Manchester City Council
Report for Resolution

Report to:	Resources and Governance Scrutiny Committee – 4 February 2020 Executive – 12 February 2020
Subject:	Housing Revenue Account 2020/21 to 2022/23
Report of:	Strategic Director (Development) and Deputy Chief Executive & City Treasurer

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Purpose of the Report

This report presents members with details on the proposed budget for the Housing Revenue Account (HRA) for 2020/21 and an indication of the 2021/22 and 2022/23 budgets.

It seeks approval for the 2020/21 HRA budget, and the proposed average rent increase of 2.7% for all properties, in line with Government guidance.

It is also proposed that the City Council continue with the policy of where rent is not yet at the formula rent level, then the rent will be revised to the formula rent level when the property is re-let.

Recommendations:

The Resources and Governance Scrutiny Committee is invited to review and comment on the HRA Budget.

The Executive is recommended to:

a) Note the forecast 2019/20 HRA outturn as set out in section 4.

b) Approve the 2020/21 HRA budget as presented in Appendix 1 and note the indicative budgets for 2021/22 and 2022/23.

c) Approve the proposed 2.7% increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing and Residential Growth and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

d) Approve the proposal that where the 2020/21 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

e) Approve the proposed 2020/21 changes for communal heating charges as detailed in paragraphs 5.15 to 5.19.

f) Approve the proposed 2020/21 Northwards management fee as detailed in paragraphs 5.27 to 5.28.

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

Wards Affected: Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, Bradford and Miles Platting and Newton Heath

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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

Expenditure and income on 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, the HRA overall cannot go into deficit. The recommendations in this report will determine the financial plan for 2020/2021 – 2022/23 and the impact on the overall financial model for the HRA over a 30 year period.

The HRA financial plan covers a rolling period of 30 years and is made up of rental income, Private Finance Initiative (PFI) grant and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income in the HRA in 2020-21 excluding monies from reserves is forecast to be approximately £86m.

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 2020/21 HRA budget includes a forecast depreciation charge of £17m, which will be set aside to fund capital investment.

In addition to the depreciation charge there is around £60m capital funding proposed from revenue contributions over the 2020/21 - 2022/23. This report sets out the basic capital investment requirements for the next two years. There remain significant capital investment requirements if the Council is to achieve its requirements and ambitions in the areas of maintaining decent homes standards, achieving carbon reduction targets and continuing to maintain /increase the social housing stock within the City. It is likely therefore that the capital requirements will increase and this will need to be considered as part of the HRA Review.

From 2023/24 onwards the HRA budget currently includes an annual capital budget of £25m per annum.

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

- Brunswick PFI Extra Care Scheme (2020/21)
- Silk Street (68 properties) (2020/21 - 2021/22)
- Collyhurst (130 properties) (2020/21 - 2021/22)

Contact Officers:

Name:	Carol Culley
Position:	Deputy Chief Executive and City Treasurer
Telephone:	0161 234 3564
E-mail:	c.culley@manchester.gov.uk

Name:	Eddie Smith
Position:	Strategic Director (Development)

Telephone: 0161 234 3030
E-mail: e.smith@manchester.gov.uk

Name: Kevin Lowry
Position: Interim Director of Housing and Residential Growth
Telephone: 0161 234 4811
E-mail: kevin.lowry@manchester,gov.uk

Name: Paul Hindle
Position: Head of Finance Corporate Core and Strategic Development
Telephone: 0161 234 3025
E-mail p.hindle@manchester.gov.uk

Background documents (available for public inspection):
None

1. Introduction

1.1. The purpose of this report is to seek approval for the Housing Revenue Account (HRA) 2020/21 budget and provide members with recommendations for approval in respect of the 2020/21 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2020/21, and the indicative position for 2021/22 and 2022/23. Furthermore, it highlights the current use of reserves, along with the risks that need to be managed.

2. Background

2.1. Since the introduction of Self Financing in April 2012 the Council has had to manage its housing stock on a similar basis to Registered Providers. This has entailed developing a rolling 30 year business plan, and reviewing the use of all 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 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.

2.4 The imposition of a 1% annual rent cut for four years from 1st April 2016 has had a significant effect on available resources over the life of the plan through a loss of rent income and this reduced the HRA reserves position over the life of the business plan. The current business plan shows that reserves fall below the c£60m level required to avoid having to pay increased interest charges on debt in 2027/28, and the reserves are forecast to be exhausted by 2045/46. Although the current business plan does show a small deficit over the 30 years there are many variables that could impact upon the existing forecasts, in particular the level of future years rent increases and also the capital investment requirements, and in particular the additional investment requirement in respect of energy efficiency measures to support the Council in achieving its carbon neutral target by 2038.

2.5 Following the 4 years of annual 1% per cent rent reduction, the Government have agreed that rent policy for 5 years commencing 2020/21 can revert to the original rent policy of CPI +1%, and this is included within the proposed budget.

2.6 The HRA will be required to achieve further savings over the medium/long term in order to ensure that the HRA does not run into a deficit, and that there are sufficient resources available to support the capital investment needs over the life of the business plan.

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 2019/20

4.1. The latest HRA forecast as at November 2019 shows that the forecast expenditure is £13.176m lower than budget, which would result in an in year surplus of £3.029m and this will be credited to the HRA reserves. The original 2019/20 HRA budget forecast a £10.147m withdrawal from reserves. The main reasons for this change in the current year are as follows:

- RCCO - £11.461m underspend – Mainly due to revised planned delivery timescales arising from consultation with tenants on a number of schemes involving multi story blocks (sprinklers, fire risk assessments, windows, and kitchen/bathroom replacement).
- Housing Rents - £139k overspend – Rental income is lower than anticipated following delays in the construction of new build properties.
- Contractor payments - £1.594 underspend – Expenditure on the Brunswick scheme is £0.622m lower than budgeted and around £0.900m due to slippage on the planned installation of sprinklers.
- Other minor underspends totalling £260k.

5. Budget Strategy 2020/21 - 2022/23

5.1 The HRA financial plan has been prepared taking into account all known changes to housing stock numbers, ongoing management arrangements, proposed investment needs and assumptions in line with the City Council medium term financial plan around pay and inflationary increases. It also takes into account the impact of Welfare Reform which commenced in April 2013 on rent collection levels, and will continue to be rolled out over the next few years. To date the anticipated reduction in rental income has not materialised but the position will continue to be monitored closely and the implications reflected within the HRA business plan.

5.2 The HRA budget shows statutory compliance in that a surplus is forecast (before the use of reserves to fund capital works) at the end of each year within the three year budget strategy period. However, due to a number of factors including the Government's imposed 1% rent reduction over four years from 2016/17, the impact of the Grenfell Tower fire disaster, and the Council's ambition to become a zero carbon City, the HRA does currently forecast a small deficit from 2032/33 onwards based on current assumptions. Work is ongoing to review all HRA expenditure in order that efficiencies can be identified to ensure that reserves are retained and the investment requirements for the HRA are delivered.

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

5.3 The Council continues to own and manage just under 16,000 properties within the HRA under various arrangements. These include three PFI schemes and stock managed by either Northwards Housing or other Registered Providers (RPs). In the current financial year Right to Buy Sales (RTB) of around 193 properties are being forecast. This is more than the number sold in 2018/19 and it is assumed the RTB numbers will remain at a similar level to the current year (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.

5.4 The table at Appendix 1 provides a detailed analysis of the overall proposed 2020/21 budget which is forecasting an in year deficit of £18.441m and this will be funded through drawing down resources from the HRA reserves. This is mainly due to the level of planned capital programme works and this does include slippage carried forward from the 2019/20.

5.5 The key budget assumptions used in preparing the HRA budget are as follows:

Rent Income

5.6 As a result of Government changes to the social rent policy, social rents have been reduced by 1% p.a. for the four year period 2016/17 to 2019/20 inclusive, although PFI properties were exempt, and those rents have been increased by CPI plus 1%.

5.7 The latest 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, and CPI will be based on the September CPI rate. In September 2019 CPI was 1.7% and therefore this report seeks approval to increase tenant's rents for all properties by 2.7% with effect from April 2020.

5.8 For the c.1,000 properties where formula rent has not yet been achieved, if the property becomes vacant the rent will be increased to formula rent when the property is re-let.

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

- General Needs £74.34
- Supported Housing £67.61
- PFI Managed £84.84

Other Income

5.10 Other income is forecast to be around £1.164m in 2019/20, 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 – Girobank charges, contributions towards grounds maintenance and solar panel income.
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness
- VAT Shelter Credits – income from other RP's in relation to VAT recovery on repairs and maintenance costs following stock transfers. This income ceases in 2021/22.
- 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 Allowances

5.11 As part of the original PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totalling £24m between 2014/15 and 2019/20 in order to realise savings of c.£48m over the life of the PFI contract, through lower annual Unitary payments. The contributions are linked to the programme of new build properties, and the capital contributions have slipped one year so 2020/21 will be the final year of making the agreed capital contributions and this is reflected in the proposed budget.

5.12 The three stock management PFI schemes in total generate income for the HRA in that income from rents and PFI credits is greater than the unitary charge payments. This budget proposes to continue to charge PFI rents in line with the original rent policy.

5.13 "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.

5.14 The current PFI reserve will continue to remain frozen at £10m as at 31 March 2020 and will be used to part fund the outstanding HRA debt.

Communal Heating

5.15 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, although work is ongoing to improve this position.

5.16 Communal heating gas is sourced as part of the City Council overall gas contract. The existing wholesale gas contract expires shortly, and latest prices indicate that the current wholesale gas price will reduce by 7% with effect from April 2020.

5.17 In order to ensure that the costs of gas used are recovered through the tariffs charged for tenants and residents on a scheme by scheme basis, it would be necessary to reduce the current heating charges by between 0% and 36%. The charges for 2019/20 were increased to reflect an increase in tariffs, but the increase was capped at 20%. Therefore it is proposed that the reduction in tariffs for 2020/21 is similarly capped at a maximum of 20% in order to smooth any potential changes arising from future increases to the costs of gas.

5.18 The proposed 2020/21 heating charges for each scheme are shown in Appendix 2 and this includes both 2018/19 and 2019/20 charges for comparison purposes. The table shows that all but 1 scheme proposed heating charges for 2020/21 will be lower than the 2018/19 rates.

5.19 There continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. This will include upgrading or replacing existing communal heating equipment. The costs of gas used against the tariffs charged will continue to be monitored to ensure that the rates being charged are aligned.

Depreciation

5.20 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 proposed depreciation charge in 2020/21 is forecast to be £17.378m and this will be used to fund capital expenditure.

Debt Financing and Borrowing Costs

5.21 The 2020/21 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. The use of internal borrowing supports the HRA through 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 (c£60m), then interest charges will increase. This will be considered as part of any investment proposals that require use of the HRA reserves it the scheme appraisal would need to ensure that the increased costs of borrowing are factored into the project costs.

5.22 It should be noted that in October 2018, the Government announced the removal of Councils' HRA debt caps, which means that there is no upper limit to the 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 going into deficit.

5.23 Due to the change in Government policy and the imposed four year 1% rent reduction, the reduced rental income has reduced the forecast level of reserves, it is currently anticipated that the HRA reserves will fall below the £60m required to continue funding the proportion of debt in 2027/28 and this results in an increase in the interest costs charged to the HRA. This assumes no additional capital expenditure over and above what is assumed in the business plan. Unless savings are identified to mitigate the rent reduction, the costs of borrowing within the HRA will increase.

5.24 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

5.25 Due to the continued roll out of Universal Credit and the anticipated impact on residents the business plan has made prudent provision for an increased contribution towards the provision for bad debts. The forecast reduced rent collection has not materialised to date, and this is in part due to the delays in rolling out the Universal Credit scheme and also because of the good work undertaken with tenants to provide help and support in order to assist tenants manage the impact of the changes. Despite the continuing good rent collection performance, the further roll out of Universal Credit may impact on rent collection rates in later years. The contribution to the bad debt provision will remain at the 2019/20 actual rate of 1% in 2020/21 and will then be increased annually by 0.5% from 2021/22 until 2023/24 at which point it will peak at 2.5%, it is then planned to reduce by 0.5% per year until it levels out at 1.5% for the remainder of the plan. This is to reflect the ongoing work that will be done with residents to manage the impact of welfare reform.

5.26 The full implications of Welfare Reform will be kept under review as it is rolled out and the bad debt provision requirements adjusted accordingly.

Northwards Management Fee

5.27 As part of the 2018/19 budget Executive approved a two year annual 1% reduction in the Northwards management fee for both 2018/19 and 2019/20, and this was aligned to the rent reductions. It is proposed that the Northwards management fee for 2020/21 is increased to reflect the costs of pay awards in 2020/21 and this equates to a rise of 1.55% or £315k in 2020/21. Similar assumptions have also been made for future years of the business plan, although these will be approved as part of future budget rounds.

5.28 Due to the prior year 1% reduction in the management fee Northwards have been required to fund any inflationary increases during this period, they have achieved this through a combination of making use of their own reserves and identifying efficiencies within their existing budgets. In order to ensure that Northwards have a sustainable budget going forward Northwards have been requested to identify efficiencies that will remove the need for use of reserves, and ensure their budget is sustainable ongoing.

5.29 The interim Director of Housing is currently undertaking a review of the HRA and this does include all existing management arrangements for the stock. It is expected that this review will be completed before the end of the current financial year and as part of this review the financial implications for the business plan will be considered. It should be noted that this review will pick up all Policy and Strategy requirements of the HRA business plan and will therefore change current projections. There are none of these assumptions currently included as part of this budget report, and details will be reported back to members once they have been worked through.

Other Expenditure

5.30 Details of other expenditure as shown in appendix 1 is as follows:

- 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 (415 properties), Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – on properties held empty for demolition
- 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).

Inflationary Assumptions

5.31 The HRA budget includes inflationary assumptions in line with the Council's current assumptions in relation to pay and prices. The majority of inflation in the business plan is linked to the consumer price index rate (CPI), which the Office for Budget Responsibility has forecast will dip to 1.9 per cent in 2020, returning to the 2 per cent target thereafter. The business plan assumes a 2% CPI rate for each of the next 30 years.

This inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, and the Northwards management fee are known for 2020/21, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 In 2015/16 as part of the budget strategy it was agreed that garage rents should be brought in line with dwelling rents in respect of the increases that had been applied. To achieve this, it was agreed that garage rents were to be increased by an additional 3.92% to the annual increase applied to dwelling rents, for the five year period 2015/16- 2019/20. In order to ensure that the increase applied to garage rents remains in line with that applied to dwelling rents, it is proposed that 2020/21 garage rents increase by 2.7%, and the impact of the increase is shown in the table below:

	Annual Charge 2019/20	**Weekly Charge 2019/20**	**Proposed Weekly Charge 2020/21**	**Proposed Weekly Increase**
Site Only	£96.20	£1.85	£1.90	£0.05
Prefabricated	£213.72	£4.11	£4.22	£0.11
Brick Built	£251.16	£4.83	£4.96	£0.13

7. Reserves Forecast

7.1 Current projections show the HRA will not generate sufficient annual surpluses over the duration of the business plan to service the debt and maintain a positive balance. Based on the current assumptions within the plan, the HRA continues to hold reserves greater than £60m in order to avoid paying an increased amount of interest for the next eight years, but after that it incurs additional costs and moves into a deficit position in 26 years time and work is required in order to ensure this is remedied.

7.3 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 rates 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. The current plan shows reserve levels falling to zero in 2032/33.

Reserves Forecast 2019/20 to 2022/23

7.4 The table below sets out the forecast reserves position for 2019/20 and the next three years. Based on the November forecast position the HRA closing reserves are forecast to be £110.4m, but these are forecast to reduce by over £18m in 2020/21 and further reductions in the following two years. The reductions in reserves relates predominantly to the ongoing capital investment proposals.

Reserve Description	**2019/20 (Forecast)**	**2020/21**	**2021/22**	**2022/23**
	£000	**£000**	**£000**	**£000**
General Reserve (including Major Repairs reserve)	74,605	56,447	42,231	27,963
Insurance Reserve	1,789	1,506	1,706	1,906
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**110,394**	**91,953**	**77,937**	**63,869**

7.5 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 2020/21.

7.6 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 2020/21, 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 3 year period 2020/21 – 2022/23 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. The medium/longer term forecast position has been affected significantly by the four year reduction in rents as mentioned previously.

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.

Appendix 1 – Housing Revenue Account Budget 2019/20 – 2022/23

	2019/20 (Forecast)	2020/21	2021/22	2022/23	See Para.
	£000	£000	£000	£000	
Income					
Housing Rents	-59,775	-60,881	-62,030	-63,497	5.6
Heating Income	-754	-600	-612	-625	5.15
PFI Credit	-23,586	-23,374	-23,374	-23,374	5.1
Other Income	-1,164	-1,281	-1,203	-1,069	5.10
Funding from General HRA Reserve	3,029	-18,441	-14,016	-14,068	7.1
Total Income	**-82,250**	**-104,577**	**-101,235**	**-102,633**	
Expenditure					
Northwards R&M & Management Fee	20,379	20,694	20,984	21,455	5.27
PFI Contractor Payments	31,824	36,296	32,599	31,639	5.1
Communal Heating	858	584	595	607	5.15
Supervision and Management	5,020	5,223	5,291	5,360	5.29
Contribution to Bad Debts	504	613	937	1,279	5.25
Depreciation	17,279	17,378	17,517	17,785	5.20
Other Expenditure	1,295	1,169	1,189	1,016	5.29
RCCO	2,287	19,841	19,360	20,762	5.29
Interest Payable and similar charges	2,804	2,779	2,763	2,730	5.2
Total Expenditure	**82,250**	**104,577**	**101,235**	**102,633**	
Total Reserves:					
Opening Balance	-107,365	-110,394	-91,953	-77,937	7.1
Funding (from)/to Revenue	-3,029	18,441	14,016	14,068	
Closing Balance	**-110,394**	**-91,953**	**-77,937**	**-63,869**	

Appendix 2 – Proposed Heating Tariffs

The table below shows the proposed heating charges for 2020/21 after applying reductions varying from 0% to a capped maximum of 20%. The point of sale customers purchase units of heat via their top up card, whilst the tenants who pay by their rent pay a set weekly fee for their heat and the overall usage is taken into account when calculating future years' charges.

Pay by Rents:

Property Type	Area/Scheme	Est. Property Numbers 19/20	18/19 Weekly Charge	19/20 Weekly Charge	20/21 Proposed Weekly Charge	% Reduction
Flat 1 Bed	Grove Village Tenants	12	£7.65	£9.01	£7.48	17%
House 2 Bed	Grove Village Tenants	58	£9.45	£11.13	£9.24	17%
House 3 Bed	Grove Village Tenants	85	£11.94	£14.07	£11.67	17%
House 4 Bed	Grove Village Tenants	23	£13.78	£16.23	£13.47	17%
Flat 1 Bed	Northwards Sheltered - Boiler Supply	116	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Northwards Sheltered - Boiler Supply	67	£6.76	£8.11	£6.61	19%
Flat 1 Bed	Northwards Sheltered - Other supply	14	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Northwards Sheltered - Other supply	11	£6.76	£8.11	£6.61	19%
2/4 Block	Northwards 2/4 Blocks - All Others	117	£5.61	£6.74	£5.39	20%
2/4 Block	Northwards 2/4 Blocks - Fuel Supp.	34	£0.48	£0.58	£0.46	20%
Mulitstorey Flat	Northwards - Multistorey - Sandyhill	37	£5.47	£6.56	£6.56	0%
Type A	Northwards - Victoria Square	52	£7.13	£8.56	£6.85	20%
Type B	Northwards - Victoria Square	51	£7.67	£9.20	£7.36	20%

Type C	Northwards - Victoria Square	15	£8.25	£9.90	£7.92	20%
Type D	Northwards - Victoria Square	33	£8.57	£10.28	£8.22	20%
Type E	Northwards - Victoria Square	13	£10.98	£13.17	£10.54	20%
Caretaker	Northwards - Victoria Square	1	£13.15	£15.78	£12.62	20%
Flat 1 Bed	Brunswick Sheltered	29	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Brunswick Sheltered	1	£6.76	£8.11	£6.61	19%

Point of Sale:

Scheme	Estimated Property Numbers 19/20	18/19 Charge (per unit of heat)	19/20 Charge (per unit of heat)	20/21 Proposed Charge (per unit of heat)	% Reduction
Grove Village	318	5.91p	6.96p	5.78p	17%
MECO	288	8.13p	9.76p	7.81p	20%
Northwards Multistorey	444	7.36p	8.83p	7.06p	20%
Victoria Avenue (removed Wbeck)	470	5.43p	6.52p	5.22p	20%
Brunswick Multistorey	257	8.13p	9.76p	9.76p	0%