

Brighton & Hove City Council

Housing Committee

Agenda Item 60

Subject: Housing Revenue Account Budget & Capital Investment Programme 2023/24 and Medium-Term Financial Strategy

Date of meeting: 18 January 2023 Housing Committee
9 February 2023 Policy & Resources Committee
23 February 2023 Budget Council

Report of: Chief Finance Officer
Executive Director for Housing, Neighbourhoods & Communities

Contact Officer: Name: Craig Garoghan
Martin Reid

Tel: 01273 29-1262
01273 29-3321

Email: craig.garoghan@brighton-hove.gov.uk
martin.reid@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1 Purpose of the report and policy context

1.1 This report presents the proposed Housing Revenue Account (HRA) revenue and capital budget for 2023/24 as required by the Local Government & Housing Act 1989. Members are required to consider the revenue budget proposals including investments and re-investments and changes to rents, fees and charges and the capital programme. This report also sets out the Medium-Term Financial Strategy and a 30-year financial forecast.

1.2 The HRA contains the income and expenditure relating to the council's social landlord duties covering approximately 11,700 rented properties and approximately 2,900 leasehold properties. The HRA is a ring-fenced account within the General Fund that covers the management and maintenance of council-owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

1.3 Although the HRA is not subject to the same funding constraints as the General Fund, it is a ring-fenced account within the General Fund and still follows the principles of value for money and equally seeks to improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and costs with comparator organisations is used to identify opportunities for better economy, efficiency, and service delivery.

- 1.4 For 2023/24 the position has become considerably more challenging than previous years, due to the continuing investment required from the building safety and fire safety regulations, impacting capital and revenue budgets. Including implications following the implementation of the Building Safety Act and the Fire Safety Act. Both of which will have implications from January 2023 and will require resource and investment. It is likely to be 2023/24 before the Act comes fully into force. In addition, significant investment is projected in carbon reduction measures to achieve net zero and tackle fuel poverty. The position is also being exacerbated by abnormally high inflation impacting upon areas including services, labour, materials and contracts.
- 1.5 The Chancellor's Autumn Statement announced in November that rent increases are to be capped at 7% for 2023/24. This announcement provides a degree of certainty allowing the council to balance affordability for tenants whilst continuing the investment required in homes.
- 1.6 For expediency, included as part of this report are the proposed fees and charges for 2023/24 relating to the Travellers sites in the city. These sites do not form part of the HRA and so need to be considered separately to the proposals for the HRA. Section 9 and Appendix 5 to the report outline the proposals for the Travellers sites.

2 Recommendations

That the Housing Committee:

- 2.1 Approves a rent increase of up to 7% in line with government legislation as detailed in paragraph 4.6 of the report.
- 2.2 Approves the service charges and fees as detailed in Appendix 2 to the report.
- 2.3 Notes the Medium-Term Financial Strategy and 30-year financial projections shown in Appendix 4 to the report.
- 2.4 Approves the Travellers fees and Charges set out in Appendix 5 to the report.

That Housing Committee approves and recommends to Policy & Resources Committee:

- 2.5 That the updated HRA Revenue Budget for 2023/24 as shown in section 4 of the main report and Appendix 1 to the report be agreed and recommended to Full Council for approval.
- 2.6 That the Capital Programme Budget of £54.041m for 2023/24 be agreed and the 5-year programme as set out in Appendix 3 to the report be noted, and recommended to Full Council for approval; and

That Full Council:

- 2.7 Approves the updated HRA Revenue Budget for 2023/24 as shown in section 4 of the main report and Appendix 1 to the report.
- 2.8 Approves the Capital Programme Budget of £54.041m for 2023/24 and notes the 5-year programme as set out in Appendix 3 to the report.

3 HRA Budget Strategy and Risks

- 3.1 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the council's Housing Strategy, HRA Asset Management Strategy and the Housing Committee's priorities and work plan 2019-23 which set out the overall direction for Housing in the city over the 4-year period. As well as these commitments, the budget strategy anticipates the significant legal and regulatory changes expected to follow from the post Grenfell review of building safety through the Building Safety Act and the proposals that will change how social landlords operate as encompassed in the Social Housing White Paper.
- 3.2 The priorities and work plan for the Housing Committee and Housing Service for the four years between 2019-2023 were agreed in September 2019 to inform future reporting to Committee.
- 3.3 Key priorities of the Housing Strategy, Asset Management Strategy and Work Plan that inform the Housing Revenue Account Budget & Capital Investment Programme 2023/24 are:
- Improving Housing Supply
 - Improving Housing Quality
 - Improving Housing Support
- 3.4 Further details relating to the workplan and an update on progress to date can be found within the Housing Committee Workplan Progress Update and Housing Performance Report Quarter 2 2022/23, included within this Housing Committee agenda.
- 3.5 Understanding the demands on resources over the coming years is vital to ensure the HRA remains a viable model. This will entail scenario planning, regular reviews of the current budgets throughout the budget setting process and early identification of financial pressures during the given financial year. There are several areas that are yet to be quantified creating risk and uncertainty for the HRA, this is either due to further due diligence being required, the costs of which have been included in the budget for 2023/24, or not enough information being available on regulatory changes. These risks and uncertainties include but are not limited to:
- i. Backlog recovery works:**
Financial risks relating to the post-pandemic backlog of responsive repairs and empty property works was identified as a significant financial issue for 2022/23. This continues to be recognised as a financial risk for

the HRA during 2023/24. The revenue budgets have been increased by the assumed inflation rates set out in Appendix 1 to reflect some of the risk surrounding the cost of these works. Due to the level of the backlog, it is anticipated that costs during the financial year will exceed the budget provisions allowed for, however, this is only anticipated to be a short term impact whilst the backlog of works is cleared. The 2022/23 HRA budget report set aside a total of £1.500m to ensure one-off funding was available during the year to cope with this pressure. Due to underspends within the service during 2022/23 all of this funding is still available and will be used during 2023/24 to fund any cost overruns in-year.

ii. Building Safety and Fire Safety Regulations:

It is anticipated that the investment required from the building safety and fire safety regulations will be significant and will impact capital and revenue budgets. The 2023/24 budget proposals look to address this, including on the secondary legislation required to implement the Building Safety Act following Royal Assent in April 2022. It is likely to be 2023/24 before the Act comes fully into force.

iii. Social Housing White Paper:

There is significant uncertainty surrounding the impact of the Social Housing White Paper, including potential new duties placed on social housing landlords and a review of the Decent Homes Standard. There are resources allowed for within the HRA to review the impact of this legislation during 2023/24 to help inform how to best deal with the implications.

iv. Sustainability Investment:

It is recognised that Housing can play a significant part in reducing the City's carbon footprint and therefore the climate crisis. Improved energy performance of homes is addressed through investment in our planned and major works programmes, including improvements to roofing, windows, doors, external works, heating systems and solar PV's. The total proposed investment programme over 5 years including all the areas investment listed is estimated to be £52.000m with the 2023/24 programme being £9.000m.

However, through the work being undertaken by the council's sustainability team and in identifying opportunities to work collaboratively with neighboring authorities, it is recognised that investment is likely to need to increase beyond this level to ensure that the target of making the city carbon neutral by 2030 is met, therefore creating risk and uncertainty around future years' investments. The likelihood is this will increase the HRA's capital programme and borrowing requirements in the short term.

v. Rent setting policy updates:

The outcome of the social rent consultation which concluded on 6th October 2022 has provided clarity on the rent uplift allowable for 2023/24. This has allowed the council to set out a plan for the financial year to continue investing in tenants' homes, whilst limiting the increase to individuals' rents as much as possible. Beyond 2023/24 the policy for rent setting becomes less certain for multiple reasons. The first being that it is unclear if any further alterations to the rent policy will be made for 2024/25; currently it is assumed that the policy will revert to allow CPI+1%. The second reason is that notwithstanding the cap on rent increases for 2023/24 the rent policy allows for up to Consumer Price Index (CPI) at the previous September rate +1% to be applied to rents over a 5 year period; 2024/25 would be the final year. Currently, it is unknown what the rent policy will look like beyond this. Central Government have indicated that further consultation is likely to happen during 2023/24.

- 3.6 All of the above makes medium-term financial planning very challenging at a time when budgets are under growing and sustained pressure due to inflation and economic conditions. This is further demonstrated by the current financial forecast for 2022/23 where the HRA is estimated to overspend by £1.172m.
- 3.7 The HRA is having to manage the rising cost of inflation, including costs of utilities and repairs to tenants homes alongside increasing support for tenants. Work also continues to address the rent loss and other costs associated with the remaining back log of empty properties, albeit it is still anticipated that this will exceed the budget set in February 2022. The reported overspend also includes a short term pressure relating to financing costs as a result of borrowing being undertaken early than anticipated in order to take advantage of more favorable interest rates.
- 3.8 Officers continue to review expenditure in order to mitigate the forecast overspend as far as possible. If this cannot be managed within budget, then the overspend can be met from other HRA resources including reviewing the revenue contribution to capital and reserves position as outlined in the HRA budget report for 2022/23. Further details of the forecast can be found in the TBM month 7 report, presented to Policy & Resources Committee on 1st December 2022.
- 3.9 Where it has been identified that there will be a budget pressure that will continue through 2023/24, budgets have been increased to reflect this. Including an increase in financing costs which has resulted from borrowing earlier than anticipated to take advantage of more favorable interest rates. There is also additional budget allowed to reflect the current level of empty council homes and income collection. Since March 2020 empty council homes have increased and rent collection rates have decreased. Significant progress has been made during 2022/23 in reducing the number of empty council homes, from a starting position of 251 at March 2022 to 143 homes at the end of November. The downward trend is expected to continue during 2023/24 with the aim to be at the level of empty council homes pre-pandemic. The rent collection rate stands at 94.52% at the end of November

2022. Officers are working to review the reasons behind this and develop a recovery plan to support bringing this back up towards pre-pandemic rent collection levels.

- 3.10 Allowed for in the 2023/24 revenue budget is an increase in the bad debt provision, increase in costs of emergency accommodation linked to the current policy for Temporary Accommodation across the authority and in part to the number of empty council homes held in the HRA and Council Tax contributions. These are considered to be short term pressures and will reduce throughout the MTFs period as the number of empty council homes continue to reduce and the collection of income improves during 2023/24.

4 HRA Revenue Budget proposals 2023/24

- 4.1 When setting the revenue budgets for 2023/24, consideration of all known and quantifiable changes has been considered. In some instances, this has been managed by reallocating resources to reflect the change in service need and demand.

- 4.2 Assumptions around cost pressures are outlined in table 1 below, with further detail provided in Appendix 1 to the main report. The rising cost of inflation is having a significant impact on the budget particularly for repairs and maintenance and utilities costs. In contrast to the stable periods of inflation experienced for many years, the table shows the substantial impact of the higher inflation, which is expected to continue into 2023/24, albeit at a reducing level compared with the current financial year.

Table 1 – 2023/24 Revenue Budget changes	2022/23 Adjusted budget	2023/24 Inflation	2023/24 Investments	2023/24 Other Changes	2023/24 Original Budget	2023/24 FTE
	£'000	£'000	£'000	£'000	£'000	
Expenditure						
Housing Investment & Asset Management	4,997	312	0	24	5,333	64.6
Housing Management & Support	5,846	607	0	(77)	6,376	15.1
Housing Strategy & Supply	1,515	51	0	(110)	1,456	37.6
Repairs & Maintenance	14,112	990	1,146	(54)	16,194	201.4
Tenancy Services	12,233	1,153	438	219	14,043	214.7
Revenue Contribution to Capital	19,096	0	0	262	19,358	
Capital Financing Costs	5,865	0	0	489	6,354	
Total Expenditure	63,664	3,113	1,584	753	69,114	533.5
Income						
Rents Dwellings	(55,954)	(3,946)	0	(777)	(60,677)	
Rents Car Parking / Garages	(1,000)	(119)	0	(17)	(1,136)	
Commercial Rents	(600)	0	0	0	(600)	
Service Charges	(5,924)	(396)	0	(92)	(6,412)	
Other Income	(186)	(3)	0	(100)	(289)	
Total Income	(63,664)	(4,464)	0	(986)	(69,114)	
DEFICIT / (SURPLUS)	0	(1,351)	1,584	(233)	0	

- 4.3 The table includes a high level summary of recurrent cost assumptions offset by the increase in income predominantly from rental income for dwellings. The net revenue budget results in a 'surplus' of £19.358m which is then used to provide the Revenue Contribution to Capital in support of capital programme investments.
- 4.4 However, this surplus is not sufficient to meet the capital investment in existing homes during 2023/24 as outlined in Appendix 3 to this report. The impact of this means that borrowing will be required to meet this level of investment. The resources available to fund the capital programme will be kept under review during the financial year and any borrowing decision will be made in line with treasury advice. A review of the HRA's reserves and borrowing position will be carried out on a regular basis and reported in accordance with the council's financial regulations and procedures.

Rents and Service Charges

- 4.5 Social rents for council homes are calculated in accordance with government guidelines. Rent restructuring rules still apply and Target Rents for each property are calculated based on the relative property values, bedroom size and local earnings, the Target Rents will apply to all new social rent tenancies.
- 4.6 Affordable rents, which include the council's Living Wage rents and LHA rents, are calculated differently to social rents. For Living Wage rents this means that for any new tenancies and re-lets, rents are set using the new national living wage hourly rate due to be introduced from 1st April 2023. LHA rents are however capped at the lower of the LHA rate or 80% of the market value. For new tenancies and re-lets an assessment of the market value is undertaken at the time of letting to ensure the overall charge including service charges does not exceed those limits. For 2023/24, LHA rates have been frozen at the current rates. Further information on these rates can be found on the [council's website](#).
- 4.7 The Autumn Statement announced on 17 November 2022 that following consultation with stock holding Local Authorities and Housing Associations rent increases will be capped at 7% rather than allowing the potential 11.1% increase allowed under the current rent policy statement. The impact of this uplift has been factored into the budget proposals for 2023/24 and included in the Medium-Term Financial Strategy (MTFS) which inevitably results in less being available to directly fund capital investment together with a concomitant increase in the borrowing requirement. The table below provides the breakdown of the average rent increase across the 4 rent levels included within the HRA's rent policy.

Rent Type	No. of tenancies	22/23 Average weekly rent £	23/24 Estimated average weekly rent £	% increase
Social	11,209	89.70	95.98	7.0%
Affordable at 27.5% Living Wage	464	141.61	151.52	7.0%
Affordable at 37.5% Living Wage	139	182.53	195.31	7.0%
Affordable at LHA	206	184.65	184.65	0.0%
Affordable at LHA TA	167	160.29	160.29	0.0%

- 4.8 It is important that when comparing the average rent levels above consideration is given to the mix of units within the specific rent categories. Table 4 below provides a summary of mix of units within each category.

Rent Type	0 Bed	1 Bed	2 bed	3 Bed	4 Bed	5 bed+
Social	5%	31%	38%	23%	2%	>1%
Affordable at 27.5% Living Wage	2%	2%	72%	24%	0%	0%
Affordable at 37.5% Living Wage	0%	12%	72%	10%	6%	1%
Affordable at LHA	0%	50%	34%	16%	0%	0%
Affordable at LHA TA	7%	69%	16%	7%	1%	0%

- 4.9 When setting the Affordable rents and Living Wage rents for current tenancies, consideration is given to the prevailing rates for Local Housing Allowance (LHA) and the national living wage for the new financial year. This is compared against the 7% increase to ensure they do not exceed the permitted uplift.
- 4.10 Rents are not calculated to include any service charges and only include charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant, or which may relate to communal facilities rather than to a specific occupation of a house or flat. Different tenants may receive different types of services reflecting their housing circumstances. All current service charges are reviewed annually to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum. The proposed fees and service charges for 2022/23 are set out in Appendix 2.

- 4.11 The largest increase in service charges relates to the cost of utilities. The expenditure inflation is currently estimated to be up to 45%, although could increase beyond this. To reduce the impact on tenants during the cost-of-living crisis, a phased increase is being proposed. This means an increase of 50% of the anticipated inflation rate will be applied, with a view to increasing charges up to the full cost over a period of time to ensure cost recovery but to help to mitigate the impact on tenants in the short term. The full year budget effect of phasing the increase is a reduction in income of £0.317m for the HRA during 2023/24. A review of the charges, which are impacted by utility costs, will be carried out during 2023/24 and changes applied where applicable.
- 4.12 In addition to the 2023/24 impact, it is estimated that a further £0.192m per annum is not being recovered as a result of Service Charges having not kept pace with inflation over a number of years. The review will need to consider the impact of this as well as ensuring that tenants continue to be supported throughout the cost-of-living crisis. Having a review of costs during the year will allow time to review the wider economic situation.

5 HRA Reserve position

- 5.1 The projected level of HRA reserves at 1st April 2023 and 31 March 2024 are shown in Appendix 1. A minimum reserve of £3.000m is recommended to meet general legal and financial risks including higher than expected inflationary pressures, cost overruns, legal challenges, and other contingencies. After taking this into account, current estimates mean that the level of usable reserves are estimated to be £9.137m at 1st April 2023, of which £8.657m has been earmarked for specific uses.
- 5.2 The remaining balance of £0.480m is low in relation to identified risks but because of the nature of the reserves, if funding were required urgently for health & safety works then officers can recommend that reserves are reviewed and their use switched subject to availability or, if the works required are capital in nature, works could be funded by borrowing or Revenue Contribution to Capital depending on the in-year capital programme position. Changes to reserves require Policy & Resources Committee approval.
- 5.3 The council's Section 151 Chief Finance Officer has reviewed the level of reserves and provisions in accordance with the requirements of Section 25 of the Local Government Act 2003 and considers them to be adequate and reasonable for their purpose.
- 5.4 Ongoing service reviews, and consultation with tenants and residents identified in the Housing Committee Work Plan, will continue to be undertaken in 2023/24 to ensure that resources accounted for in the HRA budget are set correctly, that Value for Money is being provided and that the council is meeting the needs of its residents. Where it is deemed that additional resources are required to further improve a service, an individual business case will need to be developed. Within the current resources, there is the flexibility to switch resources where necessary whilst keeping core

services running. Any major changes in budget resources during the year will be reported to Committee.

6 HRA Capital Programme 2023/24

- 6.1 The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of homes. The implementation of the proposed programme will take account of all relevant best practice guidelines and has been informed by the priorities agreed in the current HRA Asset Management Strategy. The service is currently finalising the draft HRA Asset Management Strategy 2023-27 ahead of resident consultation and Housing Committee approval. The Programme also reflects the delivery of planned maintenance, improvement programmes and major capital projects to council housing informed by the recent stock condition survey and ongoing surveys of the council's housing stock.
- 6.2 Consideration has been given to the projects outlined in the capital investment programme and the impact of BCIS inflation rates on those. As tender packages are put together for specific projects there is a risk that there will be an increase in estimated budget costs, and this will need to be carefully managed and reviewed during the financial year. This is particularly prevalent for the major projects that are planned.
- 6.3 Table 3 below outlines the proposed capital investment programme between 2023/24 and 2027/28. Highlights of the capital programme are provided below with a full breakdown of the programmes in Appendix 3 to this paper.

Table 5 – Five year capital programme summary	Total Budget 2023/24 £'000	Provisional Budget 2024/25 £'000	Provisional Budget 2025/26 £'000	Provisional Budget 2026/27 £'000	Provisional Budget 2027/28 £'000
Investment in existing Housing Stock, including improving overall quality of homes, incorporates general carbon reduction and making homes more sustainable.	26,320	27,492	24,143	24,041	24,596
Investment in specific sustainability measures	5,140	5,810	7,480	5,772	5,911
Tackling Inequality	2,985	2,660	2,690	2,710	2,710
Supporting well-run services	250	250	100	100	100
Delivery of New Council Homes	45,047	18,029	6,900	2,650	-
Total Capital Investment	79,741	54,241	41,313	35,273	33,317

Investment in existing Housing Stock

- 6.4 Undertaking a programme of repairs to our existing housing stock is of prime importance to ensure the fabric of the buildings are maintained into the future. Our Asset Management Strategy has identified the areas of work that will be undertaken as a five year future plan, and this is being enhanced to beyond the five years to provide 10 and 15 year programmes. Housing Stock Surveyors will be undertaking this area of work and will continually appraise and update stock records. The planned programmes of work include roofs, doors, windows and external repairs and decorations. Major capital projects are more extensive and cover all elements of works and will also consider energy saving elements.

Investment in sustainability measures

- 6.5 Helping residents to live in well-insulated, efficiently heated, healthy homes addressing fuel poverty issues remains a key long-term objective, which is supported through the capital programme. The five year programme sets out resources of £30.113m; an average investment of £6.022m per annum. This includes investment in making improvements to communal and domestic heating systems as well as identifying opportunities to install energy efficient & low carbon heating systems.
- 6.6 The council's solar PV programme continues to be implemented. Following a service redesign, project management support is now in place to deliver the solar PV programme, procurement of a new contract has begun and should be in place Spring 2023. A 3 year programme is being planned to deliver up to 1000 new systems, and budgets have been re-profiled on this basis.
- 6.7 As well as these specific programmes being in place, other areas of investment will contribute to the energy efficiency rating of the council's housing stock. This includes work on replacement windows and doors that will improve energy efficiency and warmth. The current average SAP rating for Council homes is 73 (SAP ratings show the energy performance of a property on a scale of 1 to 100). The current average rating is equivalent to an Energy Performance Certificate C. The focus of the capital expenditure on energy efficiency, renewable energy and low carbon heating programmes will be on the worst performing properties with the aim to get all properties, where it is practicable, to a minimum of EPC C and where feasible to EPC B.
- 6.8 The current SAP rating is a reflection of the position across the whole of the council housing stock and is based on a broader data set than we have previously had available. We have also been able to update data to reflect all the capital investments to council homes carried out over the years to ensure these are reflected in the SAP score and predicted EPC ratings, as opposed to relying on older and potentially out of date SAP scores that do not reflect the current position after all improvement works.
- 6.9 Future capital investments such as planned window replacement programmes and major projects will have a positive impact on the SAP

rating for individual properties and the overall stock average. We will work across teams to anticipate and project these improvements for future reporting. The main focus over the next few years will continue to be targeted at the worst performing properties, EPC D and below. The current average home is already at EPC C. We are aiming to bring all properties, where practicable, up to this minimum standard as soon as possible.

- 6.10 In addition to the two areas of investment outlined above the capital programme allows for investment in supporting people to live independently in their homes for longer through housing adaptations, tackling overcrowding and adaptation needs through our extensions and conversions programme, and supporting environmental and communal area improvement work based on resident priorities.
- 6.11 There is an identified need for the council to have up to date Housing ICT systems required to support and develop our investment programmes, regulatory compliance, works and contractor management and customer service. The medium term capital programme allows for this continued investment.

Delivery of New Council Homes

- 6.12 Delivering new affordable housing remains a key investment priority for the HRA and is supported in the capital programme during 2023/24 and beyond. Dedicated staffing resources to continue to deliver on this priority are included in the revenue budget.
- 6.13 Delivering new council homes under the Home Purchase Policy scheme remains a key source of delivery for the HRA. The 2023/24 capital programme provides budget of £15.000m for the purchase of up to 60 properties. This does not include any slippage from the programme this year which is estimated could be up to 20 homes taking the overall delivery target to 80 homes during the year. Consideration has been given to the rising cost of properties, which has been experienced throughout 2022/23, and funding sources available. Delivering 60 homes is seen as a high but achievable target and allows for the most efficient use of funding to be applied to the programme over the medium term.
- 6.14 The number of homes purchased is dependent on market conditions at the time of purchasing and so the number of homes delivered is subject to change. At this time, the assumptions made are considered to be the most prudent.
- 6.15 Other delivery routes within the capital programme include the Hidden Homes programme, where work continues in utilising under-used spaces. As well as this, work continues at pace on the two sites at Portslade and Coldean that are being purchased from Homes for the City of Brighton & Hove LLP and on various projects under the New Homes for Neighbourhoods programme.

- 6.16 Only new build projects that have received scheme and budget approval have been included in the capital programme, this is a result of the need for an individual business case for each project to be signed off. The inclusion of any further budget would not be considered prudent or sufficiently robust to support its inclusion without concrete plans, with the detailed business cases needing full sign off from Committee.

7 HRA Medium Term & 30 Year Financial Forecasts

- 7.1 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes. The medium term and 30 year financial forecasts are provided in Appendix 4 along with the assumptions and risks identified for income and expenditure.
- 7.2 Since the update provided through the 2022/23 budget setting paper the financial landscape has changed significantly. The impact of high inflation and higher than anticipated interest rates has changed the make-up of the 30 year financial forecast. This updated forecast shows that the net income has reduced by £101m, whilst the capital investment programme has increased by £84m (88% of which relates to increased sustainability and retrofit investment) over the 30 years. As a result, the borrowing requirement has increased significantly by £178m over the 30 years. It is therefore vital that the HRA's costs are kept under review with efficiencies and savings identified early to ensure the HRA remains viable in the long term. This is particularly important when considering the investment that is likely to be required following the Building Safety Act, Fire Safety Act and the outcomes of the Social Housing White Paper.

8 Analysis and consideration of alternative options

- 8.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Budget Council on 23 February 2023. Budget Council can debate both the proposals recommended by Policy & Resources Committee at the same time as any viable alternative proposals.
- 8.2 The government annually sets a limit rent, currently capped at 7%, which is used to determine how much Housing Benefit subsidy is received from the Department for Work and Pensions. Rises above the limit rent would reduce the amount of subsidy receivable by the council.

9 Travellers Fees and Charges

- 9.1 The council's travellers site has 12 permanent pitches and 21 transit site pitches. As part of the budget setting process, services are required to agree changes to fees and charges through the relevant Service Committee. The management of fees and charges is fundamental both to the financial performance of the City Council and the achievement of the Council's corporate priorities. The council's Corporate Fees & Charges Policy requires

that all fees and charges are reviewed at least annually and should normally be increased in line with the cost of providing the service to maintain income in proportion to the net cost of service.

- 9.2 The Corporate Fees & Charges Policy also stipulates that increases above or below a 'corporately applied rate of inflation' should be approved by committee. However, it should be noted that the corporate rate of inflation (3%) is not a default rate of increase and is a planning assumption only, set early in the financial year, and should not therefore determine actual increases which should normally reflect current inflation rates and cost increases to ensure that income is maintained in proportion to expenditure.
- 9.3 The committee are advised that if the proposed fees & charges recommended in this report for the Travellers service (a General Fund service) are not agreed, or if the committee wishes to amend the recommendations, then the item will normally need to be referred to the Policy & Resources Committee meeting on 9 February 2023 to be considered as part of the overall 2023/24 budget proposals. This is because the 2023/24 draft and final budget proposals are developed on the assumption that fees and charges are agreed as recommended and any failure to agree, or a proposal to agree different fees and charges, may have an impact on the overall budget proposals, which means it would need to be dealt with by Policy & Resources Committee as per the requirements of the constitution. However, this does not fetter the committee's ability to make alternative recommendations to Policy & Resources Committee.
- 9.4 The maximum increase that can be applied to Traveller pitch fees is based on RPI as per the Mobile Homes Act 1983. However, given the exceptionally high level of inflation currently (September 2022 12.6%), the proposed pitch increases are in line with those of the rent increases for Council Housing tenants, an increase of 7%.

10 Community engagement and consultation

- 10.1 The council is committed to ensuring tenants and leaseholders are engaged in the HRA budget setting process ahead of Committee decision making on the budget.
- 10.2 A Housing Budget Update workshop was held at the tenant and leaseholder City-Wide Conference on 8th October. This included a presentation, giving an outline of the current HRA budget and an initial high-level view of 2022/23 budget setting, budget pressures, service improvements, and efficiencies and savings.
- 10.3 A further budget presentation was shared at Housing Area Panels in week commencing 12th December 2022. This included the information shared at the City Wide Conference with an update on the outcome of the Government's Rent Cap consultation, utilities inflation and proposed increases in planned capital spend.

11 Conclusion

- 11.1 The Local Government and Housing Act 1989 requires each local authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. This budget report provides a capital programme, break-even revenue budget and recommends rent proposals in line with current government guidance.
- 11.2 This report also provides the latest medium and long term forecasts for the HRA. However, there are several uncertainties due to impending government legislation, which mean that the current forecasts should be treated with caution.

12 Financial implications

- 12.1 The financial implications are contained within the main body of the report.

Finance officer consulted: Craig Garoghan Date consulted: 09/01/2023

13 Legal implications

- 13.1 Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents and other charges must therefore be set to avoid such a debit. Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require. The council's standard secure tenancy agreement provides for tenants to be given "at least four weeks' notice in writing" of any increase in rents and other charges before any increases are implemented. Approval of the 7% increase in rents at January's Housing Committee will allow sufficient time for notice of any increase in rent and other charges to be given.
- 13.2 In its role as landlord, the council has contractual obligations to its tenants and leaseholders to maintain the structure of its housing stock. These obligations are complemented by statutory duties in the Landlord and Tenant Act 1985 as amended. The council must comply with other statutory regimes, including those relating to health and safety, legionella and fire safety. The measures outlined in the report will assist the council in discharging those duties.
- 13.3 The Housing Committee has delegated powers in relation to authorised sites and encampments, so is the appropriate committee to agree increased Traveller fees and charges set out in Appendix 5.

Lawyer consulted: Liz Woodley Date consulted 22/12/2022

14 Equalities implications

- 14.1 The HRA budget funds services for people with a range of needs including those related to age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals is fully considered as part of the decision making process, equality impact assessments have been developed on specific areas where required.

15 Sustainability implications

The sustainability implications are contained within the main body of the report.

Supporting Documentation

Appendices

1. Appendix 1 – 2023/24 HRA Revenue Budget
2. Appendix 2 – 2023/24 Tenant Service Charges
3. Appendix 3 – HRA Capital Programme 2023/24 – 2027/28
4. Appendix 4 – HRA Medium Term Financial Strategy and 30 Year Financial Forecast
5. Appendix 5 - Travellers fees and Charges.