

2023/24 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 7 February 2023

| Risk area | Details |
|-----------------|---|
| Self-financing | <p>Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit.</p> <p>To deliver this, robust business and financial planning arrangements are maintained, including the production of a 30-year business plan. Assumptions around factors such as rent setting and inflation factors are built into this.</p> |
| Rent Policy | <p>As a Registered Provider of Social Housing the Council adheres to the Regulator of Social Housing’s ‘Rent Standard’. Rents are set in line with the Government’s ‘Rent Statement’.</p> <p>2023/24 is the fourth year of five where providers were permitted to increase rents by CPI + 1%, however due to what the government describe as ‘exceptional circumstances’ (around inflation and the cost-of-living crisis more generally) rent increases are capped at a maximum of 7% for 2023/24.</p> <p>This below inflation rent increase offers crucial support to tenants impacted by current financial pressures but also impacts service delivery and the business planning process. This reduction in income can be seen in the 2023/24 budget report through reductions in the capital programme which challenge the council’s ability to deliver the whole house improvement programme and other cyclical maintenance.</p> <p>This risk is currently managed. Government guidance will be kept under review to ensure any future assumptions around rental income are accurately informing business planning.</p> |
| Income Recovery | <p>Rental income is the main income source for the housing service. The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning.</p> <p>Wider cost-of-living issues such as increased energy costs create financial pressures for tenants and present a risk to assumed income. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt.</p> <p>Void (empty home) levels create additional rent loss. Fast, efficient turnaround of void properties, to reduce void rent loss, remains a priority.</p> <p>Supportive, proactive, and data driven service delivery in this area continues to protect income streams and promote successful tenancies. This service area is monitored weekly to ensure the risk is managed. The service has recently implemented Mobysoft Rentsense, a market leading piece of software which uses intelligent data analysis to help monitor rent accounts and ensure support is targeted toward those who most need it.</p> |

| | |
|---------------------------------|---|
| Reduced demand | <p>Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for council housing stock is currently high, particularly for one- and two-bedroom properties.</p> <p>Demand is monitored and informs the asset management planning process, and in line with the District Housing Strategy, informs the direction of programs of development, refurbishment and renewal.</p> <p>The potential for 'difficult to let' schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues.</p> |
| Stock reduction | <p>The rate of Right to Buy (RTB) sales remains relatively low compared to historic levels of sales; the budget planning process assumes 18 Right to Buy Sales per year.</p> <p>Any sales lead to future projected rental income levels being reduced. As many costs are fixed, this results in an adverse impact on the revenue position.</p> <p>To offset this the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, and scoping other sites and opportunities to realise a 'pipeline' of potential development.</p> |
| Additional capital requirements | <p>Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements.</p> <p>In response to the Building Safety Bill and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, damp and mould) activities began during 2021/22. Additional capital and revenue expenditure is built into the budget position to reflect increased investment in this area.</p> <p>Commitment to a ten year programme of energy efficiency improvements and upgrades across all housing stock remains in place, in response to the Council's declared climate emergency.</p> <p>Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. All requirements are reflected in the 30-year HRA Business Plan.</p> <p>The Mainway estate (comprising circa 250 council dwellings) was subject, in 2019, to detailed survey work which highlighted the need for major decisions around repair, upgrade, or redesign. Project work remains ongoing to define the options available; any potential project of transformation on Mainway will likely require borrowing against the HRA and will be subject to the council decision making process.</p> |
| Service Resilience | <p>A number of external factors (pandemic, weather events, etc) remain as financial and practical risks to delivery of the housing service. The service participates actively in the Council's resilience activities and planning and has developed robust processes to mitigate such risk.</p> <p>Provision and maintenance of IT represents an additional risk to service resilience in two ways:</p> <p>Delivery of a full IT replacement project is required to provide excellent digital capability across the housing service, replacing outdated 'legacy'</p> |

| | |
|-----------------------------------|---|
| | <p>systems. Delivery of this project is reflected in HRA reserve levels and will be subject to the Council decision making process in the coming months.</p> <p>In addition, support and maintenance of current IT infrastructure to delivery current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk.</p> |
| Effect of legislation/ regulation | <p>Implications of new (or changes to existing) legislation / regulation can present challenges and are monitored and reflected in service review and improvement planning. Examples are referred to in the risk items described here.</p> <p>Reputational risk to the Council should be considered in this context. A more prescriptive 'hands on' regulatory regime is being developed within the housing sector, including a more active and engaged Housing Ombudsman Service and Regulator with the government specifically 'naming and shaming' poor performing landlords. Greater scrutiny and transparency is largely welcomed within the housing sector but does bring the risk to reputation should services not be delivered to the required standard.</p> |
| Future Developments | <p>The City Council continues to have ambitions for the development of its own new affordable / social rented homes, which it is seeking to progress. Developments will be subject to the council's decision-making process.</p> |