

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

TUESDAY, 5 DECEMBER 2023

Report Title	Housing Committee Budget Estimates – Revised 2023/24 And Original 2024/25 and Housing Revenue Account (HRA) Medium Term Financial Plan 2023/24 – 2027/28
Purpose of Report	To present to the committee the revised budget estimates for 2023/24 and the original estimates for 2024/25
Decision(s)	<p>The Committee RECOMMENDS to Strategy & Resources and Council that:</p> <ul style="list-style-type: none">a. The revised General Fund Housing revenue budget for 2023/24 and original budget 2024/25 are approvedb. The Fees and Charges list in Appendix A is approvedc. The revised HRA revenue budget for 2023/24 and original budget 2024/25 are approvedd. The movement to and from HRA balances and capital reserves as detailed in Appendix C and section 11 are approvede. That from 1 April 2024:<ul style="list-style-type: none">i. Social rents and affordable rents are increased by 7.7%, in line with national rent guidanceii. Garage rents are increased by 7.7%iii. Landlord service charges are increased by 7.7%, except Independent Living Scheme charges and district heating charges which are increased as set out in Appendix Biv. Shared ownership rents are increased as set out in each leasef. That the HRA Capital Programme for 2023/24 to 2027/28, as detailed in Appendix D, be included in the Council’s Capital Programme.g. That rents for new tenancies in dwellings with energy ratings of SAP A are charged at 105% of formula rent for social housing or 80% of market rents for Affordable Rented properties, where allowable.
Consultation and Feedback	Budget holders and senior managers Member briefing
Report Author	Lucy Clothier, Accountancy Manager Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk Jon Coldridge, Principal Accountant Email: jon.coldridge@stroud.gov.uk
Options	Recommend to Strategy and Resources: <ul style="list-style-type: none">a) Reduced or increased capital or revenue expenditureb) Reduced dwelling rentsc) Reduced or increased landlord service charges and garage rentsd) Not charge higher rents in energy efficient A rated properties or charge higher rents at a lower EPC rating

Background Papers	None			
Appendices	A – General Fund fees and charges B – HRA rents and service charges C – HRA MTFP D – HRA Capital Programme and funding			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	No	No	No

1. Background

- 1.1 The Budget Strategy report to Strategy and Resources Committee in October 2023 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
- 1.2 The Committee's service revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report. They are presented in draft format and are subject to further change as the budget setting process progresses. Any subsequent changes will be included in the Medium Term Financial Plan (MTFP) report to Council.
- 1.3 **It would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

2. Summary

- 2.1 This report sets out the revised budgets for 2023/24 and the proposed base budgets for 2024/25 for the General Fund housing and Housing Revenue Account (HRA).
- 2.2 General Fund Housing
- 2.3 The proposed revised budget for 2023/24 is £1.354m. This includes an adjustment for the 2023/24 pay award of £7k and £454k carry forwards and transfers from reserves. The proposed budget for 2024/25 is £1.022m, which includes £130k funded from transfers from reserves.
- 2.4 Updated fees and charges are included in Appendix A.
- 2.5 The capital programme is proposed to be revised to £3.190m in 2023/24, with a base budget of £5.855m in 2024/25.
- 2.6 Housing Revenue Account
- 2.7 A revised budget for 2023/24 to take into account the pay award in 2023/24 includes a transfer from HRA general reserves of £1.869m. A transfer from general reserves of £0.648m will be needed to fund the proposed budget for 2024/25.
- 2.8 It is proposed that weekly rents increase by 7.7% in line with national rent guidance limits. Service charges for Independent Living and district heating systems are proposed at amounts appropriate for each individual scheme, with other charges and garage rents to increase by 7.7% in line with rents.
- 2.9 The revised capital programme for 2023/24 is £21.620m, with a proposed base budget in 2024/25 of £18.310m.
- 2.10 Due to continuing pressure on costs and previously capped levels of income, the current financial position of the HRA is not sustainable, with significant savings needed to be found to bridge the gap between expenditure and income.

2.11 A balanced budget can be maintained for 2024/25, and the Strategic Director of Communities and Strategic Head of Housing will lead a full review of the service, in consultation with members and tenants, in order to find a long term solution.

3. General Fund Housing

3.1 Members will be aware from both the 2023/24 budget and MTFP (approved in February 2023) and the Budget Strategy report (approved in October 2023), the Council is facing a number of financial challenges in 2024/25 and future years. A budget deficit has been forecast in the MTFP due to anticipated reductions in the level of Government funding and inflationary/cost pressures across the Council's services.

3.2 The original budget for General Fund Housing was £879k, which has been revised to £1,354k following a carry forward of £454k from 2023/24 and an adjustment to the 2023/24 pay award of £7k.

3.3 It is proposed that the original budget for 2024/25 be set at £1,022k, which includes items funded by transfers from reserves of £130k, as set out in Table 1.

Table 1 – General Fund Housing Budget

	2023/24 Revised Estimate (000's)	2024/25 Original Estimate (000's)
Base Budget	879	1,354
Virements/adjustments	468	(468)
Recurring changes:		
Pay increases	7	41
Proposed budget adjustments		8
New items funded from reserves		87
Net Service Budget	1,354	1,022
Transfers to/from reserves	(454)	(130)
Net Service Budget (after Reserve Funding)	900	892

3.4 The pay increase of £7k in 2023/24 relates to the pay award of £1,925 or 3.88%, whichever is higher, backdated to 1 April 2023 (which averages 5.6% and is higher than the 5% included in the base budget). In 2024/25 a salary uplift of 5.6% is included, in line with the Budget Strategy.

3.5 The virements/adjustments line predominantly reflects carry forwards included in the 2023/24 budget which reverse out in 2024/25. These related to the private sector housing condition surveys and areas of housing strategy.

3.6 The transfers from reserves in 2024/25 relates to two new posts which are to be funded from grant income received in 2023/24, as set out in the Quarter 2 Budget Monitoring report also at this Committee meeting. One post relates to international resettlement and another is to support the Housing Advice and Homelessness function. There is also the use of some previously received grant funding for self build.

4. General Fund Housing Capital

- 4.1 The base capital budget for 2023/24 is £345k. The proposed revised budget is £3,190k following capital slippage from 2023/24. The proposed base budget for 2024/25 is £5,855k. Should any new external funding become available for supporting energy efficiency measures in private housing, a bid would be considered and reported to Housing Committee.
- 4.2 Table 2 below sets out the full General Fund Housing capital programme.

Table 2 – General Fund Housing Capital Programme

	Base Budget 2023/24 £'000s	Current Budget 2023/24 £'000s	Base Budget 2024/25 £'000s
Disabled Facilities Grant Scheme	330	720	750
Green Homes LADS 3	0	440	0
Health through Warmth Grants	0	100	200
Home Upgrade Grant - Sustainable Warmth	0	1,710	4,890
Private Sector Housing Loans	15	30	15
Temporary Accommodation	0	190	0
Total	345	3,190	5,855

5. Housing Revenue Account (HRA)

- 5.1 The HRA base budget for 2023/24 included a transfer from HRA general reserves of £1.814m. The proposed revised budget for 2023/24 has a transfer from general reserves of £1.869m with additional budget requirement of £55k identified for the 2023/24 pay award which was higher than was included in the base budget.
- 5.2 The base budget for 2024/25 has expenditure of £29.469m funded by income of £27.630m and a transfer from earmarked reserves of £1.190m, leaving a transfer from general reserves required of £0.648m.
- 5.3 Although this is a much improved position for 2024/25 from previous estimates, it does not change the long term position of the HRA significantly.
- 5.4 Table 3 shows a summary of the budget changes from 2023/24 to 2024/25. It should be noted that some of these changes were previously planned and so do not represent a significant change from the long term position. There are, however, some inflationary pressures that do affect the long term position.
- 5.5 Further detail on the changes is included in the sections after the table. The impact of these changes on the MTFP is shown in section 11.

Table 3 – Summary of HRA Budget Changes

HRA Budget Setting 2024/25	Para	Budget Changes	Budget Changes
Transfer to reserves 2023/24 - base			1,814
Pay Award Adjustments 2023/24			54
Transfer to reserves 2023/24 - revised			1,868
Rents and service charges	6	(1,360)	
Pay and Price inflation:			
Contract Inflation	7.2	200	
Utilities	7.3	(509)	
Pay Inflation	7.1	312	
Service changes:			
Tenant Support Fund	8.2	(50)	
Property Care	8.3	221	
Systems	8.4	169	
Counter Fraud	8.5	30	
Housing Regulator	8.6	30	
Central changes:			
Investment income	9.1	(50)	
Contribution to Independent Living Modernisation	9.2	60	
Provision for repaying debt	9.3	19	
Contribution to capital spend	9.4	(139)	
Support Service Charges	9.5	(147)	
Other minor changes (net)		(6)	
Total changes			(1,220)
Transfer from reserves 2024/25			648

6. Proposed Rents and Service Charges 2024/25

- 6.1 Rents and service charges provide the funding for all services provided within the landlord service, including tenancy management and the maintenance of the housing.
- 6.2 Appendix B sets out the proposed changes to in rents and charges for the HRA.
- 6.3 Dwelling rents
- 6.4 Following a cap on rents from April 2023, there is no proposed cap for April 2024 and rents are permitted to increase by Consumer Price Index (CPI) +1%. CPI for September 2023 was 6.7%, and so rent increases of 7.7% (6.7% + 1%) are included from April 2024.
- 6.5 A 7.7% increase would increase the average weekly rent from £95.28pw to £102.62pw, an increase of £7.34pw.
- 6.6 On becoming vacant, dwellings at social rent are being relet at the Formula Rent (also known as Target Rent), a national rent calculation for social housing which is designed to give fair and consistent rents across all local authority and housing association stock.

- 6.7 Currently only 6% of tenants have rents equivalent to the Formula Rent, with 94% with rents lower than Formula Rent. This is a significant decrease from 2022 (in which approximately 64% of rents were at Formula Rent) due to the cap put in place for existing tenants for 2023/24. The average social rent is £5.30 per week lower than Formula (average Formula rents will be £106.29 per week and average social rents based on the above uplifts would be £100.99 per week). This equates to reduced income of approximately £1.3m per year which is a significant financial pressure for the HRA.
- 6.8 In light of the overall financial position of the HRA, alongside the cost of the extensive energy efficiency works programme, it is proposed that rents in very highly energy efficient properties are slightly higher to recover a small proportion of the cost. For social rented properties, there is flexibility for rents can be charged at up to 105% of Formula Rent (or 110% in supported housing). For Affordable Rented housing rents have been capped at the Local Housing Allowance (LHA) rates, which do not currently reflect the cost of housing in Stroud District, but could be charged at up to 80% of market rents. For both social and affordable homes this would still represent a considerable reduction when compared to market rents, and would only be charged in properties where the higher energy efficiency means that running costs of the home for tenants of those properties should be lower than elsewhere in our stock.
- 6.9 It is therefore proposed that rents for new tenancies in properties which are A rated or above would be charged at 105% of Formula Rent for social rented properties, or full Affordable Rents (80% of market rents including all service charges), subject to there being no restrictions from external funding eg Homes England restrictions.
- 6.10 There are currently 55 properties in our stock which are EPC A rated (92+ SAP points) which includes the new builds at Ringfield Close, Broadfield Road and Summersfield Road. There are also some retrofitted properties including those at Hamfallow Court. Members could choose to extend this to properties that are B rated. There are a further 241 properties that meet this criteria.
- 6.11 Shared ownership rents
- 6.12 Shared ownership rents will increase by the inflationary uplifts set out in each lease. These are set at Retail Price Index (RPI) +0.5%. Many of the leases are set using September RPI, which was 8.9% and would lead to rent increases of 9.4%.
- 6.13 District Heating charges
- 6.14 There are five Independent Living schemes which have district heating systems, where a central boiler provides heat and hot water for all of the residential units and the communal area. In this instance Stroud District Council pays for the gas and recharges the cost to the tenants.
- 6.15 Due to increases in gas costs the charges to tenants were increased significantly from April 2023 to partially offset the cost. Charges to tenants were reduced from August 2023, due to a reduction in the residential gas cap – which although doesn't impact on the price paid by SDC, was a commitment made that tenant charges would be capped at this price and the additional cost subsidised by the HRA.
- 6.16 This residential cap subsidy is expected to extend into 2024/25, although a reduction in gas prices reduces this subsidy to approximately £52k for the year, based on a current estimate of gas prices from April 2024.
- 6.17 Charges, which average £16.27 per week (down from £18.49 per week from August 2023, a reduction of 12%) also continue to be based on a reduced usage of gas as set out in last year. A reduction in usage has been seen in the first half of the year, but the true position won't be known until after the higher usage period over winter.

- 6.18 Any changes in gas prices or energy usage – either up or down – will be reviewed during the year, and if necessary, a revised charge could be applied in year.
- 6.19 Independent Living Scheme charges
- 6.20 The cost of providing services in Independent Living has been recalculated and has been affected mostly by staffing costs (from the pay award for 2023/24 and 2024/25) and also electricity cost and usage. 2023/24 charges included an element of subsidy due to the cost of electricity, but this has dropped out this year.
- 6.21 Electricity cost has been reset for each individual scheme based on usage over the last year. This has led to a some variability in cost for different schemes, with some seeing an increase and some seeing a decrease. Where costs has risen significantly it is proposed that the increase is capped at 10% from 2023/24 charges, to limit increases for those tenants.
- 6.22 Independent Living Scheme charges are eligible for Housing Benefit and Universal Credit. In line with previous years it is proposed that tenants on protected service charges (where the tenancy started before April 2020) are increased by the average uplift across all schemes of 3.5%.
- 6.23 A full list of HRA charges is included in Appendix B.
- 6.24 Garage rents and service charges
- 6.25 It is proposed that garage rents and all other service charges increase by 7.7% in line with rents. A review of service charges is underway and should any changes be proposed for 2024/25, an additional paper will be presented to Housing Committee in February 2024.

7. Pay and Price Inflation

- 7.1 There has also been an adjustment to the 2023/24 budget for the pay award which has been agreed at £1,925 or 3.88%, whichever is higher, an average increase of 5.6% (which is more than the 5% included within the base budget). An equivalent uplift has been included for 2024/25, with future increases at 3% for two years, then 2% ongoing.
- 7.2 Non pay contract inflation has been included at 5% other than repairs and maintenance contracts, which have been included at 6% and Ubico which has an adjustment linked to the local government pay award.
- 7.3 The cost of gas and electricity has reduced significantly from those experienced in late 2022/23 and have been included at an expected contract price from April 2024.

8. Service Changes

- 8.1 There are a number of changes to the service budgets for 2023/24.
- 8.2 Tenant Support Fund – The Tenant Support Fund was introduced in the 2023/24 budget (as recommended by Housing Committee in December 2022). The report set out that the initial allocation of £200k would reduce to nil over a period of four years, with a planned reduction of £50k per annum. The annual amount and the length of the fund will be reviewed during 2024/25 to ensure the maximum benefit is gained from the pot for tenants and the HRA.
- 8.3 Property Care – The additional budget request relates to the cost of providing the current service, this incorporates legislative changes and best practise since the initial business case was produced in 2019. The Department for Levelling up Homes and Communities (DLUHC) is in consultation within the sector on proposed changes particularly around damp and mould and compliance. The budget request incorporates changes of legislation that have been imposed already such as Carbon monoxide alarms.

In order to prepare for the anticipated changes the budget request incorporates best practise alongside the existing service. Some examples include moving towards LD2 electrical upgrades to smoke alarms in domestic dwellings, additional work required to existing

servicing regimes such as water quality testing for gas servicing and installation work and reinforced landlord responsibilities of damp and mould incorporating additional ventilation upgrades as well as treatments of the mould itself.

Other impacts that are included in the requested budget is the inhouse delivery of the electrical contract, annual servicing of heat pumps with associated remedial works and a increase in costs within the sector not only on the materials but also labour when support is required through a subcontractor.

- 8.4 Systems – Much of this cost is part of the planned upgrade to the housing management system (NEC) which is being implemented over the next 2 years. There are some additional costs (£60k) where two legacy systems are being kept for longer than originally planned during the implementation. These costs are all fixed term during the implementation and will not form part of the ongoing budget.
- 8.5 Counter Fraud – This is in relation to counter fraud and enforcement work done by the CFEU, working in partnership with councils across Gloucestershire, social housing providers and organisations to detect and prevent fraud and loss. The capacity for Counter Fraud Work and Enforcement work is increasing in 2024/25 and although this will bring significant benefits to the Council an upfront cost is created which must be budgeted for.
- 8.6 Housing regulator – From April 2024 local authorities landlords will join housing associations and be regulated by the Regulator of Social Housing. This coincides with increased regulation and new rules for protecting tenants set out in the Social Housing (Regulation) Act. An annual fee of £30k payable to the Regulator is included in the budget.
- 8.7 The Social Housing (Regulation) Act lays the foundations for changes to how social housing is managed. Many of the provisions in the Act are in response to the tragedies of the 2017 Grenfell Tower fire and the death of two year old Awaab Ishak in 2020 who died from exposure to severe mould. The Act includes increased regulation of social landlords and new rules for protecting tenants from serious hazards in their homes. The Act gives the Social Housing Regulator greater powers, including the power to impose unlimited fines.
- 8.8 The Social Housing Regulator had previously only been able to use its powers where it had reasonable grounds to suspect that a social landlord has breached the consumer standards and this breach had or could cause, serious detriment to a tenant. The Act removes this 'serious detriment' test and allows the Regulator to act before people are put at risk. This will include routine inspections of local authority housing providers. Whilst full detail of these inspections has yet to be confirmed, it is anticipated that these will be Ofsted style, where the Council must be able to evidence and demonstrate that it is compliant with the code.
- 8.9 Where a social housing provider is non-compliant they may be put under notice by the regulator and require the implementation of an improvement plan. All social housing providers are required to submit annual tenant satisfaction measures (TSMs). The first collection is in April 2024 covering the 2023/24 reporting period. The TSMs are made up of 22 measures. 12 of which are collected from tenant perception surveys and focus on satisfaction. The remaining 10 are generated from the Councils management information.
- 8.10 Any additional costs identified during the self assessment or regulator inspections will be reported to Housing Committee when known.

9. Central Changes

- 9.1 Investment income - interest received on HRA balances is expected to increase despite reducing levels of reserves, due to interest rates which currently remain high.
- 9.2 Contribution to Independent Living Modernisation Programme – the final year of planned contributions to the Independent Living Modernisation Programme is £1.06m, an increase of £60k from 2023/24.
- 9.3 Provision for repayment of debt – the HRA is due to increase by £19k. This is in line with the proposal agreed by Housing Committee to repay the existing borrowing (predominantly the self financing debt) over 60 years.
- 9.4 Revenue cost of the capital programme – the amount put aside from revenue contributions towards capital spend has reduced by £139k for 2024/25. This excludes the Independent Living Modernisation Programme which is funded from an earmarked reserve and so has a net nil impact on the HRA revenue position.
- 9.5 Support Service Charges from the General Fund - There is a decrease of £147k in the support service charges from the General Fund to the HRA.

10. Earmarked Reserves

- 10.1 The following table sets out the planned transfers to and from earmarked reserves in 2023/24 and 2024/25.
- 10.2 The Independent Living Modernisation programme and provision for repayment of borrowing are budgeted to continue as proposed.

Table 4 – Summary of HRA Earmarked Reserve Transfers

	2023/24				2024/25			
	Opening Balance	Transfers in	Transfers out	Closing Balance	Opening Balance	Transfers in	Transfers out	Closing Balance
	£k	£k	£k	£k	£k	£k	£k	£k
Independent Living Modernisation	3,194	1,000	(1,041)	3,153	3,153	1,060	(2,197)	2,016
Transformation	248	0	(53)	195	195	0	(53)	142
HRA General Contingency	100	0	0	100	100	0	0	100
Staffing	168	0	0	168	168	0	0	168
Provision for repayment of debt	2,896	1,026	0	3,922	3,922	1,045	0	4,967
Retrofit	168	0	0	168	168	0	0	168
Carry forwards	332	0	(332)	0	0	0	0	0
2022/23 Underspend	330	0	(330)	0	0	0	0	0
Total Earmarked Reserves	7,436	2,026	(1,754)	7,706	7,706	2,106	(2,250)	7,561

11. HRA Medium Term Financial Plan (MTFP) and 30 Year Position

Current Position and Outlook

- 11.1 The social housing sector is facing increasing demands and pressures. In addition to the Social Housing (Regulation) Act 2023 receiving royal ascent in July 2023 and leading to an overhaul of the social housing sector, as set out in para 8.6, the sector has seen major scrutiny on several key areas, including damp and mould, increased exposure to disrepair and compensation claims and increased Social Housing Ombudsman scrutiny. The sector

expects further change and challenge as the Social Housing (Regulation) Act is implemented and the anticipated updated Decent Homes Standard. This is governments set of required standards for conditions of all social homes. Whilst the review of these standards is ongoing, it is unknown what impact these reviewed standards may have on the Council or the financial position of the HRA.

- 11.2 Over the last year work has commenced to position the service in the best place to start implementing changes. A number of projects have been initiated to ensure the Council are compliant with changes to regulation and the changing demands of the sector. For example, a project group has been formed to review our response to damp and mould. Damp and Mould has been presented to this Committee on multiple occasions over the last 6 months, including the approval of a new Damp & Mould Policy. The Council are taking our responsibilities towards these important areas seriously and have improved service delivery as a result.
- 11.3 The Social Housing (Regulation) Act completely changes the landscape of how local authority housing providers are regulated. This is a major shift, with huge ramifications for how we deliver our services. We have initiated a project group to focus on the new regulations, to undertake a self-assessment to assess where we are currently compared with the regulators consumer standards and changes introduced by the new Act. The project group will initiate required changes as a result. Positive steps to prepare for the changes have already been taken, for example, during the recent Council Plan refresh, we have included a new action CW2.7 “Ensure our Council Homes meet legislative and regulatory compliance standards”. This ensures that several of the 10 council management information TSMs are presented to Housing Committee as part of the quarterly performance monitoring report. This ensures that Housing Committee have oversight, governance and accountability of how the housing team are performing against these vital compliance areas that are designed to keep residents safe.
- 11.4 In addition, an internal officers Housing Improvement Board has been established. This board is designed to oversee housing projects within SDC, be accountable and to ensure a professional housing service is delivered. The board will help in identifying barriers and enablers to assist in ensuring project objectives and outcomes are achieved.
- 11.5 An internal change to prepare for the new regulations has been started through a review of the staffing structure within the Tenancy Management functions. This review has been carried out and as a result proposals for a new structure have been put to staff during a period of consultation. The focus of this review is service improvement, to ensure that the ongoing staffing costs of providing the service are budgeted appropriately, to improve the customer experience, ensure staff and resources are appropriately aligned and to ensure we are ready to respond to the emerging changes in the sector.
- 11.6 The proposed service review has a focus on the 12 tenant perception TSMs. The TSM will gather data on whether tenants are satisfied that the landlord listens to them and acts upon their views, that the landlord keeps them informed about things that matter to them and whether they feel the landlord treats them with respect. As a result, the service review enhances provision for tenant engagement, participation and consultation. We are aware that we need to engage with our residents differently and this team will ensure that we are supporting our residents, giving them a voice in things that matter to them and ensuring that our service delivers for them. In addition, the TSMs gather satisfaction with our approach to handling antisocial behaviour and if we make a positive contribution to neighbourhoods. The proposed structure retains a dedicated ASB & Enforcement role to respond to concerns and work with the wider Council as part of our One Council ethos to ensure that issues identified are taken seriously. Consultation for this review is ongoing with a view to implementing positive change in the near future.

11.7 The housing team are committed to providing an excellent service to our tenants and have sharp focus on the 12 tenant perception TSMs. The team understand the value of pets to our residents and the importance of responsible pet ownership. Combining the two resulted in being awarded the RSPCA the PawPrints Bronze award earlier this year. The introduction of the Tenant Support Fund, para 8.2, will give protection to tenants facing financial hardship and the provision of our “love where you live” events have led to positive outcomes for tenants.

11.8 There is a drive and commitment from the Council to successfully achieve these positive outcomes but it needs to be recognised that there is a huge task ahead of us to ensure that we’re ready for the new regulatory regime from April 2024, whilst also having a clear understanding of the financial pressures facing the Council.

Financial Position

11.9 The following table sets out the forecast position of HRA reserves, if expenditure and income continue as they are.

Table 5 – HRA Medium Term Financial Plan Summary

	2023/24 Budget £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s
Income	(26,230)	(27,630)	(28,615)	(29,343)	(29,905)
Expenditure	13,073	13,398	13,601	13,303	13,390
Support service charges from the GF	2,650	2,503	2,578	2,614	2,666
Other income and expenditure	12,702	13,567	18,279	17,568	16,570
Total Housing Revenue Account	2,195	1,838	5,844	4,142	2,722
Transfers to/(from) earmarked reserves	(326)	(1,190)	(1,541)	(480)	0
Transfers to/(from) general reserves	(1,869)	(648)	(4,303)	(3,662)	(2,722)
Total Housing Revenue Account	0	0	0	0	0
General Reserves					
Opening balance	4,118	2,592	1,944	(2,359)	(6,021)
Transfers to/(from)	(1,869)	(648)	(4,303)	(3,662)	(2,722)
Forecast HRA underspend 2023/24	343				
Closing Balance	2,592	1,944	(2,359)	(6,021)	(8,742)

11.10 A full breakdown of the MTFP can be found in Appendix C.

11.11 The Budget Setting report for 2023/24 (Housing Committee December 2022) set out that the financial position of the HRA is under pressure, and that changes would need to be implemented in order to resolve this.

11.12 The table shows that a balanced budget can be set for 2024/25, remaining in line with minimum recommended balances (£1.6m), which gives a buffer should any significant event happen. This is an improved position from the forecast in December 2022, where it was not expected that minimum recommended balances would be met. However, from 2025/26 this is no longer possible, and the cost of providing these services exceeds the available resource. This position is not legally possible and measures will need to be put in place before April 2025 to prevent this from happening.

11.13 There are things that can be put in place to temporarily prevent this problem such as additional borrowing to fund the capital programme, delaying the repayment of borrowing, and repurposing earmarked reserves and capital receipts but these would not address the long term financial position.

- 11.14 The steep decline in reserves can largely be attributed to a combination in the increase in the cost of maintenance and major works, including the energy efficiency works, alongside capped increases in income.
- 11.15 As the cost of major works has risen beyond the capital funding (plus the borrowing already approved for the programme), additional funding is required from revenue. This is included in the 'Other income and expenditure' table above. These costs are not currently supportable from the rental income and expected external grant income.
- 11.16 Rental income, where reduced by 1% for four years from 2016/17 to 2021/22 and capped at 7% in 2023/24, has fallen below inflation and so is not able to support the same level of expenditure as it would have been able to. The current 10 year rent agreement of CPI+1% increases ends in 2024/25. It is not currently known what rent increases will be allowable from April 2025. The MTFP currently includes increases of CPI only and any agreement in excess of this would benefit the MTFP and long term position. Each increase of 0.5% would increase the rental income by approximately £127k pa.
- 11.17 As set out in paragraph 6.7, social rents are currently largely below Formula Rent (which is the national calculation used for social rents). The income lost is in the region of £1.3m per year. It is possible that rent convergence, which aims to increase rents to Formula Rent in a gradual way, could be included in a rent settlement, but this is not yet known. This would considerably help towards funding the cost of maintaining and managing the properties, but would be a gradual increase in income.
- 11.18 Even if income were to increase from current assumptions over the longer term it will be necessary to implement changes to maintain the short term financial position. It should be expected that although any impact on tenants would be considered and minimised where possible, it is likely that service delivery could be affected in order to balance the position.
- 11.19 In order to ensure a financially sustainable HRA, areas of consideration will continue to include:
- Reviewing the level of capital works, including major works such as kitchens and bathrooms, as well as the retrofit programme
 - Reviewing revenue repairs, cyclical works, and the lettable standard for void properties
 - Establishing the level of service offered to tenants through the Tenancy Management and Income teams, and charging the full cost of additional services where appropriate
 - Maximising grant and other income, especially for the retrofit programme
 - Reviewing the repayment of borrowing.
- 11.20 In order to ensure ongoing Member involvement, two papers will be reported to Housing Committee over the next year, prior to the budget setting paper for 2025/26 in December. These will give an update on position of the service and set out any options for Members to consider. There will also be monthly updates to the chair and vice chair of Housing Committee.

12. Borrowing

- 12.1 The HRA currently has borrowing of £108.233m, of which £97.717m is externally borrowed (from the Public Works Loans Board) and £10.516m is internally borrowed (ie reducing the reserves held by the HRA).
- 12.2 Additional borrowing of £19.974m is planned for the existing New Homes and Development Programme 2023/24 – 2027/28.
- 12.3 Borrowing of £17.106m is planned for the energy efficiency works programme, as has been previously reported.

13. Material Assumptions Made in the HRA MTFP

13.1 The MTFP forecast is made under a number of assumptions. The key assumptions of note are summarised below:

- Rents to rise by CPI +1% for 2024/25, and then reduce to CPI only increases. More information about future rent increases is included from paragraph 11.16 and 14.2.
- Void levels of 2% in general needs and 5% in Independent Living.
- Inflation of 3% for 2025/26 and 2026/27 and 2% thereafter.
- 25 Right to Buy sales a year have been assumed in terms of rent loss.
- Major works have been included on a standard replacement basis, plus the retrofit programme approved by Housing Committee in September 2021.
- The existing borrowing held (primarily self financing debt) is to be repaid (through an annual provision made) over 60 years, with the new retrofit borrowing and new build and development borrowing to be repaid over 30/45 years.

14. Risks and Uncertainties

14.1 The HRA still faces a number of risks and uncertainties over the medium to long term. These include:

14.2 Rent uplifts – as included in para 11.16 the rent regulations, which set out allowable rent increases, from April 2025 are not yet known. Any agreement over CPI only would be beneficial to the long term financial position.

14.3 Inflation – if the cost of works continues to rise at a higher rate than the inflationary uplift on rents and charges, this could further affect the funding available to run the service and deliver works on the properties.

14.4 Right to Buy Receipts – there is a risk that the development programme could slip, or some schemes may not be possible to deliver. Therefore, because of changes to timing, receipts could need to be repaid. This risk has reduced following a change in the retention agreement, allowing a longer period to use Right to Buy receipts.

There is also a potential risk that the receipts may not be sufficient to fund the capital programme over the longer term. If this were to happen, alternative funding would need to be found. This could include Homes England grant funding.

14.5 Interest Rates - the HRA is largely sheltered from increases in interest rates in the short term as all of the current borrowing is at fixed interest rates. As loans become repayable, advice will be sought from our treasury advisors on the most advantageous approach to refinancing.

As new borrowing is taken out for the new homes programme and for the energy efficiency programme, the HRA will be subject to the market rates at the time of borrowing.

Investment income is directly linked to interest rates on balances held. Lower interest rates would reduce the investment income, higher interest rates would increase the amount the HRA receives on reserve balances.

14.6 Legislative changes – a number of legislative changes are expected in social housing over the coming years including in compliance, electrical testing and the decent homes standard. The actual changes are not yet known and so cannot be fully planned, but the service is starting to gear up where possible. It is likely that additional resource will be needed in order to comply with the changes.

14.7 Stock Condition – the information held on the condition of the stock continues to grow, with data being collected regularly. As more data is collected, the longer term forecasts are

revised and could mean that more, or less, spend is required compared to the current forecast.

14.8 **Staffing** – the ability to attract and retain staff, especially in specialist areas such as development, repairs and maintenance and tenancy management, is extremely important. Any significant gaps could result in a reduced service to tenants, and/or a financial pressure in recruiting agency staff.

14.9 **Internal Council Changes** – any major changes to the Council could impact on the HRA medium/long term position. This could include benefits in reduced HRA contributions as well as pressures from higher costs.

15. HRA Capital Programme

15.1 The proposed capital programme includes a revised budget for 2023/24 is £21.620m, and a budget for 2024/25 of £18.310m.

15.2 A full breakdown of the capital programme and capital financing is included in Appendix D

15.3 Major Works

15.4 The HRA major works programme has been reset to a total of £13.783m in 2023/24, and a base budget of £10.116m in 2024/25. This budget includes a total of £6.754m for Social Housing Decarbonisation works across the two years as well as many other works to increase the energy efficiency of our properties, including new heating systems, doors and windows and insulation. The Wave 2 budgets are included across individual reporting lines based on the type of works being undertaken. The 2024/25 budget also includes £1.8m for significant works to improve Nouncells Cross in Stroud.

15.5 New Homes and Regeneration Programme

15.6 The New Homes and Regeneration Programme has been reprofiled based on the current forecast of delivery. This is in line with the Member/Officer Report included at this Committee meeting.

15.7 Following the Strategy and Resources Committee decision to appropriate the canalside site (former Ship Inn site) to the General Fund, it has been removed from the New Homes and Regeneration programme.

15.8 Acquisitions of Land and Housing

15.9 Following a period of additional acquisitions in 2023/24 including for the Local Authority Housing Fund for the resettlement of Ukrainian and Afghan households, the property acquisition budget will reduce back to the substantive value of £2m per year.

15.10 The £3m one off budget for the acquisition of land to be used for development has been profiled into 2024/25.

15.11 These budgets are opportunity budgets and will depend on the availability of land and properties and so may not be used in any given year.

15.12 The ongoing acquisitions programme includes the purchase of properties at Brimscombe Port to be used as affordable housing, in line with the separate report being considered at this Committee. It has been included at an estimate of the cost of the acquisitions and it is possible that a revision of cost will need to return to Committee when the site plan and costs are agreed. Should the report not be approved this line would not be included in the recommendation to Strategy and Resources Committee.

15.13 Independent Living Modernisation

15.14 The Independent Living Modernisation programme has been reprofiled across financial years, but the overall project remains on target and within the allocated funding. Three schemes are due to be completed in 2023/24, and three schemes in 2024/25.

16. IMPLICATIONS

16.1 Financial Implications

This report sets out the draft General Fund and HRA budgets relating to the Committee for 2023/24 and 2024/25. This will form part of the budget setting process to be considered by Strategy and Resources Committee and Council in February 2024.

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16.2 Legal Implications

None directly arising in respect of the budget estimates and revisions other than to note that this report forms part of the budget setting process for 2024/25 which involves the Council calculating capital and revenue estimates for its General Fund.

Under Section 8 of the Housing Act 1985 (the "Act") the Council have a duty to consider housing conditions and the needs of the district with respect to the provision of further housing accommodation. Under Section 24 of the Act, the Council may make reasonable charges for the tenancy and occupations of their houses which shall be reviewed from time to time, and may make such changes to those rents as circumstances may require.

The Social Housing (Regulation) Act places additional requirements on the Council, some of which are detailed in this report. Further reports will be presented to this Committee as the impact of the Regulations and changes needed to ensure compliance emerge.

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16.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision. Further analysis would need to be undertaken if any changes were recommended.

16.4 Environmental Implications

There are no significant implications within this category. The HRA capital programme includes a significant amount of works to increase energy efficiency of the housing.