Classification: Open	Decision Type: Key

Report to:	Overview & Scrutiny – 9th February 2023 Cabinet – 15th February	**Date:** 15 February 2023
Subject:	Annual HRA Budget 2023/24 & Rent Setting	
Report of	Cabinet Member for Finance and Communities	

1. Summary

This report forms part of a suite of documents relating to the Council's budget setting process for 2023/24.

It establishes the Housing Revenue Account budget for 2023/24.

It proposes the rent levels for Council Housing for Dwelling and Garage rents, Sheltered Support, Management, Service and Heating charges and Furnished Tenancy charges.

The report establishes the Management Fee paid to Six Town Housing for 2023/24

2. Recommendation(s)

Cabinet is asked to approve and commend the following to Council -

HRA Budget

2.1 Approve the 2023/24 budget for the Housing Revenue Account.

2.2 Approve a 3% reduction for the Management Fee to Six Town Housing for 2023/24.

Rent Setting

2.3 For 2023/24 individual social and affordable rents be set at the Governments rent cap of 7% with effect from 3rd April 2023.

2.4 For 2023/24 shared ownership rents be voluntarily limited to an increase of 7% with effect from 3rd April 2023.

2.5 Approve an increase in Garage rents by (Consumer Price Inflation as at September 2022) CPI 10.1%

2.6 Approve an increase in Sheltered Management and Support Charges by CPI 10.1%

2.7 Approve an increase in Service and Amenity Charges by CPI 10.1%

2.8 Approve an increase in Support and Heating charges by CPI 10.1%

2.9 Approve an increase in Furnished Tenancy charges by CPI 10.1%

2.10 Note that where a social rent property is re-let to a new or transferring tenant the
rent level be increased to the target rent for that property.

2.11 Note that for 2023/24 and onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.

3.0 Reasons for recommendation(s)

3.1 The Housing Revenue Account (HRA) is the 'landlord account' recording the revenue expenditure and income relating to the authority's own housing stock. The HRA is a ring-fenced account i.e., the authority does not have any general discretion to transfer sums out of the HRA, or to support the HRA with contributions from the General Fund, (there are certain circumstances where transfers are permitted or prescribed but these are exceptions).

3.2 From April 2012 the government introduced a self-financing funding system whereby the HRA now retains its rental income locally and uses this to provide for management, maintenance, and major works to the housing stock. In April 2005 Six Town Housing was established as an Arm's Length Management Organisation (ALMO) to manage and maintain the authority's housing stock and related assets. The 2020 Management Agreement between Six Town Housing and Bury Council on 1st April 2020, details the responsibilities that are delegated to the ALMO.

3.3 In April 2022, following Cabinet approval, Springs became a Self-Financing Tenant Management Organisation, the first in the North West. Owing to loss of stock through Right to Buy sales, Springs TMO are currently managing 286 properties (previously 290 properties). Springs Tenant Management Organisation was formed to manage council homes on a self-financing arrangement. This means that the TMO retain the rents from the homes and use this to pay for the management and maintenance of their properties under local arrangements.

3.4 The Council agrees the level of Management Fee payable from the Housing Revenue Account to Six Town Housing for the provision of the delegated responsibilities; the fee paid for 2022/23 is £13,058,600. It is proposed that, due to pressures on the HRA which are identified later in this report, this fee is reduced by 3% for 2023/24, creating a saving of £391,758 and resulting in a management fee for 2023/24 of £12,666,842.

3.5 For 2023/24 the current level of activity on Right to Buy (RTB) the HRA estimates have been prepared on is 70 right to buy (RTB) sales in 2022/23 and 60 in 2023/24. The number of sales during 2022/23 for the first three quarters of the year were 48. The increase in interest rates for mortgages is likely to be a factor which is slowing the sales of properties. If the level of sales is above or below these figures this will result in less or more rental income to the HRA than has been assumed. It will also affect the level of RTB capital receipts that will be received which are used to partly fund the Capital Programme.

3.6 For 2023/24 the HRA is expected to have an average stock of 81 affordable rent dwellings plus 5 shared ownership dwellings. (Note that there were 7 shared ownership homes at the start of 2022/23 but 2 have fully stair-cased out during the year). Stair-casing means that a shared owner will pay the Council to allow them to own a larger share of their home and thus pay a smaller rent for the share they don't own. In these specific cases, the shared owners of the two properties have decided to buy the Council's full share of the value of their property and own the freehold of the property in their own right The HRA has received a capital receipt in respect of the shared owners increasing their share to full ownership, but the rent is lost.

3.7 This report is written based on the Council's existing housing stock. As a result of the HRA being a ring-fenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is known as the working balance. Section 8 of this report contains an assessment of the minimum level of balances to be held.

3.8 Whilst this report concerns itself with approving the annual budget for the HRA, a 30-year Housing Revenue Account Business Plan is in development to ensure a robust and balanced plan which addresses income, expenditure, and capital investment in the housing stock. The HRA Business Plan will be produced for adoption by the Council in Q1 of the 2023/24 financial year. The strategy will provide a comprehensive overview of the Council's housing stock, demand, levels of RTB sales, stock investment requirements including carbon reduction measures. It will plot costs and options for ensuring the Council's legal responsibilities as a landlord are met together with investment in future ambitions whilst ensuring that the HRA remains in credit over the life of the business plan.

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4.0 Rent Levels 2023/24

4.1 The Government's National Social Rent Policy, which came into effect from 1st April 2020, set out that social and affordable rents may increase annually by up to a maximum of CPI plus 1%, until 1 April 2024. The Council, as a Registered Provider of Housing is regulated and must adhere to the Rent Standard, which includes the same stipulation on social rent increases.

4.2 The basis for annual rent increases is the September Consumer Price Inflation (CPI) which in 2022 was 10.1% meaning the maximum rent increase projected for April 2022 should be **11.1%**. The Government conducted a consultation on rent increases with all Registered Providers, which closed on 12th October 2022. This asked for comment on the effects on social housing business plans of either a 3%, 5% or 7% ceiling on rent increases for 2023/24 in the event that September CPI was above the rate of increase on average earnings. On 17th November 2022, the Chancellor of the Exchequer announced in the Autumn Statement that the increases in actual social housing rents – including social and affordable based rents would have a ceiling of a 7% rise for 2023/24. It was also announced that benefits to claimants would rise by the amount of inflation in April 2023 and that the Local Housing Allowance would be frozen for a further year.

4.3 Documents provided by the Government to accompany the Autumn Statement confirm that the 7% restriction is a change to the National Social Rent Policy for one year only and that increases for the following year will be a maximum of CPI + 1%. The document also provides an exemption from the ceiling for supported housing providers, including local authorities, to allow rents for supported housing to rise by up to 11.1%.

4.4 There is no official Direction on rents published at the time of writing, but the draft Direction issued as part of the consultation in October, provided for:

- the formula for social rents to rise by CPI + 1% for 2023/24 (not to be limited by the ceiling);
- social rents can be re-let on change of tenancy at the new formula rent (or target rent if flexibility applies);
- affordable rents to be tested against the constraint of 80% of market rent on re-let
- rents for new development to be set at formula rent or up to 80% of market rent.

The rent ceiling policy is designed to protect existing social housing users rather than future ones.

It is assumed that the draft Direction provisions will apply.

The Government has also written to all providers asking them to consider voluntarily limiting increases for shared ownership rents to 7%. These rents are not within the Rent Standard and are usually contractually agreed on purchase of the share, so a change cannot apply without agreement of the landlord.

Bury's rents are currently collected on a 50-week basis with 2 non-collection weeks in December.

4.5 The table below sets out the 2022/23 average rent per tenure and property type based on stock at 1 April 2022, together with the indicative 2023/24 rent based on the increases proposed. This excludes the Springs TMO stock. Please note that sales of stock via Right to Buy and rents moving to formula rent on re-let during the year can change the averages slightly in year.

(Maximum Increase Rate Allowed 2023/24)

Tenure Type	Property Type	No/ of Units @ 1/4/22	Average 50 wk rent 2022/23	Increase rate allowed	Average 50 wk rent 2023/24
Social	General Needs	6,997	£81.50	7%	£87.21
Social	Sheltered	448	£73.42	11.1%	£81.57
Affordable (inc service charges)	General Needs	21	£107.22	7%	£114.72
Affordable (inc service charges)	Sheltered	60	£195.67	11.1%	£217.39
Shared Ownership	N/A	7	£34.42	7% (vol)	£36.83

The following table shows the difference between the current and proposed rents based on an increase of 7% applied to the rents of all current HRA Social Rent Formula dwellings.

(Recommended Increase Rate 2023/24)

Tenure Type	Property Type	No/ of Units @ 1/4/22	Average 50 wk rent 2022/23	Increase rate allowed	Average 50 wk rent 2023/24
Social	General Needs	6,997	£81.50	7%	£87.21
Social	Sheltered	448	£73.42	7%	£78.56
Affordable (inc service charges)	General Needs	21	£107.22	7%	£114.73
Affordable (inc service charges)	Sheltered	60	£195.67	7%	£209.37
Shared Ownership	N/A	7	£34.42	7% (vol)	£36.83

*The rents shown in the tables are all on a 50-week basis.

4.6 It should be noted that the formula rents for social rented properties will all automatically be increased by 11.1% for 2023/24, setting a gap between the actual rent and the formula rent once again for all social rent properties. The Council currently has a policy to re-let properties at formula rent as they become vacant. Affordable rent properties must be re-let at no more than 80% of the market rent including service charges at the date of re-let. Without this policy, the loss in rent will be permanent and cumulative over time. It remains to be seen whether the Government will introduce a phased route to convergence to the formula rent in future years to compensate for this reduction in income.

In 2022/23, the Council took the decision to set rent increases from 1 April 2022 at 4.1%, which was the maximum allowed for that year and kept rents in line with the increase in the formula rent. This decision has protected the rental income for the HRA against an even greater loss.

As the rent increase (even with a ceiling) is significantly higher than the previous year this briefing paper has been produced to advise the Council of the options and implications for rent rises.

Based on the figures above, a comparison of rent increases shows that almost **£100,000** per annum would be lost by setting all rents to increase by 7% rather than allowing the sheltered stock to increase as allowed at 11.1%.

4.7 The table below sets out the scenarios and the impact of setting a cap on sheltered housing at 7% rather than the allowable 11.1%:

Based on 1 April 2022 Stock (excluding Springs TMO)

Type	Units	22-23 50 wk rent	23-24 rent at max	23-24 rent at 7%	Total rent per annum 22-23	Total rent per annum 23-24 (max)	Total rent per annum 23-24 (7%)
Social GN	6997	81.50	87.21	87.21	28,512,775.00	30,510,418.50	30,510,418.50
Social Sheltered	448	73.42	81.57	78.56	1,644,608.00	1,827,168.00	1,759,744.00
Affordable GN	21	107.22	114.72	114.73	112,581.00	120,456.00	120,466.50
Affordable Sheltered	60	195.67	217.39	209.37	587,010.00	652,170.00	628,110.00
Shared Ownership	7	34.42	36.83	36.83	12,047.00	12,890.50	12,890.50
					30,869,021.00	**33,123,103.00**	**33,031,629.50**
Annual Increase from 22-23						**2,254,082.00**	**2,162,608.50**
Annual Decrease from maximum 23-24 rent						-	**91,473.50**

The rent cap imposed on Council's during 2023/24 has had a detrimental impact across all tenures of approximately £1.260m over the 50-week period.

5.0 Other charges

5.1 There are currently 252 HRA owned garages (of which 131 are currently let). Garages are charged for at the rate of £7.78 per week (50 weeks). The last increase was in April 2022. It is proposed that the charge is increased by 10.1% from April in line with September CPI; this results in a weekly increase of £0.79 giving a rate of £8.57 per week (over 50 weeks).

6.0 Sheltered and Other Tenancy Charges

Sheltered Management and Support Charges

6.1 The management and provision of Sheltered support services are provided by Adult Care Services for which they receive payment from the Housing Revenue Account. The service is currently subject to a review and will be changed to resemble that ordinarily found in other sheltered housing schemes across Greater Manchester. This will reduce the cost of the service and deliver a saving.
A service provided by Six Town Housing will continue to operate within sheltered housing and no changes are planned to the sheltered housing management charges.

6.2 Sheltered Management charges are set to ensure that the costs of the services provided are recovered from those receiving them. It is proposed that the weekly charges per unit (on a 50-week basis) are increased for 2023/24 by 10.1% and the current and proposed charges are detailed below.

	Current Charge £	Proposed Charge 2023/24 £
Sheltered schemes (other than Extra Care)	12.49	13.75
Extra Care schemes (Falcon House/Griffin House)	23.98	26.40

6.3 These charges will be eligible for Housing Benefit and Universal Credit purposes, and it is expected that benefits will be payable to accepted claimants.

6.4 Following the review of the charging structure and the introduction of the Sheltered Management charge the standard weekly Support Charge per unit was reduced to £8.33 (on a 50-week basis) for 2012/13 and has remained at this level since then. Charges for support costs are not eligible for Housing Benefit but instead a subsidy is paid for eligible tenants from a locally administered Supporting People ‘fund’; which is essentially ASC base budget that also funds other supported accommodation in the Borough.

6.5 It is proposed that this charge remains unchanged for 2023/24. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House.

6.6 The Extra Care Sheltered Scheme, covering the Falcon House and Griffin House schemes, has different support charges which reflect different levels of support offered dependant on the assessed needs of the individual tenants; this support is provided by the One Commissioning Organisation, and they will be reviewing the charges for 2023/24.

Service and Amenity Charge

6.7 The Service and Amenity Charges were increased by 4.1% for 2022/23. It is proposed that the current charges are increased by 10.1% in line with CPI from the first rent week in April 2023. The true costs of delivering services should be passed onto tenants, therefore service charges should be increased to ensure services break even.

6.8 The current and proposed charges per unit per week (over 50 weeks) are shown in the table below:

	Current Charge £	Proposed Charge 2023/24 £
Clarkshill	19.38	21.34
Elms Close	2.27	2.50
Falcon House	11.32	12.46
Griffin House	10.98	12.09
Harwood House	22.89	25.20
Moorfield	25.16	27.70
Mosses House	19.96	21.98
Stanhope Court	10.13	11.15
Taylor House	22.45	24.72
Top O’th Fields 1	21.65	23.84
Waverley Place	23.80	26.20
Wellington House	32.19	35.44

6.9 Amenity charges are eligible for Housing Benefit and Universal Credit purposes, and it is expected that benefits will be payable to accepted claimants.

Net impact of changes in Sheltered Charges and rent reductions

6.10 Appendix 2 details the total Sheltered Management, Support and Amenity Charges for each scheme; this shows weekly increases ranging between £1.26 and £4.51.

Support Heating Charges

6.11 Heating charges are only levied at Sheltered schemes where there is a communal heating system with no separate metering of individual consumption; the aim of the charges is to recover the actual energy costs incurred at each scheme.

6.12 At the Council meeting in February 2022, charges were not increased so remained at the 2021/22 levels for 2022/23. The charges are based on expected contract prices and estimated levels of consumption. New boiler systems have been installed at both Clarks Hill and Harwood House. Due to the urgency of the work, heat metering systems have not been installed yet therefore a weekly heating charge will still be required.

The current and proposed charges per unit per week, (exclusive of VAT), are:

	Present Charge £	Proposed Charge £	Proposed Increase %
Taylor House	11.88	13.08	10.1
Clarks Hill	8.34	9.18	10.1
Harwood House	9.72	10.70	10.1

Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2022/23, the rates for these were £250 per household for those born on or before 26 September 1956, rising to £600 per household to help pay heating bills (payments may be different depending on the household circumstances).

Furnished Tenancies Charges

6.13 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.

6.14 We currently have 216 live furnished tenancies and 5 voids. Of the live tenancies we have 142 1 bed, 59 2 bed, and 15 3 bed properties. We have a limited number of 235 furnished tenancies so there is currently capacity for a further 14.

6.15 Six Town Housing, who manage the furnished tenancies, will be reviewing the packages offered and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment; any proposed changes to the current scheme will be subject to appropriate consultation and approval.

6.16 Furnished Tenancy charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants. The introduction of Universal Credit and direct payments means that there is an increased risk of non-payment of these charges.

6.17 Increases in charges to cover inflation in the costs of the scheme e.g., costs of replacement furniture and fittings are normally implemented from the first rent week in April of each year.

6.18 The current and proposed charges per unit per week are:

	Present Charge £	**Proposed Charge £**	**Proposed Increase %**
1 Bed Property	14.55	16.02	10.1
2 Bed Property	17.13	18.86	10.1
3 Bed Property	19.72	21.71	10.1

Fernhill Caravan Site Pitch Fees

6.19 Management of the Fernhill Caravan Site passed over to Six Town Housing in 2014/15 for which they receive a separately determined Management Fee. Whilst income from residents and payment of the Management Fee are accounted for in the General Fund not the Housing Revenue Account it is felt appropriate to consider increases in the charges under these agreements alongside those of HRA rents and charges.

6.20 Residents at the site are currently charged a weekly pitch fee and a weekly charge for water; these charges are payable on a 52-week basis i.e., there aren't any non- collection weeks. At the Council meeting in February 2022 charges were increased by 4.1% (September 2021 CPI plus 1%); the current charges are:

	Current Charge (To be reviewed in April 2024) £
Single Plot – pitch fee	64.86
Double Plot – pitch fee	88.39
Single Plot – water charge	7.31
Double Plot – water charge	10.15

6.21 The site has been empty since July 2022 due to redevelopment, practical completion is being given as 31st July 2023. Residents are currently placed at another site during this redevelopment. When they return to site, they are going back on the same terms of rent but in the new Agreement this allows for revision in April 2024.

7.0 Housing Revenue Account Performance

Voids

7.1 The rent lost on empty properties is projected to be 1.07% over the course of 2022/23; this will mean a reduction in rent income of approximately £22k as the original budget allowed for a void level of 1%.

7.2 During the financial year 2022/23 when the nation was recovering from the after effects of Covid, it was noted that properties were returned in a state worse than normal, and in need of more than wear and tear repairs. STH adopted the sector-wide Housing Ombudsman best practice, during periods of void to make homes right including installation of hard wire electrical points, carbon monoxide detectors, fire detectors etc. The level of void loss for 2023/24 has been assumed at 1%; recent performance will need to be maintained if this target is to be met. If the target is not achieved, then there would be a reduction in rental income to the HRA.

7.3 If the target was to be bettered, then this would result in an increase in rental income to the HRA which could either be carried forward into 2024/25 or targeted during the coming financial year for service developments.

Rent Arrears

7.4 The opening arrears and current levels for 2022/23 are shown in the following table. The figures reflect the fact that £109,939 of Former Tenant Arrears have been written off during 2022/23; it is anticipated that a further £30,000 could be written off before the end of March. All write offs are in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

Arrears Position – As at December 2022			
	Opening Balance 2022/23	**Current Balance December 2022**	**Increase/ (Reduction)**
	£m	**£m**	**£m**
Current Arrears	1.456	1.441	(0.015)
Former Tenant Arrears	0.596	0.613	0.017
Write Offs (Nov 2022)	-	(0.110)	(0.110)
Total	**2.052**	**1.944**	**(0.108)**

7.5 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

7.6 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £1,774,257 at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrears and the amount outstanding on each individual case.

7.7 The original budget for 2022/23 allowed for additional contributions to the provision totalling £510,200; £191,400 for uncollectable debts and £318,800 for the impact of benefit reforms. Reviewing the arrears position at this time, it is now estimated that the additional provision required in 2022/23 may be £305,772. However, rent arrears are volatile and with increasing numbers of Universal Credit cases it can be difficult to determine what the position at the end of the financial year will be. Based upon current information this suggests that the Provision will stand at £1,899,800 at the end of 2022/23 against arrears of £2,077,300.

7.8 The 2023/24 estimates allow for additional contributions to the provision, totalling £651,341 which is 2% of the gross rent. It should be noted that a bad debt provision is simply the assumption that a proportion of the rent may not eventually be collected. The debt will remain collectable and not written off until every avenue to collect has been exhausted.

7.9 If the arrears position is not as severely impacted upon as has been estimated then a lower contribution may be required which would release additional resources in the HRA; conversely if the arrears position should deteriorate more significantly then additional contributions to the Bad Debt Provision could be required and these would need to be found from the HRA balances. The position is kept under regular review.

Rechargeable Repairs

7.10 The amount due from tenants for rechargeable repairs currently stands at £222,000 of which £198,000 is debt over 1 year old. Of the debt over 1 year old £187,500, appears to be static debt i.e., there have been no payments received at all. No accounts have been written to date in the current year however £12,000 of accounts have been identified as potential write offs.

7.11 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £150,000. Taking into account the expected write offs, at the end of 2022/23 the provision will stand at £138,000 and cover around 62% of the expected outstanding debt. The pandemic and resulting operating restrictions has impacted on the level of rechargeable repairs being carried out as well as the billing and recovery of these works; it is very difficult at present to estimate what the position will be at the year end or for the coming financial year however the HRA has sufficient resources to provide additional contributions to the Bad Debt Provision should this prove necessary.

7.12 Accounts raised are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received, or instalment arrangements agreed. Billing and recovery arrangements will be continually reviewed to ensure effective recovery.

8.0 2023/24 Housing Revenue Account (HRA), HRA Capital Resources and the HRA Working Balance

2023/24 Housing Revenue Account

8.1 The Housing Revenue Account Estimates are set out in Appendix 1.

8.2 One of the most significant impacts on the HRA for the coming year and in future years will be the cost-of-living crisis, energy bill inflationary pressures and the impacts that the Covid 19 pandemic has had on the country. This along with other key factors, are factored into the determination of the HRA working balance.

8.3 Other areas worthy of note that have not been covered in other sections of this report are:

- The Housing Revenue Account pays a Management Fee to Six Town Housing to provide the services delegated under the ALMO Management Agreement. The level of this Management Fee for 2023/24 is subject to negotiation under the Management Agreement. In light of the identified pressures on the HRA it is recommended that for the financial year 2023/24, the Management Fee is reduced by 3% creating a saving of £391,758 and resulting in a management fee for 2023/24 of £12,666,842.

- Springs Tenant Management Cooperative (TMO) has established itself as a self- financing, tenant management Organisation from April 2022. The impact of the 7% rent cap will result in £47,783 loss of income to Springs TMO in rental income and efficiency savings will be required.
- No adjustments have been made to the HRA estimates for 2023/24 in this regard.

8.4 The detailed Housing Revenue Account shown in Appendix 1 assumes that the proposals within this report for increases/decreases to rents and other charges are approved.

HRA Capital Resources

8.5 Self-financing within the HRA means that major works to the housing stock are now funded primarily from rental income, capital grants and/or borrowing. The identification and timing of future major works are key factors in the development of the 30 Year HRA Business Plan.

8.6 Investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.

8.7 For the years 2018/19 to 2020/21 an annual investment of £9.830m was approved, in line with the Asset Management Strategy for the Public Housing stock 2018-21. This level of resources was maintained in 2022/23 whilst longer term investment strategies were being assessed.

8.8 A piece of work is required to fully understand the stock condition and develop a 5-year Capital Programme profiled on stock condition which is affordable within existing resources to cover.

- Compliance
- Elemental Repairs
- Planned and Programmed Work
- Refurbishment / renewal of existing stock
- Environmental Improvements
- New Homes

8.9 On this basis the investment programme for 2023/24 is assumed to be £16.782m, (the HRA estimates also allow for slippage of schemes (and resources) from 2022/23 to 2023/24):

The Major Works resources will provide for specific capital schemes and general capital expenditure such as essential renewals (arising when properties become vacant) and structural works.

The HRA Working Balance

8.10 The HRA needs to maintain a certain level of balances in order to finance occurrences that cannot be predicted and to mitigate against material inaccuracies in the assumptions underlying the budget.

8.11 There is no statutory definition of the minimum level however as part of a longer-term approach to HRA finances the Council established a Golden Rule regarding the minimum level of HRA balances and it was agreed that the HRA balances should not be allowed to fall below £100 per property, recognising that the actual minimum level of balances to be retained still needs to be reviewed each year based on a risk assessment of the major issues that could affect the financial position of the HRA.

8.12 The level of recommended minimum balances for the HRA at 31st March 2022, was £1.3m. There are a number of benchmarks that Housing Authorities use to determine the correct level. For Bury's HRA the calculations would be:

	£m
£200 per property (Housing Finance Act 1989 recommended £150 based on 7,431 properties)	1.486
5% of dwelling rental income	1.613
5% of gross expenditure (excl. transfers to MRR)	1.240
Average of the 3 options	1.446

8.13 As the results of the three options are wide ranging, it would be prudent to keep the minimum working balance under review each year. For 2023/24, it is recommended that the council increases the minimum working balance to £1.5m being just above the average of the options.

8.14 In line with 2022/23 there is a proposed contribution from the business headroom reserve. The balance on this reserve as at 31st March 2022 was £9.8m. Therefore, this reserve is not going to be sustainable if contributions of this magnitude continue.

Housing Management Fee

8.15 The current Management Agreement between Six Town Housing (STH) and the Council was approved in April 2020 and allows for an annual negotiation of the Management Fee which is payable from the HRA to STH in respect of its management and repairs responsibility. In light of the identified pressures on the HRA it is recommended that for the financial year 2023/24, the Management Fee is reduced by 3% creating a saving of £391,758 and resulting in a management fee for 2023/24 of £12,666,842. STH have agreed to absorb inflationary rises and other costs pending a further strategic review of the fee levels during 2023/24. There was no reduction in the management fee in 2022/23 or following the transfer of properties to Springs Tenant Management Cooperative.

8.16 In addition to the Management Fee, a further £16.782m capital will be made available to STH in respect of the agreed planned maintenance and improvement programme.

Links with the Corporate Priorities:

Provision of social housing is a core function and a key corporate priority to support the provision of affordable housing for residents in the Borough.

Equality Impact and Considerations:

A full Equality Impact assessment is underway, and the assessment will be taken in to account before applying any increased charges to Tenants.

Environmental Impact and Considerations:

The Council is working towards becoming a carbon neutral organisation by 2038. Six Town Housing are working on a number of decarbonisation programmes across the housing estate to reduce the carbon footprint. This is an on going project.

Assessment and Mitigation of Risk:

Risk / opportunity	**Mitigation**
The capped rents do not recover the costs if they rise at a higher level of inflation which will put pressure on the Housing Revenue Account. Increased risk of non-payment of rents, escalating bad debts.	The budgets will be monitored closely throughout the year, action may be required to reduce costs and limit expenditure. Close monitoring of outstanding debt, ensure tenancy and welfare support offered to Tenants at the appropriate time.

Legal Implications:

Housing Revenue Account and Rents

The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council must formulate proposals in respect of HRA income and expenditure for the financial year which on the best assumptions and estimates that the Council is able to make at the time to ensure that the HRA does not show a debit balance.

The Council is required to keep the HRA in accordance with proper practice. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description.

The review of the rents is a Cabinet function and is undertaken with regard to the provisions of Part VI of the 1989 Act which governs housing finance and housing subsidy. Rents for council houses are a credit to the HRA and outgoings a debit. The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is balanced.

Financial Implications:

The financial implications are included within the report

Appendices:

Please list any appended documents.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
HRA	Housing Revenue Account
STH	Six Town Housing
TMO	Tenants Management Organisation
RTB	Right to buy

Appendix 1

	Housing Revenue Account	
	2022/23 £m	2023/24 £m

INCOME		
Dwelling rents	31.568	32.251
Non-dwelling rents	0.203	0.224
Heating charges	0.037	0.041
Other charges for services and facilities	0.971	1.063
Contributions towards expenditure	0.040	0.040
Total Income	32.819	33.619
EXPENDITURE		
Repairs and Maintenance	6.902	6.865
General Management	7.380	7.164
Special Services	1.401	1.496
Rents, rates, taxes and other charges	0.036	0.038
Increase in provision for bad debts	0.510	0.651
Cost of Capital Charge	4.713	4.713
Depreciation of fixed assets - council dwellings	7.442	8.500
Depreciation of fixed assets - other assets	0.030	0.030
Debt Management Expenses	0.045	0.045
Contribution to/(from) Business Plan Headroom Reserve	-3.749	-2.917
Total Expenditure	24.710	26.585
Net cost of services	-8.109	-7.034
Amortised premia / discounts	0.000	0.000
Interest receivable - on balances	-0.018	-0.018
Interest receivable - on loans (mortgages)	0.000	0.000
Net operating expenditure	-8.127	-7.052
Appropriations		
Appropriation relevant to depreciation and MRA	0.000	0.000
Housing set aside (Principal repayments on new developments)	0.000	0.000
Revenue contributions to capital	7.910	7.052
(Surplus) / Deficit	-0.217	0.000
Working balance brought forward	-1.083	-1.300
Working balance carried forward	-1.300	-1.500

Sheltered Support and Amenity Charges

APPENDIX 2

Current charges 2022/23 and proposed charges 2023/24

Scheme	Management Charge **2022/23**	Support Charge **2022/23**	Amenity Charge **2022/23**	**Total Charges 2022/23**	Proposed Management Charge **2023/24**	Proposed Support Charge **2023/24**	Proposed Amenity Charge **2023/24**	**Total Proposed Charges 2023/24**	**Increase over current charges**
	£	£	£	**£**	£	£	£	**£**	**£**
	4.10%	0%	4.10%		10.1%	0%	10.1%		
Beech Close	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Chelsea Avenue	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Clarkshill	12.49	8.33	19.38	**40.2**	13.75	8.33	21.34	**43.42**	**3.22**
Elms Close	12.49	8.33	2.27	**23.09**	13.75	8.33	2.50	**24.58**	**1.49**
Falcon House	23.98	0	11.32	**35.3**	26.40	0	12.46	**38.86**	**3.56**
Griffin Close	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Griffin House	23.98	0	10.98	**34.96**	26.40	0	12.09	**38.49**	**3.53**
Hampson Fold	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Harwood House	12.49	8.33	21.99	**42.81**	13.75	8.33	25.20	**47.28**	**4.47**
Limegrove	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Maple Grove	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Moorfield	12.49	8.33	25.16	**45.98**	13.75	8.33	27.70	**49.78**	**3.80**
Mosses House	12.49	8.33	19.96	**40.78**	13.75	8.33	21.98	**44.06**	**3.28**
Stanhope Court	12.49	8.33	10.13	**30.95**	13.75	8.33	11.15	**33.23**	**2.28**
Taylor House	12.49	8.33	22.45	**43.27**	13.75	8.33	24.72	**46.80**	**3.53**
Top O'th Fields 1	12.49	8.33	21.65	**42.47**	13.75	8.33	23.84	**45.92**	**3.45**
T O'th F 2 (Welcomb Walk)	12.49	8.33		**20.82**	13.75	8.33		**22.08**	**1.26**
Waverley Place	12.49	8.33	23.8	**44.62**	13.75	8.33	26.20	**48.28**	**3.66**
Wellington House	12.49	8.33	32.19	**53.01**	13.75	8.33	35.44	**57.52**	**4.51**

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact £m	Min. Provision £m
Increased stock loss - level exceeds the provision made in the estimates	The loss of a property costs the HRA approx. £4,100 in lost rental income in a full year. A loss of 60 properties throughout the year would cost around £246k.	M 50%	Budget 2023/24 assumes 60 sales. Provisions are made for 60 and due to the housing market conditions i.e., interest rates on mortgages and cost of living there is expected to be a downturn in applications for RTB.	0.246	0.246
Higher level of void (empty) properties - increase loss of rental income	A 1.0% increase in void loss costs the HRA c£300k in a full year.	M 50%	Budget 2022/23 assumes 1% void rental loss. The expectation with the slowdown of the housing market is void rates will remain steady. The current rate of void at the time of writing is 1.07% (Dec 2022)	0.300	0.300
Increase in arrears levels	Rental income is accounted for in the HRA on a rents receivable basis rather than actual rent received. However an increase in arrears could impact on the level of contribution required to the Bad Debt Provision.	H 80%	Budget 2023/2024 This allows for contributions of £651k to the Bad Debt Provision. This is based on 2% of the gross rent; the level of arrears has been affected by current economic conditions and the cost-of-living crisis.	0.651	0.651
				1.197	1.197