Council Report

Ward(s) affected: n/a

Report of Director of Resources

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Housing Revenue Account (HRA) Budget 2022-23

Executive Summary

The Council owns over 5,200 Council Houses which it rents to tenants who qualify for social housing. The Housing Revenue Account (HRA) is the ring-fenced account within which the Council records the income and expenditure for its operations as landlord to its tenants and for the day-to-day management, repairs and maintenance of the council housing stock. 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 3. The business plan has been reviewed to reflect changes in relevant legislation and 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 September 2020 to September 2021 Consumer Price Index (CPI) of 3.10% plus 1%. This approach is in line with the Rent Standard set by the Regulator of Social Housing and the Direction made by the Secretary of State on the 25 February 2019. The Rent Standard was introduced following a four year period (between April 2016 and April 2020) where rents were reduced by 1% per annum under the Welfare Reform and Work Act 2016.

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

The report includes overall details of the proposed investment programme for the properties that are managed within the HRA, additional details of this work are set out within the Capital & Investment Strategy which is to be considered separately on this agenda.

The HRA annual budget and HRA business plan set a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement. As such, surplus' on the HRA are used to build reserves to invest in redevelopment and upgrading of the existing

stock as well as investing in new build affordable housing to be retained and rented by the Council within the HRA.

This report has also been considered by the Joint Executive Advisory Board at its meeting on the 10 January 2021. The Board's comments are set out in section 10 of the report.

The Executive is asked to approve:

(1) That the initiatives, services and budgets as set out in this report and Appendix 1 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 accordingly.

The Executive is also asked to make the following Recommendations 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 a 3% increase is applied to garage rents which is in line with the wider council policy on fees and charges.

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 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 the HRA revenue budget. Details of the HRA capital programme are set out within the Capital & Investment Strategy which is to be considered separately on this agenda.

2. Corporate Plan

2.1 The HRA Budget reflects the Councils vision as set out within the 2021-2025 Corporate Plan to support residents to have access to the homes and jobs they need by providing and facilitating housing that people can afford, 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.

3.2 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 HRA resources to ensure quality, tenantable accommodation for residents, stock growth to address the increasing demand for affordable housing and to transfer surpluses to the various reserves for future investment in pursuance of its business. It is not limited to management of the 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 of service and involvement that every social housing tenant should expect, the revised Business Plan and the HRA budget has been developed having consideration to these issues. The budget also brings forward plans to ensure compliance with new legislation and guidance for the stock.

4.4 The proposed 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.

4.5 The Council has declared a Climate Emergency and it is essential that we continue to develop and improve our housing and services to meet the targets that the Council has set, and this budget builds on existing work by increasing investment to increase 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 our 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, whilst we understand that this can have a wider impact for neighbourhoods and communities, which is proving increasingly challenging.

4.7 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 and providing services 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.

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

5.4 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 due in 2022-23.

5.5 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, not only have housing issues but also have 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.

5.6 The wider social housing sector is becoming increasingly commercial. Some housing associations are focusing on minimising risk by being selective as to who they house and they are also moving to rents that are higher than those charged by the Council despite their large portfolio of properties. The Council is fortunate to have retained its stock, which gives us greater flexibility in helping those in housing need. It does, however, create a cost pressure.

5.7 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 in most cases will contribute to the overall viability of large developments and does assist many households in meeting their housing need.

5.8 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.

5.9 The last couple of years have presented unique challenges for managing our 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. 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 The Capital and Investment Strategy (separate item on the agenda) sets out the approved and provisional HRA capital programme along with a financing strategy (HRA Resources). The programme reflects the latest information we have on the condition of the stock following surveys completed during 2021-22 and the developing asset management framework for our housing stock.

6.3 In preparing the HRA revenue budget, officers continue strategies undertaken in previous years to ensure we provide value for money for our residents. In particular:

- We will continue to evaluate all staff posts that fall vacant to determine whether it is appropriate to recruit to the role or whether an alternative approach could be considered.
- The Covid-19 pandemic has changed the way we work with an increased use of IT, remote working, and virtual meetings. These new working practices have brought benefits which we aim to continue.
- The Allpay system and mobile payment App has being useful, particularly with remote working, in our drive for rent collection.
- Rent collection analytics technology has helped colleagues focus and manage rent collection.
- Introduction of new technologies such as Salesforce and the Choice Based lettings system as part of our Future Guildford Programme continues to deliver service efficiencies and benefits to tenants.

- As part of the ICT and Digital change programme for the Council, officers will look to upgrade or replace the Orchard Housing Management System and Keystone asset management system over the medium-term period.

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 overall HRA business plan strategy 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	5,254 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%
Garage rent increase	3%
Bad debt provision 2022-23	£477,402
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 Right to Buy receipts	Held in reserves to fund new build housing and acquisitions within timeframes allowed
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 rents will increase by CPI plus 1% per annum in 2022-23 which will be 4.1% overall and will result in additional income of approximately £1.2m.

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	12,693
Depreciation	5,525
Other	824
Interest payable	5,052
Transfer to reserves	10,958
	35,053

7.6

Received From:	**£000**
Council House Rents	31,677
Interest receivable	54
Rent income	1,232
Fees, charges and miscellaneous income	2,090
	35,053

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 £10.958million for 2022-23 which is reflected in the tables above by the proposed transfer to reserves. The reserves will be used to fund the capital programme for major repairs and investment in existing stock as well as the development of new build housing.

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	6,950,510
Responsive and planned maintenance	5,857,920	5,820,762	6,304,026
Interest payable	5,142,230	5,675,260	5,052,225
Depreciation	5,528,730	5,525,000	5,525,000
Cost of democracy	256,800	251,530	263,219

7.8 **General Management**: Budgeted expenditure on delivering continuing HRA services is around a 10% increase on the previous year’s budget, reflecting growth in services in response to the Governments Housing White paper and changes in the regulatory and legal framework. A number of initiatives have been identified such as:-

- 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 with tenants and partners in dealing with and preventing increasingly complex Antisocial behaviour (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
- Improve complaints response 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 within the service
- Expanded building safety and compliance roles to meet current and planned legislative and regulatory changes
- Increase in capacity to deliver both additional housing and also the redevelopment of existing properties

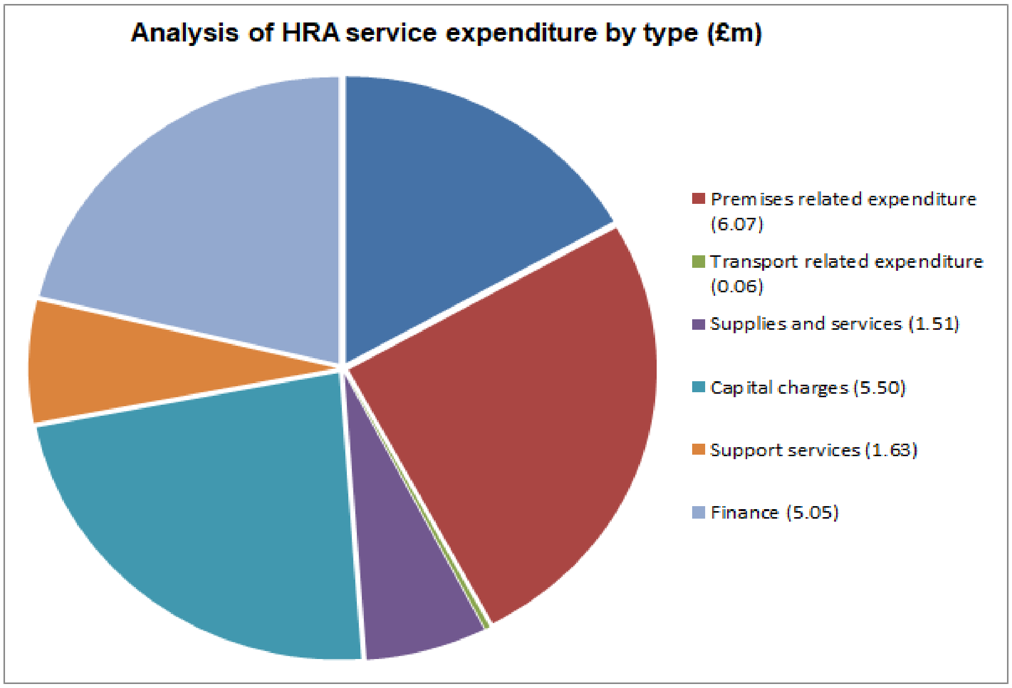
7.9 **Repairs and maintenance:** An increase in planned repairs and maintenance expenditure is proposed to catch up works which have not been able to be undertaken due to the pandemic.

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.

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		

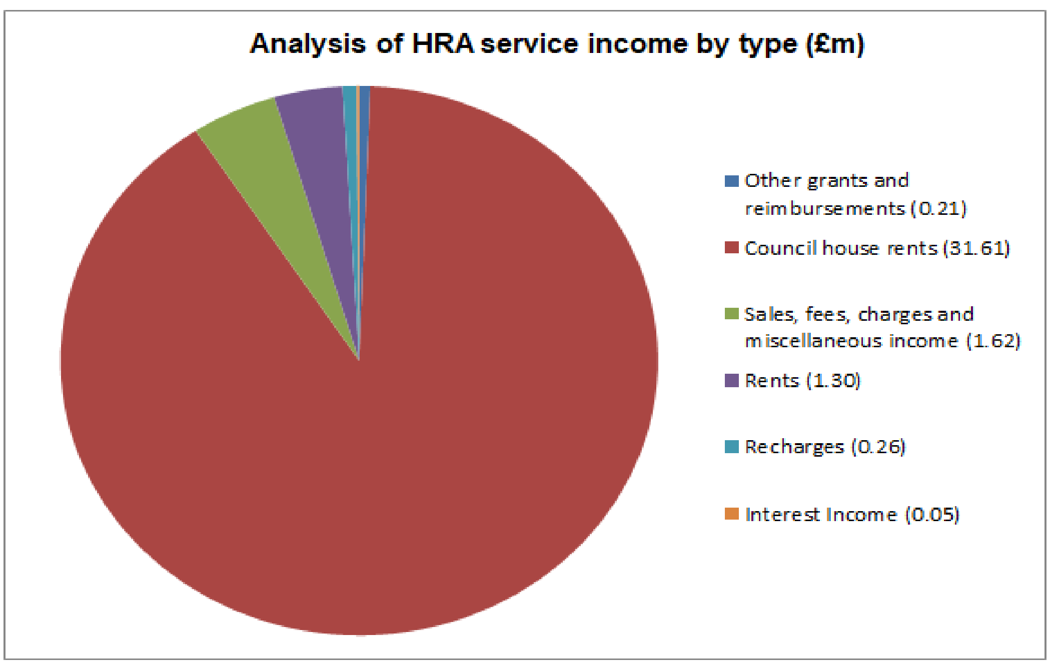
7.11 **Depreciation:** To safeguard future rental streams, we need to ensure our properties and assets are adequately maintained. This will involve the replacement of ageing components at the appropriate time. In order to do so, it is important that we set aside adequate funds each year to meet future 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.



Income

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



Rent Increase

7.14 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.

7.15 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 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 the 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%.

7.16 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 additional cost covered by their benefits.

7.17 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.

7.18 Arrears levels for Council are generally low 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 approximately £1.2m for the coming year

7.19 The previous stated formula up to 2019 was set out within the Welfare Reform and Work Act 2016, which required the Council to reduce our social housing rents by 1% a year for four years from April 2016 to March 2020. The changes made in rent policy introduced in 2019 revert to that included within the pre-2016 HRA business plan, where annual rent increases were expected to follow a formula of CPI + 1% each year.

7.20 A provision for bad debt charge of £477,402 is included in the estimates. This charge will remain under review, but it is considered appropriate - it represents 1.5 % of the annual tenanted income.

Right to Buy sales (RTB)

7.21 RTB activity remained 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

7.22 The table below outlines activity as at December 2021.

Activity	Number
Properties sold since 1 April 2021	10
Applications being processed	32

7.23 Under the new rules receipts will be accounted for annually rather than quarterly and the Council is able to fund up to 40% of new property costs from the receipts. 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 up to 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.

7.24 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.

7.25 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.

8. HRA Capital Programme and Reserves

8.1 Full details of the Capital Programme are set out within the Councils Capital and Investment Strategy which is to be considered separately on this agenda. This strategy and the Business Plan is based around four stands which are:

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

8.2 Key issues that have been considered as part of the overall development of the budget have included the ongoing covid situation which has had an impact on the way in which the Council has been able to undertake planned investment including the replacement of aging components, improving and enhancing of existing properties. In order to continue to meet targets for these planned programmes we will be expanding these programmes to ensure we remain on track with maintaining existing homes.

8.3 In addition to these areas and with additional background and detail being provided within the Capital and Investment Strategy we have reviewed 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.

8.4 The Council has already started work on the development of our approach to ensure compliance with the changing requirements and relevant standards and we are reviewing all Fire Risk Assessments for relevant blocks. The risk assessments reflect both changing legislation and good practice that has developed and continues to develop over the last few years.

8.5 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.

8.6 The council continues with its programme of delivering additional affordable homes with full details of the proposed programme again set out within the Capital and Investment Strategy.

8.7 In addition this year it is proposed that the Council will invest in the replacement or upgrading of the systems to manage both the housing asset and housing management systems. The current systems will no longer be supported by the companies that developed them and they also use aging systems which are also moving out of support. The current system has been in use for 20years and is now in need of enhancement or replacement.

8.8 Full details of the work to replace the systems will be set out within a separate report however consideration to the costs of replacement have been included within the overall budget development process.

8.9 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 and right to buy sales
- HRA reserves
- HRA borrowing

8.5 The HRA has built up significant revenue reserves and as at 31 March 2022 are estimated to be in the region of £117m. 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 as set out within the Capital and Investment Strategy. 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.

8.6

Yr Ended 30/03	RFFCW	MRR	NBR	TOTAL	Usable Cap Rec	141	HRA Debt Mgt	Total Cap Rec	Total Rec
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	40,829	11,376	26,498	**78,703**	4,216	6,971	4,967	**16,154**	**94,857**
2022/23	37,500	0	34,784	**72,284**	0	1,261	4,262	**5,523**	**77,807**

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 and within the Capital and Investment Strategy the budget reflects the proposed investment programme.

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				**5254**

[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 40% of the cost of replacement social housing within five years, otherwise the retained receipts must be repaid to the MHCLG with interest.

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 £477,402. This provision reflects the economic climate and 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 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.

9.8 The housing related reserves are adequately funded and are projected to be around £121m as at April 2022. The HRA reserves shall be engaged on value adding expenditure to maintain earnings growth and business stability.

9.9 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.

10. Consultation

10.1 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.

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

11. Joint Executive Advisory Board –

11.1 The Joint EAB considered this report at its meeting on 10th January 2022. The comments of the JEAB will be reported to the Executive at its meeting once the minutes of the JEAB are available.

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 within the report and where appropriate additional roles are set out within the report and all relevant decisions and actions will be undertaken in line with the appropriate Council HR polices and procedures.

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 Business Plan