

## For publication

### Housing Revenue Account (HRA) – Budget 2024/25 to 2028/29

<b>Meeting:</b>	Cabinet Council
<b>Date:</b>	27 <sup>th</sup> February 2024 28 <sup>th</sup> February 2024
<b>Cabinet portfolio:</b>	Housing
<b>Directorate:</b>	Finance Housing

#### **1.0 Purpose of report**

- 1.1 To consider the forecast outturn for the Housing Revenue Account (HRA) for the current financial year, 2023/24.
- 1.2 To consider the draft HRA budget for 2024/25 and the Medium-Term Financial Plan (MTFP) for the years 2024/25 to 2028/29.

#### **2.0 Recommendations**

- 2.1 That the forecast outturn for the Housing Revenue Account for the current financial year, 2024/24 be noted.  
  
That Cabinet recommends to full Council that:
- 2.2 The draft estimates for the Housing Revenue Account for 2024/25 and future financial years be approved.
- 2.3 That delegated authority is given to the Service Director – Housing, in consultation with the Cabinet Member for Housing and the Service Director – Finance, within the total funding provision of £700k to identify and progress service transformation projects and spend to save initiatives, and to respond to possible in-year changes in legislation or national housing policy to ensure that the authority continues to meet its statutory obligations and has a social housing offer which is fit for purpose.
- 2.4 That delegated authority is given to the Service Director – Housing, in consultation with the Cabinet Member for Housing, within the total funding provision of £1m (£750k revenue and £250k capital), to progress the immediate procurement of contractors to undertake the work on void properties as set out in **paragraph 4.18** of the report.

### **3.0 Reasons for recommendations**

- 3.1 To provide an updated assessment of the Council's Housing Revenue Account forecast outturn for the financial year 2023/24 and report on the progress made in addressing a number of financial challenges facing the council's Housing Service.
- 3.2 To provide the necessary authority for the council's Housing Service to take forward a number of transformation projects and other response measures to address the ongoing financial challenges facing the social housing sector.
- 3.3 To present a balanced Housing Revenue Account for the financial year 2024/25 for recommendation to full Council.

### **4.0 Report Details**

#### **Background and Context**

- 4.1 The Council is required to keep a separate account for its activities as a housing landlord. This is called the Housing Revenue Account (HRA). The HRA is closely governed by the Local Government and Housing Act 1989 and by Determinations made under this Act by the Department of Levelling up, Housing and Communities (DLUHC). The account is ring-fenced and does not receive any subsidy from the Government or from Council Tax, and nor is it allowed to subsidise the General Fund.
- 4.2 As a result of the introduction of self-financing in April 2012 the Council is required to produce a 30-year HRA Business Plan that is financially viable, delivers a reasonable standard of housing for tenants and maintains homes to at least the minimum Decent Homes Standard.
- 4.3 Self-financing has, in the main, improved the financial position of the HRA. The Council can determine its own financial future and can also borrow to finance improvements. Initially the level of borrowing was limited by the Government (the £156m debt ceiling for Chesterfield). However, the borrowing cap was removed by the Government in October 2018 to encourage councils to build new homes. Any extra borrowing must be affordable within the HRA 30-year Business Plan. The debt ceiling provides a useful guide to the extent of borrowing that is affordable within the HRA.
- 4.4 Social rents are usually set according to the Government's National Social Rent Policy and the Welfare Reform and Work Act 2016. In accordance with that policy, rents are allowed to increase by CPI plus 1% until April 2024. The basis for annual rent increases is the September Consumer Price Inflation (CPI) i.e., 6.7% in September 2023. The maximum rent increase for 2024/25 is therefore 7.7%.
- 4.5 On 16th January 2024, Cabinet considered the rent and service charge levels for 2024/25 and agreed a rent increase of 7.7% (based on the latest

Government policy highlighted above) and various service charge increases. These changes have been built into the 2024/25 budget forecast.

- 4.6 Government rent policy has resulted in significant reductions in the resources available to the Council's Housing Service in recent years. The mandated rent cap of 7% in 2023/24 (which was 4.1% less than inflation), had the cumulative impact of removing **£1.5m** of annual income (after voids) in perpetuity, with an estimated loss over the business plan period in terms of income of **£61m**. This is in addition to the impact of the four-year rent reductions imposed by Government between 2016 and 2020, which further reduced the amount of income available to the 30-year Business Plan.
- 4.7 Whilst increasing rent by 7.7% in 2024/25 will provide additional income to the HRA, it falls short of covering off a range of additional cost pressures impacting the Council's Housing Service. Like the General Fund, the HRA has been significantly impacted by the rapid increase in inflation. This has resulted in additional costs relating to pay awards, utilities and contracts, due to material, fuel, and labour cost increases, both in the current financial year, as well as across the MTFP.
- 4.8 The position across the timeframe of the MTFP remains challenging and the Council will have to make difficult decisions to ensure the long-term viability and robustness of the HRA, including reviewing the efficiency of services but also how investment is prioritised. Given the uncertainty of Government policy direction as well as the wider economic climate, this is going to make future investment decisions very challenging.
- 4.9 Given the size and scale of the challenges it is advised that a fundamental review of the HRA Medium Term Financial Plan and 30-year Business Plan be undertaken during 2024, to review the assumptions informing their construct, the finances needed to maintain the Council's housing stock at least to the minimum Decent Homes Standard and achieve compliance with new regulatory standards, and identify the savings and efficiencies that will need to be made over the medium term to maintain a balanced, risk-adjusted and financially resilient Housing Revenue Account.

#### **Financial Position at Year End 2023/24**

- 4.10 The deficit for 2023/24 is forecast to be **£858k** (as at period 8), which is an improved position of **£2.223m** against the original budget, primarily due to a number of funding and financing adjustments such as removing the planned **£3.389m** revenue contribution to fund the capital programme and pausing the voluntary repayment of debt (**£1.841m**). Table 1 summarises the forecast outturn for 2023/24 against the original budget:

<p><b>Table 1: Original Budget 23/24 - Forecast/ Revised Estimate (P8) 2023/24 Movement</b></p>
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Description	Original Budget 2023/24 £'000	Forecast Estimate 2023/24 £'000	Variance £'000
Net rents	(39,536)	(39,007)	529
Non-Dwelling Rents	(960)	(960)	0
Service Charges and other income	(1,163)	(1,163)	0
<b>Total Income</b>	<b>(41,659)</b>	<b>(41,130)</b>	<b>529</b>
<u>Expenditure</u>			
Supervision and Management -General	9,274	9,402	128
Supervision and Management -Special	2,858	2,879	21
Rent, taxes and other charges	245	548	303
Repairs and Maintenance	10,196	10,716	520
Depreciation and contribution to Major Repairs Reserve	12,132	13,656	1,524
Interest and Debt Management Expenses	4,215	4,186	(29)
Provision for the repayment of debt	1,841	0	(1,841)
Bad Debt Provision	589	600	11
Direct Revenue Financing	3,389	0	(3,389)
<b>Total Expenditure</b>	<b>44,740</b>	<b>41,988</b>	<b>(2,752)</b>
<b>Deficit / (Surplus)</b>	<b>3,081</b>	<b>858</b>	<b>(2,223)</b>
HRA working balance B/F	(6,937)	(6,657)	280
<b>HRA working balance C/F</b>	<b>(3,856)</b>	<b>(5,799)</b>	<b>(1,943)</b>

4.11 The main variances are set out below:

- **Rents** are forecast to reduce by **£529k** due to an increase in the level of void properties. The percentage of void properties currently stands at 3.57%.
- **Supervision and Management** costs are forecast to overspend by **£149k**. This is after allowing for the pay award for 2023/24 of £1,925 on all staff salaries and the impact of an-year pension increase (£210k). The Housing Service has also been faced with increased costs for dealing with disrepair legal claims (£157k), higher costs for dealing with antisocial behaviour (£78k) and higher than budgeted IT software and hardware costs (£187k). There have however been underspends on utility bills and other costs. The 2023/24 budget also included £300k for transformation activities, which has not been fully spent and will be carried forwards into 2024/25.
- **Rent, tax and other charges** are forecasting an overspend of **£303k** mainly due to council tax charged on void properties.
- **Repairs and Maintenance** budgets have been reviewed and the forecast outturn is **£520k** above the original budget. This is due to increased employee costs from the above budgeted pay award

(averaging 5.6% against a budgeted 4%) and an increase in the costs of dealing with housing disrepair claims. This has been partially offset by an underspend on materials within Housing Property Services. The full cost of providing these services is retained within the Housing Revenue Account.

- **Depreciation charges** have increased by **£1.524m** to reflect the increase in valuation of the housing stock. This has been transferred to the Major Repairs Reserve and used to fund the Capital Programme.
- **Provision for the Repayment of Debt.** As agreed by Council on 18<sup>th</sup> October 2023, the voluntary provision for debt repayment (**£1.841m**) has been paused for 2023/24 and 2024/25 to provide funds to enable the council's Housing Service to take forward a number of transformation projects and other response measures to address the ongoing financial challenges facing the Service and the social housing sector more widely.
- **Direct Revenue Financing.** Direct Revenue Financing relates to the funding of the Council's capital programme. The planned direct revenue financing contribution of **£3.389m** towards the Capital Programme in 2023/24 is not currently deemed affordable due to the scale and nature of the in-year pressures on the Housing Revenue Account.

### **Financial Strategy 2024/25**

- 4.12 The financial strategy for the HRA is to deliver a balanced and sustainable budget which is self-financing in the longer term, and which reflects both the requirements of tenants and the strategic vision and priorities of the Council.
- 4.13 The HRA is not permitted to run at an overall deficit and risks must continue to be identified and managed effectively. A minimum working balance of **£3.5m** (increased annually by inflation) is maintained to avoid the risk of the HRA moving into a position of negative balance in the event of an exceptional cost(s) arising.
- 4.14 It is important to note that the budget projections shown in this report assume that the loss of rental income through bad debt (rent arrears written off) and void (empty) properties continues to be minimised through robust management and control procedures. Should these losses increase above the assumptions contained in the budget there is the real risk that HRA balances will move towards and potentially below the afore mentioned minimum working balance, which is not a sustainable position.
- 4.15 The Medium-Term Financial Plan at **Appendix 1** show that the HRA balance is anticipated to fall to **£5.071m** in 2024/25, primarily due to the increased pressures set out later in the report. The impact of these additional costs has been partially mitigated by the removal of any direct revenue financing contribution to fund the Capital Programme and pausing the voluntary repayment of debt (£1.841m) for a further financial year. Without these measures to reduce costs, the working balance would be below the minimum required level for 2024/25.

## Core Planning Assumptions

4.16 The following budget assumptions have been used to produce the draft Housing Revenue Account Budgets.

- Rent levels for 2024/25 have been increased by 7.7% (CPI +1%)
- Rent levels for 2025/26 have been increased by 2.8%
- Rent levels for 2025/26 onwards have been increased by 2%
- The pay award for 2024/25 has been estimated at 3%
- Pay awards for 2025/26 onwards have been estimated at 2%
- General expenditure for 2025/26 has been increased by 2.8%
- General expenditure for 2026/27 onwards has been increased by 2%
- The Void rate to be reduced to 2% by 2025/26
- Debt Repayment (1.5% of balance) at £1.8m per annum to resume from 2025/26

4.17 Details of service pressures and savings proposals are set out in the following paragraphs:

### Service Pressures

4.18 New pressures of **£3.673m** have been included within the budget for 2024/25, some of which are one off, whilst **£1.625m** are ongoing and have been built into budgets from 2025/26. These pressures are essential activities but in the short-term represent costs over and above the base budget. However, many of the activities will deliver savings in future financial years. A fuller breakdown of the service pressures is set out in **Appendix 2** but summarised below:

- **New Social Regulator £65k** (one off) – All social landlords are required to pay an annual fee to the new Social Housing Regulator, relative to their stock holding and while we are still awaiting determination of the final figure this represents a prudent estimate of the cost for 2024/25 and future financial years. Whilst the introduction of new standards and requirements are greatly welcomed by the social housing sector, they are placing additional financial burdens on the HRA, which were not contemplated when the self-financing regime was introduced in 2012.
- **Derbyshire Law Centre £22k** (ongoing) - The Derbyshire Law Centre project has proved to be successful in securing better outcomes for tenants who have submitted disrepair claims, and the Council's continuing financial support for the project will help to mitigate the rising costs of dealing with disrepair claims, specifically the fees paid to external solicitors.

- **Local Plan Contribution £15k** (one off) - The strategic housing assessment is a key element of the Local Plan, requiring an annual HRA contribution of £15k towards the costs of refreshing the Local Plan.
- **Void Properties £750k** (one off) – A range of activity is underway to improve the Council’s performance in dealing with voids (empty council homes) – reducing the number and speeding up the relet process. It is recommended that £1m of additional funding be allocated in 2024/25 (£750m from revenue and £250k has been included with the capital programme) for the procurement of external contractors to undertake this work and reduce the backlog of void properties.

The current rate of void properties is 3.57% and it is estimated that this commission will bring 200 empty homes back into use within 2024/25, reducing the void rate to 2.5%. These assumptions have been built into our medium-term financial plan and will deliver substantial savings in lost rent and reduced council tax payments from 2024/25.

Pending the procurement of the external contractors, there will however be additional costs associated with the current levels of void properties in 2024/25; an additional **£427k** in lost rental income and **£267k** in additional council tax payments. The approval of the activity set out above to reduce the level of voids will however mitigate this pressure from 2025/26.

- **Disrepair Claims £250k** (ongoing) - Disrepair claims continue to be a major challenge with case numbers continuing to increase. Whilst the Derbyshire Law Centre project has proven to be successful in terms of improved outcomes for the tenant and reduced expenditure on external solicitors’ legal fees, a budget provision of **£250k** is viewed as needed for the foreseeable future.
- **Corporate Health and Safety Reshape (HRA contribution) £82k** (ongoing). Additional resources are required to support the council’s Housing Service to be fully health and safety compliant, undertake a fundamental review of health and safety policies and procedures, and deliver health and safety improvements.
- **Creation of key posts to deal with compliance, decarbonisation, and other key priorities £427k** (ongoing) – Permanent additional staff are now needed within the Housing Assets and Compliance team , to ensure we can continue to maintain our performance in relation to multiple areas of landlord compliance and keep our tenants safe, as well as attracting inward investment for and coordinating the Council’s stock decarbonisation programme. Funding has been included within the budget for 2024/25 but its allocation will be subject to a separate report to the Council’s Joint Cabinet and Employment and General Committee.

- **Temporary staff to improve customer care and address repairs delays, pending reshape £290k** (one off) – Provision has also been made for the funding of some additional temporary staff, pending a re-structure of the Housing Property Services team. These staff will concentrate on improving customer care, handling complaints more effectively and swiftly, and increasing capacity within the trades' workforce to deal with repairs delays.
- **Legal costs to tackle Antisocial Behaviour £50k** (ongoing). This pressure is based on experience from the current financial year where the Housing Service has had to incur additional legal support costs to enable it to take a robust approach to enforcement action in relation to the anti-social behaviour of a minority of tenants.
- **Lone Worker Devices £25k** (one off) – The purchase of additional lone worker devices is required to keep our officers safe when working alone in tenants' properties.
- **New Fleet Costs £722k** (ongoing) - As set out in the July 2023 report to Cabinet on replacing the Council's vehicle fleet, there is an additional cost to the HRA for the purchase of new vehicles, which will allow the Council to progress plans to decarbonise the fleet, in line with the Council's climate change strategy.
- **Apprentices £80k** (ongoing) – Additional salary costs associated with five new trades apprentices until they have secured permanent posts within the service following completion of required training.
- **Transformation Activities £200k** (one off) – a range of transformation activity is underway to develop a more efficient and effective model of delivering repairs and maintenance services, implement better ICT systems, and undertake a review of red-book staff payment arrangements / terms and conditions.

An additional provision of £500k (£300k in 2023/24 and £200k in 2024/25) was included within the budget as part of the MTFP which was approved in February 2023. This was to allow for investment in service transformation projects, spend to save initiatives and better enable the Council to respond to changes in legislation, or major changes in national housing policy.

The provision for 2023/24 remains unspent and will be carried forward into 2024/25. The total funding for transformation activity in 2024/25 will therefore be £700k.

It is recommended that responsibility for identification of suitable projects and approval of funding for them, is delegated to the Service Director - Housing, in consultation with the Cabinet member for Housing and the Service Director - Finance, who are responsible for ensuring that



the Council continues to meet its statutory obligations and has a housing offer which is fit for purpose.

This programme of activity will lead to HRA savings and efficiencies moving forwards. No corresponding savings arising from the transformation programme have been built into the budget at this time as it is not possible to accurately quantify the level of savings that will be delivered from these activities until the reviews have been undertaken and the details have been confirmed. However, there is an expectation that significant savings will be achieved and built into future budgets as part of the 2025/26 MTFP process.

### **Savings Proposals**

4.19 Savings in 2024/25 include:

- **Savings from Vacant Post (£34k)** – This saving arises as a result of a reduction in General Fund staffing, where the Housing Revenue Account has paid for a proportion of the costs of the vacant post that has been removed.
- **Phasing out Voluntary Sector Advice Agency Grants (£35k in 2024/25 rising to £81k in 2027/28)**. The Council currently provides four community and voluntary sector organisations with core grant funding of £217.7k (64% (£139k) from the General Fund and 36% from the Housing Revenue Account). This proposal is subject to a 12-week consultation period. A further report will be presented for Cabinet consideration and decision on 19 March.
- **Changes to Careline (£260k)** – Cabinet approved the changes to the delivery of the Council's Careline service on 5 February 2024. The reduction in budget reflects the reduced proportion of Careline customers who are also council tenants. This a net saving as there remains an annual HRA contribution to the costs of running the Careline service of £145k.

### **Budget 2024/25 and Medium-Term Financial Plan**

4.20 Table 2 summarises the budget estimates for 2024/25 and compares the movements to the original budget estimates for 2023/24. The MTFP is attached at **Appendix 1** and evidences a working balance, over and above the minimum of £3.5m (updated by inflation), in all years through 2028/29. However, the 2024/25 budget has a gap of **£729k** which has been covered by an allocation from the working balance and, whilst the deficits over the MTFP reduce year on year, it is not until 2028/29 that the MTFP does not rely on the use of the working balance to achieve a balanced budget position.

<b>Table 2: Original Estimate 23/24 - 24/25 Movement</b>			
Description	Original Estimate 2023/24	Original Estimate 2024/25	Variance
	£'000	£'000	£'000
Net rents	(39,536)	(43,247)	(3,711)
Non-Dwelling Rents	(960)	(1,009)	(49)
Service Charges and other income	(1,163)	(1,010)	153
<b>Total Income</b>	<b>(41,659)</b>	<b>(45,266)</b>	<b>(3,607)</b>
<u>Expenditure</u>			
Supervision and Management -General	9,274	11,000	1,726
Supervision and Management -Special	2,858	2,819	(39)
Rent, rates, taxes and other charges	245	513	268
Repairs and Maintenance	10,196	12,660	2,464
Depreciation and contribution to Major Repairs Reserve	12,132	13,656	1,524
Bad Debt Provision	589	656	67
Interest and Debt Management Expenses	4,215	4,692	476
Provision for the repayment of debt	1,841	0	(1,841)
Direct Revenue Financing	3,389	0	(3,389)
<b>Total Expenditure</b>	<b>44,739</b>	<b>45,995</b>	<b>1,256</b>
<b>Deficit / (Surplus)</b>	<b>3,081</b>	<b>729</b>	<b>(2,351)</b>
HRA working balance B/F	(6,937)	(5,799)	1,138
<b>HRA working balance C/F</b>	<b>(3,856)</b>	<b>(5071)</b>	<b>(1,213)</b>

4.21 The original 2023/24 budget estimates were approved on the basis of there being a forecast in-year deficit of **£3.081m**. The original 2024/25 budget shows a decrease in the deficit to **£729k** and an overall HRA working balance of **£5.071m**, which is in line with the financial strategy. The main variances are set out below:

- Rental Income has increased by **£3.711m**, this is the net effect of the agreed 7.7% rent increase and the additional work proposed to reduce the percentage of void properties to 2.5% of the current stock holding.
- There is a small uplift in the bad debt provision contribution of **£67k** to £656k. This will be reviewed periodically, as more tenants transition to Universal Credit and the impact of the current cost of living crisis becomes clearer.
- Supervision and management costs have increased overall by **£1.726m**. Included within this figure is an estimated 3% pay award for 2024/25, £427k for the creation of new posts to deal with compliance, decarbonisation and other priorities, £272k to cover the costs of dealing with disrepair claims, and an £82k contribution towards the costs of the corporate Health and Safety reshape.

This expenditure line also includes the additional provision of £700k (£300k carry forward from 2023/24 and £200k in the existing base 2024/25 plus a £200k new pressure) to allow investment in service transformation projects.

- Repairs and maintenance costs have also increased by **£2.464m**. This sum includes the proposed £750k revenue contribution towards the costs of commissioning external contractors to bring 200 void properties back into use in 2024/25. It also includes £1.2m of new pressures, including provision for the estimated 3% pay award for Housing Property Services staff in 2024/25 and inflationary costs in relation to supplies and materials.
- Depreciation is charged on HRA properties, with the sum calculated (**£13,656**) re-invested in the Capital Programme. The level of depreciation has increased in proportion to the increase in valuation of the Council's stock holding.
- Provision for the Repayment of Debt **£1.841m**. As agreed by Council on 18<sup>th</sup> October 2023 the provision for the voluntary repayment of debt has been paused for 2023/24 and 2024/25 to enable the council's Housing Service to take forward a number of transformation projects and other response measures to address the ongoing financial challenges facing the Service and the social housing sector more widely.
- Direct Revenue Financing is capital expenditure funded from revenue balances. As is the case for 2023/24, it is not deemed affordable for a direct revenue financing contribution to be made towards the Capital Programme in 2024/25 due to the scale and nature of the current pressures on the Housing Revenue Account.

### **30-year Business Plan and Working Balance**

- 4.22 There is a requirement for the Housing Revenue Account (HRA) Business Plan to forecast over a 30-year period. This provides a financial assessment of the affordability and viability of the Council's vision and priorities for the borough's housing service. The aims of the Business Plan should be to ensure:
- That the HRA working balance does not go into a negative position (there is a legal requirement for the working balance to remain in a surplus position)
  - That HRA loans can be repaid as they fall due (or be refinanced)
  - That interest on the loans is affordable.
  - That there is sufficient funding available to ensure that the stock can be maintained as a minimum to the level of the Decent Homes Standard.
  - That the Plan is sufficiently well resourced to ensure that compliance with regulatory standards can be achieved.
- 4.23 The Business Plan measures the expected cashflows coming into the Housing Service and those going out on an annual basis. The Business Plan combines the HRA, which accounts for revenue cashflows, and the Capital

Programme, which provides for investment in the existing stock and funding to meet the Council's development aspirations. Taking the two together, we are able to estimate whether there are sufficient revenue balances to fund both the Council's revenue and capital plans for its housing stock.

- 4.24 The increase in costs set out in the MTFP, lower than inflationary increases in income and the need for increased spending on the Capital Programme, has and will continue to have a detrimental impact on HRA balances and reduce the HRA's ability to provide a direct revenue contribution towards capital spending. This will necessitate the requirement for additional borrowing (if within the parameters of the Business Plan) or for spending to be scaled back either on service provision or on the Capital Programme.
- 4.25 Given the uncertainty of Government policy direction as well as the wider economic climate, future investment decisions will be very challenging, given these are significant, long-term investments and how critically important it is for the Council to be able to ensure the long-term viability of the HRA.
- 4.26 The Business Plan has been refreshed based on the assumptions set out in this report to take account of the increased cost pressures, the cost-of-living challenges facing tenants, the enhanced focus on compliance and regulation, and the time for planned transformation activities to deliver the required efficiencies. Whilst the working balance is above the minimum requirement the Business Plan is showing signs of distress over the medium-term.
- 4.27 As is evidenced in **paragraph 4.18**, there are a range of service pressures and investment requirements, especially service transformation activities, totalling **£3.672m** in 2024/25 and **£1.625m** ongoing, which have had a detrimental financial impact on the Business Plan. The HRA Business Plan is a long-term forecast based on a multitude of assumptions, where even minor changes in the core assumptions can have a material impact on the viability of the Plan. Whilst there is an expectation that the planned transformation activities will lead to savings and efficiencies, these have not been able to be built into the Business Plan as it is not possible to accurately quantify the level of savings that will be delivered until the necessary work has been undertaken.
- 4.28 Over the 5-year MTFP, there is a requirement to deliver balanced budgets. However, for 2023/24 there is a forecast deficit of **£858k** which will need to be wholly covered by the HRA working balance. The 2024/25 budget currently shows a gap of **£729k** and, whilst the forecast deficits over the MTFP reduce year on year, it is 2028/29 before there is no reliance on the use of the HRA working balance to deliver a balanced budget.
- 4.29 The HRA working balance is a statutory reserve that should hold sufficient revenue funds to meet unexpected, unplanned expenditure and / or shortfalls in income. The level of the working balance has been reviewed based on a thorough assessment of budget risks and uncertainties and whilst it is sufficient for 2024/25, this position has only been achieved by the

removal of Direct Revenue Financing, as this is no longer deemed affordable, and the pausing of voluntary debt repayment for a second year.

## **5 Alternative options**

5.1 There are no alternative options to consider.

## **6 Implications for consideration – Financial and value for money**

6.1 The report in its entirety deals with financial and value for money implications.

## **7 Implications for consideration – Legal**

7.1 The HRA is governed by requirements of the Local Government and Housing Act 1989 and by Determinations made by the Department for Levelling-up, Housing and Communities under the terms of the Act.

## **8 Implications for consideration – Human resources**

8.1 There are no human resource implications to consider in this report.

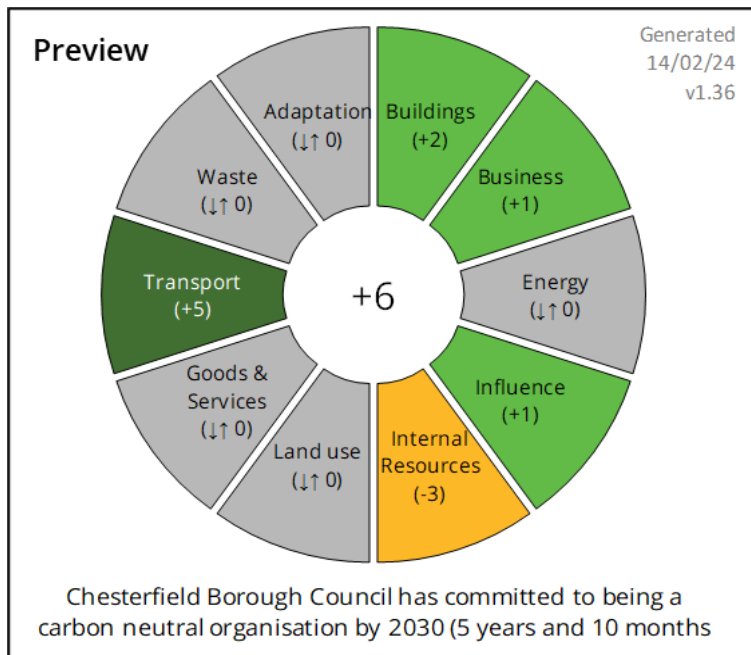
## **9 Implications for consideration – Council Plan**

9.1 In preparing the HRA for 2024/25 and updating the MTFP, detailed consideration has been given to the need for the resourcing levels to be suitable and sufficient for the Council to deliver in full on the priorities and objectives that it has set out within the Council Plan in relation to its statutory responsibilities as a social housing landlord.

9.2 The preparation of sustainable and balanced HRA budgets over the medium term is also a key activity in contributing to delivery of the second Council Plan priority 'improving the quality of life for local people.'

## **10 Implications for consideration – Climate Change**

10.1 Climate Change has been a key consideration during the development of the HRA budget for 2024/25 and the MTFP. Climate Change Impact Assessments are undertaken for specific spending options and activities and form a key part of informed decision making. The MTFP makes appropriate allocations to provide the required staffing resources and project funds needed to support the Climate Change Strategy and the delivery of the Climate Change Action Plan and 2030/2050 targets.



## 11 Implications for consideration – Equality and diversity

11.1 Equality and diversity has been a key consideration during the development of the HRA for 2024/25 and the MTFP. Individual equality and diversity impact assessments are undertaken as part of the decision-making processes for specific spending options.

## 12 Implications for consideration – Risk management

12.1 There are a number of significant risks inherent in any budget forecasting exercise and the risks increase as the period covered increases. The key budget risks for the HRA are detailed below:

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
2023/24 overspending	High	Medium	Enhanced monitoring in place during the latter part of 2023/24. Forecasting tool rolled out to budget managers. Weekly meeting between Housing and Finance.	Medium	High
Future economic changes / accuracy of the budget assumptions / Budget assumptions do not cover	High	High	All budget assumptions reviewed as part of the budget process. Inflation for pay at 3% and materials and contract inflation built into the MTFP. Maintaining a	High	Medium

inflationary impact			minimum working balance of £3.5m. Active monitoring and management of in-year budgets to identify cost pressures and income shortfalls at the earliest opportunity.		
Capital programme slippage relating to in Housing Property Services. Non recovery of costs will impact on revenue account	High	Medium	Monthly review of recharge account. Capital programme on track as at period 9. 2023/24 budgets adjusted to take account of current activity.	Medium	High
The impact of the cost-of-living crisis on bad debts	Medium	High	Active monitoring and management of debt levels and collection rates. Ensuring sufficient provision to cover the writing off of bad debt	Medium	High
The impact of Universal Credit on bad debts	Medium	Medium	Active monitoring and management of debt levels and collection rates. Ensuring sufficient provision to cover the writing off of bad debt	Medium	Medium
Ability to deliver the capital programme and maintain Decent Homes standard	High	High	Regular meetings with both internal & external contractors to identify any slippage at the earliest stage and to put in place mitigating actions to recover slippage and prevent any further slippage.	Medium	Low
Repayment of Right to Buy receipts if the new build programme is not completed as planned	High	Medium	New legislation means that the repayment of right to buy receipts is only triggered if they are not used within 5 years. The Council's new build plans will ensure that the receipts are all used within the extended timescale.	Low	Low
Policy changes including future limits on rent increases	High	High	Increasing rents to the maximum allowance possible	Medium	Medium

			<p>will protect income for future years. Funding built into the MTFP for transformation activity including creation of key posts to deal with compliance, decarbonisation, and other key priorities. In addition, funding for investment in service transformation projects, spend to save initiatives and to better enable the Council to respond to changes in legislation, or major changes in national housing policy.</p>		
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### **Decision information**

<b>Key decision number</b>	
<b>Wards affected</b>	<b>All</b>

### **Document information**

<b>Report authors</b>	<b>Contact number/email</b>
Theresa Channell Cynthia. Shumba	Theresa.channell@chesterfield.gov.uk 01246 936275 Cynthia.shumba@chesterfield.gov.uk
<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
<b>Annexes to the report</b>	
Appendix 1	Statutory HRA Operating Account
Appendix 2	Pressures