

## MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Council	<b>REPORT NUMBER:</b> <b>MC/23/41</b>
<b>FROM:</b> Councillor Rachel Eburne, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 22 February 2024
<b>OFFICERS:</b> Karen Watling, Interim Corporate Manager: Finance (Deputy S151 Officer) Jeni Smithies, Finance Business Partner	<b>KEY DECISION REF NO.</b> N/A

### HOUSING REVENUE ACCOUNT (HRA) 2024/25 BUDGET

#### 1 PURPOSE OF REPORT

- 1.1 The report contains details of the revenue and capital budgets and the Council's strategic financial aim. The purpose of this report is to present the HRA Budget for 2024/25.
- 1.2 To enable Members to consider key aspects of the 2024/25 HRA Budget, including council house rent levels.

#### 2 BACKGROUND

- 2.1 The HRA forms part of the General Fund budget; it is a ringfenced account, which means that revenue from the HRA can't be used for General Fund functions and vice versa.
- 2.2 In 2012, the Government changed how council housing was financed for Mid Suffolk, which meant the Council took on a loan. Mid Suffolk Council took on £57.206m of debt. The trade-off was that Councils were able to keep the rent payments. It was expected that the debt would be paid off over time, using rent increases which were set by the government to run until 2025. However, in 2015, the government changed the rent policy, and since then, councils have found it challenging to balance the accounts.

#### 3 OPTIONS CONSIDERED

- 3.1 The Housing Revenue Account Budget for 2024/25 is an essential element in achieving a balanced budget and sustainable medium-term position, therefore in the short term no other options are appropriate in respect of this.
- 3.2 In the longer term we will look at what other policy measures could help alleviate the HRA situation and review potential partnerships that might deliver our objectives without putting pressure on the HRA account.

## **4 RECOMMENDATIONS**

4.1 That the Council approves:

- a) The HRA Budget proposals for 2024/25 set out in the report.
- b) An increase of 7.7% for council house rents, equivalent to an average rent increase of £7.33 for social rent and a RPI + 0.5% (9.4%) increase for affordable rent of £10.65, a week be implemented.
- c) That the RPI increase of 8.9% in garage rents, equivalent to an average rent increase of £3.84 a month, be implemented.
- d) That an increase of 18% for sheltered housing service charges, equivalent to £27.19 a month, be implemented.
- e) That an increase of 44% for sheltered housing utility charges, equivalent to £29.63 a month, be implemented.

## **REASON FOR DECISION**

**To bring together all the relevant information to enable Council to review, consider and approve the Councils Housing Revenue Account budget.**

## **5 KEY INFORMATION**

### **Background**

- 5.1 A detailed review of the HRA has been carried out over the past few months. This has highlighted that the status of the HRA account is significantly worse than previously reported primarily due to the way interest charges and the overall HRA loan have been treated.
- 5.2 The housing landscape will look very different in years to come, and the Council took the decision to carry out a full review of the business plan, taking into account all compliance requirements, stock condition data and the emerging Social Housing Regulation Bill. As such a revised and up to date business plan is being produced and will be presented in March 2024. This will include a series of presentations which provide Members with the appropriate stress testing and scenario planning to enable a longer-term view to be taken. This will also give comfort to our tenants as our planned and estate enhancements will be included in the plan.
- 5.3 The Council's HRA Business Plan will present a financial picture over the longer term (a thirty-year period as required under the self-financing regime). The business plan is used to plan and understand any potential borrowing requirements which are needed to adhere to Social Housing Regulations such as the Consumer Standards and the Decent Homes Standard.

- 5.4 Members should also note that officers will be working with residents during the year to understand their aspiration around how we create place to be proud of. This forms part of the new housing regulations, and as such officers will consult with residents on what they would like to prioritise in the new business plan.
- 5.5 The information presented to Overview and Scrutiny Committee in January 2024 and this budget report presented to Cabinet and Full Council will focus on the budget for 2024/25. The revised business plan, when it is presented, will set out the longer-term financial implications and ambitions for the HRA and will consider any decisions or approvals in relation to the 2024/25 budget.
- 5.6 Following a period of five years that saw annual 1% rent reductions, which ended in March 2020, councils were allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Subject to compliance with the Regulator of Social Housing's Rent Standard, this has begun to mitigate the impact of the 1% reduction on the 30-year plan. However, the cost-of-living crisis led to the Government making a change to the rent settlement last year and capping the increase at 7%. This is against the backdrop of aging stock which requires urgent investment.
- 5.7 The removal of the HRA Debt Cap from 29 October 2018 means that local authorities can borrow to fund new homes without worrying about breaching this cap. Any borrowing will be subject to the Council adhering to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.
- 5.8 The 2024/25 budget is aligned to and supports the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.
- 5.9 Central Government issued the 24/25 rent standard in January, this stated that a maximum of 7.7% increase could be applied to social rents. This for MSDC, like all other councils is difficult given the cost-of-living crisis. Like the general fund, the HRA has both a revenue pot and capital pot. If rents do not increase by the full amount available other difficult decisions will need to be made, these may include a reduction in the speed and level of repairs carried out and a reduction in services. Members will be aware that significant ongoing investment is required to provide safe dry homes for our residents therefore reducing repairs or services is not recommended.
- 5.10 The long-term position in relation to the 30-year business plan, currently indicates that our position will be unsustainable from year 4 without significant action taking place. Officers, led by the Director of Housing will continue to work to ensure the HRA business plan is sustainable and can cover its interest payments over the next 30 years. This work is already in motion, £2.3m was taken out of the 24/25 budget to ensure it was a balanced budget. It is important to note that the reasons for the challenges around the HRA account are complex and span a period back to 2002. The majority of Councils are in a similar position and the sector continues to lobby Central Government.

### **2023/24 Budget and Forecast Outturn**

- 5.11 On 23 February 2023 the Council set the HRA Budget for 2023/24, showing a deficit of £806k.

5.12 The second quarter 2024 budget monitoring report was presented to Cabinet on 5 December 2023 showing a forecast adverse variance of £1.488m as at 31 March 2024. The key factors in this position are the additional costs being incurred to address the backlog in void and responsive repairs, increased property servicing on heating as well as increased employment costs. In parallel a detailed 30 Year Business Plan has been developed for the HRA. This exercise has highlighted a serious deterioration since the last report at Cabinet on 5 December 2023 which showed an adverse variance of £1.488m. The core reason for this is a recalculation of the way interest charges and the overall HRA loan have been treated in the previous 2023/24 budget. The deficit currently anticipated is now anticipated to be over £3m and the implications on the HRA reserves are outlined below.

**Table 1: 2023/24 Budget vs Business Plan 2023/24 Forecast**

Mid Suffolk DC HRA	2023/24	2023/24	
Summary of current year Budget vs Business Plan Forecast	Budget	Forecast	Variance
	£'000	£'000	£'000
Dwelling Rents	(16,324)	(16,737)	(413)
Non-Dwelling Rents	(396)	(406)	(10)
Charges For Services	(716)	(788)	(72)
Other Income	(51)	(52)	(1)
<b>Total Income</b>	<b>(17,487)</b>	<b>(17,982)</b>	<b>(495)</b>
Housing Management	5,234	4,948	(286)
Responsive & Cyclical	5,652	7,146	1,494
Depreciation	4,617	4,617	0
Bad Debts	100	100	0
<b>Total Expenditure</b>	<b>15,603</b>	<b>16,810</b>	<b>1,207</b>
<b>Net Cost of HRA Services</b>	<b>(1,884)</b>	<b>(1,172)</b>	<b>712</b>
Interest Charges	2,700	4,627	1,927
Interest receivable	(10)	0	10
<b>Deficit / (Surplus) in Year on HRA Services</b>	<b>806</b>	<b>3,455</b>	<b>2,649</b>

**Table 2: Business Plan 2023/24 Forecast vs 2024/25 Budget**

Mid Suffolk DC HRA Summary of Business Plan Forecast vs Budget	2023/24 Forecast £'000	2024/25 Budget £'000	Variance £'000
Dwelling Rents	(16,737)	(19,166)	(2,429)
Non-Dwelling Rents	(406)	(420)	(14)
Charges For Services	(788)	(970)	(182)
Other Income	(52)	(54)	(2)
<b>Total Income</b>	<b>(17,982)</b>	<b>(20,610)</b>	<b>(2,627)</b>
Housing Management	4,948	4,833	(114)
Responsive & Cyclical	7,146	7,040	(106)
Depreciation	4,617	4,709	92
Bad Debts	100	120	20
<b>Total Expenditure</b>	<b>16,810</b>	<b>16,703</b>	<b>(108)</b>
<b>Net Cost of HRA Services</b>	<b>(1,172)</b>	<b>(3,907)</b>	<b>(2,735)</b>
Interest Charges	4,627	4,867	240
<b>Deficit / (Surplus) in Year on HRA Services</b>	<b>3,455</b>	<b>960</b>	<b>(2,495)</b>

5.13 The third quarter position will be presented to Cabinet on 5 March 2024.

### 2024/25 Budget Proposals

- 5.14 In preparing the budget for 2024/25 the various headings have been thoroughly reviewed against the forecast for 2023/24, to ensure that they are set on a realistic basis for next year.
- 5.15 The budget for 2023/24 was a deficit of £806k, however due to a continuation of financial pressures described above and given the £1.9m increase in interest (see 4.31 for an explanation of this) to the Q2 financial monitoring, the budget position for next year has been carefully planned to increase by £154k as shown in table 3.

**Table 3: Budget changes**

	£'000	£'000
<b>2023/24 Deficit</b>		<b>806</b>
<b>Pressures</b>		
Interest charges	2,177	
Repairs inc. voids (inflation and increase based on outturn)	606	
Building Services Transformation	309	
4% Pay increase	183	
Depreciation	92	
Planned maintenance – heating (inflation)	90	
Fire Prevention increased due to 2023/24 increased actual spend	56	
Renewable Heat Incentive no longer received	40	
Surveyors recharge on asbestos and other checks	27	
Other small items (net)	34	
<b>Total Draft Pressures</b>		<b>3,614</b>
<b>Savings/additional income</b>		
Rental income – based on 7.7% increase	(2,939)	
Service Charges – based on prior year costs	(186)	
Professional & Consultancy fees	(91)	
Recharges	(80)	
Other savings on reduced one off costs and expenses	(164)	
<b>Total Draft Savings/additional income</b>		<b>(3,460)</b>
Total Net increase		<b>154</b>
<b>2024/25 Draft Deficit</b>		<b>960</b>

5.16 The current draft position for 2024/25 shows an overall deficit of £960k.

5.17 The Councils total cost of service has increased by £1.1m or 7%, and income has increased by £3.123m or 18%, as shown in table 4 below.

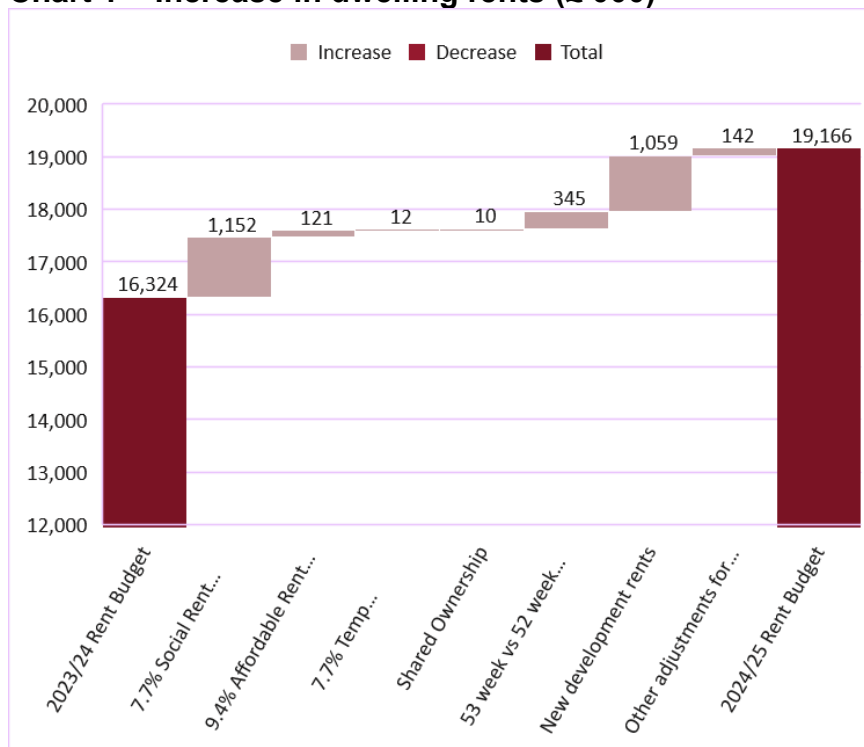
**Table 4: Summary**

	Budget 2023/24	Budget 2024/25	Movement 23/24 vs Budget 24/25
	£'000	£'000	£'000
Dwelling Rents	(16,324)	(19,166)	(2,842)
Service Charges	(716)	(970)	(254)
Non-Dwelling Income	(396)	(420)	(24)
Other Income	(51)	(54)	(3)
<b>Total Income</b>	<b>(17,487)</b>	<b>(20,610)</b>	<b>(3,123)</b>
Housing Management	5,234	4,833	(401)
Building Services	4,887	6,196	1,309
Repairs and Maintenance (all areas except Trades Team)	765	843	79
Bad Debt Provision	100	120	20
Depreciation	4,617	4,709	92
<b>Total cost of service</b>	<b>15,603</b>	<b>16,703</b>	<b>1,100</b>
Interest payable	2,700	4,867	2,167
Revenue Contribution to Capital			
Interest received	(10)		10
<b>Deficit / (Surplus) for Year</b>	<b>806</b>	<b>960</b>	<b>154</b>

In calculating the 2024/25 budget, the following assumptions have been made:

**Income**

**Chart 1 – Increase in dwelling rents (£'000)**



5.18 **Dwelling Rents** - an increase of 7.7% (CPI + 1%) has been built into the budget for 2024/25, which will be a 53-week rent year. It is assumed that 17 properties will be purchased by the tenant through the Right to Buy mechanism and the number of voids is expected to reduce to 1% (current void rate is 1.2%). All budget changes mentioned will generate £2.842m additional income.

5.19 Tables 5 and 6 below show the impact on income levels that would be available to the HRA as alternative options for a rent increase in 2024/25 compared to the maximum that is currently built into the budget. Table 5 shows the impact on the 2024/25 budget and Table 6 shows the cumulative impact over 1, 5, 10 and 30 years.

**Table 5: Rent Scenarios**

Mid Suffolk Rents	2024/25 Budget (7.7% increase)	6% increase	3% increase	0% increase
	£'000	£ '000	£ '000	£ '000
Social housing rents	(15,251)	(15,011)	(14,586)	(14,161)
Affordable rents	(1,729)	(1,702)	(1,654)	(1,606)
Supported (Sheltered)	(1,321)	(1,300)	(1,264)	(1,227)
Shared ownership properties (RPI 8.9%+0.5%)	(138)	(133)	(130)	(126)
New Development	(916)	(922)	(926)	(1,107)
Less 1% voids	190	187	182	177
<b>Total rents</b>	<b>(19,166)</b>	<b>(18,882)</b>	<b>(18,377)</b>	<b>(18,049)</b>
Deficit / (Surplus) for the year	784	1,068	1,573	1,901
<b>Net increase</b>	<b>1,117</b>	<b>832</b>	<b>328</b>	<b>-</b>

**Table 6: Rent increase – cumulative impact on HRA Business Plan**

Rent increase	One year £ '000	Five years £ '000	10 years £ '000	30 years £ '000
3%	510	2,604	5,409	19,546
6%	1,019	5,208	10,817	39,093
7.7%	1,307	6,677	13,870	50,128

5.20 The average weekly social rent will increase by £7.35, from £95.46 to £102.81. For affordable housing, the weekly rent will increase by an average of £10.65 from £138.33 to £148.98.

5.21 Of the Council's 3,357 tenants, 1,067 (32%) that we know of are in receipt of Housing Benefit and 1,044 (31%) in receipt of Universal Credit. As Universal Credit is paid direct to the tenant, rather than the landlord, the Council no longer knows the total number of tenants in receipt of support to pay their rent. Due to the Local Housing Allowance increasing, tenants will not need to find the additional rent as this will be paid for from the increased allowance.

5.22 **Sheltered Housing** - it is proposed that service charges are charged by individual scheme to recover expected costs in 2024/25. This is based on the costs from October 2022 to September 2023. The same basis has been used to recovery utility costs.



This change in charging results in a fairer apportionment of costs and should reduce the risk of the rent payers subsidising the Sheltered Housing schemes.

- Service charges – an average 18% increase of £6.28 per week or £27.19 per month.
- Heating - an average 58% increase of £7.11 per week or £30.79 per month.
- Water - an average 8% decrease of 27p per week or £1.17 per month.
- Overall charges are increased by an average of £13.11 (28%) per week, but this will vary from scheme to scheme depending on the service received and cost of utilities.

5.23 **Garage rents** are being increased in line with RPI (8.9%). Garages can be hard to let in some areas and sites are under review to assess their suitability for development.

5.24 **Other income** – 5% allowed for increase on Leasehold Service charges (to be calculated February/March 2024)

### **Housing Management**

5.25 An overall decrease to the budget of £401k is proposed for 2024/25.-

5.26 Increases are required for:

- the annual pay award and increments in staffing costs (£229k)
- Fire Prevention (£53k)

Offset by the following savings:

- Pay Review and transformation costs to Building Services (all budgeted in Management in 2023/24) (£286k),
- Stock Condition Survey one off in 2023/24 (£125k),
- Transformation Project Costs prior year only (£177k),
- Recharges (£80k)
- Savings on other one-off costs, (£15k).

### **Building Services**

5.27 The decision was made in 2022 to carry out a diagnostic and transformation programme within Building Services. This followed a significant period of increasing costs and reducing tenant satisfaction. The programme which aims to provide and implement excellence within Building Services is now almost complete. There were 3 separate work streams – compliance (complete), assets (complete), and Direct Labour Organisation (DLO) (in final stages). The journey to excellence will take several years to complete however we have already begun to see steady progress being made.

5.28 An overall increase to the budget of £1.309m is proposed for 2024/25.

5.29 Increases are required for:

- 4% increase to salaries and new roles for Building Services Transformation (£409k)

- Pay Review and transformation costs to Building Services (all budgeted in Management in 2023/24) (£286k)
- Heating Planned Maintenance 10% Inflation increase (£90k)
- Renewable Heat incentive no longer received (£40k)
- partially offset by savings on one off costs, (£47k).

5.30 A 10% inflationary increase has been made to the repairs budget of £79k.

### Depreciation

5.31 The depreciation charge has increased by £92k due to the revaluation of the housing stock at 31 March 2023 and an increase in housing stock. The value of the housing stock at 31 March 2023 is £274m. The valuation basis that the Council is required to use for the financial accounts equates to 38% of market value.

### Interest Payable and Bad Debt Provision

5.32 An increase of £2,167k to interest payable is included in the budget for 2024/25 due to the increase in current interest rates. This follows an overspend of £1,927k in the current year. This overspend was a result of the wrong figures used in the 2023/24 budget which have now been corrected. This correction is based upon a detailed analysis of the entire HRA loan and reflects the fact that borrowing rates have prevented us from taking out further long-term loans and the short-term rate is also higher. The interest payable figure is based on a total long-term debt of £83.9m and recharges from the General Fund for £32.8m short-term borrowing costs. £57.2m of the long-term debt is the debt that the Council took on when the HRA Self-financing regime was introduced in 2012. Full details of the Council's loans are shown in table 6 and interest payments in table 7 below.

**Table 6: HRA Loans**

Mid Suffolk DC HRA Summary of Loans	Repayment Dates	2023/24 Interest rates	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000
PWLB	27 July 2053	7.9%	1,000	1,000	1,000
PWLB	27 July 2047	4.6%	3,500	3,500	3,500
PWLB	27 July 2052	4.6%	3,500	3,500	3,500
PWLB	27 July 2053	4.6%	3,831	3,831	3,831
PWLB	28 March 2032	3.0%	15,000	15,000	15,000
PWLB	28 March 2027	3.3%	15,000	15,000	15,000
PWLB	28 March 2042	3.4%	12,206	12,206	12,206
PWLB	28 March 2037	3.5%	15,000	15,000	15,000
LOBO Loan	22 August 2078	4.2%	2,000	2,000	2,000
LOBO Loan	22 August 2078	4.2%	2,000	2,000	2,000
Revolver		5.0%	10,830	17,806	24,172
<b>Total Long Term loans</b>			<b>83,867</b>	<b>90,844</b>	<b>97,209</b>
<b>Internal and Short term loans</b>		<b>5.3%</b>	<b>32,786</b>	<b>32,786</b>	<b>32,786</b>
<b>Total Borrowing</b>			<b>116,653</b>	<b>123,630</b>	<b>129,995</b>

**Table 7: HRA Summary of Loan interest**

Mid Suffolk DC HRA Summary of Loan Interest	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
PWLB	2,467	2,467	2,467	2,463	1,972
LOBO Loan	168	168	168	168	168
Refinancing Options	-	-	-	5	450
Revolver	271	573	630	775	873
<b>Total External loan payments</b>	<b>2,906</b>	<b>3,208</b>	<b>3,265</b>	<b>3,411</b>	<b>3,464</b>
<b>Internal and Short term loan payments</b>	<b>1,721</b>	<b>1,659</b>	<b>1,272</b>	<b>1,010</b>	<b>984</b>
<b>Total loan interest payments</b>	<b>4,627</b>	<b>4,867</b>	<b>4,537</b>	<b>4,421</b>	<b>4,447</b>

### Revenue Contribution to Capital

5.33 The revenue contribution to capital has been removed to offset the increase in cost of service and depreciation charge as depreciation can be used to fund capital expenditure.

### Reserves

5.34 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.

5.35 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.

5.36 The 2024/25 budget position means that the Council will reduce its Strategic Priorities Reserve by a further £784k, compared to the 2023/24 likely reduction in reserves of over £3m.

5.37 The balance of all strategic reserves at 31 March 2025, as a result of the budget proposals, is forecast to be £874k, which equates to less than £305 per property. Full details of the Councils earmarked reserves are shown in table 8 below.

**Table 8: Earmarked reserves**

MSDC Reserves	Balance at 31 March 2023 £'000	Forecast Balance at 31 March 2024 £'000	2024/25 Budget Deficit £'000	2024/25 Capital interest £'000	Budget Balance at 31 March 2025 £'000
Strategic Reserves	(4,764)	(1,810)	960	(188)	(1,038)
Leaseholders Repairs Reserve	(26)	(26)	0		(26)
Building Council Homes Programme	(20)	(20)	0		(20)
Working Balance	(1,209)	(1,000)			(1,000)
<b>Total Reserves</b>	<b>(6,019)</b>	<b>(2,856)</b>	<b>960</b>	<b>(188)</b>	<b>(2,084)</b>

5.38 The Council holds £1m (reduced in 2023/24 from £1.209m) in the working balance which equates to around £300 per property.

## Capital

5.39 The proposed capital programme for 2024/25 and the indicative programme for the following three years is shown in the table that follows.

**Table 9: HRA Capital Programme 2024/25 to 2027/28**

Mid Suffolk DC HRA Capital Programme Budget	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
<b>Planned Maintenance &amp; Response</b>					
Planned Maint	3,750	-	-	-	-
Other Maint	-	1,880	1,880	-	-
Neighbourhood Improvs	100	254	218	223	227
Adaptations	459	424	437	445	454
Kitchens	-	872	898	916	935
Bathroom	-	584	601	613	625
Windows/Doors	-	730	752	767	783
Garage Doors	-	21	21	22	22
Internal Fire Doors	-	13	13	14	14
Fire Detection	-	142	146	149	152
Emergency Lighting	-	28	29	29	30
Insulation	-	143	147	150	153
Heating	-	728	750	765	780
Domestic Elec	-	343	353	360	367
Roofing	-	1,060	3,990	4,069	4,151
R-Water Goods &FSB	-	221	228	232	237
<b>Total Housing Maintenance</b>	<b>4,309</b>	<b>7,443</b>	<b>10,465</b>	<b>8,756</b>	<b>8,931</b>
<b>Other Capital Spend (ICT Projects etc)</b>					
	452	257	218	223	
<b>New build programme including acquisitions</b>					
	15,897	12,816	1,361		
<b>Total HRA Capital Spend</b>	<b>20,658</b>	<b>20,515</b>	<b>12,044</b>	<b>8,979</b>	<b>8,931</b>
<b>HRA Financing</b>					
External Grant	-	514	-	-	-
RTB Receipts	170	1,917	-	-	-
Other RTB Receipts	656	695	716	730	744
Other Capital Receipts	4,386	5,659	159		
MRR	4,617	4,709	4,804	4,900	4,998
RCCO	-	-	-	-	-
Revolver Borrowing	10,830	7,021	6,365	3,349	3,189
<b>Total HRA Capital Financing</b>	<b>20,658</b>	<b>20,515</b>	<b>12,044</b>	<b>8,979</b>	<b>8,931</b>

5.40 The interest rate charges and loan calculation in the budget reflect carrying out the entire Capital programme.

- 5.41 The new build programme is under review and there may be other ways we can support the development of social housing in the District. For the purposes of the budget, it has been assumed that the new build programme will be financed entirely via the HRA.
- 5.42 The Capital Programme is dependent on the Stock Condition review currently taking place. The Programme may need revising depending upon the results of this exercise.
- 5.43 The new funding within the Capital Programme for 2024/25 totals £20.5m.
- 5.44 The new build and acquisition programme identified development sites across the district that could deliver approximately 260 new affordable homes by the end of March 2027. The programme is currently being reviewed-against the HRA business plan to ensure resources are utilised in the most efficient way and that new homes are delivered in sustainable locations.
- 5.45 There were 17 Right to Buy (RTB) sales for Mid Suffolk 2022/23 and this was used as a basis for the budget in 2024/25.
- 5.46 The money received from RTB sales can only be used as a 40% contribution towards the cost of a replacement home. The remaining 60% of the replacement cost must be found from other HRA resources. If sales increase, it means that the level of match funding required (60%) increases. During 2020/21 the Government extended the time period by which RTB receipts have to be spent from 3 to 5 years. If the receipts are not spent within the 5-year period allowed, they must be repaid to Government with 4% above the base rate interest added.
- 5.47 The Council can enter into agreements with the Secretary of State to retain the full RTB receipt from the sale of nominated homes newly built or acquired since July 2008. Officers continue to explore every opportunity to enter into agreements so that any capital receipts received in future from the sale of nominated homes can be retained in full and used as part of the 60% match funding.

## **5 LINKS TO THE CORPORATE PLAN**

- 5.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan, and ensuring the Council has a robust financial strategy. Specific links are to the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 These are detailed in the report.

## **7. LEGAL IMPLICATIONS**

- 7.1 There are none that apply.

## **8. RISK MANAGEMENT**

Key risks are set out below.

<b>Key Risk Description</b>	<b>Likelihood 1-4</b>	<b>Impact 1-4</b>	<b>Key Mitigation Measures</b>	<b>Risk Register and Reference</b>
Mid Suffolk District Council may be unable to react in a timely and effective way to financial demands.	2 - unlikely	3 - Bad	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.	Significant Risk Register - SRR004 MSDC
Mid Suffolk District Council may fail to be financially sustainable.	2 - unlikely	4 - Disaster	Sharing of integrated workforce with Babergh. Single efficient office space with agile working strategy. The Mid Suffolk Plan. Development of medium term financial strategy and creation of long term financial strategy. New outcomes framework. Joint performance and risk monitoring. Shared policies and procedures. Joint Cabinet briefings, audit and standards, overview and scrutiny.	Significant Risk Register - SRR008MSDC
Mid Suffolk District Council may suffer a significant overspend that needs to be funded from reserves.	3 - probable	2 - Noticeable	Reporting of impacts of inflationary pressure forecast to SLT and early warning cabinet and monitored through the quarterly outturn reports. Review level of reserves with SLT. Quarterly financial monitoring.	Significant Risk Register - SRR0013MSDC

The councils may face significant increases in their borrowing costs.	3 - probable	2 - Noticeable	Regular review of current interest rates and ongoing advice from Arlingclose	Significant Risk Register - SRR0025MSDC
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## 9. CONSULTATIONS

- 9.1 Consultations have taken place with the Assistant Director, Corporate Managers and other Budget Managers as appropriate.

## 10. EQUALITY ANALYSIS

- 10.1 The Assistant Director and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

## 11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The Council's new strategic priorities state that environmental and social responsibilities will be at the heart of all the work the council does.
- 11.2 Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.
- 11.3 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives are being undertaken in relation to the sheltered accommodation stock. These are set out in more detail below.
- 11.4 There is a 'design and technical specification' that incorporates carbon saving solutions and improve energy efficient standards for all new homes built by the Council and its Growth Company, that was adopted by the Council.
- 11.5 A review of Social Housing solar systems performance is underway and will be used to further inform social housing energy generation.
- 11.6 Social Housing - we are preparing a programme of energy retrofits to the poorest performing properties rated with an Energy Performance Certificate rating of E and below, with a view to submitting match funding bids to the Government's Social Housing Decarbonisation Fund. A five-year programme of energy retrofits is under development aimed at raising all social housing to an Energy Performance Certificate rating of C or above.

## 12. BACKGROUND DOCUMENTS

MCa/23/30 FINANCIAL MONITORING QUARTER 2 2023/24