

# Brighton & Hove City Council

## Housing & New Homes Committee

## Agenda Item 50

**Subject:** Housing Revenue Account Budget & Capital Investment Programme 2024/25 and Medium-Term Financial Strategy

**Date of meeting:** 24 January 2024 Housing & New Homes Committee  
8 February 2024 Strategy, Finance & City Regeneration Committee  
22 February 2024 Full Council

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

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**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 2024/25 as required by the Local Government & Housing Act 1989. Members are required to consider the revenue budget proposals, including provision for service pressures, changes to rents, fees and charges, together with the HRA capital programme. This report also sets out a forecast Medium-Term Financial Strategy and a 30-year financial projection.
- 1.2 The HRA contains the income and expenditure relating to the council's social landlord duties covering approximately 12,000 rented properties and approximately 2,700 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 The HRA budget proposals reflect significant legislative and regulatory changes impacting social housing landlords following the Grenfell Tower tragedy. This includes substantial investment being undertaken in relation to building, health and fire safety compliance and in anticipation of the strengthened role of Regulator of Social Housing, ensuring adherence to their Consumer Standards. The proposed budget also continues to support

investment in new housing supply and sustainable homes as well as in the work of our Tenancy, Repairs & Maintenance and Housing Investment and Asset Management services on behalf of our tenants and residents.

- 1.4 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.
- 1.5 Included as part of this report are the proposed fees and charges for 2024/25 relating to the Travellers site in the city. The council's Travellers site has 12 permanent pitches and 21 transit site pitches. This site does not form part of the HRA and so needs to be considered separately to the proposals for the HRA. Paragraphs 3.32 to 3.34 and Appendix 5 to the report outline the proposals for the Travellers sites.

## **2. Recommendations**

### **That the Housing & New Homes Committee:**

- 2.1 Approves a rent increase of up to 7.7% in line with government legislation as detailed in paragraph 3.14 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 the Housing & New Homes Committee approves and recommends to Strategy, Finance & City Regeneration Committee:**

- 2.5 The updated HRA Revenue Budget for 2024/25 as shown in Table 1 of the main report and Appendix 1 to the report be agreed and recommended to Full Council for approval.
- 2.6 That the un-ringfencing of reserves is approved as set out in paragraphs 3.20 to 3.23 of the main report and Appendix 1 to the report.
- 2.7 That the new Capital Programme Budget of £57.955m for 2024/25 be agreed as part of the revised capital budget of £87.623m (which includes reprofiles of £29.668m from 2023/24), and recommended to Full Council for approval; and
- 2.8 That the 5-year capital programme as set out in Appendix 3 to the report is noted, and recommended to Full Council for approval.

### **That Full Council:**

- 2.9 Approves the updated HRA Revenue Budget for 2024/25 as shown in Table 1 of the main report and Appendix 1 to the report.
- 2.10 Approves the new Capital Programme Budget of £57.955m for 2024/25 as part of the revised capital budget of £87.623m (which includes reprofiles of £29.668m from 2023/24); and
- 2.11 Notes the 5-year capital programme as set out in Appendix 3 to the report.

### **3. Context and background information**

#### **HRA Budget Strategy**

- 3.1 The council's Corporate Plan contains priorities that aim for a fairer, inclusive city where everyone thrives and contains four outcomes that are supported by a range of commitments and actions. Full details are in the published plan and the four outcomes supported are.

- Outcome 1: A city to be proud of
- Outcome 2: A fair and inclusive city – including 'Homes for Everyone'.
- Outcome 3: A healthy city where people thrive
- Outcome 4: A responsive council with well-run services

#### **'Homes for Everyone'**

The HRA budget proposals support investment in the following priorities:

##### Improve housing quality:

- Invest in building and fire safety to meet new duties under the Building Safety Act.
- Ensure the council complies with anticipated new social housing regulations.
- Complete post pandemic recovery including reducing backlog of housing repairs and the number of empty properties.
- Improve the energy performance of council homes through our capital works programme.
- Improve the sustainability of our housing stock.

##### Increase housing supply:

- Increase the number of new affordable homes delivered by the council and other registered providers.
- Buy back council homes sold through the right to buy policy.

##### Improve housing support for residents:

- Optimise the local benefits and social value of our in-house repairs and maintenance service.

- 3.2 The HRA Budget and Medium-Term Financial Strategy (MTFS) aim to support the priorities within the context of the council's Housing Strategy.

- 3.3 Understanding the demands on resources over the coming years remains key to ensuring the financial viability for the HRA. Close monitoring of the in-year financial position will ensure early identification of any emerging financial pressures, allowing for mitigation strategies to be implemented. All budget holders responsible for spending in the HRA were consulted in the Summer of 2023 to identify service pressures and efficiencies for the 2024/25 budget; these are outlined in table 1 and Appendix 1 to the report.
- 3.4 Several areas remain difficult to quantify, in some cases requiring further due diligence, thus creating a level of risk and uncertainty for the HRA over the medium term. These risks and uncertainties include but are not limited to:

**i. Building Safety and Fire Safety Regulations:**

The investment required as a result of the implementation of the Building Safety Act and Fire Safety (England) Regulations is anticipated to be very significant, including in relation to works requirements expected to arise from compliance surveys currently being undertaken on Large Panel System (LPS) and some other blocks, and will impact on both revenue and capital budgets. Provision has been allowed for in the budget proposals and this will be kept under review during the year. In line with Building Safety Act compliance requirements, structural investigation surveys are being completed on the following 8 LPS blocks in the HRA: St James House; Nettleton Court; Dudeney Lodge; Swallow Court; Kestrel Court; Kingfisher Court; Heron Court; and Falcon Court.

**ii. Health and Safety:**

Housing & New Homes Committee (21 June and 20 September 2023) considered and noted a Housing Health & Safety Update report on the key outcomes and actions to date, including resourcing plans arising from our Housing Health & Safety Review. This review was completed against the following six areas of compliance and assurance: fire safety; asbestos; electrical safety; gas / fuel safety; lifts and lifting equipment; water safety. Prudently, the 2023/24 budget allowed for c.70% of the investment required, prioritising resources to meet these requirements and minimising the cumulative impact of service pressures in the 2024/25 budget proposals.

**iii. Social Housing (Regulation) Act 2023:**

The Social Housing (Regulation) Act 2023 received Royal Assent on 20<sup>th</sup> July 2023. Provisions relating to the powers of the Regulator of Social Housing come into force in April 2024. Following the Grenfell Tower tragedy and more recent issues such as the death of a child in Rochdale due to poor living conditions, and Housing Ombudsman findings of severe maladministration against some social housing providers, there is a focus on a new, improved and more proactive approach towards regulating social housing, ensuring standards are met and taking action against

landlords who fail to meet them. The purpose of the Act is to 'reform the regulatory regime to drive significant change in landlord behaviour'.

The budget proposals for 2024/25 look to address the implications of the Act coming into force, however, there remains uncertainty about what level of resource will be required. Any future cost implications will be reviewed with the first mitigation being to utilise resources already approved and report this through the council's financial management process.

#### **iv. Sustainability Investment:**

It is recognised that Housing can play a significant part in reducing the City's carbon footprint and therefore contribute to carbon net zero. Improved energy performance of homes is addressed through investment in 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 for investment listed is estimated to be £30.800m with the 2024/25 programme being £6.390m.

#### **v. Backlog Recovery works:**

Additional capacity to address the outstanding backlog of routine repairs work was approved by Housing & New Homes Committee in September 2023. The current high level of older routine backlog repairs remains a detriment to our residents and service capacity to optimise the opportunities offered by the in-house repairs & maintenance service moving forward. In particular the intention of the service to move from a largely responsive to a more proactive, planned and preventative model of maintaining council homes. The purpose of this report was to procure a specialist contractor to supplement the in-house service to complete older routine repairs within the backlog to enable the service to focus on putting in place planned preventative schedules and bridge gaps between the day to day service and the planned and major capital works programmes undertaken by Housing Investment & Asset Management service. Clearing the backlog of routine repairs remains a priority and in doing so will have benefits on other areas of the HRA budget, such as reducing rent loss and Disrepair Claims amongst others.

The estimated costs of the additional contractor resources to tackle the backlog are estimated to be in the region of £1.600m. Given the specific nature of this resource, it is best funded through the use of the earmarked reserve balance of £0.940m in the first instance. Additional funding for the remaining £0.660m would need to be identified from the possible capitalisation of any eligible works and the utilisation of any in-year revenue underspends across the service or other areas of the HRA identified through the TBM budget monitoring process in 2024/25. The last point of call would need to be from the HRA general reserve.

## **vi. Disrepair Claims:**

In common with other social housing providers, the issue of formal Disrepair Claims being raised by tenants via solicitors, often working on a 'no win no fee' basis, is a growing pressure on the service. Over the last two years there has been a significant increase in the number of disrepair claims being made. This is creating a burden on the HRA budget which is difficult to quantify due to the uncertainty and timing of potential claims. The budget includes an increase in Legal Services' resources to deal with these with the aim of reducing the overall cost burden in addition to a service pressure in recognition of the increased settlement costs. However, this remains an estimate and will be closely monitored to ensure costs are managed as far as possible.

We have commenced working on a Disrepair Improvement Plan working across Housing, Finance & Legal services to review our approach to Disrepair claims, to include:

- greater analysis of Housing disrepair cases, for example the nature and types of disrepair;
- understanding where claims arise from and how this may interrelate with the current backlog in routine repairs;
- how we can become more proactive in our understanding and management of claims;
- identifying positive action that has the potential to head off claims when we know there are issues that may give rise to tenants approaching lawyers about disrepair, and;
- peer review of best practice in other local authorities.

## **vii. Rent setting policy:**

2024/25 is the final year of the current rent-setting policy which has supported permissible rent uplifts of CPI+1% based on the previous September CPI rate. The only exception to this being the 2023/24 rents where an uplift was capped at 7% to limit further impact on the cost of living situation. Looking ahead to the future rent setting policy, this is currently uncertain with no government announcements or steer on what future uplifts may look like. The medium-term financial strategy therefore assumes a CPI only uplift from 2025/26.

The Rent Standard 2023 does state that from 2024/25 formula rents could be uplifted by CPI+1%, there is therefore the chance that the approach to rent setting could change, however, to remain prudent the budget paper, in particular the MTFs, only uplifts rents by CPI. This is subject to review and will be updated accordingly when confirmation around future rent setting is received.

## **viii. Rent Arrears:**

Since the pandemic there has been a steady decline in the rent collection rate. At the end of the financial year 2019/20 the collection rate was

96.8% but it is estimated that at the end of March 2024 it will be 93.8% equivalent to 1 in 16 tenants not paying rent for the year. There is a combination of factors that have resulted in this reduction including the move to universal credit for some tenants, the economic after-effects of the pandemic and wider cost of living concerns. The total Bad debt provision is forecast to be £2.113m by 31<sup>st</sup> March 2024, equivalent to 34.9% of the total arrears balance. This is a significant risk for the HRA that will be monitored closely to ensure that rent collection improves as inflation and the cost of living situation eases. The HRA budget includes a budget of £0.565m for the provision of bad debts in 2024/25, which is considered reasonable at this time.

A recovery plan is being implemented by the Housing Income Management Team in order to reduce arrears, this includes: recruiting to remaining staff vacancies; changes to arrears collection procedures which place greater emphasis on personal contact with tenants and early intervention; a revised arrears escalation policy; and, tenant access to the offer of the money advice and debt provider (Money Advice Plus) services.

#### **ix. Long Term Financial Outlook for the HRA:**

The short-term position for the HRA is forecast to be manageable without any further provision for service pressures, aside from inflation being identified. This is achievable by using surpluses generated in years 1 and 2 in addition to efficiency savings being identified to fund any future deficits estimated in years 3 to 5. For the longer term however, this is unlikely to be sustainable. This maintains the reserve levels at their current levels.

The 30-year financial forecast demonstrates that after five years the HRA would move into a greater deficit position based on current assumptions. This position is not sustainable and needs to be managed early in the MTFs period, ideally identifying savings, efficiencies and/or economies that will benefit the HRA's finances in later years.

- 3.5 The MTFs has, where possible, allowed for investment across priority areas without compromising the known investments that are needed in the next twelve months. However, budgets remain under increasing pressure making the medium-term planning process challenging.
- 3.6 The 2023/24 forecast outturn is for services to overspend by £0.935m at month 7. The cost of inflation, housing repairs, disrepair claims and support for vulnerable communities and tenants with increasingly complex needs are the main contributory factors to this financial pressure. Officers are looking to mitigate this overspend and will continue to review spending, attempting to bring net expenditure back in line. If this is not possible then it will be necessary to utilise the Direct Revenue Funding available. The impact of this would mean a higher level of borrowing to fund the 2023/24 capital programme.

## HRA Revenue Budget Proposals 2024/25

- 3.7 When setting the revenue budgets for 2024/25, consideration of all known and quantifiable changes has been given. In some instances this has been managed by reallocating resources to reflect the changes in service need and demand.
- 3.8 Table 1 below sets out the movement from the adjusted 2023/24 budget to the proposed 2024/25 budget. This takes into consideration the impact of inflationary uplifts across all areas of the budget as well as the identified service pressures and efficiencies that were put forward as part of the budget holder review undertaken during 2023, which included addressing ongoing pressures from 2023/24.
- 3.9 Pressures arising from inflation are starting to ease and have reduced since last year's proposals, which was anticipated during the budget setting process for 2023/24. However, what could not be anticipated at that time were the additional resources required to deal with risks outlined under paragraph 3.4, many of which have been allowed for in the identified service pressures. Appendix 1 to the report provides a detailed reconciliation of the movement between the two financial years.
- 3.10 The total revenue expenditure budget, including capital financing costs to be approved, is £73.204m, whilst revenue income is £76.470m providing a planned surplus in year of £3.266m. The proposal is to contribute to general reserves an amount that equals this surplus and by doing so help to safeguard the HRA's financial viability and sustainability over the medium term. An alternative to this would be to use the surplus to fund the capital programme in 2024/25, reducing the borrowing costs in future years. Whilst this reduces borrowing costs, a greater benefit will be derived by using the reserves in future years for revenue purposes.
- 3.11 The table below includes a high-level summary of recurrent cost assumptions offset by the increase in income predominantly from rental income for dwellings. For the 2024/25 budget proposals a budget provision for the estimated cost of depreciation is included; this figure is based upon the current charge uplifted by 5%. Under the Local Government & Housing Act 1989 the depreciation charge is required to be set aside in a Major Repairs Reserve to fund the HRA capital programme. This approach is a change in strategy to previous years where the contribution to capital was the balance after all expenditure excluding the depreciation charge that was earmarked to fund the capital programme. The previous approach has a short-term focus and therefore this change will further contribute to longer term viability and sustainability of the HRA.



Table 1 - Revenue Budget	Adjusted budget 2023/24	Movement Between Years			Original Budget 2024/25	24/25 FTE
		Inflation	Service Pressures	Other Changes		
Service Expenditure	£'000	£'000	£'000	£'000	£'000	
Housing Investment & Asset Management	5,424	320	156	(236)	5,664	69.6
Housing Management & Support	6,398	158	300	336	7,192	15.1
Housing Strategy & Supply	1,490	42	0	(37)	1,495	35.6
Repairs & Maintenance	16,307	817	1,647	(123)	18,648	205.5
Tenancy Services	13,989	475	300	100	14,864	216.3
<b>Total Expenditure</b>	<b>43,608</b>	<b>1,812</b>	<b>2,403</b>	<b>40</b>	<b>47,863</b>	<b>542.1</b>
<b>Capital Financing</b>						
Depreciation	19,076	0	0	(2,560)	16,516	
Capital Financing Costs	6,514	0	2,311	0	8,825	
<b>Total Capital Financing Costs</b>	<b>25,590</b>	<b>0</b>	<b>2,311</b>	<b>(2,560)</b>	<b>25,341</b>	
<b>Total Expenditure</b>	<b>69,198</b>	<b>1,812</b>	<b>4,714</b>	<b>(2,520)</b>	<b>73,204</b>	
<b>Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Rents Dwellings	(60,709)	(4,705)	0	(1,698)	(67,112)	
Rents Car Parking / Garages	(1,118)	(108)	0	(41)	(1,267)	
Commercial Rents	(618)	0	0	0	(618)	
Service Charges	(6,305)	(403)	0	(137)	(6,845)	
Other Income	(448)	(10)	0	(170)	(628)	
<b>Total Income</b>	<b>(69,198)</b>	<b>(5,226)</b>	<b>0</b>	<b>(2,046)</b>	<b>(76,470)</b>	
<b>DEFICIT / (SURPLUS)</b>	<b>0</b>	<b>(3,414)</b>	<b>4,714</b>	<b>(4,566)</b>	<b>(3,266)</b>	
Contribution to / (from) reserves					3,266	

### Rents and Service Charges

- 3.12 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 relative property values, bedroom sizes and local earnings. The Target Rents will apply to all new social rent tenancies.
- 3.13 Affordable rents, which include the council's Living Wage rents, Local Housing Allowance (LHA) TA rents and full 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 1<sup>st</sup> April 2024. 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 2024/25, LHA rates have been uplifted to the 30<sup>th</sup> percentile as announced in the Autumn Statement 2023, however, unless this falls within 80% of the market rent, this is unlikely to have any beneficial impacts for the HRA. Further information on these rates can be found on the council's website. LHA TA rates are applied to temporary accommodation tenancies, rents are capped at 90% of the 2011 LHA rates.

3.14 The cap on uplifting rents was imposed for one year and so the assumed increase in rents for 2024/25 is proposed to be 7.7% which is the allowable increase according to the government's rent setting policy. Any reduction in this percentage uplift will have a negative impact on the MTFs, with the reduction in income being lost from the HRA indefinitely. In turn this reduces the available resources to invest in tenants' homes and creates pressures on the HRA finances in order to achieve balance.

3.15 Table 2 below sets out the Average weekly rent increases across the different rent types.

<b>Table 2 Rent Type</b>	<b>No. of tenancies</b>	<b>23/24 Average weekly rent £</b>	<b>24/25 Average weekly rent £</b>	<b>% increase</b>
Social	11,329	95.98	103.42	7.7%
27.5% LW	55	143.75	156.02	7.7%
37.5% LW	179	191.36	206.27	7.7%
LHA	247	199.56	213.12	6.8%
Affordable at LHA TACC	178	157.73	143.89	-8.8%

3.16 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 3 below provides a summary of the mix of units within each category.

<b>Table 3 - Average weekly rent and Ratio of the number of bedrooms per rent type.</b>						
<b>Rent Type</b>	<b>0 Bed</b>	<b>1 Bed</b>	<b>2 bed</b>	<b>3 Bed</b>	<b>4 Bed</b>	<b>5 bed+</b>
Social	£74.38	£85.01	£96.09	£110.19	£121.30	£139.06
	5%	32%	38%	23%	1%	1%
Affordable at 27.5% Living Wage	£111.91	£123.11	£142.09	£164.10	n/a	n/a
	2%	7%	70%	21%	0%	0%
Affordable at 37.5% Living Wage	n/a	£164.06	£191.20	£219.67	£237.17	£258.44
	0%	19%	66%	10%	4%	1%

<b>Table 3 - Average weekly rent and Ratio of the number of bedrooms per rent type.</b>						
<b>Rent Type</b>	<b>0 Bed</b>	<b>1 Bed</b>	<b>2 bed</b>	<b>3 Bed</b>	<b>4 Bed</b>	<b>5 bed+</b>
Affordable at LHA	£0.00	£157.70	£217.77	£260.76	n/a	n/a
	0%	44%	38%	18%	0%	0%
Affordable at LHA TA	£135.00	£150.70	£159.98	£219.71	£299.98	n/a
	7%	70%	15%	7%	1%	0%

- 3.17 When setting the Affordable rents and Living Wage rents for current tenancies, consideration is given to the prevailing rates for Local Housing Allowance (LHA) - both TA and full rates - and the national living wage for the new financial year. This is compared against the 7.7% increase to ensure they do not exceed the permitted uplift.
- 3.18 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 maximum that will be charged is a full cost recovery however there are some which are currently not fully recovering the costs. A Full review of the costs being incurred and how they are charged will be undertaken to ensure the HRA recovers costs as far as is reasonable. It will not be financially sustainable for this position of under-recovery to continue over the longer term.
- 3.19 The proposed fees and service charges for 2024/25 are set out in Appendix 2.

### **HRA Reserve position**

- 3.20 The projected level of HRA reserves as at 1st April 2024 and 31 March 2025 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, potential legal challenges or claims, and other contingencies.
- 3.21 Earmarking reserves is permitted, however, it does not provide for the necessary flexibility that will be required over the coming years, considering the risks outlined earlier in the report. The proposal is therefore to un-ringfence earmarked reserves where there is not a specific or live project they were originally set aside to fund; these predominantly being for potential sustainability and retrofit purposes. The rationale for doing this is that the capital programme over the next five years already includes provision for estimated investments of £30.800m specifically for

sustainability projects (see Appendix 3 for detail). This is in addition to the sustainability benefits received from undertaking much needed investment in the stock through other programmes, for example, replacement windows and doors. This releases £4.800m that can be used across the whole of the HRA to help manage the financial position more holistically and enable greater flexibility to address emerging and priority pressures.

- 3.22 After accounting for this change of treatment, current estimates mean that the level of usable reserves are estimated to be £10.838m as at 1st April 2024, of which £1.869m remains earmarked for specific uses.
- 3.23 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 in the context of the HRA's overall financial position.

### **HRA Capital Programme 2024/25**

- 3.24 The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of homes for 2024/25 for which the total budget to be approved is £57.955m; the total programme is estimated to be £87.623m including budget reprofiled from 2023/24 due to timing delays. The implementation of the proposed programme will take account of all relevant best practice guidelines. The Programme reflects the delivery of planned maintenance, improvement programmes and major capital projects to council housing informed by a recent stock condition survey and ongoing surveys of the council's housing stock. An updated Asset Management Strategy is currently being developed for Housing & New Homes Committee consideration and approval.
- 3.25 The level of funding required for the HRA capital programme exceeds the major repairs contribution as can be seen in table 4. Therefore, 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 management advice and within approved prudential limits. 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.
- 3.26 Appendix 3 to the report sets out the five-year capital programme with full strategy and detail for each programme provided.

<b>Table 4 Capital Programme</b>	<b>Proposed 2024/25 budget for approval £'000</b>	<b>Profiled budget from 2023/24 £'000</b>	<b>Total Budget 2024/25 £'000</b>
<b>Expenditure</b>			
New Supply	13,040	22,969	<b>36,009</b>
Health & Safety	11,814	482	<b>12,296</b>
Major Works	13,398	5,972	<b>19,370</b>
Planned Works	10,353	80	<b>10,433</b>
Sustainability	6,390	-	<b>6,390</b>
Other	2,960	165	<b>3,125</b>
<b>Total Capital Investment</b>	<b>57,955</b>	<b>29,668</b>	<b>87,623</b>
<b>Funding</b>			
Major Repairs Reserve	16,516		<b>16,516</b>
HRA Reserves		410	<b>410</b>
Capital Receipts	700	2,088	<b>2,788</b>
Right to Buy Receipts	1,856	1,306	<b>3,162</b>
Energy Grants	180		<b>180</b>
Land Release Funding	1,797		<b>1,797</b>
Commuted Sums	1,425		<b>1,425</b>
Leaseholder Income	500		<b>500</b>
HRA Borrowing	34,981	25,864	<b>60,845</b>
<b>Total Funding</b>	<b>57,955</b>	<b>29,668</b>	<b>87,623</b>

### **HRA Medium Term Strategy & 30 Year Financial Forecasts**

- 3.27 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.
- 3.28 The trend over the medium term is that it is forecast for the HRA to be in a surplus position for the next two financial years (subject to economic changes), but it will then move into a deficit position resulting in a five year deficit of £1.236m. This deficit position is a trend that continues into year 6 and beyond of the 30-year plan, with further details being provided in Appendix 4 to the report. This is clearly unsustainable over the longer term and therefore needs effective changes in financial strategy starting in the next financial year to ensure that the HRA's long term financial health and viability can be safeguarded.
- 3.29 This will require a review of expenditure to ensure value for money is being achieved and to closely manage the impact of service pressures, using existing resources to meet these wherever possible. This is a position that the HRA has not experienced in recent times, however the economic environment has changed significantly in the last two years resulting in a

significant rise in costs, inflation and interest rates being two key factors. This, coupled with a freeze on rent uplifts in 2023/24 which removed c.£2m from the rental income base means the increase in expenditure has outstripped income uplifts.

- 3.30 It is increasingly important that, where possible, risks are quantified early, allowing decisions to be made in light of the potential financial strain facing the HRA. However, there is a balance to be struck as there is a significant amount of investment that will be required over the coming years relating to the Health & Safety of tenants and the requirements of the Building Safety Act and Fire Safety (England) Regulations as highlighted earlier in the report.
- 3.31 Appendix 4 provides further details on the MTFs and 30-year financial projections.

### **Travellers Fees and Charges**

- 3.32 The council's Travellers site has 12 permanent pitches and 21 transit site pitches. As part of the budget setting process Executive Directors are required to agree changes to fees and charges through relevant Committee Meetings. 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. The Corporate Fees & Charges Policy also stipulates that increases above or below an agreed 'corporate rate of inflation' should be approved by committee. However, it should be noted that the corporate rate of inflation (3.5% for 2024/25) is not a default rate of increase and is a financial planning assumption only, set early in the financial year, and should not therefore determine actual increases which should normally reflect current and projected inflationary cost pressures to ensure that income is maintained in proportion to expenditure.
- 3.33 The proposed increases to fees and charges increases for the Travellers Service are shown in Appendix 5. The maximum increase that can be applied to Traveller pitch fees is based on September RPI as per the Mobile Homes Act 1983. Therefore, the proposed pitch increases for 2024/25 are 8.9%. This increase reflects the current cost of providing the service. There will be a review of service costs during the next financial year. The proposed increase to Travellers service charges is 6.7% in line with September CPI, in order to recover the costs of providing these services, recognising the inflationary impact.
- 3.34 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 Strategy, Finance & City Regeneration Committee meeting on 8 February

2024 to be considered as part of the overall 2024/25 budget proposals. This is because the 2024/25 final budget proposals will have been developed on the assumption that fees and charges are agreed as recommended and therefore any rejection or amendment of the proposed fees and charges may have an impact on the overall budget proposals, which means it would need to be dealt with by Strategy, Finance & City Regeneration Committee as per the requirements of the constitution. However, this does not fetter the committee's ability to make alternative recommendations to Strategy, Finance & City Regeneration Committee.

#### **4. Analysis and consideration of alternative options**

- 4.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Full Council on 22 February 2024. Full Council can debate both the proposals recommended by Strategy, Finance & City Regeneration Committee at the same time as any viable alternative proposals.

#### **5. Community engagement and consultation**

- 5.1 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. In particular, that changes in financial strategy and decisions on priority capital and revenue (service pressure) are communicated and understood alongside the rationale for rent and service charge uplifts.
- 5.2 Presentations were shared at the four Housing Area Panels from the week commencing 4<sup>th</sup> December 2023. This included information on the proposed rent increases, service charge increases and the proposed increases in the HRA Capital Programme.

#### **6. Conclusion**

- 6.1 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 and break-even revenue budget and recommends rent proposals in line with current government guidance.
- 6.2 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 means that the current forecasts should be treated with caution.

#### **7. Financial implications**

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

Finance officer consulted: Craig Garoghan      Date consulted: 10/01/2024

## **8. Legal implications**

- 8.1 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 7.7% 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.
- 8.2 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 also 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.
- 8.3 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: 08/01/24

## **9. Equalities implications**

- 9.1 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.

## **10. Sustainability implications**

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

## **Supporting Documentation**

### Appendices

1. HRA Revenue Budget 2024/25
2. HRA Service Charges 2024/25
3. HRA Capital Programme 2024/25 – 2028/29
4. HRA Medium Term Financial Strategy & 30 Year Financial Projections
5. Travellers Service Fees & Charges