

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

TUESDAY, 6 DECEMBER 2022

Report Title	Housing Committee Budget Estimates – Revised 2022/23 And Original 2023/24 and Housing Revenue Account (HRA) Medium Term Financial Plan 2022/23 – 2026/27			
Purpose of Report	To present to the committee the revised budget estimates for 2022/23 and the original estimates for 2023/24			
Decision(s)	<p>The Committee RECOMMENDS to Strategy & Resources and Council that:</p> <p>a) The revised General Fund Housing revenue budget for 2022/23 and original budget 2023/24 are approved</p> <p>b) The Fees and Charges list in Appendix A is approved</p> <p>c) The revised HRA revenue budget for 2022/23 and original budget 2023/24 are approved</p> <p>d) The movement to and from HRA balances and capital reserves as detailed in Appendix C and section 11 are approved</p> <p>e) That from 1 April 2023:</p> <p style="padding-left: 20px;">i. Social rents and affordable rents are increased by 7%, in line with national rent guidance</p> <p style="padding-left: 20px;">ii. Garage rents are increased by 7%</p> <p style="padding-left: 20px;">iii. Landlord service charges are increased by 7%, except Independent Living Scheme charges and district heating charges which are increased as set out in Appendix B</p> <p>f) That the General Fund Housing Capital Programme, as detailed in Section 4Error! Reference source not found., be included in the Council’s Capital Programme</p> <p>g) That the HRA Capital Programme for 2022/23 to 2026/27, as detailed in Appendix D, be included in the Council’s Capital Programme.</p>			
Consultation and Feedback	Budget holders and senior managers Member briefing			
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Options	Recommend to Strategy and Resources: a) Reduced or increased capital or revenue expenditure b) Reduced dwelling rents c) Reduced or increased landlord service charges and garage rents			
Background Papers	None			
Appendices	Appendix A – General Fund fees and charges Appendix B – HRA rents and service charges Appendix C – HRA MTFP Appendix D – HRA Capital Programme and funding			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. Background

- 1.1 The Medium Term Financial Plan (MTFP) Update report to Strategy and Resources Committee in September 2022 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
- 1.1 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 MTFP report to Strategy and Resources and Council.
- 1.2 **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 2022/23 and the proposed base budgets for 2023/24 for General Fund Housing and the Housing Revenue Account (HRA).
- 2.2 General Fund Housing
- 2.3 The proposed revised budget for 2022/23 is £1,122k. This includes an adjustment for the pay uplift for 2022/23 of £24k and £253k of earmarked reserve funded items. The proposed budget for 2023/24 is £930k, with reserves transfers of £26k.
- 2.4 Updated fees and charges are included in Appendix A.
- 2.5 The capital programme is proposed to be revised to £6,963k in 2022/23, with a base budget of £365k in 2023/24.
- 2.6 Housing Revenue Account
- 2.7 A revised budget for 2022/23 to take into account the pay award in 2022/23, and an amendment for depreciation costs, includes a transfer from HRA general reserves of £1,611k. A transfer from general reserves of £1,873k will be needed to fund the proposed budget for 2023/24.
- 2.8 It is proposed that weekly rents increase by 7%. Service charges for Independent Living and district heating systems to increase to reflect the cost of gas and electricity (at a protected rate), with other charges and garage rents to increase by 7% in line with rents.
- 2.9 The revised capital programme for 2022/23 is £16,389k, with a proposed base budget in 2023/24 of £25,710k.
- 2.10 Due to the increase in costs and protected 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 in the short term, and the Strategic Director 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 2022/23 budget and MTFP (approved in February 2022) and the MTFP Update reports, the Council is facing a number of financial challenges in 2023/24 and future years. A budget deficit has been forecast 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 £890k, which has been revised to £1,122k following a carry forward of £253k from 2021/22 and an adjustment to the 2022/23 pay award of £24k.
- 3.3 It is proposed that the original budget for 2023/24 be set at £930k, which includes items funded by transfers from reserves of £26k, as set out in Table 1.

Table 1 – Summary of General Fund Housing Budget

	2022/23 Revised Estimate £k	2023/24 Original Estimate £k
Base Budget	890	1,122
Virements/adjustments	208	(216)
Recurring changes:		
Pay increases	24	31
Proposed budget adjustments		(7)
Net Service Budget	1,122	930
Transfers to/from reserves	(253)	(26)
Net Service Budget (after Reserve Funding)	869	903

- 3.4 The pay increase of £24k in 2022/23 relates to the pay award of £1,925 backdated to 1 April 2022 (which is higher than the 2.75% included in the base budget). In 2023/34 a salary uplift of 5% is included, in line with the Budget Strategy. Also included within this is the reversal of the additional 1.25% National Insurance contribution.
- 3.5 There are some proposed budget adjustments within the budget for next year, as set out in the following table.

Table 2 – Summary of proposed budget adjustments

	£k	
Homelessness grant	0	A homelessness grant from the Department for Levelling Up, Housing and Communities (DLUHC) was expected to end in the MTFP, but this is now expected to continue into 2023/24. Although there is no change to the budget, there is a positive impact compared to the MTFP assumptions.
Temporary Accommodation	(9)	A planned reduction to the temporary accommodation budget
Other minor changes	2	
Total	(7)	

4. General Fund Housing Capital

- 4.1 The base capital budget for 2022/23 is £5,813k. The proposed revised budget is £6,963k following capital slippage from 2022/23, with an addition of a new grant funded scheme: Warm Homes – Low Carbon Initiatives. The proposed base budget for 2023/24 is £365k. 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 3 below sets out the full capital programme.

Table 3 - General Fund Housing Capital Programme

	Base Budget 2022/23 £000s	Current Budget 2022/23 £000s	Base Budget 2023/24 £000s
Disabled Facilities Grant Scheme	350	350	350
Green Home LADS Park Homes	0	90	0
Green Homes LADS 3	1,030	945	0
Health through Warmth Grants	200	200	0
Home Upgrade Grant - Sustainable Warmth	4,218	4,133	0
Private Sector Housing Loans	15	15	15
Temporary Accommodation	0	190	0
Warm Homes	0	40	0
Warm Homes-Low Carbon Initiatives	0	1,000	0
Total	5,813	6,963	365

5. Housing Revenue Account (HRA)

- 5.1 The HRA base budget for 2022/23 has a transfer from HRA general reserves of £1.008m. The proposed revised budget for 2022/23 has a transfer from general reserves of £1.612m with additional budget requirement identified for the salary uplift and revised depreciation.
- 5.2 The base budget for 2023/24 has expenditure of £29.346m funded by income of £26.260m and a transfer from earmarked reserves of £1.213m, leaving a transfer from general reserves required of £1.873m.
- 5.3 Table 4 shows a summary of the budget changes from 2022/23 to 2023/24. 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, a number of inflationary pressures that do affect the long term position.
- 5.4 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 4 – Summary of HRA Budget Changes

	Para	Budget Changes 2022/23
Transfer to reserves 2022/23 - base		1,008
Pay Award Adjustments	7.1	190
Depreciation amendment	9.4	414
Transfer to reserves 2021/22 - revised		1,612
Rents and service charges	6	(2,212)
Pay and Price inflation:		
Contract Inflation	7.2	407
Utilities	7.4	786
Insurance Adjustments	7.3	82
Pay Inflation	7.1	261
NI Adjustments	7.1	(45)
Service changes:		
Tenant Support Fund	8.2	200
Staffing	8.3	167
Disrepair claims	8.4	40
Property Care (excl staffing)	8.5	531
Compliance	8.7	(147)
Cyclical maintenance programme	8.8	(596)
Revenue funding of major works	8.10	911
Regeneration	8.11	(52)
Independent Living	8.12	(15)
Voids	8.13	(137)
Consultant costs	8.11	(70)
Property Services	8.11	(50)
IT	8.14	(73)
Central changes:		
Interest receivable	9.1	(180)
Vacancy Savings	9.2	(140)
Provision for repaying debt	9.3	14
Depreciation/Transfer to MRR	9.4	330
Support Service Charges	9.5	291
Other minor changes (net)		(42)
Transfer from reserves 2022/23		1,873

6. Proposed Rents and Service Charges 2023/24

- 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 set out the proposed increases in rents and charges for the HRA.
- 6.3 Dwelling rents

- 6.4 Ordinarily rents, which are regulated by the Regulator of Social Housing, would be permitted to increase by up to the Consumer Price Index (CPI) plus 1%. CPI at September was 10.1%, which would have allowed rents to be increase by up to 11.1%.
- 6.5 Following a consultation, it has been announced by the Government that rents for social and affordable housing will be capped at a 7% increase.
- 6.6 A 7% increase, would increase the average weekly rent from £88.81pw to £95.02pw, an increase of £6.21pw.
- 6.7 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. It is currently expected that the Formula rent will increase by the full inflationary uplift of 11.1%, but this is not yet confirmed.
- 6.8 Currently 64% of tenants have rents below the Formula Rent (a decrease from 68% last year), with average rents £1.33 per week less that the Formula Rent. This figure has been gradually reducing as dwellings become void and are relet, but as existing tenancies will be unaffected it is a very gradual change. If Formula Rents rise by 11.1% and current rents increase by 7%, all tenants will be paying less than Formula Rent, with an average difference of £5.07 per week. This equates to approximately £1.2m per year.
- 6.9 Members could choose to implement Social Rents at above Formula/Target Rent on relet (up to 5% on General Needs and 10% on Sheltered properties), but this is not being proposed at this time.
- 6.10 Shared ownership rents
- 6.11 Shared ownership rents must increase by the inflationary uplifts set out in each lease. Shared ownership rents increase by the Retail Price Index (RPI) plus 0.5%, but not all are based on the same month. For those based on September RPI, the increase will be 13.1% (12.6% RPI plus 0.5%). Although it is not possible to amend the rents due to the lease agreement, it would be possible to support shared owners as well as tenants in any welfare support (ie the tenant support fund), if desired.
- 6.12 District Heating charges
- 6.13 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.
- 6.14 At budget setting for 2022/23 it was expected that the cost of gas would increase, however it was not known how much and members chose to protect tenants from the increase in costs in the short term. The average weekly charge to tenants for the district heating system is £7.38.
- 6.15 The cost of gas has risen enormously, and based on the current unit cost of gas, the actual average weekly charge would need to be in the region of £54 per week. This cost is reduced until March 2023 with government support, but as the supply of gas is through the council, it is capped at a commercial rate, rather than the lower residential rate. It is not known if government support for commercial supply will extend beyond March 2023.
- 6.16 If the charges to tenants were based on the expected cost of gas with a residential cap, to prevent tenants being penalised for their heating being provided by the council, the average charge would be £28.09pw. This assumes a reduction in usage of 10%.
- 6.17 Any decision to charge tenants less than the full cost will require subsidy from the wider HRA. At the average charge of £28.09pw the subsidy required would be in the region of £220k.

6.18 Independent Living Scheme charges

6.19 The cost of providing services in Independent Living has increased, in particularly for staff costs due to the pay uplift and the cost of electricity. It is suggested that in line with the district heating system charges, electricity is capped at the residential rate. As electricity usage in the schemes has also been recalculated there are different uplifts between each scheme.

6.20 Independent Living Scheme charges are eligible for Housing Benefit and Universal Credit. It is proposed that tenants on protected (reduced) service charges are increased by the average uplift across all schemes of 14%.

6.21 In line with the district heating charges, by not passing on the full cost of electricity within the charges, there will be an element of subsidy provided by the wider HRA.

6.22 A full list of charges is included in Appendix B.

6.23 Garage rents and service charges

6.24 It is proposed that garage rents and all other service charges increase by 7% in line with rents.

7. Pay and Price Inflation

7.1 In line with the MTFP Update, future years pay inflation has been provided for in the MTFP at a rate of 5%. There has also been an adjustment to the 2022/23 budget for the pay award which has been agreed at £1,925 (an increase from the 2.75% included within the base budget). The additional employers National Insurance contribution of 1.25%, which was added for 2022/23, has now been reversed out.

7.2 Non pay contract inflation, particularly across repairs and maintenance contracts, has been included at 10%.

7.3 The cost of insurance premiums has risen considerably. This is in part due to inflationary uplifts across the insurance sector, but has also been affected by claims made against the policy.

7.4 The cost of gas and electricity has risen significantly and has been included in the budget at the current contract price.

7.5 These charges will continue to be monitored and if necessary will be updated before the budget proposals go to Strategy and Resources and Council. If this occurs, an additional report or a briefing note will be issued to Housing Committee.

8. Service Changes

8.1 There are a number of changes to the service budgets for 2022/23.

8.2 It is recognised that although the increase in rents and charges to tenants have been capped where possible, the increases are higher than in many other years and at a time when many households are facing financial pressures. All rents and most service charges (with the exception of district heating as this is equivalent to other tenants having to pay directly to heat their homes) are eligible for Universal Credit and Housing Benefit, but there may be tenants who are not eligible for benefits or who have reached the benefit cap. A tenant support fund of £200k has been included within the proposed budget, in order to support tenants and shared owners. This pot will reduce to nil over a period of up to four years, with the details of eligibility to be determined. If some, or all, of this pot is used to fund discretionary housing payments, approval will be needed from the Secretary of State (since

Discretionary Housing Payments are a General Fund function and so can't be automatically paid from the HRA). There is no reason to assume that approval wouldn't be given.

- 8.3 The new Head of Housing post has been included within the ongoing budget, partially funded from removing the Tenancy Operations Manager. Three fixed term Senior Housing Officers have also been included for a period of up to two years.
- 8.4 The number of disrepair claims remains high and work continues to reduce the number of claims through both the maintenance programme and robust reporting. Any funding paid in disrepair claims reduces funding available for the maintenance programme.
- 8.5 High inflation has significantly affected the cost of maintenance provided through Property Care. The cost of materials and subcontractors has increased by more than the cost of inflation, pushing up the overall resource needed to provide the same level of works.
- 8.6 Property Care is also affected by the pay award in 2022/23 and the assumed pay uplift for 2023/24, and this is included within the Pay Inflation line.
- 8.7 The one year large increase in radon works in 2022/23 comes out in 2023/24, although this is partially offset by an increase in fire works. These are part of planned programmes and the budgets fluctuate annually.
- 8.8 There is expected to be an increase in pressure from the Housing Ombudsman and Social Housing Regulator, particularly with respect to damp and mould. Any additional costs associated with this will need to come from existing budgets.
- 8.9 The current cyclical maintenance programme comes to a planned end in 2022/23 and so is removed from the budget for 2023/24. There will be a short break before the next programme starts, in line with the lifespan of the materials used.
- 8.10 The continued large investment in capital works on the housing stock needs additional revenue funding to fund the costs as the capital funding is depleted. This was planned over the longer term, but increased costs have meant that it is required earlier than previously expected.
- 8.11 The Regeneration posts, which were agreed for a period of two years, end in 2022/23. There are also planned reductions in consultant costs and the small sites budget.
- 8.12 Some savings have been made in Independent Living in order to try and offset some of the additional cost of electricity in communal areas.
- 8.13 The revenue budget for voids has been reduced, with the bigger part relating to reduced payment of council tax on void properties. Although the revenue cost of voids has reduced, there are still a high number of voids needing significant works in the capital voids budget.
- 8.14 The investment in a new IT system is expected to assist in reducing the ongoing cost of IT services.

9. Central Changes

- 9.1 Interest received is expected to increase despite reducing levels of reserves, due to the recent increase in interest rates.
- 9.2 In order to help balance the budget this year, a vacancy saving has been assumed of £140k. This will not prevent vacant posts being filled, but represents an assumption that there will be some vacant posts across the year. The vacancy savings have been higher than this in recent years.
- 9.3 The provision for repayment of debt is due to increase by £14k. 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 The depreciation charge is due to increase by an estimated £330k. The amount set aside for depreciation gets transferred to the Major Repairs Reserve and is used to fund capital works and doesn't have any impact on the long term position. The budget for 2022/23 has also been amended to reflect current property values (on which depreciation is based).
- 9.5 There is an increase of £291k in the support service charges from the General Fund to the HRA. These charges cover all of the central services provided by the wider council, such as the HRAs share of HR, IT, finance etc, as well as a contribution towards the running of Ebley Mill. This increase is largely due to the pay award for 2022/23 and 2023/24 and the cost of electricity. The HRA's share of the Fit For The Future project is also included within this cost. This will be funded from the earmarked reserve set aside.

10. Earmarked Reserves

- 10.1 The following table sets out the budgeted transfers to and from earmarked reserves in 2022/23 and 2023/24.
- 10.2 The Independent Living Modernisation programme continues as planned.
- 10.3 Due to pressures on HRA general reserves to fund services to tenants over 2022/23 it is recommended that the funding put aside for Estate Redevelopment is redesignated and returned to HRA general reserves. There are no commitments against this funding.
- 10.4 The funding put aside towards retrofit will be used in 2022/23 as the budget now incorporates an ongoing energy efficiency works programme.

Table 5 – Summary of HRA Earmarked Reserve Transfers

	2022/23				2023/24			
	Opening Balance £k	Transfers in £k	Transfers out £k	Closing Balance £k	Opening Balance £k	Transfers in £k	Transfers out £k	Closing Balance £k
Independent Living Modernisation	2,987	1,000	(1,100)	2,887	2,887	1,000	(2,160)	1,727
Estate Redevelopment	1,170	0	(1,170)	0	0	0	0	0
Transformation	377	39	(39)	377	377		(53)	324
HRA General Contingency	100	0	0	100	100	0	0	100
Provision for repayment of debt	1,885	1012	0	2,897	2,897	1,026	0	3,923
Retrofit	168	0	(168)	0	0	0	0	0
Carry forwards	100	0	(100)	0	0	0	0	0
Total Earmarked Reserves	6,787	2,051	(2,577)	6,261	6,261	2,026	(2,213)	6,074

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

- 11.1 The Medium Term Financial Plan presented to Council in February 2022 set out that ongoing savings of £1m needed to be found across the service in order to have a balance position over 30 years. Unfortunately, costs have risen significantly, particularly across revenue repairs and capital works where costs have risen by more than general inflation. This combined with lower than inflation rent increases widens the budget gap further.
- 11.2 It also brings forward the need to either make savings in expenditure or increase income. A balanced budget can be set for 2023/24 and is currently expected in 2024/25, although by 2024/25 general reserves are expected to be lower than the recommended balance.

11.3 The Medium Term Financial Plan based on the details of budget setting for 2023/24 included within this report is shown in Table 6 below. This also includes the forecast position of the HRA for 2022/23, as reported at this committee meeting.

Table 6 – HRA Medium Term Financial Plan Summary

	2022/23 Revised £k	2023/24 Forecast £k	2024/25 Forecast £k	2025/26 Forecast £k	2026/27 Forecast £k
Income	(24,058)	(26,260)	(27,592)	(28,406)	(28,923)
Expenditure	11,741	12,890	13,607	13,812	13,536
Support service charges from the GF	2,408	2,699	2,833	2,917	2,962
Other income and expenditure	11,611	13,757	13,067	18,352	18,043
Total Housing Revenue Account	1,702	3,086	1,915	6,675	5,617
Transfers to/(from) earmarked reserves	(90)	(1,213)	(458)	(1,330)	(53)
Transfers to/(from) general reserves	(1,612)	(1,873)	(1,457)	(5,345)	(5,564)
Total Housing Revenue Account	0	0	0	0	0
General Reserves					
Opening balance	4,560	3,571	1,698	242	(5,104)
Transfers to/(from)	(1,612)	(1,873)	(1,457)	(5,345)	(5,564)
Forecast HRA overspend 2022/23	(547)				
Review of EMRs	1,170				
Closing Balance	3,571	1,698	242	(5,104)	(10,668)

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

11.5 The steep decline in reserves can largely be attributed to the increase in the cost of maintenance and major works, including the energy efficiency works. As the cost 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.

11.6 Due to the scale of the financial pressure the Strategic Director, alongside the new management team, will lead a full review of the financial and operational position of the service, in consultation with members and tenants.

11.7 This review will start immediately and is likely to take considerable time in order to ensure it is robust and is able to fully consider the balance between rents and charges to tenants, maintaining and improving the housing, and offering the correct level of housing support to tenants.

11.8 The full review will be included in the budget setting papers to Housing Committee in December 2023, although there will be consultation with members prior to this. It may also be necessary to adjust service budgets in year to maintain a balance position in the short term.

12. Borrowing

12.1 The HRA currently has borrowing of £107.633m, of which £97.717m is externally borrowed (from the Public Works Loans Board) and £9.916m is internally borrowed (ie reducing the reserves held by the HRA).

12.2 Additional borrowing of £19.219m is planned for the existing New Build and Development Programme. This has increased from previous assumptions due to the increase in costs set out in Section 15.

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 will rise by CPI +1% for one year, and then reduce to CPI only
- Void levels of 1.75% in general needs and 4% in Independent Living. This is a reduced void rate from 2022/23 (where it was 2% and 5% respectively) and reflects the positive work being undertaken in reducing voids.
- Inflation of 3% for 2024/25 and 2% thereafter
- 25 Right to Buy sales a year have been assumed in terms of rent loss (this is a reduction from 30)
- 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 30/40+ years depending on the affordability of the scheme.

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 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.

14.3 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.

14.4 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.

- 14.5 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.
- 14.6 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.
- 14.7 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 2022/23 is £16,389k, and a budget for 2023/24 of £25,710k.

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

15.3 Major Works

15.4 The Major works programme has been reprofiled in line with current programmes. This includes a significant programme of energy efficiency works.

15.5 Following the successful bids for Decarbonisation Demonstrator and Wave 1 grant funding, a bid has been submitted for Wave 2 funding. This budget includes £4.355m of works included within this bid, of which £1.696m would be funded from grant income. If this funding bid is not successful either alternative funding will need to be found, or some or all of the works will need to be delayed until funding is available.

15.6 New Homes and Regeneration Programme

15.7 The development programme has been recosted and reprofiled, in line with the New Homes and Regeneration Update paper, presented to this committee.

15.8 The total additional budget required is £6.2m (£5.4m on the phase 2 sites, plus £0.8m for Ringfield Close in Phase 1). This has been funded from a combination of existing capital receipts and additional borrowing. The increase borrowing, with no increase in rental income, has meant that the new loans will take longer to pay off (as they calculated so that they are supported only by the rental income to minimise the impact on funding for works on existing properties).

15.9 Acquisitions of Land and Housing

15.10 The budget allocation for acquisition of land and housing continues in line with the previous agreed programme. There is a one off budget of £3m for the acquisition of land which can be used if any opportunities arise. Any unused allocation will carry forward to the following year.

15.11 There is an annual £2m budget for the purchase of housing. This funding pot is also opportunistic, and it is not necessarily expected that this will be spent in full in each and every year. As this is an annual recurring budget any unallocated underspends each year would not carry forward to the next year, unless a specific case is made.

15.12 Independent Living Modernisation

15.13 The Independent Living Modernisation programme has been reprofiled across financial years, but the overall project remains on target and within the allocated funding.

16. IMPLICATIONS

16.1 Financial Implications

This report sets out the draft General Fund and HRA budgets relating to the Committee for 2022/23 and 2023/24. This will form part of the budget setting process to be considered by Strategy and Resources Committee and Council in February 2023.

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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 2022/23 which involves the Council calculating capital and revenue estimates for its General Fund.

The Council have a duty to consider the needs of the district with respect to the provision of housing Under Section 8 of the Housing Act 1985 (the Act). They 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.

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16.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

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.