

## Cheltenham Borough Council

Cabinet – 15<sup>th</sup> February 2022

Council – 21<sup>st</sup> February 2022

### Housing Revenue Account - Revised Forecast 2021/22 and Budget Proposals 2022/23

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor Peter Jeffries</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report summarises the Housing Revenue Account (HRA) revised forecast for 2021/22 and the Cabinet's budget proposals for 2022/23.</p> <p>These budget proposals have been designed to support the economic recovery of Cheltenham and improve the quality of life for our tenants and communities. Our approach to housing services, in partnership with Cheltenham Borough Homes (CBH) and in line with the Social Housing White Paper, is to deliver these through genuine engagement with our tenants.</p> <p>The pandemic has had and continues to have a very significant impact on individuals and communities. Whilst the economy is recovering and unemployment falling, uncertainty over the future and financial challenges remain.</p> <p>The Cabinet's response is to continue the Council's significant investment in homes and services for the benefit of customers and communities. We have ambitious plans for housing over the medium to long-term including improving existing homes, supplying much needed new homes and aspiring to make Cheltenham a net zero carbon council and borough by 2030.</p> <p>A 'fabric-first' approach is being taken by CBH on existing homes by improving insulation before low carbon heating technology is installed. The Council and CBH have already been successful in a bid to the Government's Social Housing Decarbonisation Fund for a deep retrofit pilot scheme with a further bid to Government for 50-60 homes in 2022/23 awaiting decision and plans to increase the pace of delivery in future years.</p> <p>In addition, a significant proportion of the new homes within these budget plans will be built as net zero carbon buildings on sites controlled by the Council such as 320 Swindon Road which recently gained planning permission. Low carbon, energy efficient, high-quality homes will be warmer and cost less to run and improve the health and wellbeing of our communities.</p>

Budget projections for the next 3 years include £67m for additional affordable homes as part of the Council's £180m housing investment programme in partnership with CBH. The pipeline is set to deliver 450 additional homes over 5 years based on the current pipeline of schemes.

The 2022/23 capital programme includes proposals to invest over £10m in existing homes and then to continue at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live.

Investing appropriately in core landlord services and community services remains a key priority whilst ensuring operating costs are being controlled to deliver value for money. These services continue to be delivered collaboratively with other partners to increase the scope and impact for customers and communities.

The budget proposals for 2022/23, including the focus on sustainable, green investment, ensure the Council and CBH will continue to be able to support tenants and communities to thrive, help improve outcomes for young people, reduce inequality and support the economic recovery of Cheltenham through this challenging period.

#### **Recommendations**

- 1. Note the revised HRA forecast for 2021/22.**
- 2. Approve the HRA budget proposals for 2022/23 (shown at Appendix 2) including a proposed rent increase of 4.1% and changes to other rents and charges as detailed within the report.**
- 3. Approve the proposed HRA capital programme for 2022/23 as shown at Appendix 3 and Appendix 4.**

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail: <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264365</b></p>
<b>Legal implications</b>	<p>By approving the budgets for repairs and maintenance and the capital programme, Cabinet is making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions.</p> <p><b>Contact: One Legal</b></p> <p><b>E-mail: <a href="mailto:legal.services@onelegal.org.uk">legal.services@onelegal.org.uk</a></b></p> <p><b>Tel no: 01684 272017</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no direct HR implications for Cheltenham Borough Council arising from the report</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@publicagroup.uk">julie.mccarthy@publicagroup.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>As outlined in Appendix 1</p>
<b>Corporate and community plan Implications</b>	<p>The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.</p>
<b>Environmental and climate change implications</b>	<p>The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings and moving towards a net zero carbon housing portfolio by 2030.</p>

## **1. Background**

**1.1** The following amendments have been made to the interim budget proposals approved by Cabinet on 21<sup>st</sup> December 2021: -

- The capital forecast for 2021/22 has been updated to reflect latest information as at 31<sup>st</sup> December 2021 with expenditure on some schemes being delayed into 2022/23.
- Allocated budget to support the completion of the development agreement for the affordable homes element on the Golden Valley Development (£150,000) and expansion of the Council's Housing First initiative from 6 homes to 12 homes over three years with expected match grant funding (£26,000).

## **2. Current Operating Environment**

**2.1** The pandemic has had a significant effect on the Council and many sectors of the economy including housing and construction. The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Unemployment is expected to continue to decline. Inflation is expected to keep increasing due to higher energy and commodity prices and continuing supply shortages before reducing later in 2022.

**2.2** The construction and housing industry continues to face a number of challenges as the economy recovers putting pressure on the availability and price of materials and skilled labour. The impact on the HRA is reflected in higher levels of demand from tenants, increasing costs and needing to reschedule planned programmes for repairs and maintenance activities and the development of new homes. The impact is also being felt by tenants individually leading to greater support needs as Cheltenham communities recover from the pandemic.

### **2.3 *Social Housing White Paper***

**2.3.1** The Social Housing White Paper seeks to provide transformational change, establishing a new Charter for social housing residents. The new Tenants Charter sets out what every social housing resident should be able to expect through seven key commitments. Cheltenham has always had a tradition of putting customers first, treating them well and making a positive difference to residents' lives. This focus on the customer, the continual drive to provide safe and secure homes and create strong and supportive neighbourhoods, as reflected in the investment plans proposed in this report, echo what the Social Housing White Paper sets out to achieve.

**2.3.2** Details on the implementation of the Tenants Charter, consultation and related timescales will become evident from Government in due course. Proactive and positive work is already well underway in partnership with Cheltenham Borough Homes (CBH) on responding to the challenges in the Paper, changes in safety regulations, having mechanisms for tenants to shape and scrutinise services and being transparent on compliance and performance of housing services.

**2.3.3** The budget proposals for 2022/23 include the transition of electrical safety checks for homes from every 10 years to every 5 years, developing a new tenant engagement strategy comprising the overarching messages from the Paper, consulting with tenants around home and building safety and reporting on tenant satisfaction measures and landlord performance measures.

## **2.4 Universal Credit (UC)**

- 2.4.1** The £20 Universal Credit (UC) uplift ended on the 6 October 2021 despite significant concerns being raised. Homelessness charity Crisis warned that it would place 100,000 renting households at risk of eviction (this is number of households in England on UC who were in 2 or more months of arrears during Nov-Dec 2020). To support those in work the UC “taper” has been cut from 63% to 55%, so that instead of losing 63p of benefit for every £1 earned above the work allowance, the amount is reduced to 55p. Changes were also announced to the UC Work Allowance, which is the amount that people who are responsible for a child or have a limited capability for work, can claim before their UC payment is affected.
- 2.4.2** CBH’s benefit and money advice team works closely with customers, usually in critical and/or vulnerable situations to provide advice about benefits available and financial help. The proposed budget will enable this team to continue to support tenants in claiming additional benefits and help them stay in their homes and improve their quality of life. The service also supports customers with advice on UC and works closely with other partners such as the DWP.

## **2.5 Government Policy**

- 2.5.1** Current Government rent policy is to permit rents to increase by a maximum of CPI (as at previous September) + 1% per annum for the next three years before a further review. The CPI for September 2021 was 3.1% thus allowing a maximum rent increase for 2022/23 of 4.1% which has been included in this budget.
- 2.5.2** From April 2022 the rate of Employers’ National Insurance contributions will increase for one year in advance of a new health and social care levy. The amount will increase by 1.25% which has been factored into the budget proposals for 2022/23.
- 2.5.3** The Government has confirmed that Local Housing Allowance levels will be frozen for 2022/23 which could impact levels of affordable rent on current and future development schemes.
- 2.5.4** The Government has implemented changes to RTB policy in 2021 which supports the reinvestment of these receipts into the supply of additional social housing in Cheltenham. The deadline to use RTB receipts has been extended from three years to five years and these receipts can fund 40% of each new home instead of 30%. The use of RTB receipts continues to be closely monitored by CBH to ensure they are retained for reinvestment in Cheltenham.

## **2.6 Proposed Government Planning Reforms**

- 2.6.1** In Summer 2020 Government published the Planning White Paper ‘Planning for the Future’ which proposed to overhaul the current suite of planning policies, with the overarching aim of reinvigorating home ownership, supporting the Government’s target to deliver 300,000 homes per annum and boost development’s contribution to the economy and infrastructure as a response to COVID-19. The reforms were aimed at reducing bureaucracy and aligning with government’s ‘build, build, build’ agenda. When Michael Gove was appointed as Secretary of State for Levelling Up, Housing and Communities in September 2021, he swiftly announced that the planning reforms would be put on hold, with no definitive timetable released. He has however since indicated that he sees planning reform as just one part of a much-bigger piece of work to review housing policy. The impacts of any changes will be reviewed when details are available.

### **3. Investing in Cheltenham**

**3.1** The Council's response to the current environment and recovery from the pandemic is to continue its significant investment in homes and services for the benefit of the people of Cheltenham. The Council has ambitious plans for housing over the medium to long-term including improving existing homes, supplying new homes and investing to make Cheltenham net zero carbon by 2030. Further detail on these investment plans is set out below.

#### **3.2 *Making Cheltenham Net Zero Carbon by 2030***

**3.2.1** The Council is working towards its challenging target of becoming a net zero carbon borough by 2030, and a key element of this is a programme of carbon reduction for existing HRA homes. The work to decarbonise existing homes is complex and challenging however it has more positive outcomes than simply cutting carbon emissions - energy efficient homes will be warmer and cost less to run and improve the health and wellbeing of our communities.

**3.2.2** A 'fabric-first' approach is being taken with the existing homes managed by CBH which includes the Council housing stock of around 5,000 dwellings, many of which are heated by greenhouse gas emitting gas boilers, ensuring that the homes are as energy efficient as possible by improving the insulation before low carbon heating is reviewed and considered. The Council and CBH have already been successful in a bid to the Social Housing Decarbonisation Fund for a deep retrofit pilot scheme. This will demonstrate the potential to make our existing homes low carbon through fabric improvements and low carbon heating.

**3.2.3** Further to this pilot scheme Government has made £160m of funding available through 'Wave 1' of the Social Housing Decarbonisation Fund (SHDF). In partnership with CBH the Council has bid for part of this funding which would enable up to two thirds of the total cost of an initial project aimed at 'fabric first' measures such as improved insulation to reduce energy demand for eligible homes and improve the homes to at least Standard Energy Procedure (SAP) C. The total budget covering this bid is approximately £1.26m and will cover improvements for 50 to 60 HRA homes. The grant needed to fund this project is estimated to be around £780k, with the HRA funding the remainder of around £480k.

**3.2.4** Further grant bids, in partnership with other local authorities where beneficial, will be made as funding becomes available from Government. An estimate for works and funding under 'Wave 2' has been included in the projections for 2023/24 and 2024/25 to increase the pace of delivery of these retrofit works on existing homes.

**3.2.5** In addition, the Council is investing in new net zero carbon homes. Planning has recently been granted at 320 Swindon Road for 24 highly energy efficient new homes with other schemes controlled by the Council coming forward for development in 2022/23 and beyond also meeting this aspiration and achieving a cleaner, greener sustainable environment.

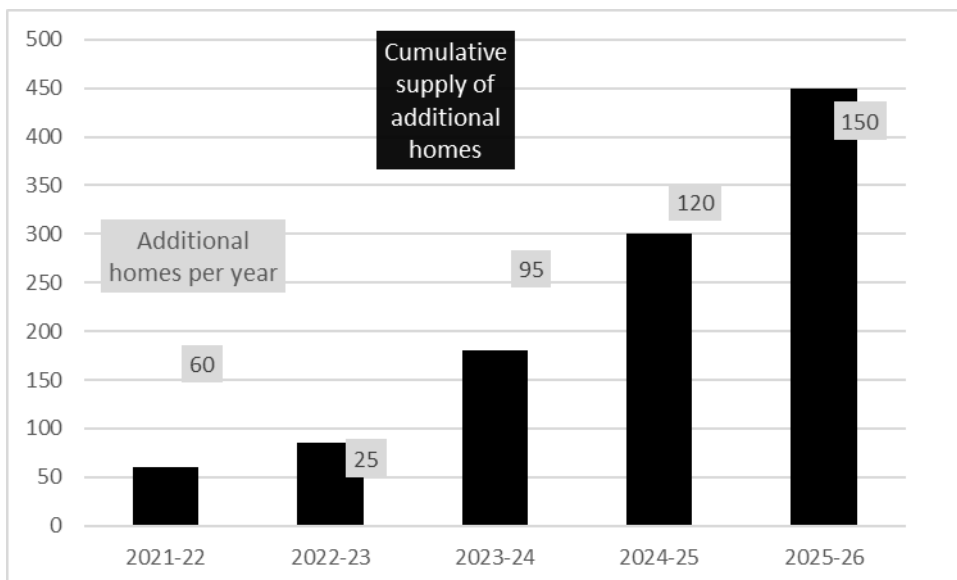
**3.2.6** This investment is being managed by CBH and working in partnership the Council will seek to influence the energy sustainability standard of other developer led schemes which will deliver future homes for the HRA and support other green initiatives for the benefit of HRA tenants.

### 3.3 *Investing in new affordable homes*

3.3.1 The Council continues to successfully deliver new affordable homes through its £180m housing investment programme in partnership with CBH. As part of this programme the Council has already spent approximately £34m and is allocating £17m for 2022/23 and projecting further investment of £50m over the following 2 years.

3.3.2 In the current year 60 additional affordable homes are expected to be delivered; 27 new homes already delivered and let on the Monkscroft Villas site, 10 new homes in Brockhampton and Prestbury Road and 20-25 newly acquired properties. These include a mix of apartments, 2 bed and 3 bed houses across multiple tenures.

3.3.3 The last 18 months has given the housing sector a number of challenges that have temporarily impacted bringing forward new sites for development. This will reduce the number of new homes that can be delivered next year however the step change in supply of new affordable homes after this will continue with a range of affordable tenures provided including social rent, affordable rent and shared ownership. The current pipeline is set to deliver 450 additional homes in the current and following 4 years, as shown below, with a number of other opportunities currently being explored and negotiated.



3.3.4 An element of the supply of new homes from 2024/25 onwards is the contribution from the Golden Valley development spearheaded by the Council. When combined with other opportunities such as 320 Swindon Road and the former Monkscroft Primary School site this could result in over 1,000 additional affordable homes being delivered by 2030.

### 3.4 *Investing in existing homes*

Each year thousands of responsive repairs and planned works are carried out to ensure existing homes remain secure and safe places to live. The HRA's asset management strategy includes investment programmes to help bridge the quality gap between existing and new homes. These programmes of work maintain statutory compliance, increase energy performance and improve the quality of homes in ways that assist customers and contribute to their quality of life.

3.4.1 This programme of investment will continue in 2022/23 with £1.56m allocated to 'fabric first'

and other energy sustainability measures, £1.7m for new windows, £1.8m for external works including roofs, chimneys and rainwater goods, £0.7m for new kitchens, bathrooms, showers and rewiring, and £0.6m for a new warden call system. In addition, £0.6m has been allocated for neighbourhood improvement works to deliver external scheme improvements in collaboration with customers.

- 3.4.2** Investment in compliance remains a high priority for the 2022/23 budget, ensuring new requirements are met and customers continue to feel safe in their homes. In accordance with changed regulations domestic property electrical tests now need to be completed every 5 years rather than 10 years meaning additional electrician and administration support has been included in the budget proposals to deliver this revised regulatory requirement.
- 3.4.3** For gas safety, performance remains strong and whilst 'out of date' figures increased due to the COVID-19 lockdowns this has been managed back to pre-lockdown performance (99.9% in date) and will be maintained in 2022/23. CBH take a robust approach to ensure access through legal means where this is necessary, whilst a more measured approach is taken when the situation demands this, for example working closely with other local agencies to support tenants who are resistant to volunteering access due to mental health issues.
- 3.4.4** All Fire Risk Assessments for communal areas will have been updated during the current year under more rigorous guidelines and the recommendations from these assessments will be included in the planned improvements programme starting in 2022/23.
- 3.4.5** In total the budget for 2022/23 proposes an investment of over £10m in existing homes and the projections are to continue to invest at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live.

### **3.5 *Investing in communities***

- 3.5.1** CBH's community investment programmes focus on four strategic themes: health and wellbeing, education training and skills, community safety and enabling community involvement and engagement. These priorities were informed by community consultation and partner engagement and align with the wider aims of the Council. Outcomes and community impact are measured through HACT's Social Value model.
- 3.5.2** Examples of this work include the successful Monkscroft Community Action Group which is helping to support a vibrant and inclusive community in that neighbourhood. This model is being replicated with partners and residents in other neighbourhoods to establish new residents' groups. Over school holidays CBH has also worked closely with the Council and other partners to deliver a range of fun and healthy activities as part of the No Child Left Behind Campaign.
- 3.5.3** CBH's ASB team support our partners, including the Police, in tackling issues of drug use and other anti-social behaviour issues. The team will continue out of hours working to support and reassure local residents and work proactively through supporting people dealing with trauma related vulnerabilities.
- 3.5.4** CBH's pilot ACE's programme (Adverse Childhood Experiences) has been developed with the goal of supporting families along a pathway to resilience to overcome their ACEs. This approach is based upon a "what has happened to you" approach, centred around trust building, kindness and compassion. The outcomes of the pilot prove the value of taking an



ACEs approach and supports the extension of this programme including progressing opportunities for obtaining external funding to expand the programme.

- 3.5.5** CBH's Employment and Training team deliver a range of activities with the aim of supporting 150 customers into new jobs or training each year. Existing programmes for young people such as Thrive, which is designed to help young people stay in education and then transition to apprenticeships where possible, will continue under the budget proposals. Newly developed programmes such as working in partnership with GEM (Going the Extra Mile) to support 18-24 year olds in gaining Employability Skills Development Certificates, work placements and careers advice will also be possible.
- 3.5.6** The budget proposals for 2022/23 ensure the Council and CBH will continue to be able to support tenants and communities to thrive and help improve outcomes for young people and reduce inequality.

### **3.6 *Maintaining high quality landlord services***

- 3.6.1** Despite the challenging operating environment, with the support of the Council, CBH continues to prioritise the provision of high quality, core landlord services to tenants, delivering top quartile performance when compared to other housing providers in the sector. These core services include repairs, anti-social behaviour management (ASB), tenancy management, rent arrears management, lettings and resident involvement. Appropriate investment in these core landlord services from the HRA ensures high performance and customer satisfaction levels.
- 3.6.2** Repairs and maintenance performance is a key driver of satisfaction and important to sustain quality housing stock and therefore extra capacity has been included in the draft budget to respond to increases in demand and recognise the current cost pressures and shortages in materials and skilled labour in the sector. As part of this extra capacity, provision has been made for an additional apprenticeship role.
- 3.6.3** As part of the proposed budget CBH will continue to focus on listening and acting on customer feedback in order to improve satisfaction levels, expand digital services whilst identifying efficiencies in core management costs through mobile working and automation of processes.

## **4. *Delivering through strong partnership working***

- 4.1** Delivery of the Council's housing ambitions and investment plans set out above is only possible through strong partnership working. The partnership with CBH continues to be strengthened with joint working to implement opportunities and efficiencies proposed within the recent strategic housing review and collaborate further on our jointly held strategic goals and measures of success.
- 4.2** One of the CBH owned outcomes of the Stronger Working Partnership Programme is to deliver annual savings for the Council of £487k over three years to 2023/24. The driver for these savings is to support the long-term sustainability of the HRA during the current period of greater financial uncertainty and significant investment challenges for the HRA over the medium term including new homes, existing homes and net zero carbon whilst maintaining high quality services for customers.
- 4.3** A targeted savings profile is shown below along with the current forecast position.

	2021/22 £000	2022/23 £000	2023/24 £000	Total Annual Savings £000
<b>Indicative annual savings to be identified and delivered by CBH for the Council</b>	70	200	217	487
<b>Current forecast based on progress to date</b>	109	200	178	487
<b>Savings delivered or in progress</b>	✓	✓	tbc	309

**4.4** Year 1 savings have been delivered by CBH through efficiencies reflected in a flat ALMO management fee for 2021-22. Year 2 savings relate to the lease surrender of Cheltenham House during the current year. This lease surrender was negotiated by CBH 5 years in advance of the lease termination date and without incurring any penalties or dilapidation charges. CBH will continue to work over the coming 12-18 months to identify and deliver the remaining £178k of savings for 2023/24.

**4.5** Through CBH, partnership working extends a lot further, working with multiple partners to deliver projects, activities and funding including:

- a large number of successful community events during school holidays supporting the Council's No Child Left Behind Campaign and the holiday activity and food programme Cheltenham's Summer of Play 2022
- a hub based service focusing on wellbeing to support older people to access services and social opportunities close to home, supporting independent living and reducing social isolation
- a Housing First pathway to permanently house rough sleepers in tenancies with support (with a proposal of expanding this initiative over the next three years if grant funding is successfully received)
- projects to combat Anti Social Behaviour
- outcomes for families and young people impacted by Adverse Childhood Experiences
- employment and training outcomes
- a programme of detached youth work
- support for Cheltenham's Heads up campaign to raise awareness of mental health and positive lifestyle choices
- support for Cheltenham' Inspiring Families programme, working with partners to provide community based family support

## **5. 2021/22 HRA Revised Forecast (Appendix 2)**

**5.1** The most recent revenue forecast for the current year shows a reduction in the net operating

surplus of £210,500 compared to the original budget. Significant variations (greater than £50,000) have been identified in budget monitoring reports and are shown below:

Budget Heading	Additional Cost (-) / Income (+) £
Repairs and Maintenance - increased expenditure due to the lifting of COVID restrictions and the need to clear the repairs backlog. The current demand from customers is higher than the previous 'normal' level of activity which is being monitored closely. There are also increasing cost pressures, on materials, labour and sub-contract works, as well as supply issues with certain material products.	-257,900
Interest Payable – reduction in borrowing due to COVID-19 delays to the capital programme and availability of other resources	156,900
Depreciation of Dwellings – reflects higher stock numbers and inflation on components and property valuations	-158,300
Depreciation of Other Assets – decreased due to the reduction in other capital additions (e.g. garages)	52,100
Other net variations (lower than £50,000)	-3,300
<b>Decrease in Operating Surplus (compared to Original Budget)</b>	<b>-210,500</b>

5.2 The most recent forecast of the HRA Capital Programme shows a reduction of £8,583,200 compared to the original budget. Significant variations (greater than £250,000) have been identified in budget monitoring reports and are shown below:

Budget Heading	Additional Capital (+) / Reduction (1) £
Windows & Doors - manufacturing and fitting interruptions are being experienced by the contractor due to labour supply shortages	-518,000
Paths, Fences & Walls – the level of works deliverable in the current year has been re-assessed due to the current challenging operating environment	-568,000
Warden call – procurement delays and extended lead in period due to current shortages in the market resulting in works running into 2022/23	-400,000
HRA New Build and Acquisitions - although forecast completions of new build and acquisitions remain on target for the year there have been additional challenges in progressing new schemes due to planning, material and labour supply shortages and financial viability issues. These challenges are being faced by a number of different contractors on s106 schemes and developer led schemes. The overall pipeline of new properties remains strong however the timings within the programme will change.	-7,000,000
Other net variations (less than £250,000)	-97,200
<b>Decrease in HRA Capital Programme (compared to Original Budget)</b>	<b>-£8,583,200</b>

## **6. 2022/23 HRA Budget Proposals (Appendix 2)**

- 6.1** The detailed budget proposals for the HRA Operating Account are set out in Appendix 2. These highlight an increasing net operating surplus from the increase in rent from new homes whilst controlling costs. These net operating surpluses will be reinvested back into the HRA to support future service delivery and investment in new homes and improvements to existing homes.
- 6.2** All rents are proposed to increase by 4.1% in April 2022 following the announcement of the CPI for September 2021 at 3.1% (current Government rent policy limits annual rent increases to CPI + 1%).
- 6.3** Every pound of additional rent will be reinvested back into the HRA in order to deliver enhanced services which help improve the quality of life for HRA tenants, maintain and improve existing homes and provide more high-quality, net zero carbon affordable homes which are needed in Cheltenham. Working with CBH the Council will continue to demonstrate excellent customer services and high performance at the right cost delivering value for money and achieving positive change and outcomes for its communities.
- 6.4** The rent estimates assume a 1% void rate and 20 RTB sales annually and also reflect additional income from newly built homes and acquired homes.
- 6.5** Estimates of service charge income currently assume:
- Increase of 4% for cleaning services supplied by CBH reflecting pay inflation and additional costs of waste disposal
  - Increases for heating to communal schemes of 7.5% spreading current fuel price inflation over more than one year
  - Increase of 3% for HRA grounds maintenance work undertaken by Ubico
- 6.6** Garage rents are to be increased by 4.1% from April 2022 in line with the proposed increase in housing rents.
- 6.7** Expenditure budgets reflect: -
- A pay award in 2022/23 of 2% with a 1% contingency provision
  - Employers' National Insurance increasing by 1.25% next year prior to a new health and social care levy in the following years
  - An increase in the ALMO management fee of 1.5% which reflects provision for a pay award, increase in National Insurance and inflation on other non-staff costs, offset by savings under the CBC/CBH Stronger Working Partnership Programme
  - Inflationary increases of 3% on non-staff pay costs with higher inflationary increases on building and maintenance costs reflecting current price pressures in the construction sector and the impact of the increase in National Insurance on subcontractors and other suppliers
  - Shared service cost increases at 3% per annum
  - Interest rates on new borrowing at 2% per annum

- Assumption that Homes England funding continues at existing levels and shared ownership costs do not change substantially

**6.8** Significant changes to the HRA operating account (greater than £50,000) in 2022/23 as compared to the revised forecast for 2021/22 are itemised in the table below. There is an increase of £56,600 in the operating surplus for the year when compared with the 2021/22 forecast.

<b>Budget Heading</b>	<b>Additional Cost (-) / Income (+)</b>
	<b>£</b>
General and Special Management – increase due to pay award and NI increases and inflation on non-staff costs in particular fuel charges. Also includes additional contribution to the Golden Valley Development (£150,000) and the Housing First initiative (£26,000 net of grant)	-340,300
ALMO Management Fee – increase due to pay award and NI increases, additional office space in Municipal Office partly offset by savings identified through the CBC/CBH Stronger Working Partnership	-88,000
Increase in Repairs & Maintenance – the forecast noted above already takes into account demand, price and supply pressures. The limited additional budget provision for 2022/23 reflects reduced reliance on sub-contractors and new fire risk assessments being undertaken in 2021/22 and not needing renewal for a further 5 years	-69,900
Interest Payable – arising from additional borrowing to finance the capital programme	-242,300
Depreciation of Dwellings – reflects the increase in stock numbers	-201,800
Rent Income – rent increase (4.1%) and supply of new homes	964,900
Other net variations (lower than £50,000)	34,000
<b>Increase in Operating Surplus (compared to 2021/22 forecast)</b>	<b>56,600</b>

## **7. HRA Capital Programme 2022/23 (Appendices 3 & 4)**

**7.1** The capital programme for 2022/23 continues to show significant investment in both existing homes and the acquisition and development of additional homes. Total spend is forecast to increase to £28.3m.

**7.2** The proposed funding of this ambitious programme is set out at Appendix 3 and includes a combination of borrowing, Homes England grant, shared ownership sales, capital receipts and leaseholder and revenue contributions. The balance of funding sources may vary, dependent on availability and prevailing interest rates.

## **8. Funding and Financial Viability**

**8.1** The significant level of capital investment proposed within this report will be financed by a combination of borrowing, grant funding, shared ownership sales and capital receipts. Careful management and monitoring of this investment and related financing will be maintained to ensure that the HRA remains financially viable for the long term. To this end the assumptions and plans identified in the 2022/23 budget proposals and the projections for the following 2

years have been included in the updated 30-year HRA Financial Model.

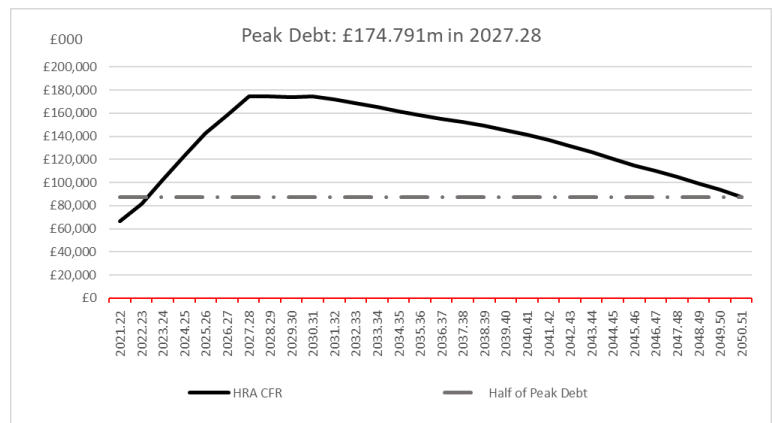
**8.2** There remains a number of areas of uncertainty and risk within the longer term projections for the HRA including the level and nature of Government funding for the retrofit programme for existing homes to deliver on carbon reduction aspirations, the pace of delivery of new homes that is possible, inflationary and supply pressures, and Government rent and other policy positions. These will continue to be monitored and modelled as further information becomes available.

**8.3** Long term assumptions used in the model include:

- CPI at the Government target rate of 2%
- Rent increases at CPI + 1% per annum to March 2025 then reducing to CPI thereafter (next review of Government rent policy due April 2025)
- Borrowing rates at 3% per annum over the long term
- A refreshed assessment of the 30-year need to spend on repairs and component replacement

**8.4** The following parameters are used to ensure financial viability in the longer term:

- the ability to deliver the capital programme on existing homes
- the HRA is able to repay debt – as shown in the graph opposite with debt in year 30 less than half of peak debt
- HRA reserves do not fall below a contingency level
- there is sufficient and growing interest cover



**8.5** This 30-year model is maintained and updated annually by CBH to ensure that the HRA retains capacity for further investment in programmes as required including net zero carbon, new homes and the Golden Valley project. Careful monitoring is necessary to ensure that the scale and pace of delivery does not risk long term viability.

## 9. Consultation process

**9.1** The 2022/23 budget proposals have been endorsed by the CBH Board. The proposals were also presented to CBH's Tenant Service Improvement Panel (TSIP). No other comments have been received.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Major Repairs Reserve and HRA Capital Programme (summary)</li> <li>4. HRA Capital Programme (detail)</li> <li>5. CBH – who we are, what we do, why we do it</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. HRA 30-year Financial Plan</li> <li>2. CBH Budgets and Plans</li> <li>3. CBC Corporate Strategy</li> </ol>