



Revenue Budget Proposals 2024-25 – Housing Revenue Account (HRA)

Report Author:	Carol King , Senior Technical Accountant 01664 502446 CKing@melton.gov.uk
Chief Officer Responsible:	Michelle Howard , Director for Housing and Communities (Deputy Chief Executive) 01664 504322 mhoward@melton.gov.uk Dawn Garton , Director for Corporate Services 01664 502444 dgarton@melton.gov.uk
Lead Member/Relevant Portfolio Holder	Councillor Pip Allnatt - Leader of the Council & Portfolio Holder for Housing and Landlord Services Councillor Sarah Cox – Portfolio Holder for Corporate Finance, Property and Resources

Corporate Priority:	Providing high quality council homes and landlord services Ensuring the right conditions to support delivery (inward)
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision:	No
Subject to call-in:	No Not key decision

1 Summary

- 1.1 The purpose of this report is to update on the financial position of the Housing Revenue Account (HRA) and, in line with the parameters set by government, to set the rents of the Council dwellings with an increase of 7.70%, approve the HRA budget estimates for 2024-25 and continue to set the working balance for 2024-25 at £1m.

2 Recommendations

- 2.1 That Cabinet notes the financial position on the HRA as at 30 November 2023 and the year-end forecast for both revenue and capital and:

Recommends to Council that:

- 2.2 The budget estimates for 2024-25 be approved.
- 2.3 An average rent increase of 7.70% for all Council dwellings be approved with effect from 1 April 2024.
- 2.4 That Intensive Housing Management Service charges are not applied to rent accounts from 1 April 2024 pending the conclusion of the service review as referenced at paragraph 6.52
- 2.5 The 2024-25 capital programme be approved.
- 2.6 That delegated authority be given to the Director for Housing and Communities in consultation with the Director for Corporate Services and Portfolio Holder for Council Housing and Landlord Services to approve virements within the HRA capital programme during the year to provide flexibility to meet emerging needs and maintain decent homes.

3 Reason for Recommendations

- 3.1 That Cabinet notes the financial position on the HRA as at 30 November 2023 and the year-end forecast for both revenue and capital and:

Recommends to Council that:

- 3.2 The budget estimates for 2024-25 be approved.
- 3.3 An average rent increase of 7.70% for all Council dwellings be approved with effect from 1 April 2024.
- 3.4 That Intensive Housing Management Service charges are not applied to rent accounts from 1 April 2024 pending the conclusion of the service review as referenced at paragraph 5.7.
- 3.5 The 2024-25 capital programme be approved.
- 3.6 That delegated authority be given to the Director for Housing and Communities in consultation with the Director for Corporate Services and Portfolio Holder for Council Housing and Landlord Services to approve virements within the HRA capital programme during the year to provide flexibility to meet emerging needs and maintain decent homes.

4 Reason for Recommendations

- 4.1 The Local Government and Housing Act 1989 requires the Council to produce and publish an annual budget, including the setting of rents, for the HRA which avoids a deficit. This report sets out the detail for Cabinet to consider prior to making recommendations to Council. It is a requirement that this be scrutinised prior to its submission which has been undertaken by the Scrutiny Committee in January 2024. The proposed rent increase is in line with Government policy and is the maximum increase allowed.

5 Background

- 5.1 The operation of the HRA is governed by the Local Government and Housing Act 1989. Some of the key requirements are detailed below:
- a) The HRA is a ring-fenced landlord account recording certain defined transactions arising from the powers conferred on local housing authorities by part II of the Housing Act 1985 and certain provisions of earlier legislation;
 - b) The Council has a duty to keep an HRA in accordance with proper accounting practices;
 - c) The Council has a duty to produce and publish an annual budget for the HRA which avoids a deficit;
 - d) The Council has a duty to review and if necessary, revise that budget from time to time if it appears that the HRA is heading for a deficit, all reasonable and practicable steps must be taken to avoid a deficit at the end of the year.
- 5.2 Rent income is one of the main components of the HRA and it is the Government's policy to increase rents by up to CPI + 1% for at least 5 years from 1 April 2020. For 2024-25 this equates to an increase of 7.70%. In addition, as approved within the HRA business plan, the rent for re-let void properties will be set to the 5% upward tolerance allowed on formula rent.
- 5.3 The HRA 30 year Business Plan was approved by Council in July 2022 and its recommendations are included in this budget report. The annually updated Asset Management Plan was presented to Cabinet in January 2024 and a rolling 5 year capital programme is being set here in line with that plan. Both of these evidence-based plans provide for robust budget setting and clear plans to invest in council homes.

6 Main Considerations

6.1 Estimated Revenue Year End Position 2023-24:

The estimated year end position for the current financial year 2023-24 is shown below and has been compiled on the basis of the 'best estimate' of income and expenditure for the year provided by budget holders, and is compared to the latest approved budget which includes requests for supplementary estimates that have been approved under the relevant delegation:

	Approved Budget	2023-24 Estimated Year End Position	Variance
	£	£	£
Expenditure	8,891,770	9,367,770	476,000
Income	-9,005,970	-8,972,970	33,000

Net Cost of Services	-114,200	394,800	509,000
Net Interest Charges	923,960	675,960	-248,000
Revenue Contribution to Capital	112,090	112,090	0
Contribution to/from(-) Reserves	-1,171,850	-1,432,850	261,000
Working Balance B/fwd	750,000	750,000	0
Working Balance C/fwd	1,000,000	1,000,000	0

6.2 At 30th November 2023 the Net Cost of Services shows an estimated year end position of a £509k overspend, this is partly offset by the expected increase in interest on investment balances of £248k. The £261k remaining overspend will increase the transfer from the reserve in order to set the £1m working balance. The £509k overspend is made up of an overspend in expenditure of £476k, and a reduction in income of £33k.

6.3 Expenditure:

Expenditure variances of over £10k are set out below:

6.4 General Management £42k underspend:

6.5 Anticipated underspends of employee costs (£14k) due to a vacant post not being recruited as well as court costs (£13k) underspend due to the continuation of the back-log on income recovery and court proceedings, is being off-set by the expected council tax empty rate (£12k) due to the longer term vacant properties.

6.6 At the current time, following a review of implications and feedback from tenants, the budget hardship fund (£50k) has not been used and a hardship scheme is not in place. As an alternative to a Hardship Fund, the Council will shortly be piloting a subscription to Housing Perks, which provides retail discount for council tenants. The annual cost of this is much lower for the council and potential reach and impact for tenants is greater. It will be important to support and monitor take to ensure that those households in need of such support are able to access it.

6.7 The fire insurance renewal to the HRA has increased by 32% on 2022-23 levels, due to the high level of fires in our properties (7 to date), this equates to an estimated overspend of £16k.

6.8 Repairs & Maintenance £199k overspend:

6.9 £16k employee costs underspend – career graded posts currently showing as lower than budgeted as staff work towards their higher grade, however staff vacancies will require agency support offsetting this underspend by an expected £10k.

6.10 £123k Professional fees underspend due to the costs relating to the specific stock condition surveys being lower than budgeted. However the legacy and high value voids have continued into 2023-24 and £100k of this underspend will be used to support the voids budget line.

6.11 A number of write-offs to historic repairs invoices to tenants is causing an income shortfall of £42k to the service.

6.12 The capitalisation of salaries is expected to be £9k lower due the actual works being undertaken.

6.13 The repairs service is facing continued pressures from disrepair claims which require significant works and have increased from 5 in the previous year to 22 in this year to date.

The Council is aware of no win-no fee companies targeting tenants in social housing and has issued [guidance](#) to tenants on this. Improved record keeping and stock condition data is enabling the Council to defend claims, however the work to do so is creating additional pressure on an already stretched team. The additional damp and mould cases which are proactively remedied are also impacting on the resources within the team, however budgets continue to be proactively managed across the service to ensure any overspends are able to be identified and resourced as efficiently as possible. Notwithstanding the above, an estimated overspend of £165k is currently anticipated across the repairs service in addition to the voids overspend noted above.

- 6.14 Special Services £319k overspend:
- 6.15 There is an anticipated underspend of employee costs of £55k due to vacant posts in the IHMS, this is partly offset by an overspend on the other special services staffing budget of £20k following the use of agency cleaning staff and increased overtime for the service.
- 6.16 Following the cabinet decision on 11 October 2023 to discontinue the IHMS service to those dispersed properties which have requested such, the remainder of this underspend may be required to cover the resulting income shortfall. As at 10th November 2023 responses to correspondence requesting discontinuation had been received. There is further scope in this underspend if more properties request to be removed from the service at that time, but there is limited availability of these funds. Careful consideration will need to be given to savings across the wider service if income reduces further.
- 6.17 £340k overspend on gas – there were no invoices received in 2022-23 for Gretton Court, these have now been received totalling £40k, in addition unit costs for gas at all schemes have risen from 1st April 2023 by 300-400%. Colleagues across the Council are looking at understanding some of these increases with expectation of meeting the relevant account manager.
- 6.18 The upgrade to the television aerials in the schemes has cost an additional £15k on the contract, this amount has been applied to the final application for payment.
- 6.19 **Income:**
- 6.20 Shortfalls in income over £10k are set out below:
- 6.21 £52k rent income shortfall – this includes an extrapolation of the reduced rent to quarter 2 but allows for a continued focus on bringing these properties back into use by the use of pre-termination inspections. The delayed capital purchase of 8 affordable rented properties is causing the shortfall on the affordable housing rental income, these are expected to complete once the outstanding legal issues are concluded. The recent fires are covered by insurance including lost rental income and £7k has been received in the year to date to cover lost rental for 2 of these properties.
- 6.22 The continued work on and resulting reduction in void properties is starting to impact the income on other service charges, such as the accommodation charge for the schemes (-£11k) and meal income from Gretton Court (-£16k).
- 6.23 The income lost from the discontinuation of the IHMS service for those dispersed properties who have currently requested it is currently expected to be in the region of £20k, this will off-set the savings on vacant posts as noted above

Rent arrears had exceeded 10% of gross debt, and so has been a key area of focus. Officers gained approval to establish a new income and tenancy sustainment officer role, which was appointed to in the summer. Since then further approval has been granted for a another income and tenancy sustainment officer. Since their appointment, rent arrears levels have reduced to 7.96% as at 13 December 2023 to £630,019. The team has now been joined by a senior income and tenancy sustainment officer to further enhance the capacity of the team, and ensure that the overall debt is reduced and the good progress maintained.

6.24 To further improve collection rates an action plan has been devised which looks at a range of options to continue the journey to reduce rent arrears, this includes actions such as increasing the direct debit payment dates and the adoption of the new income management policy. Targets for the forthcoming years have been set at 7.25% for 2023-24 (reduced from 10%), 5.75% for 2024-25 (reduced from 7.5%) and 4.25% for 2025-26 (reduced from 5%).

6.25 This positive progress is welcome, but the Council still carried risk relating to rent arrears performance and continued focus is necessary. Officers and Cabinet will continue to monitor progress to ensure this can be sustained. Officers must also consider ongoing resource requirements when income performance has been stabilised.

6.26 **Investment Income:**

The rise in interest rates has increased the interest achieved through the Council's investments, the HRA share of this is currently estimated at £494k against a budget of £246k based on the balances held as noted in paragraph 5.6 below.

6.27 **Estimated Capital Year End Position 2023-24**

The capital programme summary is attached at Appendix B and shows the latest spend forecast of £4.393m against a £5.763m budget. This would result in an underspend of £1,370k on the programme. This underspend is attributed primarily to the development / acquisition of affordable housing from Right to buy receipts (£1,112k as below) and through the Local Authority Housing Fund grant (£240k as below), the vast majority of monies allocated to investing in and improving tenants homes has been committed and remains on track to be spent within the current financial year, representing significant progress in investing in and improving council homes.

6.28 The underspends shown in the table below will be carried forward as required for their specific purpose in 2024-25 as noted:

Project	Total Budget £'000	Actual April 2023 to Nov 2023 £'000	Year End Forecast £'000	Variance (-) = Underspend £'000	Reason
Affordable Housing (Use of RTB Monies)	1,718	-47	606	-1,112	Revised purchase price for Marquis Gardens properties £1,347,320. includes fees, 5% contingency and 5k admin fee. The hold is due to the unilateral undertaking for all the properties on the development and other legal requirements, such as the adoption of the

Project	Total Budget £'000	Actual April 2023 to Nov 2023 £'000	Year End Forecast £'000	Variance (-) = Underspend £'000	Reason
					road. It is now anticipated that none of these properties are certain to be purchased in this financial year, with possibility of completion either later this financial year or into next year so a carry forward will be required. In order to ensure that the required RTB receipts are spent in time a further 3 properties have been identified from other developers and approvals are being processed. If all 8 Marquis gardens properties and the additional 3 properties are purchased in year the overspend will be £235k and can be taken from bringing the next years budget forward, so reducing the amount available in 2024-25, however this is considered unlikely so the underspend will be carried forward to purchase in 2024-25.
Local Authority Housing Fund (LAHF) Purchases	750	0	510	-240	On 23 August 2023 Cabinet approved the capital investment to match fund the LAHF grant for the purchase of up to 3 properties, 2 for Afghan households and 1 for temporary accommodation. The costs for the purchases are lower than originally estimated.

6.29 HRA Budget Estimate and Rent Increases 2024-25:

In terms of the HRA Revenue budgets proposed below, Members will be aware this covers the day-to-day expenditure to deliver services to Council tenants. As such, it pays not only for the staffing costs for the employees that provide housing management (tenancy terminations and sign-ups and other statutory landlord activities, asset management and support), but also the responsive repairs needed to maintain the housing stock to a decent standard.

A summary of the proposed budget estimates for the HRA is attached at Appendix A.

The table below shows the summary of that appendix. The figures assume that rents will increase by 7.70% compared to 2023-24.

	2024-25 Estimate £
Expenditure	8,392,180
Income	-9,456,660
Net Cost of Services	<u>-1,064,480</u>

Net Interest Charges	822,960
Revenue Contribution to Capital	24,470
Contribution to/from(-) Reserves	217,050
Surplus(-)/Deficit in year	0
Working Balance B/fwd	1,000,000
Working Balance C/fwd	1,000,000

6.30 The carried forward working balance remains at the target working balance of £1m as approved as part of the HRA business plan, with funds taken back to the reserve to support the spending in the future years budget as noted above and in Appendix A to this report.

6.31 Under the Local Government Act 2003 new borrowing freedoms for Councils to fund their capital programmes if affordable and sustainable were introduced. This is known as prudential borrowing or unsupported borrowing and does not attract any form of Government financial support for the debt repayment. The debt cap that had been imposed on Councils since self-financing was introduced has been removed. The Council's HRA actual borrowing is expected to be around £31m at 1 April 2025, assuming no other borrowing is undertaken by the end of this or the next financial year. Following the introduction of the business plan, new projects will be considered on whether the plan as a whole remains affordable based on newly introduced indicators of affordability. These include the interest cover ratio which measures whether the business plan can afford to cover the interest payments on any new and existing borrowing. This indicator for 2024-25 shows that we do cover our interest payable for the first time in 3 years, overall this does remain the case going forward.

	2022-23	2023-24	2024-25	2025-26	2026-27
Year	1	2	3	4	5
Interest Cover	Not covered	Not covered	1.26	1.15	1.33

6.32 For the self-financing settlement the Government has stated that the repayment of borrowing is not required but the Council can opt to repay the debt rather than build up cash reserves where it considers it to be in the best interests of the Council and the Housing Service. In 2024-25 £98k of housing debt matures, the advice from our treasury management team is that interest rates are expected to fall in the future and it would be beneficial to wait to re-borrow until rates fall to lower levels. The £98k is a relatively small amount and we are comfortable to utilise our cash balances in lieu of externally borrowing.

6.33 HRA Capital Programme 2024-25

6.34 The proposed capital programme for 2024-25 to 2027-28 is attached at Appendix C, and shows a budgeted spend of £3.805m over the next year. In line with the Asset Management Plan (approved by Council in December 2022) the capital budget will be a rolling 5 year programme, to include the current year, re-assessed annually.

6.35 Further assessment will be completed through 2024-25 as more properties are surveyed and communal areas assessed. This is expected to result in an increase in the 30 year costs. In addition, in order to ensure that the expected shortfall around year 10 of the plan

does not happen some work on the smoothing of the programme will occur, this will also bring the benefit of ensuring resources remain appropriate.

6.36 HRA Reserves

6.37 In addition to the working balance the HRA has access to four reserves; these are the Major Repairs Reserve, the Regeneration & Development Reserve, the Capital Receipts Reserve and the Water Arrears reserve.

6.38 Major Repairs Reserve

6.39 This reserve holds amounts set aside as depreciation from the HRA, based on a calculation which includes depreciation and additional revenue to support the HRA capital programme. This programme is substantially used to support the Council's current housing stock.

6.40 Regeneration & Development Reserve

6.41 This reserve is for specific HRA development and regeneration needs within the HRA ring fence.

6.42 Capital Receipts Reserve

6.43 Capital receipts received from the sale of Council dwellings set aside for HRA capital expenditure.

6.44 Water Arrears Reserve

6.45 On the cancellation of the Agency Agreement that the Council had with Severn Trent Water to collect water rates on their behalf, Severn Trent Water agreed to continue to fund future written off amounts of water arrears by means of a one-off payment.

6.46 Section 25 of the Local Government Act 2003 imposes a duty on the Chief Finance Officer to report formally to council on the adequacy of the proposed financial reserves and the robustness of the estimates. For the Housing Revenue Account this includes directly incurred costs and income as well as recharges from other service areas.

6.47 Whilst this is specific to the Council Tax calculation, it is good practice to apply this across the board. The Section 151 Officer has confirmed that, based on the information available from budget holders and the assumptions in the interim business plan, there are no concerns at the present time.

6.48 The Council does review the level of working balance required based on an assessment of risk which is the minimum revenue reserve required on an annual basis and this was increased following the production of the 30 year business plan to £1m.

6.49 The reserves balances based on the estimates included in this report are estimated as follows:

Year	2023-24	2024-25	2025-26	2026-27	2027-28
	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve	3,314	2,903	678	0	492
Regeneration & Development Reserve	1,676	1,084	1,255	1,394	1,382
Capital Receipts reserve	1,139	485	366	243	114

Total HRA Reserve Balances	6,129	4,472	2,299	1,637	1,988
Comparable Amounts reported in February 2023	6,131	5,288	2,680	1,377	N/A

- 6.50 Over the first 10 years of the business plan reserves do reduce and some re-profiling of expenditure will be required in order to fund the capital programme and maintain the working balance. From year 11 balances do start to recover based on the current known profile of major works. The capital receipts reserve projections are particularly prudent as the number of house sales under the right to buy scheme is wholly demand led and take-up has been low in recent years due to COVID, however some of the funding to this reserve will be required to be spent on the provision of new affordable housing alongside spending from our other reserves.
- 6.51 **HRA Business Plan/Future Considerations**
- 6.52 **Housing Support**
- 6.53 The HRA Business Plan includes a specific recommendation in relation to housing support and states that the council will ‘progress a review of support available to tenants, including options regarding support and assistive technology to increase independence in the future’. A review of the support provided at Gretton Court has been completed and a new Wellbeing Service is now in operation.
- 6.54 As agreed by Cabinet in October 2023, a full review of the wider Intensive Housing Management Service (IHMS) has commenced and is underway, including consideration of consultation and engagement feedback from tenants. The review is progressing, however, the council is not yet ready to confirm the outcome or revised service offer and any associated charging arrangements. Recommendations relating to the future options for support to housing tenants and associated charging arrangements will be considered through a Scrutiny Committee workshop in February 2024 with Cabinet due to consider the wider review and recommendations in March 2024.
- 6.55 In view of this interim position, it is proposed that at this stage, there be no Intensive Housing Management Service charge applied to rent accounts from 1st April 2024, pending the completion of the review. A reduction in income is therefore built into budget projections for 2024/25.
- 6.56 The postponement of the service charge from April 2024, pending the outcome of the review, does not impact on tenants’ current ability to continue accessing support via their named housing officer and Lifeline / alarm services will also continue to remain operational and accessible. The current arrangements will be maintained until such time as Cabinet has considered the detailed review and tenants’ have been advised of any new service offer.
- 6.57 Once Cabinet have considered the review and a revised housing support offer is confirmed in March, tenants will be notified of the proposed approach and any revised charges would be applied to rent accounts, following appropriate notice and at the point they become operational. It is important to note that any new charges would not be

backdated to April 2024 and would only take effect from the operational start of any revised housing support offer.

- 6.58 Given this interim position, the proposed budget reflects a reduced income expectation whilst retaining a need for staffing resources to sustain the current provision and assist with transitioning to any new arrangements. Specific details relating to future staffing resources and specific financial implications will be considered by Cabinet as part of considering the wider review in March 2024.

6.59 **Fairmead Community Centre**

- 6.60 There is an item on another Cabinet report on the same agenda which identifies a proposal to approve the transfer of costs for the running of the Fairmead community centre to the HRA from Special Expenses. If approved the expenditure from 2024-25 will increase by £14,200. In addition a review and business case would subsequently be considered at a future meeting for future options for this building.

7 Options Considered

- 7.1 If the report was not provided councillors would not be aware of ongoing developments and therefore would not be able to represent their residents effectively.

8 Consultation

- 8.1 The Budget Holders and the Assistant Director for Housing Management carried out the review of estimates with the assistance of the service accountant as required with reference to current budget monitoring protocols.
- 8.2 Tenant consultation took place via the Your choice meeting on 12 December, as well as an article placed on our website and information contained within the December rent statements.
- 8.3 This report was considered by Scrutiny Committee on 25 January 2024. A separate report is included elsewhere on this agenda, on the comments made by this Scrutiny Committee.

9 Next Steps – Implementation and Communication

- 9.1 The recommendations arising from this report will be submitted to the Council meeting on 8 February 2024 as appropriate.

10 Financial Implications

- 10.1 All financial and resource implications have been addressed within section 5 and appendices A, B & C.
- 10.2 The suspension of the remaining IHMS charges results in an annual loss of income of £50,480 which has been removed from this budget. The cost of providing the service has been budgeted at £64,980 for the new proposal but as no income will be charged this is currently a net expenditure. Further cost and HR implications will need to be assessed moving forward as part of the review of the service.

Financial Implications reviewed by: Insert Reviewer (S151 or deputy)

11 Legal and Governance Implications

- 11.1 Under Section 76 of the Local Government and Housing Act 1989, the Council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that on certain stated assumptions, the HRA for that year does not show a debit balance.
- 11.2 Under Section 24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its dwellings. The Council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. This is a decision for Council as it forms part of the Council's budget and policy framework.
- 11.3 A decision to adjust rents constitutes a variation of the terms of a tenancy under Section 103 of the Housing Act 1985, in respect of secure tenancies, a note of variation (specifying the variation and the date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985.
- 11.4 In considering the recommended rent adjustments and other matters proposed in this report, Cabinet is exercising a public function. It must therefore comply with the duties in Section 149 Equality Act 2010 to have 'due regard' to the need to eliminate discrimination, advance equality, and foster good relations between those with a protected characteristic (pregnancy and maternity, age discrimination, disability, gender re-assignment, marriage and civil partnerships, race, religion or belief, sex and sexual orientation) and those who do not share it.
- 11.5 Cabinet must consider tenant's human rights, in particular Article 8 of the European Convention on Human Rights (right to respect a person's home) and Article 1 of the first Protocol (right to peaceful enjoyment of possessions), when considering what recommendations to make to Council. Members will need to consider whether the proposals strike a fair balance between the rights of the individuals who may be adversely affected by them, and the legitimate aims of the Council, setting a balanced budget, targeting social housing at those who are most in need and generating income that can be invested back into social housing so that more people in need can benefit from it.

Legal Implications reviewed by: Insert Reviewer (MO or deputy)

12 Equality and Safeguarding Implications

- 12.1 An equalities impact assessment has been deemed as not appropriate as rent increases are defined by the Rent Standard in line with Government Policy.

13 Data Protection Implications (Mandatory)

- 13.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

14 Community Safety Implications

- 14.1 There are no community safety issues arising from these recommendations.

15 Environmental and Climate Change Implications

15.1 There are no environmental or climate change implications arising from these recommendations.

16 Risk & Mitigation

16.1 The HRA is a high risk service account that the Council has a duty under the Local Government and Housing Act 1989 to ensure avoids being in a deficit situation. This requires that effective budget monitoring procedures are set in place to monitor HRA expenditure and income against budget and careful consideration is given to determining the level of working balance.

16.2 Self-financing puts pressure on the Council to continue to provide decent housing for its tenants outside of the subsidy system, with only our own resources available to fund our priorities. The requirement to profile spending to need may mean that large short-term balances within the HRA are built up and it is imperative that these balances are saved for future spending.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Interest rate fluctuation on short and long term borrowing undermines the business plan	Very Low	Critical	Low Risk
2	Proportion of RTB receipts not retained within the HRA due to pressures on other funds	Very Low	Critical	Low Risk
3	Long term ability to fund stock to ensure kept within the decent homes standard	Significant	Critical	Medium Risk
4	Maintenance of stock within budget constraints	Significant	Critical	Medium Risk
5	Higher levels of rent arrears and reduced collection performance	High	Critical	High Risk
6	Ability to cleanse repairs commitments from Northgate housing system and accurately show spend against budgets	High	Critical	High Risk
7	Uncertainty arising from the review into housing support not yet being complete and the unknown impact on future income and cost for this service.	Significant	Marginal	Medium Risk

		Impact / Consequences				
		Negligible	Marginal	Critical	Catastrophic	
Li	kel	Score/ definition	1	2	3	4

6 Very High				
5 High			5,6	
4 Significant		7	3,4	
3 Low				
2 Very Low			1,2	
1 Almost impossible				

Risk No	Mitigation
1	Beyond the Council's immediate control, this risk is mitigated through a robust HRA Business Plan, developed taking into account reasonable and prudent assumptions regarding interest rate changes
2	Mitigated through clear plans related to the use of RTB receipts, tying in with the current structure creating resources to deliver
3	Mitigated through the updated stock condition survey and appropriate capital programmes
4	As risk 3 above
5	A sharp focus on income recovery, and implementing the income policy, procedure and ten point action plan, plus dedicated resources will significantly improve performance. It is important to note that there was no dedicated resource managing income for over two years, and whilst good results can be achieved with relatively new debts, the high level of older debts which the HRA holds will prove challenging.
6	The team is working to obtain a clear picture of the commitments in Northgate and find a way forward in cleansing the system and ensuring budgets are sufficient to the required repairs and maintenance spend
7	Extensive tenant engagement undertaken regarding the future of the service. Review considering tenant requirements and affordability. Review outcome due to be considered by Scrutiny in February, before Cabinet consider the details and decide on the appropriate approach in March 2024.

17 Background Papers

17.1 None.

18 Appendices

18.1 Appendix A – HRA Estimates

18.2 Appendix B – HRA Capital Programme 2023-24

Draft