 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	Current social rents policy is that rents should increase by no more than CPI +1% in 2024/25. 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 at September 2023, the month used for all rent calculations, the difference between the two indices (RPI and CPI) was 2.2%. The business plan has been modelled on the basis that in 2024/25, rent increases will be 7.7%. Thereafter there is an assumption of 4% rent increases in 2025/26 assuming CPI of approximately 3%.	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.
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 £16.872m, the minimum projected over the next 5 years, 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 2024/25 to 2028/29 Strategic Forecasts

Appendix D

<u>HRA Income & Expenditure Account 2024/25 to 2028/29 Strategic Forecasts</u>	Original 2024/25	Original 2025/26	Original 2026/27	Original 2027/28	Original 2028/29
	£000	£000	£000	£000	£000
Income					
Dwellings Rents (gross)	(10,428)	(10,845)	(11,278)	(11,730)	(12,199)
Non-Dwelling Rents	(37)	(38)	(38)	(38)	(39)
Charges for Services and Facilities	(1,219)	(1,244)	(1,270)	(1,296)	(1,323)
HRA Subsidy ~ PFI Credits	(18,799)	(18,799)	(18,799)	(18,799)	(18,799)
Total Income	(30,483)	(30,926)	(31,386)	(31,863)	(32,360)
Expenditure					
Unitary Charge Payments (PFI2 and PFI4)	27,100	27,648	28,211	28,787	29,379
Supervision & Management	701	736	773	812	853
Depreciation and Impairment of Fixed Assets	80	80	80	80	80
Rent, Rates and Other Charges	3,523	3,294	3,303	3,308	3,315
Revenue Contribution to Capital Outlay (RCCO)	692	95	0	0	0
Total Expenditure	32,096	31,853	32,367	32,987	33,627
Net Cost of HRA Services	1,613	927	981	1,124	1,267
Interest Payable and Other Similar Charges					
Interest and Investment Income	(300)	(400)	(400)	(400)	(400)
(Surplus)/Deficit for the year on HRA Services	1,313	527	581	724	867
HRA Balances brought forward	(20,884)	(19,571)	(19,044)	(18,463)	(17,739)
HRA Balances carried forward	(19,571)	(19,044)	(18,463)	(17,739)	(16,872)