Council Report
Ward(s) affected: n/a
Report of Director of Resources
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Housing Revenue Account Budget 2022-23

Executive Summary

This report outlines the proposed Housing Revenue Account (HRA) budget for 2022-23, which has been built on the estimates and assumptions in the updated 2022 HRA Business Plan that is to be found in appendix XX this has been reviewed to reflect changes in relevant legislation, guidance along with consideration of the Council's declaration of a Climate Emergency and the ongoing challenges of the pandemic as it affects our operating environment.

It is proposed that the rents for 2022-23 should increase by (4.10%) being the annual (3.10%) September 2020 to September 2021 Consumer Price Index (CPI) plus 1% prescription. This being the second-year anniversary since the end of reduction in social rents by 1% per annum for the four years that started on 1 April 2016, as prescribed in the Welfare Reform and Work Act 2016. This approach is in line with the Rent Standard and Direction made by the Secretary of State on the 25 February 2019.

A 3% increase in garage rents which is in line with the wider council policy on fees and charges.

The report includes a proposed investment programme for the properties that are managed within the HRA, details of this are also set out within the Capital & Investment Strategy.

The estimates are on the premise of a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement as proposed in the business plan.

This report has also been considered by the Joint Executive Advisory Board at its meeting on . The Board's comments are set out in paragraph 10 below. At its meeting held on , the Executive considered this report and resolved, subject to Council approving the budget on :

(1) That the projects forming the HRA major repairs and improvement programme, as set out in **Appendix 3** to this report, be approved.

(2) That the Director of Service Delivery be authorised, in consultation with the Lead Councillor for Community and Housing:

(a) to reallocate funding between approved schemes to make best use of the available resources; and

(b) to set rents for new developments.

The Executive also endorsed the recommendations below:

Recommendation to Council:

(1) That the proposed HRA revenue budget for 2022-23, as set out in **Appendix 1** to this report, be approved.

(2) That a rent increase of 4.10%, comprising the September 2021 CPI (3.10%) plus 1%, in line with the Direction on the Rent Standard 2019 and as set out within Guidance provided by the Regulator of Social Housing, be implemented.

(3) That the fees and charges for HRA services for 2022-23, as set out in **Appendix 2** to this report, be approved.

(4) That is a 3% increase in garage rents which is in line with the wider council policy on fees and charges.

(5) That the Housing Investment Programme as shown in **Appendix 4** (current approved and provisional schemes), be approved.

Reasons for Recommendation:
To enable the Council to set the rent charges for HRA property and associated fees and charges, along with authorising the necessary revenue and capital expenditure to implement a budget, this is consistent with the objectives outlined in the HRA Business Plan.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

1.1 This report provides a position statement on the 2022-23 draft budget and makes recommendations to the Council on both the HRA revenue and capital programme budget.

2. Corporate Plan

The HRA Budget reflects the Councils vision as set out within the new Corporate Plan in supporting residents to have access to the homes and jobs they need, helping to protect our environment and empowering communities and supporting people who need help.

3. Background

3.1 The ongoing regime of self-financing arrangements introduced in 2012, empowers the Council to optimise its resources in management of its social housing services. The Housing Revenue Account Business Plan sets the framework upon which the revenue budget and proposed Housing Investment Programme are prepared.

The Secretary of State made a Direction on the 25 February 2019 under powers set out within section 197 of the Housing and Regeneration Act 2008(a) which requires the Regulator of Social Housing to set a new Rent Standard for social housing including that owned and managed by local authorities with effect from the 1 April 2020. This approach has been reflected in the development of this budget and the plan sets out our ambitions and priorities for the service, in line with this and other requirements

4. Housing Revenue Account Business Plan

4.1 The objective of the Business Plan is to optimise its resources in ensuring quality tenantable accommodation for residents, stock growth to address the increasing demand for affordable housing and surpluses to the various reserves in pursuance of its business. It is not limited to housing stock, but also wider issues such as community development and improving the environment.

4.2 The Business Plan not only concentrates on the financial related strategy and objectives, but also the service priorities of the Council's Landlord function to its tenants and leaseholders. The longer-term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose for the whole period of the plan and beyond.

4.3 On the 17 November 2020 the Government published a white paper "The Charter for Social Housing Residents" which sets out key areas that every social housing tenant should expect, the revised Business Plan and the HRA has been developed having consideration to these issues, and also brings forwards plans to ensure compliance with new legislation and Guidance for the stock.

These changes will strengthen existing services and will support the Council in improving the safety and quality of our homes, improve local communities and to create increased opportunities for residents to become involved. It also looks to help reduce anti-social behaviour and help support vulnerable tenants to sustain their tenancies.

The Council has declared a Climate Emergency and it is essential that we continue to develop and improve our housing to meet the targets that the Council has set, and this budget builds on existing work by increasing investment to increased energy efficiency whilst also looking to reduce carbon emissions.

4.5 Universal Credit as currently structured continues to cause concern and challenges both for residents and for the Council. Some of these concerns are increasingly shared at a national level, and in order to support tenants through transition we have increased the support and advice that we are able to provide whilst also increasing our resources to help vulnerable households.

4.6 Housing is fundamental to an individual's health and wellbeing. The HRA operates within an increasingly stressed public sector financial environment and we see the impact daily. The intervention threshold for mental health and social services have steadily increased, especially over the last couple of years and this means that for some of residents being able to access the support they need to live a healthy life can be a challenge This in turn can effect a households ability to sustain their tenancy and we are increasingly working to support tenants to manage the consequences of this, but understand that this can have a wider impact for neighbourhoods and communities, which is proving increasingly challenging.

These announcements and issues are resetting the landscape in which the HRA business operates and are very much in line with the ambitions this Council has for its communities. It is to reflect these changes that the HRA Business Plan has been subject to significant review and has helped inform the proposed budget.

5. Potential Pressures

5.1 As mentioned, the Covid-19 pandemic has played a major impact on the social and healthcare services on tenants. The cost of managing tenancies is likely to see upward pressure as we are forced to deal with situations we are less well equipped to manage.

5.2 The pandemic has led to several business closures, despite government support, with resultant increase on demand for social housing, putting pressure on our limited resources and time expediency in responding to this new demand.

Following the tragic events at Grenfell the Government has continued rightly to focus on the health and safety of residents which is supported by new legislation and guidance on range of areas. To ensure compliance with new legislation and guidance the Council is undertaking its widest range programme of works to improve the health and safety of residents that will exceed current statutory requirements this will require a substantial increase in capital programmes with work covering fire safety and precautions delivered in partnership with Surrey Fire and Rescue.

5.3 The funding framework available to meet the cost of supported housing remains fragile. Last year we received just £207,607 in Supporting People Grant funding with a further likely reduction.

5.4 The Homeless Reduction Act 2017 has placed greater obligations on the Council. This is coinciding with a steady rise in the number of households at risk. Many of those at greatest risk have not only housing issues but a range of complex needs. Together they are placing greater demands on the Housing Service that in turn flows through to the teams managing our properties and their residents.

5.5 The wider social housing sector is becoming increasingly commercial. Some housing associations are focusing on minimising risk by being very selective on who they house, also their move to market rent that is 80% of commercial rent for their new build and lettings, despite their large portfolio of properties. We are fortunate in having a retained stock, which gives us greater flexibility in helping those in housing need. It does, however, create a cost pressure.

5.6 Shared ownership properties enable residents to join the home ownership ladder, but for some the reality is that they are unable to staircase (acquire further equity shares) or move to a larger property as their household grows. Expanding this stock is not currently a priority for the Business Plan; however, this will be revisited when the opportunity arises, to develop larger sites. In such cases, shared ownership brings down the overall cost of a large development and does assist many households in meeting their housing need.

5.7 The estimates, consistent with the Business Plan, continue to attach a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement, reflecting the Council's determination to provide new additional affordable homes and increase the investment in housing stock.

5.8 The last couple of years have presented unique challenges for managing or housing stock and as a result we have been unable to undertake all of the work that we would have expected to the homes we manage, and this budget seeks to help redress that issue.

6. Preparation of the revenue and capital programme budget for 2022-23

6.1 The 2022-23 budgets have been prepared having regard to the recent policy announcements and the positive impact they might have. At the same time, we are conscious of various cost pressures along with the implications of our debt financing profile.

6.2 **Capital expenditure:** Reflects the latest information we have on the condition of the stock.

Revenue expenditure: We have already taken several steps to limit our ongoing revenue commitments until we fully understand the implications of the challenges we face.

- We will continue to evaluate all posts that fall vacant to determine whether it is appropriate to reappoint or whether an alternative approach is considered.
- The Covid-19 pandemic has changed the way we work with an increased use of IT, remote working, and virtual meetings.
- The Allpay system and mobile payment App has being useful in this trying period, in our drive for rent collection.
- Rent collection analytics technology introduced earlier has helped colleagues focus and manage rent collection.
- We have however identified a number of instances in which by investing are able to secure wider savings and these have ben reflected within the budget

7. HRA Revenue Budget 2022 - 23

Assumptions

7.1 The total HRA debt stands at £197 million. It is projected that the interest charge for 2022-23 will be £5,052,225. No provision is included in the budget for the repayment of debt during 2022-23 in line with the Executive's decision that debt repayment is not a priority.

7.2 The revenue budget for 2022-23 is predicated around a number of key assumptions. The most important of which are set out in the table below:

Item	Assumption
Opening stock	5,251 units of accommodation
HRA Debt	£197 million
Average cost of capital for 2022-23	2.60%
September CPI	3.10%
Recommended Rent increase CPI + 1%	4.10%
Actual Rent Increase + 1%	3.25%
September RPI	5.4%
Recommended Equity Rent increase RPI + 1%	2.75%
Actual Equity Rent increase RPI + 1%	2.25%
Garage income increase	2.25%
Bad debt provision 2022-23	£1,564,000
Void rate	0.50%
Service charge increases	Linked to contractual arrangement with suppliers
Housing units lost through Right to Buy (RTB)	25 per annum
Retained receipts	Held in reserves
HRA ring fence	Policy of strong ring fence continues
Debt repayment	No provision made for the repayment of debt
Operating balance	£2.5 million

7.3 The proposed budget set out in **Appendix 1** is based on a 52-week rent year.

7.4 In line with the Rent Standard and the Secretary of States Direction revised rents will increase by CPI plus 1% per annum in 2022-23 which will be 4.1% overall which will result in additional income of approximately £2,753,916.

Summary of Revenue Account Budget 2022-23

7.5 The table below summarises the proposed 2022-23 revenue budget, which reflects our current Treasury Management Strategy – in effect an interest only mortgage rather than a repayment mortgage. The timing of debt repayment will largely be a treasury management decision aligned to the overarching objectives of the HRA Business Plan.

Gross Expenditure alternatively analysed as:	**£000**
Management and maintenance	11,933
Depreciation	5,525
Other	824

Interest payable	5,052
Transfer to reserves	13,314
	36,649

Received From:	**£000**
Council House Rents	33,225
Interest receivable	54
Rent income	1,239
Fees, charges and miscellaneous income	2,101
	36,649

7.6 Based on the assumptions as contained in paragraph 7.2 and as summarised in 7.5 above it is estimated that the HRA will have an operating surplus of £10,738,644 for 2022-23. This is because of a number of factors some of which are identified below: -

- the prevailing borrowing variable rate
- the impact of Covid-19 on maintenance expenditure
- the impact of historically high levels of investment in the stock over past years maintaining stock condition
- good income collection performance
- the % increase in regulated rent
- strong rental stream with many properties at or close to target rent levels

Expenditure

7.7 The main headings are summarised below:

Subjective Heading	2021-22 Budget	2021-22 Projection	2022-23 Budget
	£	£	£
General Management	6,324,632	5,880,714	6,608,010
Responsive and planned maintenance	5,857,920	5,820,762	5,886.526
Interest payable	5,142,230	5,675,260	5,052,225
Depreciation	5,528,730	5,525,000	5,690,000
Cost of democracy	256,800	251,530	263,219

7.8 **General Management**: Budgeted expenditure on delivering continuing HRA services is less than 5% increase on previous year’s budget, reflecting the review of revenue commitments outlined in paragraph 6.2 above.

In response to the Governments Housing White paper and having consideration to changes in the Regulatory and legal framework a number of initiatives have been identified as growth items:-

- Increased support for vulnerable tenants to help maintain their tenancies and to co-ordinate the services safeguarding role for those households at risk
- Increased support to work tenants and partners in dealing with and preventing increasingly complex ASB and criminal behaviour
- Increased support for the number of households who continue to move to Universal Credit and to support tenants to avoid rent arrears whilst increasing rent collection
- Increase in capacity to ensure compliance with evolving Regulatory and compliance framework
- Improved complaints and feedback support to allow us to learn from increased feedback and respond more effectively particularly for issues around health and safety
- To help increase capacity and create opportunities with new apprenticeship roles with the service
- Expanded building safety and compliance roles to meet current and planned legislative and regulatory changes

7.9 **Repairs and maintenance:** Budgeted expenditure on revenue-funded works remains at previous year's budget.

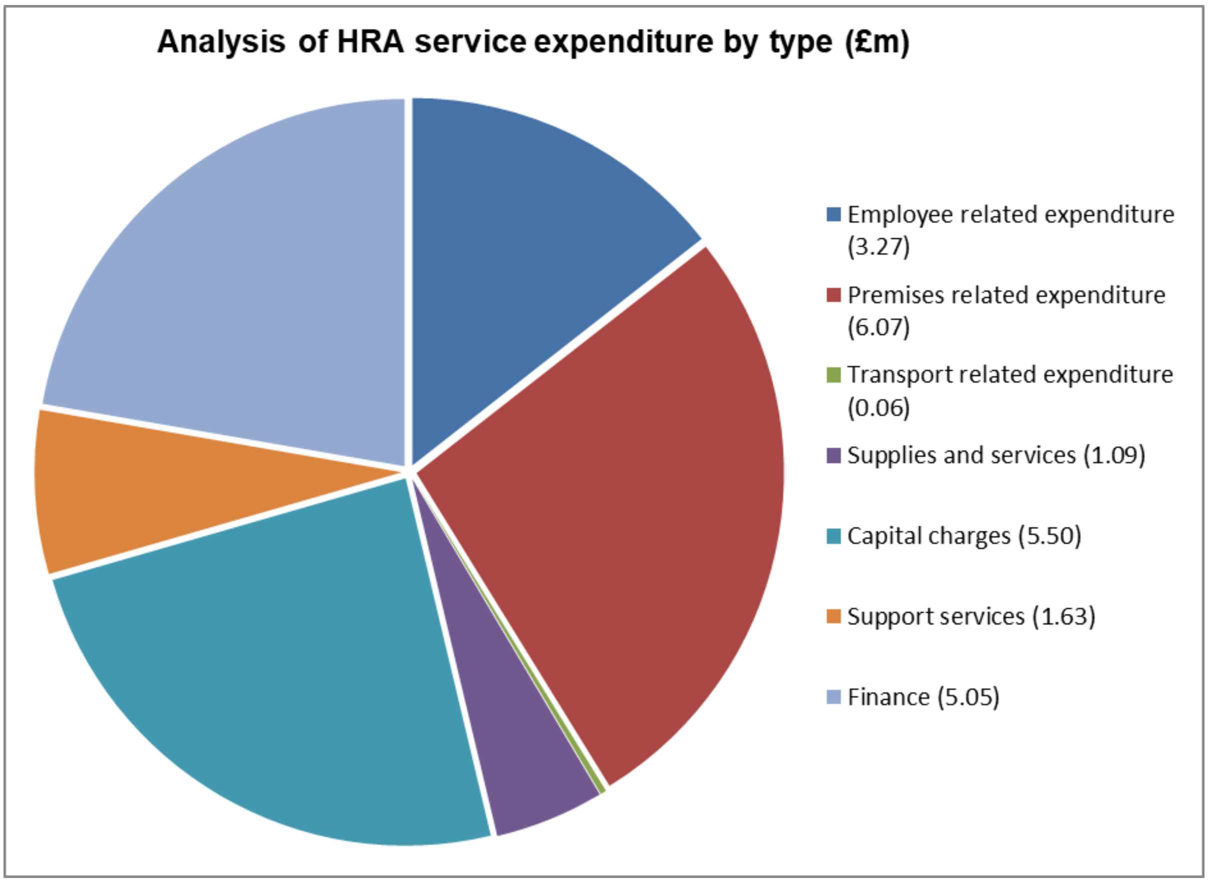
7.10 **Interest payable:** Approximately 77% of the loan portfolio consists of fixed interest loans, whilst the remaining portfolio is on a variable rate arrangement. Although the variable rate loans are subject to prevailing market conditions, it is likely that interest rates will remain low in the short to medium term, in some quarters they are predicting a negative base rate. The table below sets out our current loan portfolio, after recent renegotiations, with a bullet payment option or renegotiate at the end of their various terms.

Loan Type	Principal	Remaining years	Rate
Variable	£45,000,000	10	0.48%
Fixed	£10,000,000	12	2.70%
Fixed	£10,000,000	13	2.82%
Fixed	£10,000,000	14	2.92%
Fixed	£10,000,000	15	3.01%
Fixed	£25,000,000	17	3.15%
Fixed	£25,000,000	20	3.30%
Fixed	£25,000,000	15	3.44%
Fixed	£15,000,000	29	3.49%
Fixed	£17,435,000	30	3.50%

Maturity	Principal	Proportion	Type
10yrs	£45,000,000	23%	Variable
>10 - 15yrs	£65,000,000	34%	Fixed
>15 - 25yrs	£50,000,000	26%	Fixed
>25 - 35yrs	£32,435,000	17%	Fixed
	£192,435,000		

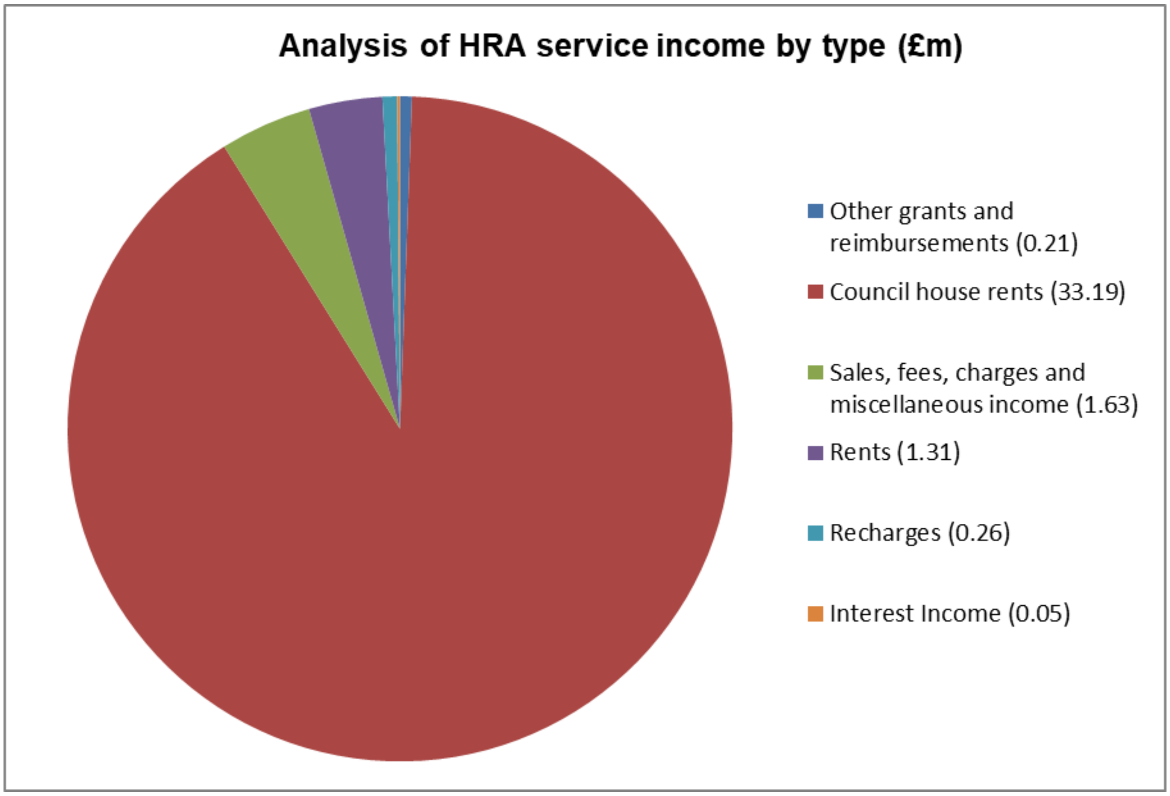
7.11 **Depreciation:** To safeguard future rental streams, we need to ensure our properties and assets are adequately maintained. This will involve the replacement of ageing components at the appropriate time. In order to do so, it is important that we set aside adequate funds each year to meet future liabilities. The depreciation charge is one of the key mechanisms we use to do this. The proposed 2022-23 charge represents, in officers' view, a realistic amount having regard to the outcome of the stock condition survey. A charge of £5,525,000 is considered both appropriate and affordable.

7.12 Subjective analysis of the expenditure and graphical summary below, excluding other charges of £890,000.



Income

7.13. A graphical summary of 2022 -23 budgeted income analysis below:



Rent Increase

7.13 The Secretary of State made a Direction on the 25 February 2019 under powers set out within section 197 of the Housing and Regeneration Act 2008(a) which requires the regulator of Social Housing to set a new Rent Standard for social housing including that owned and managed by local authorities with effect from the 1 April 2020.

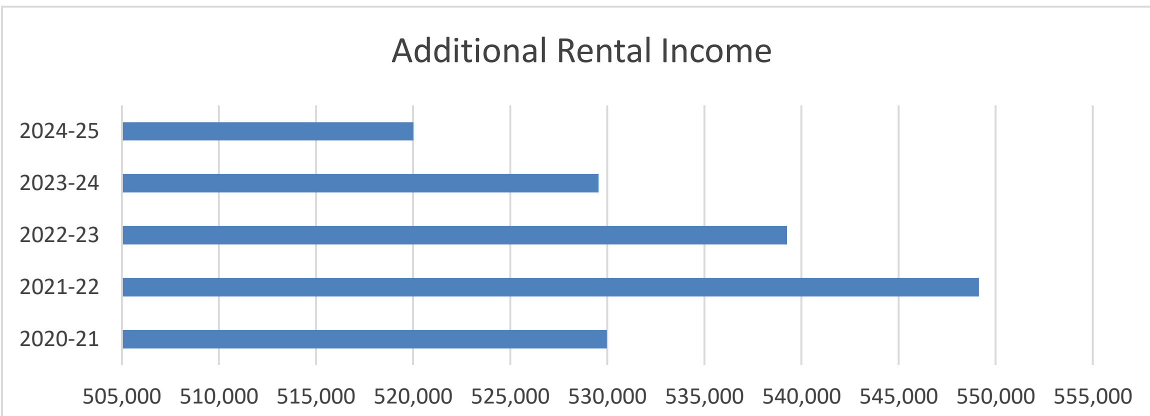
Registered providers including the Council are expected to comply with the requirements and expectations set out in this Rent Standard. Guidance provided by Regulator of Social Housing published guidance on the 15 November 2021 contains adjusted tables to help providers ensure that they use the correct annual percentage to inflate their rents. For the year 2022-23 this confirms that limit is calculated by using CPI +1%, with the Consumer Price Index level to be used from the proceeding September which as the Guidance confirms would be 3.1% + 1% giving a level of increase of 4.1%

Currently 59% of Council tenants are in receipt of either Housing Benefit or Universal Credit the majority will have their rent covered in full by these benefits, whilst 41% will have had their income assessed and will not be eligible for any assistance as their income will have been considered sufficient to be able to meet their housing costs. For those eligible the proposed increase will have the addition cost covered by their benefits.

More than 97% of tenants are on social rents and the expected change to their weekly rent on average will be £3.95 for those in 1 bed roomed properties, £4.73 for those in 2 bed and £5.36 for this in 3 bedroomed properties.

Arrears levels for Council are generally low at about with about 1% in arrears which is well below levels in most social housing, this would indicate that for most households their rents remain affordable. The majority of arrears cases are associated with households who have moved to UC and they make up 68% of arrears although again in most instances these arrears are at relatively low levels of arrears with just 13 accounts with arrears in excess of £2k.

The September CPI plus 1% rent increase gives an additional income of XXXXX yearly as demonstrated in the graph below:



7.14 The previous stated formula in the last four years as per the Welfare Reform and Work Act 2016 requires us to reduce our social housing rents by 1% a year for four years from April 2016, which ended in April 2020. The policy reverts to the original business plan of annual increase in rents of CPI inflation + 1% each year. The result of this policy means that in five years, there will be cumulative rental income surplus of £2.67m at our disposal.

7.15 A provision for bad debt charge of £1,564,000 is included in the estimates. This charge will remain under review, but it is considered appropriate - it represents 1% of the annual tenanted income.

Right to Buy sales (RTB)

7.16 RTB activity remains steady during 2021-22, although the Government has now amended the rules regarding the use of the capital receipts arising from the sale of Right to Buy properties and the Council has entered into a new retention agreement that reflects these changes

7.17 The table below outlines activity as at December 2020.

Activity	Number
Properties sold since 1 April 2020	10

Applications being processed	32

7.18 Under the new rule receipts will be accounted for annually rather than quarterly and the Council will be now be able to fund up to 40% of new property costs from the receipts and the time limit for using the funds has increased from 3 to 5 years. However, going forward a limit has been introduced for buying existing properties on the open market and this is being phased in over the next 3 years. Whilst upto 40% of the cost of a development can be financed from this source - we must finance the balance from capital receipts or other sources including reserves accruing from the appropriation of revenue account surpluses. Our current development plan fully commits the one-for-one retained receipts we have accumulated to date. The ambition remains to utilise the receipts we are anticipating in future years.

7.19 On current levels of activity, we project a loss of units to be in the region of 15-25 units per year. Our new build and property acquisition programme is mitigating the impact of the ongoing right-to-buy programme, but it is unfortunate there are, to date. no proposals to amend the scheme in order to prevent the ongoing loss of much needed social housing in the area. There is also the added pressure of property investment companies and bigger registered social landlords with a bigger purse to compete on land acquisition and land banking.

7.20 Increasing sales has three negative impacts. It:

- reduces the number of affordable homes
- removes the long-term positive contribution each property makes to our operating costs
- increases the unit costs of managing and maintaining properties. Invariably tenants buy the better properties.

HRA Borrowing Cap

7.21 The removal of HRA borrowing restrictions gives greater flexibility on borrowing additional funds and dexterity in treasury management to maximise investment, reduce cost and risk.

7.22 We hope to carry out adequate investment appraisal weighing up various options and ensuring each scheme and investment add value to our business, by choosing the best return against our benchmark. We expect to fund schemes using:

- capital receipts retained under the 1 for 1 replacement scheme
- HRA reserves
- HRA borrowing

7.23 HRA borrowing will be within the Prudential Borrowing framework – it must be affordable by the HRA and not place our existing services and stock investment programmes at risk. Each development scheme will be appraised individually to ensure it is viable and affordable as is currently the case.

8. HRA Capital Programme and Reserves

8.1 We will continue to assess a range of different delivery mechanisms for new homes. Whilst these will introduce a greater degree of complexity, the indications are that they will provide additional freedoms. The housing market in the borough does not work for many and a wider range of interventions are needed, beyond those that the HRA is able to make. The section below sets out what the HRA can do over the coming year with full details of the programme for stock improvements being set out within appendix XXX

8.2 Previously there have been four strands forming our HRA capital programme under the self-financing regime. In the past, not all have been viable options, but that position has changed. The four strands are:

- replacing ageing components such as roofs and kitchens
- improving and enhancing existing properties – for example, installing double glazing
- stock rationalisation –
- expansion – the provision of new additional affordable homes.

The ongoing covid situation has had an impact on the way in which the Council has been able to undertake planned investment in a number of areas for a range of reasons. In order to continue to meet targets for these planned programmes we will be explaining these programmes to ensure we remain on track with these programmes

This will include work on our programmes for: -

- Kitchens and bathrooms
- Structural works
- Pitch roof replacement

In addition to these areas there is also now a need to review our approach to ensuring the safety of residents and this approach is now being influenced by the Fire Safety Act, Building Safety Bill and further guidance and good practice. The Council has already started work on the development of our approach to ensure compliance with the changing requirements and relevant standards specific projects identified include: -

- Reviewing Fire Risk Assessments for all relevant blocks that reflect both changing legislation and good practice that has developed and continues to develop over the last few years. This will be accompanied by increasing our investment over the coming year to help improve the safety of our accommodation, this will include: -
    - upgrading and improving fire alarms in communal blocks
    - upgrading fire doors to meet increasing standards
    - structural improvements to blocks to reflect current good practice and to meet the standards of our enhanced Fire Risk Assessments
    - Improving the provision of CCTV to help monitor fly tipping and ASB which are creating fire risks

We have also developed a programme to increase the frequency of our electrical testing regime to support a 5-year rolling programme of inspections and this in turn will identify work that we will need to undertake. We are also upgrading and improving the communal electrical supplies to our blocks.

The Government also announced on the 23 November 2021 that regulations for smoke alarms and carbon monoxide alarms are to change, we have additionally accelerated our programme to provide hardwired alarms and detectors to all properties which will form part of the wider programme of improvements.

Modelling of the data and planned works will means that for a number of areas we are in fact bringing forward planned expenditure and this will mean that whilst the programme is increasing for the coming year overall levels of planned investment over the life of the Business Plan will generally remain consistent.

This additional investment represents a significant increase in the planned programme for next year and will mean that the homes that the Council manages meet not only the legislative requirements but also reflect good practice in ensuring the health and safety of residents

8.3 The funding sources that will enable us to deliver the expanded capital programme are as follows:

- HRA rental stream
- Capital receipts generated from the disposal of HRA assets including land
- HRA reserves
- HRA borrowing

8.4 The HRA has built up significant revenue reserves and as at 31 March 2022 are estimated to be in the region of £122m, excluding capital receipts. These can be used for specific HRA related purposes. It is proposed that these reserves are set aside to support the major repairs and improvements and new build programme. The HRA also has usable capital receipts, generated from the sale of HRA land and housing assets.

8.5 The table below shows the available reserves that can support the HRA Business Plan, and they reflect only the schemes currently included in programme, and the treasury strategy not to repay debt. The contribution into the reserve for future capital programmes is maintained.

Yr Ended 30/03	RFFCW	MRR	NBR	TOTAL	Usable Cap Rec	141	HRA Debt Mgt	Total Cap Rec	Total Rec
2018/19	35,829	9,234	50,686	**95,749**	4,216	6,968	3,952	**15,136**	**110,885**
2019/20	38,329	9,851	56,112	**104,291**	4,216	6,004	4,216	**14,436**	**118,727**
2020/21	40,829	10,760	55,788	**107,377**	4,216	5,356	5,428	**15,000**	**122,377**
2021/22	43,329	11,289	52,000	**106,617**	4,216	559	5,778	**10,553**	**117,171**

8.6 The business plan is most sensitive to the following assumptions:

- income trends
- legislative changes
- inflation rates
- cost of debt
- capital investment
- right-to-buy sales
- Covid-19

8.7 The degree to which a development programme can be financed will in part be determined by a continued willingness to attach a lower priority to debt repayment coupled with the release of land for such purposes under the provisions of the Local Plan.

8.8 Right to buy receipts are being applied to current and proposed new build schemes to minimise the risk of repayment of such receipts. This will enable the retention of future one-for-one receipts, with a reduced risk of repayment, pending the identification of new sites[1]

8.9 A combination of usable one-for-one receipts, and the new build reserve will be used to fund a number of schemes on the approved capital programme. Where appropriate, investment will be supplemented by appropriate borrowing.

8.10 **Development Projects:** An update of our current development projects shall be provided during the year.

8.11 **Existing housing stock:** Based on an analysis of our stock condition data, as outlined above is set out within the proposed investment programme is set out in **Appendix 3**. An update of Schemes completed during 2021-22 was given during the year and hopefully the same strategy of continuous update will be applied in the 2022-23 financial year.

Years	Houses	Flats	Bungalows	Total
Opening Bal 2019-20	**2635**	**2255**	**319**	**5209**
RTB	-12	-7	0	-19
Additions	26	14	0	40
Opening Bal 2020 -21	**2649**	**2262**	**319**	**5230**
RTB	-10	-32	0	-42
Additions	13	5	0	18
Opening Bal 2021 -22	**2652**	**2235**	**319**	**5206**
RTB	-7	-8	0	-15
Additions	13	5	0	18
Opening Bal 2022 -23	**2658**	**2232**	**319**	**5209**

9. Robustness of the Budget and Adequacy of Reserves

9.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget and adequacy of the proposed financial reserves.

9.2 Paragraph 7.2 above details the assumptions used in the preparation of the 2022-23 budget.

9.3 Staffing costs have been included based on the Full Time Equivalents (FTEs) included in the approved establishment of 62.5

9.4 Throughout the budget process, the Corporate Management Team, the Leader and relevant lead councillors have been involved in what is considered to be a deliverable budget.

9.5 A prudent assessment of income has been made and only income that has a high level of certainty of being received is included within the budget. The 2022-23 budget includes a bad debt provision of £1,564,000. This provision reflects the economic climate and

[1] The Council has entered into an agreement with the Secretary of State whereby it is allowed to retain an element of the capital receipts that it receives from Right to Buy sales. Under the terms of the agreement these receipts must be used to finance up to 30% of the cost of replacement social housing within three years, otherwise the retained receipts must be repaid to the MHCLG with interest.

continuing welfare reform changes. The level of operating balance remains unchanged at £2.5 million.

9.6 Service level risk assessments have been undertaken for both existing major areas of the budget and mitigating actions have been taken and monitored in the course of the year.

9.7 The corporate risks will be included in the corporate risk register, whilst service risk registers are prepared having regard to the comprehensive guidance available about how to identify and score risks.

9.8 The overarching HRA business plan reflects the changing financial environment in which it needs to operate and to ensure the business plan remains fit for purpose. The HRA will continue to need to balance tenant needs and expectations in the context of its financial situation.

9.9 The housing related reserves are adequately funded and are projected to be around £122m as at April 2021. The estimated value of all HRA reserves for the period up to 31 March 2023 is £117m. The HRA reserves shall be engaged on value adding expenditure to maintain earnings growth and business stability.

9.8 The overarching HRA business plan reflects the changing financial environment in which it needs to operate and to ensure the business plan remains fit for purpose. The HRA will continue to need to balance tenant needs and expectations in the context of its financial situation.

Consultation

The Council remains committed to working cooperatively with council tenants and leaseholders to shape, strengthen and improve council housing services and sets out a range of options to enable housing customers to be involved.

Details of the service priorities along with details of the investment priorities included within the proposed budget have been reviewed with the Tenants Advisory Group, feedback from this group XXXXXX and as result we have changed XXX

All tenants will be notified of changes to their rent and service charges in February/March 2022.

10. Joint Executive Advisory Board –

10.1 The Joint EAB considered also considered this report and made the following comments for submission to the Executive and Council:

- Having recognised the unmet need for social and affordable rented accommodation, the Board agreed that it would be beneficial for a team of relevant Guildford Borough councillors and officers to meet the Secretary of State for Housing, Communities and Local Government, local MPs, and councillor and officer representatives of the other councils in Surrey with a view to requesting the Government to promote the funding and delivery of social and affordable rented accommodation whilst reducing the current emphasis on the Right to Buy scheme. This initiative could include discussions with the two councillors who were members of the Board of North Downs Housing Ltd when the company had progressed its ambition to develop homes in addition to purchasing existing property to rent.

- The Housing Team should be thanked and congratulated for providing an excellent service to tenants and homeless people during the extremely challenging circumstances presented by the Coronavirus pandemic.

11. Legal Implications

11.1 The HRA is a separate account that all local authorities with housing stock are required to maintain. This account contains all transactions relating to local authority owned housing. The Local Government and Housing Act 1989 prohibits the Council operating its HRA at a deficit. The proposed balanced budget meets this obligation.

11.2 Notices of any increase in rent have to be sent to tenants 28 days in advance of the new charges coming into effect.

12. Human Resource Implications

12.1 The decision to review and where necessary to freeze or delete vacant posts is outlined in paragraph 6.2.

13. Conclusion

13.1 The proposed HRA revenue budget not only meets our obligation to deliver a balanced budget but also delivers opportunities to improve services to tenants. It also enables the Council to provide new affordable homes at a time when access to housing is increasingly difficult.

13.2 The proposed HRA capital programme sets out to maintain and improve our existing assets. It is essential we do so, not only to meet our regulatory obligations but also to safeguard future income streams.

14. Background Papers

None

15. Appendices

Appendix 1: HRA Revenue Budget 2022-23
Appendix 2: HRA Fees and Charges 2022-23
Appendix 3: HRA Investment Programme (Major repairs and improvements)
Appendix 4: Housing Investment Programme, resources and funding statement
Appendix 5: HRA risk register (new)