

2025/26 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 14th January 2025

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>
Cost of service delivery in current climate	<p>Ongoing risks exist in relation to external impacts on the cost of service delivery. The impact of inflation, for example, resulting in increased costs to the service through cost of materials, contracts, and other building costs; the volatility of energy costs, to both tenants and to the council; and pay increases and unknowns such as the recent changes to employers national insurance contributions.</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>2025/26 has seen the Government set out a continuation of the previous five years policy whereby CPI+1% is the maximum rent increase permissible. This policy is currently out for consultation, but within the Council's 30-year business plan it is currently assumed that CPI + 1% will be in place for 5 years, with 2% in subsequent years in line with corporate assumptions around inflation.</p> <p>It should be recognised that future government policy in this area can have a significant impact on rent and therefore income levels.</p> <p>Government guidance will be kept under review to ensure any future assumptions around rental income are accurately informing business planning.</p> <p>An internal audit is scheduled for the end of 2024/25 into 2025/26 to confirm rent setting process robustness.</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, and is reported on as a corporate KPI.</p> <p>Recharges such as rechargeable repairs is being reviewed as a priority area of work through 2025/26 as well as effective schedule of rate setting for RMS to ensure appropriate cost recovery.</p>
Reduced demand	<p>Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for all types of council housing stock is currently high, during 2024/25 a new system went live with c2,000 residents now registered for re-housing.</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 had assumed 19 Right to Buy Sales per year, however recent government changes as outlined in the budget report are anticipated to reduce this figure to around 3 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. Recent government changes mean that the previously returned HM treasure share of RTB receipts can be retained for five-years to help support replenishment of our social housing with the balance being re-invested in housing stock through the capital programme.</p> <p>To offset the loss of homes through RTB the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, delivery of a specialist adapted and older persons housing 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 Act (2022) and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, smoke and carbon monoxide detection) activities began during 2021/22. Increased capital and revenue investment continues to be committed to this area. The City Council is keeping abreast of anticipated forthcoming changes from Awaabs Law and a new Decent Homes standard.</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, where possible match funding requests with government have been successful / submitted.</p> <p>Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. Much of the City Council's stock is ageing which poses further risk. All requirements to maintain stock decency are reflected in the 30-year HRA Business Plan.</p>

	<p>Completion of a full stock condition survey informs asset management planning moving forward – currently at 86% completion.</p> <p>For future development works to provide new affordable homes, including Mainway and Canal Quarter, project work remains ongoing to define the options available. To deliver these projects 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. Support and maintenance of current IT infrastructure to deliver current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk.</p> <p>Delivery of a reserve-funded multi-year full IT replacement project is underway with completion of phase 1 planned for Spring 2026.</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.</p> <p>The Social Housing Regulation Act 2023, the refresh of associated regulatory standards, and the increased scope of the Housing Ombudsman Service represent the most significant overhaul of the social housing sector for over a decade.</p> <p>New powers granted to the Regulator of Social Housing demand a greater tenant focus within service delivery, with particular focus on the security, safety and condition of social homes and the ability of residents to meaningfully influence service delivery and decision making.</p> <p>From April 2024 the regulator has embarked on a programme of 'Ofsted-style' inspections for social housing providers.</p> <p>The new regulation raises the required standards within social housing and create the conditions for significant practical and reputational risk. Since 2021/22 the HRA budget has incorporated costs in response to this, investment in compliance work being chief among them, and continues to be responsive to the requirements of the Social Housing Regulation Act and associated guidance through operational service delivery and strategic action planning.</p>

Future Developments	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 and are referenced in the 'Additional Capital Requirements' section above.
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