Bury Council

Classification:	Decision Type:
Open	Key

		Date:
Report to:	Overview & Scrutiny Committee Cabinet Council	6 February 2024 14 February 2024 21 February 2024
Subject:	Annual HRA Budget 2024/25 & Rent Setting	
Report of	Cabinet Member for Finance and Communities	

1. Summary

This report sets out the budget for the Housing Revenue Account (HRA) for 2024/25 and forms part of the Council's budget setting process for 2024/25.

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

The HRA will transfer back to the Council management with effect from 1st February 2024. The report sets out the budget assumptions and has been prepared based on the management costs being the same as the fee paid to Six Town Housing.

2. Recommendation(s)

Overview and Scrutiny Committee is asked to note the report and consider whether they wish to make any recommendations to Cabinet on the content of this report.

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

- Approve the 2024/25 budget for the Housing Revenue Account
- Agree rents to be increased for 2024/25 by 7.7% which is the Government's maximum allowable increase being September CPI (Consumer Price Index) 6.7% plus 1% with effect from 1st April 2024.
- Shared ownership rents to be increased by 7.7% in line with the provision which is set out within shared ownership agreements with effect from 1st April 2024.
- Approve an increase in Garage rents by CPI as at September 2023 CPI 6.7%.
- Approve an increase in Sheltered Management and Support Charges by CPI 6.7%.
- Approve an increase in Service and Amenity Charges by CPI 6.7%.
- Approve an increase in Support and Heating charges by CPI 6.7%.
- Approve an increase in Furnished Tenancy charges by CPI 6.7%.

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

In accordance with the Rent Standard, 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.

3.1 Reasons for recommendation(s)

3.2 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 which means the authority does not have any 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.

3.3 The government introduced a self-financing funding system in 2012 whereby the HRA now retains its rental income locally and uses this to provide for management, maintenance, and major works to the housing stock and to service the debt finance upon which the HRA is based.

3.4 In April 2022, following Cabinet approval, Springs became a Self-Financing Tenant Management Organisation, the first in the Northwest. Owing to loss of stock through the Right to Buy sales (1), Springs TMO are currently managing 285 properties. Springs Tenant Management Organisation was formed to manage council homes on a self-financing arrangement. This means that the TMO retains the rents collected from the homes and uses this to pay for the management and maintenance of their properties under local arrangements. The value of the rents collected and passed over to Springs TMO is shown as a management fee cost to the HRA (neutral effect on the HRA).

3.5 With effect from 1st February 2024, the management of the housing stock, previously carried out on behalf of the council by the ALMO, Six Town Housing (STH), was brought back into council management with all staff being transferred to the council under TUPE regulations. The assumption for the 2024/25 budget is that other than inflationary increases, the cost of managing the HRA in-house will be the same as the Management Fee previously payable to STH.

3.6 The current level of activity on Right to Buy (RTB) the HRA for 2024/25 estimates have been revised to 34 (originally 70) right to buy (RTB) sales in 2023/24 and 40 (originally 60) in 2024/25. The number of sales during 2023/24 for the first three quarters of the year was 25. There are a further 6 properties expected to complete by 31 March 2024 and 6 more that may complete so the estimate of properties to complete is 9 bringing the total in 2023/24 to 34. The continuing higher interest rates for mortgages are likely to be a factor which is slowing the sales of properties. Lower levels of sales via RTB will mean that the level of rental income will be maintained for longer – over time this is a better prospect. The reduced number of sales will, however, provide a lower level of capital receipts which can be used to fund the capital program on a one-off basis, or reduce debt.

3.7 The HRA is expected to have an average stock of 81 affordable rent dwellings plus 5 shared ownership dwellings in 2024/25.

3.8 This report is written based on the Council's existing housing stock. Due to 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 assesses the minimum level of balances to be held.

3.9 Whilst this report relates to approving the annual budget for the HRA, a 30-year Housing Revenue Account Business Plan is being prepared 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 2024/25 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, and hopefully above its desired minimum working balance and can service its loans over the life of the business plan.

4.0 Rent Levels 2024/25

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 Government and Regulator of Social Housing (RSH) have confirmed that this formula will be used for the 2024/25 financial year and that CPI is to be based on September 2023 (not the lower rate in October that some commentators suggested). The Council, as a Registered Provider of Social Housing, is regulated and must adhere to the Rent Standard, which includes the same stipulation on social rent increases. It should be noted also that Shared Ownership rents are not covered by the Rent Standard and as such the rent increase that should be applied should be that set out in the terms of the lease agreement with the shared owners.

4.2 The basis for annual rent increases is the September Consumer Price Inflation (CPI) which in 2023 was 6.7% meaning the maximum rent increase projected for April 2024 should be 7.7%. It was also announced that benefits to claimants would rise by the amount of inflation in April 2023 and that the Local Housing Allowance (LHA) will be allowed to rise in 2024/25 for the first time since April 2020. The LHA rate has no bearing on Council rents; however, this policy recognises that resources are becoming more stretched in social housing and landlords need to be able to increase their rents accordingly.

4.3 The Government's agreement of the CPI +1% increase, which gives a rent increase of 0.7% above the 7% cap that was set for 2023/24, demonstrates that whilst this will have an impact on the Government's benefit bill, Registered Providers have very little room, if any to accommodate rent cuts compared to CPI +1% again in 2024/25.

4.4 At the time of writing, the Government have confirmed:

- the formula (or target) for social rents to rise by CPI + 1% for 2024/25 with CPI to be based upon the September 2023 CPI figure of 6.7%.
- social rents can be re-let on change of tenancy at the new formula rent (or target rent).
- 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 current Rent Regime for rent increases ends on 31 March 2024 and the basis for which rents may rise in future will be subject to consultation during 2024-25. 2024-25 marks the last year that a maximum increase of CPI + 1% can be guaranteed.

4.5 The 2024/25 financial year is what is known as a "53 week rent year" this means that there will be 53 Mondays in the financial year rather than 52. Monday is the day rent falls due each week. Tenants will be charged the same rent for the 53rd rent week based on the normal 52-week rent. This is in line with RSH's Rent Standard. This phenomenon arises very 5 or 6 years and it is only coincidence that 2024 is a leap year.

4.6 For tenants in social housing (social and affordable), the Council allows two "rent free weeks" per annum. These are not free in reality; it just means that the total annual rent is collected over a lesser number of weeks per annum, so the 50-week rent is higher than the 52-week equivalent. In 2024/25, rents will continue to be collected over 50 weeks based on the 52-week rent multiplied by 53 and then divided over 50 weeks.

4.7 The table below sets out the 2023/24 average rent per tenure and property type based on stock on 1 April 2023, together with the indicative 2024/25 rent based on the increases proposed. This includes 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 2024/25 – Recommended

Tenure Type	No/ of Units @ 21/12/23	Average 50 wk. rent 2023/24	Increase rate allowed	Average 50 wk. rent with 7.7% added	Average 50 wk. rent (53 weeks collected over 50) 2024/25
Social	7,639	£86.95	7.7%	£93.64	£95.44
Affordable (inc service charges)	81	£184.99	7.7%	£199.23	£203.06
Shared Ownership	45	£49.05	7.7%	£52.83	£53.85

4.8 The table above shows increases on a 50-week comparable basis of the proposed rent increase of 7.7% applied to the rents of all current HRA Social Rent Formula dwellings, together with the rate that will be charged over 50 weeks to take account of the extra rent week in 2024/25.

4.9 It should be noted that the formula rents for social rented properties will all automatically be increased by 7.7% for 2024/25. This will maintain the gap between formula rent and actual rent for any properties where there has not been a change in tenancy during the time period since the gap was established. 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.

5.0 Other charges

5.1 There are currently 251 HRA owned garages (of which 124 are currently let).

6.1 Garages are charged at the rate of £8.57per week (50 weeks). The last increase was in April 2023. It is proposed that the charge is increased by 6.7% from April in line with September CPI; this results in a weekly increase of £0.57 giving a rate of £9.14 per week (over 50 weeks for a 52 week year) which equates to £9.32/week over 50 weeks for the 53 week year.

6.0. Sheltered and Other Tenancy Charges Sheltered Management and Support Charges

6.2 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 has been reviewed and the decision to stop the Support element with effect from December 2023 was taken. 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.

6.3 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 2024/25 by 6.7% and the current and proposed charges are detailed below.

	Current Charge (50 weeks) £	Proposed Charge 2024/25 (50 weeks in a 53 week year) £
Sheltered schemes (other than Extra Care)	13.75	14.95
Extra Care schemes (Falcon House/Griffin House)	26.40	28.71

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

6.5 Following the review of the service, the Support Service has been stopped with effect from December 2023 and therefore the weekly charge of £8.33 / unit has been removed.

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 dependent on the assessed needs of the individual tenants; this support is provided by the Health & Adult Care service within the Council, and they will be reviewing the charges for 2024/25.

Service and Amenity Charge

6.6. The Service and Amenity Charges were increased by 10.1% for 2023/24. It is proposed that the current charges are increased by 6.7% in line with CPI from the first rent week in April 2024. The true costs of delivering services should be passed onto tenants, therefore service charges should be increased to ensure services break even.

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

	Current Charge (50 Weeks) £	Proposed Charge 2024/25 (50 weeks in a 53 week year) £
Clarks hill	21.34	23.21
Elms Close	2.50	2.72
Falcon House	12.46	13.55
Griffin House	12.09	13.15
Harwood House	25.20	27.41
Moorfield	27.70	30.12
Mosses House	21.98	23.91
Stanhope Court	11.15	12.13
Taylor House	24.72	26.88

Top O'th Fields 1	23.84	25.93
Waverley Place	26.20	28.49
Wellington House	35.44	38.54

6.8. 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

6.9. Appendix 2 details the total Sheltered Management, Support and Amenity Charges for each scheme; this shows weekly increases, excluding the effect of removing the £8.33 Support charge, ranging between £0.92 and £4.02. Including the impact of the removal of the Support Service, the overall reductions (excluding Falcon & Griffin) range from £4.31 to £7.41.

Support Heating Charges

6.10. 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.

6.11. At the Council meeting in February 2023, charges were not increased so remained at the 2022/23 levels for 2023/24. 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:

	Current Charge (50 Weeks) £	Proposed Charge (50 weeks in a 53 week year) £	Proposed Increase %
Taylor House	13.00	14.14	6.7%
Clarks Hill	9.18	9.98	6.7%
Harwood House	10.70	11.64	6.7%

Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2023/24, the rates for these were £500 per household for those born on or before 25 September 1957, rising to £600 per household for those born before 25 September 1943 to help pay heating bills (payments may be different depending on the household circumstances).

Furnished Tenancies Charges

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

6.13. We currently have 231 live furnished tenancies. Of the live tenancies we have 152 x 1 bed, 63 x 2 bed, and 16 x 3 bed properties. We have a limited number of 235 furnished tenancies so there is currently capacity for a further 4.

6.14. There will be a review of 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.

6.15. 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.

6.16. 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.

6.17. The current and proposed charges per unit per week are:

	Current Charge (50 Weeks) £	**Proposed Charge £ (50 weeks in a 53 week year)**	**Proposed Increase %**
1 Bed Property	16.02	17.42	6.7
2 Bed Property	18.86	20.51	6.7
3 Bed Property	21.71	23.61	6.7

Fernhill Caravan Site Pitch Fees

6.18. The Fernhill Caravan Site has been managed by Six Town Housing since 2014/15 for which they receive a separately determined Management Fee. This management service will be provided by the Council with effect from February 2024. 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.

6.19. 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 are not any non-collection weeks. There has been no increase in the charge since April 22 as the site was closed for a major renovation. The site re-opened to residents on 2nd September 2023 with the following charges.

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

6.20. The site was empty between July 2022 and September 2023 due to redevelopment. Residents moved back in on 02 September 2023. They returned to site on the same terms of rent but in the new Agreement this allows for revision in April 2024.

7.1 Housing Revenue Account Performance Voids

7.2 The rent lost on empty properties is projected to be 0.87% over the course of 2023/24, this is slightly lower than the budgeted level of 1% meaning a saving of approx. £29,000.

7.3 During the financial year 2023/24, it was noted that properties were still being returned in a state worse than they had been pre-Covid, and in need of more than wear and tear repairs. STH adopted the sector-wide Housing Ombudsman best practice during periods of void to bring the homes back to the acceptable standards including installation of hard wire electrical points, carbon monoxide detectors, fire detectors etc. The level of void loss for 2024/25 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.

7.4 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

7.5 The opening arrears and current levels for 2023/24 are shown in the following table.

The figures reflect the fact that there have been no write-offs during 2023/24; however, this position could change before the end of March 2023. All write offs are in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

Provision Position – As of December 2023			
	Opening Balance 2023/24	**Current Balance December 2023**	**Increase/ (Reduction)**
	£m	**£m**	**£m**
Current Arrears	1.355	1,568	0.213
Former Tenant Arrears	0.556	0.702	0.144
Write Offs (Nov 2022)	0.000	0.000	0.000
Total	**1.911**	**2.270**	**0.357**

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

7.7 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £1.911m 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.

7.8 The original budget for 2023/24 allowed for additional contributions to the provision totaling £651,000 (2% of gross rent); Reviewing the arrears position at this time, it is now estimated that the additional provision required in 2023/24 may be £476,708 (approx. 1.4% of gross rent), 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 £2,269,808 at the end of 2023/24 against arrears of £2,461,626.

7.9 The 2024/25 estimates allow for additional contributions to the provision, totaling £525,000 which is 1.4% 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. However, as far as the balance in the HRA reserve is concerned the amount forecast as a provision is assumed to be the loss a loss of revenue. This is a prudent approach and is required by CIPFA.

As the arrears position has not been as severely impacted upon as has been estimated then a lower contribution has been proposed which will release additional resources in the HRA; however, 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 £241,474 of which £210,483 is debt over 1 year old. Of the debt over 1 year old £180,587 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 £96,838 of accounts have been identified as potential write-offs.

7.1. The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £139k. Considering the expected write offs, at the end of 2023/24 the provision will stand at £42k and cover around 17.5% 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 which is likely given the large reduction forecast.

7.11 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. 2024/25 Housing Revenue Account (HRA), HRA Capital Resources and the HRA Working Balance

2024/25 Housing Revenue Account

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

8.2 Significant impacts on the HRA for the coming year will continue initially to include higher levels of inflation than in past years. However, the Government estimates that by the end of 2024, inflation will be down to 2.8% and down to the target of 2% by the end of 2025. Interest rates on new loans remain above those rates seen before the cost-of-living crisis and treasury advisers expect these to stay higher for longer to control inflation. Interest rates affect the HRA if there is a requirement to borrow for investment, development or refinancing of existing loans.

8.3. From a regulatory perspective, the Regulator of Social Housing now has powers to regulate Councils under the Consumer Standard. Councils are required to have staff with relevant housing qualifications, have a mechanism by which tenants can report issues with their homes, and this needs to be monitored and reported upon. Councils are also going to be measured on how they perform in terms of responding to tenant communication in a timely manner and to resolve the issues. On 9th January 2024, DLUHC launched a consultation which looks at proposals for the implementation of Awaab's Law, as introduced by the Social

Housing (Regulation) Act 2023 (Clause 42 'Social housing leases: remedying hazards'). It proposes new legal requirements for social landlords to investigate hazards within 14 days, start fixing within a further seven days, and make emergency repairs within 24 hours. Those landlords who fail can be taken to court where they may be ordered to pay compensation for tenants.

https://www.gov.uk/government/consultations/awaabs-law-consultation-on-timescales-for-repairs-in-the-social-rented-sector/awaabs-law-consultation-on-timescales-for-repairs-in-the-social-rented-sector

These regulatory requirements may require investment in systems and/or resources in order to ensure that the Council meets its obligations and avoids penalties.

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, capital receipts 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. There is an ongoing piece of work being undertaken to fully understand the stock condition and advise 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

8.8. In the past, the Council has tended to set a Capital Programme based on a level of spending at around £14m per annum. This has been assumed to be affordable by being funded by the HRA revenue reserves in terms of about 50% being covered by the Major Repairs Reserve (a cash figure representative of depreciation that is taken from the HRA income each year and used to fund capital) and the balance taken from the HRA revenue account as a contribution to capital. This contribution could equally have been funded by borrowing and maintained the HRA revenue reserve. The Council could have also used capital receipts generated from RTB receipts, but in recent years these have been utilised elsewhere in the Council.

8.9. Opening balances of capital reserves at 1 April 2024 for use to fund the HRA capital programme were:

Non 1-4-1 RTB Capital Receipts	£2.009m
RTB receipts for replacement homes (1-4-1)	£1.636m

Note that the receipts for replacement homes can only be spent on developing or acquiring new housing stock in the HRA and must be returned to the Government if not used within 5 years. These receipts were generated in 2022-23 for the first time. Non 1-4-1 RTB receipts may be used for any capital purpose and are used to fund the capital programme ahead of using HRA revenue contributions or borrowing.

8.10. The HRA business plan assumes that beyond 2024/25, the 30-year profile for the requirement for investment in the Council's existing stock is based on estimates provided by the asset management team at STH. This is based on results being reported from a proportion of the surveys being undertaken. The data needs refreshing once the full survey is completed and has been reviewed. The profiled works in the plan includes annual inflation to give forecasts over 30 years of the level of investment needed.

8.11. On this basis the investment programme for 2024/25 is assumed to be £23,082m, (the HRA estimates also allow for slippage of schemes (and resources) from 2023/24 to 2024/25):

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.

In addition, there is a proposal to purchase a block of 40 units at the former Magistrates Court for an expected purchase price of £5,000,000. Full financial appraisals will be worked up and presented for approval in the new year. This purchase is expected to be partially funded by Homes England grant of 40% of the cost.

The HRA Working Balance

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

8.13. 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.

8.14. The level of recommended minimum balances for the HRA on 31st March 2023, was £1.5m. Housing Authorities use several benchmarks to determine the correct level. For Bury's HRA the calculations would be:

	£m
£200 per property (Housing Finance Act 1989 based on 7,732 properties)	1.546
5% of dwelling rental income	1.859
5% of gross expenditure (excl. transfers to MRR)	1.138
Average of the 3 options	1.514

8.15. 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 2024/25, it is recommended that the council increases the minimum working balance to £1.591m being just above the average of the options and 6% above the £1.5m assumed for 2023/24

8.15. The working balance brought forward at 01 April 2023 was £9.176m. The forecast opening balance as at 01 April 2024 is £10.393m and the movement during the 24/25 financial year is expected to be (£4.277m) resulting in a closing balance at 31 March 2025 of £6.116m. This is still comfortably above the minimum working balance as calculated above.

Housing Management Fee

8.16 The current Management Agreement between Six Town Housing and the Council will end in February 2024 and there will therefore be no management fee payable 24/25 and future years. All STH employees will transfer to Bury Council, and the council will incur the costs directly and charge them into the HRA.

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 it will be considered 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 ongoing 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.

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

Report Authors and Contact Details:
Name: Paul McKevitt
Position: Interim Executive Director of Finance
Department: Finance
E-mail: paul.mckevitt@bury.gov.uk

	Housing Revenue Account	
	2023/24 £m	2024/25 £m
INCOME		
Dwelling rents	-32.251	-36.812
Non-dwelling rents	-0.224	-0.204
Heating charges	-0.041	
Other charges for services and facilities	-1.063	-1.242
Contributions towards expenditure	-0.040	-0.040
Total Income	-33.619	-38.298
EXPENDITURE		
Repairs and Maintenance	6.865	7.325
General Management	6.947	8.882
Special Services	1.496	1.622
Rents, rates, taxes, and other charges	0.038	0.038
Increase in provision for bad debts	0.651	0.525
Cost of Capital Charge	4.713	4.466
Depreciation of fixed assets - council dwellings	8.500	7.300
Depreciation of fixed assets - other assets	0.030	0.030
Debt Management Expenses	0.045	0.045
Contribution to/(from) Business Plan Headroom Reserve	(2.700)	
Total Expenditure	26.585	30.173
Net cost of services	-7.034	-8.124
Amortised premia / discounts	0.000	0.000
Interest receivable - on balances	-0.018	0.000
Interest receivable - on loans (mortgages)	0.000	0.000
Net operating expenditure	-7.052	-8.124
Appropriations		
Appropriation relevant to depreciation and MRA	0.000	
Repayment of Arranged Loans	0.000	0.000
Revenue contributions to capital	7.052	0.204
		12.631
(Surplus) / Deficit	0.000	4.711
Working balance brought forward		10.393
RTB receipts for repl homes – Interest		0.120
Operating Account Interest		0.465
Working balance carried forward		6.116

APPENDIX 2

Sheltered Support and Amenity Charges
Current charges 2023/24 and proposed charges 2024/25

Scheme	Management Charge 2023/24 £	Support Charge 2023/24 £	Amenity Charge 2023/24 £	Total Charges 2023/24 £	Proposed Management Charge 2024/25 £	Proposed Support Charge 2024/25 £	Proposed Amenity Charge 2024/25 £	Total Proposed Charges 2024/25 £
Increase (%)	**10.10%**	**0%**	**10.10%**		**6.7%**	**Removed Dec 2023**	**6.7%**	
Beech Close	13.75	8.33		22.08	14.67			14.67
Chelsea Avenue	13.75	8.33		22.08	14.67			14.67
Clarks Hill	13.75	8.33	21.34	43.42	14.67		23.21	37.88
Elms Close	13.75	8.33	2.5	24.58	14.67		2.72	17.39
Falcon House	26.4		12.46	77.72	28.17		13.55	41.72
Griffin Close	13.75	8.33		22.08	14.67			14.67
Griffin House	26.4		12.09	38.49	28.17		13.15	41.32
Hampson Fold	13.75	8.33		22.08	14.67			14.67
Harwood House	13.75	8.33	25.2	47.28	14.67		27.41	42.08
Limegrove	13.75	8.33		22.08	14.67			14.67
Maple Grove	13.75	8.33		22.08	14.67			14.67
Moorfield	13.75	8.33	27.7	49.78	14.67		30.12	44.79
Mosses House	13.75	8.33	21.98	44.06	14.67		23.90	38.57
Stanhope Court	13.75	8.33	11.15	33.23	14.67		12.13	26.80
Taylor House	13.75	8.33	24.72	46.8	14.67		26.88	41.55
Top o'the Fields 1	13.75	8.33	23.84	45.92	14.67		25.93	40.60
Top o'the Fields 2 (Welcomb Walk)	13.75	8.33		22.08	14.67			14.67
Waverley Place	13.75	8.33	26.2	48.28	14.67		28.49	43.16
Wellington House	13.75	8.33	35.44	57.52	14.67		38.54	53.21

APPENDIX 3

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact	Min. Provision
				£m	£m
Increased stock loss - level exceeds the provision made in the estimates	The loss of a property costs the HRA approx. £4,375 in lost rental income in a full year. A loss of 40 properties in the year would cost around £175k	M 50%	Budget 2024/25 assumes 40 sales. Provisions are made for 40 and due to the housing market conditions i.e., interest rates on mortgages and the cost of living, 23/24 has seen a downturn in applications for RtB and the budget for 24/25 has been reduced to reflect this.	0.175	0.175
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 2024/25 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 level	Rental income is accounted for in the HRA on a rents receivable basis rather than the actual rents received. An increase in arrears could impact on the level of contribution required to the bad debt provision.	H 80%	Budget 2024/2025 This allows for contributions of £525k to the Bad Debt Provision. This is based on 1.4% of the gross rent. This level reflects the current economic climate.	0.525	0.525
				1.000	1.000