Manchester City Council
Report for Resolution

Report to:	Resources and Governance Scrutiny Committee – 8 February 2022 Executive – 16 February 2022
Subject:	Housing Revenue Account 2022/23 to 2024/25
Report of:	Strategic Director (Development), Strategic Director (Neighbourhoods) Service and Deputy Chief Executive and City Treasurer

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Summary

This report presents members with details on the proposed Housing Revenue Account (HRA) budget for 2022/23 and an indication of the 2023/24 and 2024/25 budgets.

It seeks approval for the 2022/23 HRA budget and follow the Government's guideline rent increase of 4.1% for all properties.

It is also proposed that the City Council continue with the policy of realigning rents on properties at below formula rent, to the formula rent level when the property is re-let.

Recommendations

Scrutiny Committees are invited to review and comment on the proposed HRA Budget.

The Executive is recommended to:

a) Note the forecast 2021/22 HRA outturn as set out in section 4.

b) Approve the 2022/23 HRA budget as presented in Appendix 1 and note the indicative budgets for 2023/24 and 2024/25.

c) Approve the proposed 4.1% increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.

d) Approve the establishment of a £200,000 hardship fund to support vulnerable tenants, and to delegate the design and operation of the fund to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.

e) Approve the proposal that where the 2022/23 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

f) Approve that communal heating charges are increased in line with the published % increase to the OFGEM price cap and delegate authority to the Deputy Chief Executive and City Treasurer and City Solicitor in consultation with the Executive Member for Housing and Employment to approve the charges.

g) Approve the proposed 2022/23 Operational Housing management costs as detailed in paragraphs 5.28 to 5.29.

h) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Ancoats & Beswick, Charlestown, Cheetham, Crumpsall, Harphurhey, Higher Blackley, Moston, Ardwick, Clayton & Openshaw, Miles Platting Bradford and Miles Platting & Newton Heath and Piccadilly

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Environmental Impact Assessment – the impact of the issues addressed in this report on achieving the zero-carbon target for the city.
As part of developing the HRA capital programme the retrofitting of existing homes to meet zero carbon objectives is at the heart of the programme.

Manchester Strategy Outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	A healthy and fit for purpose affordable housing market will support a functioning local and sub regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The supply of affordable good quality homes will provide the opportunity for Manchester residents to raise their individual and collective aspirations.
A liveable and low carbon city: a destination of choice to live, visit and work.	The right mix of affordable quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the City and enjoy a good quality of life.

A connected city: world class infrastructure and connectivity to drive growth	Affordable social housing plays an important part in ensuring that there are neighbourhoods where people will choose to live, and their housing needs and aspirations are met.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All expenditure and income related to the provision of Council housing must be contained within the Housing Revenue Account which is a ring-fenced budget separate to the Council's General Fund. Whilst HRA expenditure can exceed income in any given year, this deficit must be covered from reserves and the HRA cannot go into deficit overall. The recommendations in this report will determine the financial plan for 2022/23 – 2024/25 and the impact on the overall financial model contained in the 30-year HRA business plan.

The HRA financial plan covers a rolling period of 30 years and considers all rental incomes, Private Finance Initiative (PFI) grants and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income budgeted by the HRA in 2022/23 is forecast to be approximately £89m.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is made, and this can be used to either fund capital expenditure or reduce housing debt. The 2022/23 HRA budget includes a forecast depreciation charge of £19m, which will be set aside to fund capital investment.

The assumptions on capital expenditure for the financial years 2022/23- 2024/25 are for expenditure (net of grants) approximately £100m. This includes schemes that will help the Council to become carbon neutral by 2038.

For the years 2023/24 and 2024/25, the figures used are based on the approved capital programme.

From 2025/26 onwards the HRA budget includes an annual capital budget of c£24m per annum which increases annually in line with CPI.

Officers are developing the asset management plan and this will inform the future capital programme and investment plan for our housing stock. This will need to address important issues including ensuring decent homes standards are achieved and maintained, and carbon reduction and fuel poverty are addressed.

The HRA capital budget already allows for the costs and implications of the following new build programmes: -

- Silk Street (69 properties) (2022-23 and 2023-24)
- Collyhurst (130 properties) (2022-23, 2023-24 and 2024-25)

The 30-year business plan factors in the income and costs associated with these new properties entering the portfolio once completed.

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Background documents (available for public inspection):

None

1. Introduction

1.1 The purpose of this report is to approve the Housing Revenue Account (HRA) 2022/23 budget and provide members with recommendations for approval in respect of the 2022/23 tenants' rent, garage rents and communal heating charges.

1.2 Due to the current economic climate and in particular the rate of inflation and the worldwide energy prices it is recognised that this could cause some difficulties for tenants. In order to provide hardship support, £200k funding has been identified to provide a fund to support vulnerable tenants, and the details will be developed in line with best practice and approved by the Director of Housing Operations and the Deputy Chief Executive and City Treasurer prior to implementing the rent increase.

1.3 This report sets out the HRA budgetary proposals for 2022/23, and the indicative position for 2023/24 and 2024/25. Furthermore, it highlights the current use of reserves, along with the risks that need to be managed going forward.

2. Background

2.1 Since the introduction of Self Financing within the HRA from April 2012 the Council has had to manage its housing stock on a similar basis to other Registered Providers of social housing. This has entailed developing a rolling 30-year business plan and reviewing the use of existing assets to ensure that benefits are maximised.

2.2 In developing the 30-year business plan it is essential that the Council considers all risks and ensures that any investment decisions are affordable and sustainable both in the short and longer term.

2.3 In previous years there has been significant legislative change following the introduction of the Housing and Planning Act and Welfare Reform Act. In addition to this there have been policy changes that have affected the HRA budget, both in the short term, and in future years. In particular, the imposition of a 1% annual rent cut for four years from 1st April 2016 had a significant effect on available resources over the life of the business plan.

2.4 In February 2019, the Government released a policy statement on rents for social housing, which included a direction to the Regulator of Social Housing to have regard for the following when setting the rent standard for registered providers of social housing:

"From 1 April 2020, registered providers may not increase rents by more than CPI (at September of the previous year) plus one percentage point in any year."

Indications are that the majority of Registered Providers (RPs) in the City are proposing to increase the 2022/23 rents in line with the above policy, and the City Council are seeking approval to increase in line with other RPs.

2.5 This report is seeking approval for the 2022/23 HRA budget, but as part of the work the longer term (30 year) HRA business plan has been prepared. It should be noted that the longer-term budget is based on forecasts and there are many variables that could impact upon the forecasts, in particular the level of future years rent increases.

2.6 The current business plan shows a healthy level of reserves currently, with the forecasts showing that reserves do not fall below the c£60m level required to avoid having to pay increased interest charges on debt until 2035/36 and will show a small surplus at the end of the 30-year period. However, the current plan does not include the majority of works required to enable the Council to achieve its zero carbon targets by 2038, and the costs of retrofitting council stock is estimated to be c.£255m or c£16.5k per property and will not be achievable from within the ringfenced housing account without government support and/or changes to the current HRA regulations.

3. Statutory Duties in Determining the HRA Budget Strategy

3.1 The rules governing the maintenance of the HRA were established pursuant to the Local Government and Housing Act 1989 and provide that:

- 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, ensure that the HRA does not show a debit balance.
- The Council is required to keep a HRA in accordance with proper practice. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is in balance taking one year with another.
- 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.

4. Budget Position 2021/22

4.1 As at December 2021 the HRA is forecasting that net expenditure will be £11.621m lower than budget. Although the expenditure is lower than originally forecast, it is still more than the annual income and the forecast in-year deficit of £5.073m will be drawn down from the HRA reserve. The main reasons for in year changes are as follows:

- Revenue Contribution to Capital Outlay (RCCO)- £10.754m underspend – due to slippage and delays on several capital investment schemes,

including major works at Silk Street and Collyhurst, and several planned schemes providing internal refurbishment to homes.

- Private Finance Initiatives - £1.496m underspend due to capital works installing sprinkler systems in Brunswick being moved into 2022-23.

- Operational Housing costs - £0.947m overspend largely due to a combination of increased council tax charges for void properties, energy costs, and repairs and maintenance.

- Contribution to Bad Debts - £0.530m underspend due to a better than forecast collection of rents and a corresponding reduction in the provision for bad debts.

- Other Income - £300k shortfall in income due to delayed income from the ERDF (European Regional Development Fund) which will be received in 2022/23 in relation to solar panels, and rental income from offices following Northwards move back into the Council.

- Other minor underspends totalling £88k.

5. Budget Strategy 2022/23 - 2024/25

5.1 Whilst the HRA financial plan continues to be prepared on the same basis as previous years, it does consider all known changes to housing stock numbers, proposed investment needs and inflationary assumptions in line with the City Council's medium term financial plan. It also reflects the first full year of operation following the bringing back in house of Northwards Housing.

5.2 The HRA budget complies with the statutory requirement to be in balance over the three year budget strategy period, and over the course of the 30 year business plan. However, due to several factors, including the Government's imposed 1% rent reduction over four years from 2016/17 and the impact of the Grenfell Tower fire disaster, the HRA does not currently contain sufficient resources to meet the Council's ambition to become a zero carbon City by 2038. Costs are regularly reviewed in order that efficiencies can be identified to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future works required.

Management of Housing Stock and Implications of "Right to Buy"

5.3 The Council continues to own and manage approximately 15,400 properties within the HRA under various arrangements. Since July 2021 stock previously managed by Northwards Housing has been brought back under the control of the Council, and this is now managed by Operational Housing within The Neighbourhoods Directorate.

5.4 Management of the remainder of the stock includes three PFI schemes, and two smaller arrangements with other Registered Providers (RPs).

5.5 In the 2021/22 financial year Right to Buy Sales (RTB) have remained at a reduced level due to the impact of the Covid-19 pandemic, and sales of around 138 properties are being forecast. This is less than the number sold in 2019/20 (191 properties sold, 1.22% of stock), and it is assumed that the number of sales will return to a similar level (1.25%) for the next five years of the Business Plan, before dropping back to 1% for the remaining years of the plan. This will reduce the level of rent income achieved and the number of sales will continue to be closely monitored.

5.6 The table at Appendix 1 provides a detailed analysis of the overall proposed 2022/23 budget which is forecasting an in-year deficit of £12.376m. This is due mainly to an increase in the capital investment plans (£33m), due to a combination of works brought forward from previous years, and new schemes such as Silk Street and Collyhurst Village.

Budget Assumptions

Rental Income

5.7 Government guidance allows Local Authorities to increase rents by a maximum of CPI plus 1% for the five-year period 2020/21 to 2024/25. The CPI rate used is based on the September figure in the preceding year, and as at September 2021 CPI was 3.1% and therefore this report seeks approval to increase tenants' rents for all properties will increase by 4.1% in April 2021.

5.8 In light of the current economic climate and the potential impact the proposed 4.1% rent increase may have on the most vulnerable tenants it is proposed that £200k is earmarked to provide a hardship fund to provide targeted support to those most affected by the increase in living costs, the proposed rent increase and the ongoing impacts of Covid-19. The proposed scheme detail including application process will be developed in line with best practice across the sector and with support from the Head of Corporate assessments who has responsibility for the delivery of the council welfare support schemes. It is proposed that the scheme will be in operation from April 2022 prior to the rent increase coming into effect.

5.9 In addition to the hardship fund it should be noted that the proposed 4.1% rent increase will be covered in full for those residents in receipt of 100% housing benefit entitlement which is approximately 2,800 tenants and a further c.1,900 tenants receiving partial housing benefit support. Those in receipt of universal credit will also be partially protected from the impact, although the numbers in receipt on universal credit is not known.

5.10 For those properties where formula rent has not been achieved (app 1,000 properties), if the property becomes vacant the rent can then be increased to formula rent when the property is re-let.

5.11 The budget has been prepared on this basis and would produce an average weekly rent (based on 52 weeks) of:

- General Needs £78.45 (£3.09 increase)
- Supported Housing £71.45 (£2.81 increase)
- PFI Managed £93.85 (£3.70 increase)

Other Income

5.12 Other income is forecast to be c.£0.975m in 2022/23, and this is made up as follows:

- Non-Dwelling Rents and Other Income includes:
  - Non-Dwelling Rents – income from garage rents, rental income from shops and offices, ground rent and telecoms masts
  - Other Income and Contributions – Contributions towards grounds maintenance and solar panel income.
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness (273 flats/rooms, total income £215k)
- HRA Investment Income – the HRA receives income on balances held within the Council's bank account
- Income from Leaseholders (e.g., contribution to heating, cleaning, and repairs to communal areas)

Private Finance Initiative

5.13 This budget proposes to continue to charge PFI rents in line with the original rent policy, that is CPI +1%.

5.14 "Smoothing" reserve funds had been established for all the PFI contracts, these are set up to smooth the costs of the PFI over the duration of the scheme. Following the introduction of self-financing and the removal of the subsidy system, PFI rental income and grant can be used to fund the annual unitary charge, which removed the ongoing requirement to contribute towards a smoothing reserve. The current PFI reserve will continue to remain frozen at £10m as at 31 March 2022 and will be used to part fund the outstanding HRA debt.

5.15 Additional funding of c£4m has been included in the budget to cover the cost of sprinkler installation in high rise properties managed under PFI agreements, along with lifecycle costs.

Communal Heating

5.16 In general, it is intended that gas charges are set to reflect the actual cost of gas consumed. However, there are reasons why in practice this is difficult to achieve:

- Charges are set based on anticipated charges for the following year and consumption from the previous year
- Some of the heating systems are not efficient in operation – work is ongoing to improve these.

5.17 Communal heating gas is sourced as part of the City Council overall gas contract and this is up for renewal in April 2022 and although there is no confirmation of the actual increase, what is known is that the increase is going to be significant. The global gas market has seen unprecedented rises this year, with prices currently around 500% to 600% more expensive than the current contract, and it remains volatile with significant swings daily. Officers are continuing to monitor the markets to get the most economically advantageous contract for the Council, but this has not yet been agreed. There is currently no indication of when energy markets will settle, but any future price is likely to be significantly higher than the current contract.

5.18 The dramatic increase in the cost of wholesale gas has caused energy prices to soar across the country, and around 27 energy companies have gone into administration. In the absence of the details of the actual increase in gas costs and to provide tenants with an element of price protection it is proposed that heating prices will be increased in line with the percentage increase to the Ofgem energy price cap which is due to be published in February 2022. Whilst this is anticipated to be a large increase it is expected that there will be some form of support scheme made available to energy users, and officers will support tenants in accessing any support made available. As an indication of the potential impact on heating charges Appendix B includes details of price increases at both 20% and 50%. The actual tenants increase will only be known once the Ofgem Price Cap increase is published.

5.19 Once the gas contract has been agreed more work will be undertaken to assess both the level of charges required to cover costs, and ways in which the impact on tenants can be mitigated

5.20 The gas supply to the 2-4 bed blocks are part of a separate contract, and the price has also not been agreed. However, the number of properties affected is currently c100 and reducing as individual boilers are installed, therefore it is proposed that the same increase in tariff is assumed.

5.21 As part of the Councils Zero Carbon commitment work is continuing to source additional external funding for works, and there continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. This will include c£2m to install new boilers or heat pumps.

Depreciation

5.22 Depreciation is a means of charging the cost of an asset to the revenue account over its remaining useful life. In accordance with accounting regulations, it is charged to the HRA as a transfer to Reserves where it can be used to fund capital expenditure or pay off debt. The depreciation charge in 2022/23 is forecast to be £19m and this will be used to fund the proposed capital investment programme.

Debt Financing and Borrowing Costs

5.23 The 2022/23 opening HRA debt is anticipated to remain unchanged at £121.26m, and this is funded through a combination of market loans and internal funding through the use of reserves. Using internal funds, provides the benefit of reducing the interest costs of borrowing, but it is important that any future investment decisions are carefully considered because if the reserves fall below the level of internally funded debt, then interest charges will increase. This will be considered as part of any investment proposals that require use of the HRA reserves if the scheme appraisal would need to ensure that the increased costs of borrowing are factored into the project costs.

5.24 Following the removal of Councils' HRA debt caps, which means that there is no upper limit to the absolute level of debt that can be held, the only restriction being that the HRA business plan must demonstrate that any debt can be serviced without the HRA going into deficit.

5.25 The HRA is making provision only for the interest repayments in relation to the outstanding debt. Consideration will need to be given to refinancing the debts as and when the debts become repayable this will be considered as part of the treasury management strategy.

Provision for Bad Debts

5.26 Whilst the roll out of Universal Credit and the pandemic have had an impact on tenants' ability to pay, due to the ongoing good work with residents the level of bad debts has been lower than originally forecast. Therefore, the business plan has been adjusted for 2022/23 onwards. The forecast provision for bad debts in 2021/22 is around 0.65% of rental income, and so the ongoing forecast requirement is 1% for the life of the plan, this is a 0.5% reduction from the previous assumption in the business plan. This is still considered a prudent approach based on the current year's performance, although the impact on households over the coming year from general inflation is currently unknown. The collection rates and levels of bad debts will be kept under review.

Operational Housing - Stock Management Fee

5.27 A major element of the business case that underpinned the transfer of management of stock in North Manchester back to the Council was the savings in management costs that would arise. These, along with one off costs associated with the transfer, have been factored into the business plan, and these are shown below:

	2022-23 £000	**2023-24 £000**	**2024-25 £000**	**2025-26 £000**
Costs:				
Campbell Tickell Report (Legal, restructuring and management of change)	1,353			
Reduction based on additional costs to date	-200			
	1,153	0	0	0

Savings:				
Operational Savings via Transformational Change	-1,532	-1,639	-1,754	-1,877
Management Savings via Transformational Change	-273	-292	-312	-334
Management Roles	-256	-269	-282	-296
Roles Absorbed into MCC and Governance Savings	-336	-353	-370	-389
Total Saving	**-1,244**	**-2,553**	**-2,719**	**-2,896**

5.28 The management fee shown in the business plan includes assumed increases for energy costs and annual pay increases for 2021/22 (still to be agreed) and a forecast for 2022/23. The amounts paid will be adjusted to reflect differences between the actual increases and the assumptions.

5.29 The new repairs and maintenance contract was let to Equans with effect from March 2021, current years costs are forecast to be c£12m, this includes elements of one-off costs in respect of initial mobilisation costs, the budget for 2022/23 is c£11.1m.

Other Expenditure

5.30 Details of other expenditure is detailed in appendix 1 and covers:

- Retained Stock Maintenance & Repairs – this covers repairs to offices, environmental works, and some lift maintenance
- Supervision & Management – this covers the City Council costs of managing the HRA, including the cost of staff in Strategic Housing (HRA related), corporate, central, and departmental recharges, and other miscellaneous costs.
- Other management arrangements – stock management fee to the two Tenant Management Organisations (419 properties), Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – on properties held empty
- Insurance costs – The annual contribution to the HRA insurance reserve
- Revenue Contribution to Capital Outlay – this is where funds held within the HRA are set aside to contribute towards the cost of capital works (in addition to Depreciation).

Inflation Assumptions

5.31 The HRA budget includes inflation assumptions in line with the Council's current assumptions in relation to pay and prices. Most of the inflation in the business plan is linked to the consumer price index rate (CPI), which have increased sharply lately. Based on an assessment of forecasts available, CPI has been forecast to peak at around c.6% by April 2022, and then fall back to c4% in the second half of 2022. CPI for the rent increase for 2023-24 has

been assumed to be 3% as it is based on CPI in September 2022, and this will be retained under review. Thereafter, the business plan assumes a 2% CPI rate for the remainder of the plan.

5.32 This inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, and the Operational Housing management costs are known for 2022/23, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 It is proposed that 2022/23 garage rents increase by 4.1% in line with the proposed increase for dwelling rents, and the impact of the increase is shown in the table below:

	Annual Charge 2021/22	**Weekly Charge 2021/22**	**Proposed Weekly Charge 2022/23**	**Proposed Weekly Increase**
Site Only	£102.96	£1.98	£2.06	£0.08
Prefabricated	£228.28	£4.39	£4.57	£0.18
Brick Built	£268.32	£5.16	£5.37	£0.21

7. Reserves Forecast

7.1 Current projections show that although the HRA maintains a positive balance of reserves throughout the life of the business plan, the significant costs of undertaking all the required carbon retrofitting works are not yet included in the business plan. The costs of this work are estimated to be around c£16.5k per property, and this will inevitably require additional external resources in order to ensure all works can be undertaken. The table below sets out details of the anticipated HRA reserves position over the next three years if there are no additional investment proposals above the approved amounts included for RCCO and the contribution towards Brunswick capital costs. Given the low interest rate payable on balances, the HRA is currently using around £60m of its own reserves to internally fund part of the HRA debt rather than take out external borrowing. This provides annual interest savings of around £2.4m per annum. The continuation of this arrangement will need to be considered if any investment proposals are to be funded by the use of reserves.

Reserves Forecast 2022/22 to 2024/25

7.2 The table below sets out the forecast reserves position for 2021/22 and the next three years. Based on the December forecast position the HRA closing reserves are forecast to be £109.612m, but these are forecast to reduce by c£11m 2022/23 and further reductions in the following two years. The reduction in reserves relates to the ongoing capital investment proposals.

Reserve Description	2021/22 (Forecast) £000	2022/23 £000	2023/24 £000	2024/25 £000
General Reserve (including Major Repairs reserve)	75,612	63,469	55,766	42,910
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**109,612**	**97,469**	**89,766**	**76,910**

Insurance Reserve	2,369	2,569	2,769	2,969

7.3 The Residual Liabilities Fund was established to cover any potential environmental and other risks associated with the large and small scale voluntary transfers that have taken place during the past 15 years. There is no reason to change the level of reserve from that recommended in an independent report previously commissioned, and therefore the fund balance will be held at £24m for 2022/23.

7.4 Within the general reserve there is also a separately held HRA Insurance Reserve. This is required to ensure compliance with the ringfencing requirements. The balance required is determined by the likely liabilities arising from claims settled in any one year, there is an annual contribution to the reserve assumed within the current proposed HRA budget.

8. Conclusions

8.1 The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.

8.2 The budget proposals will allow for continued service delivery and investment within the existing stock and development of new HRA stock within the confines of the available resources.

8.3 Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a debit balance. The proposed budget for 2022/23, together with the indicative budget for the following two years, is attached at Appendix 1 and shows this provision being met (before proposed use of reserves to fund capital works).

8.4 The HRA continues to hold a prudent level of reserves that enables continued savings on HRA costs through self-funding part of the HRA debt. There is also an increase in the planned level of capital works over the 2-year period 2022/23 – 2023/24 that is partly funded from the existing HRA reserves.

8.5 Based on forecasts, over the next three years the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The reserves provide longer term benefits to the HRA through debt financing, reducing the overall

interest payable, and contributing towards increased resources available for further investment in the longer term.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Government's guideline rent.

(b) Risk Management

Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the Housing Revenue Account does not result in a debit balance. The proposed change in rents and identification of savings within this report, together with regular budget monitoring will assist in managing this risk over the short term. Work will continue to ensure that the HRA remains viable in the longer term.

(c) Legal Considerations

The City Solicitor has reviewed this report and is satisfied that any legal considerations have been incorporated within the body of the report.