Annexe 2

Housing Revenue Account

2021/22 Budget and Medium Term Financial Plan

Cardiff Council

Contents

1. Context and Outlook

1.1 Introduction

The Housing Revenue Account (HRA) records income and expenditure in relation to Council Housing. This is required to be 'ring fenced' in accordance with the Local Government and Housing Act 1989. The ring fencing of the account means that local authorities must not subsidise costs relating to Council Housing from the General Fund (i.e. from Council Tax or from the RSG) or subsidise General Fund costs from the HRA.

The main expenditure items within the account include repairs and maintenance costs, supervision and management costs (including tenant consultation, rent collection, housing allocations and property and estate management) and capital financing charges on the HRA's outstanding loan debt (interest and provision for repayment). The major income streams include rents and income from service charges.

The Council aims to provide good quality, affordable homes in communities where all people feel safe and connected.

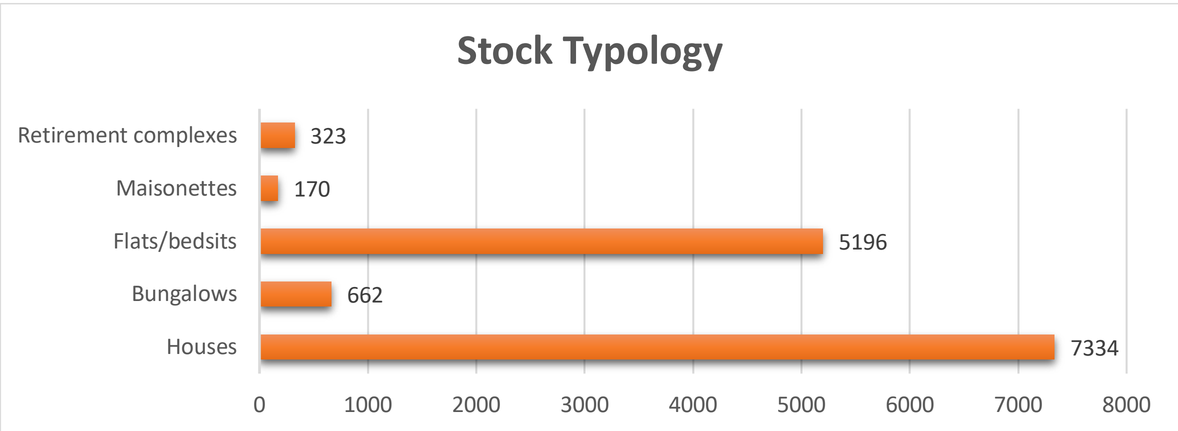
Good, energy efficient housing is vital to the health and wellbeing of tenants while regeneration and enhancement of the environment is important for all local residents.

Key services to tenants and leaseholders include management, repair and service costs of the housing stock, tenancy services including anti-social behaviour management, welfare advice and support including Into Work Services and the Community Hubs.

While recognising the importance of services to existing tenants the Council also understands the pressure of housing need in the city and has an ambitious new build programme to help address this and an allocations system that ensures that those with the greatest need are housed first.

1.2 Stock Typology

The Housing Revenue Account has a standard stock of 13,685 properties across the wards of Cardiff with a range of stock, as follows:



1. Context and Outlook

1.3 Demand for Social Housing

There is a high demand for social housing in Cardiff and a limited number of properties become available to let each year.

Cardiff Council in partnership with Cadwyn, Cardiff Community, Hafod, Linc Cymru, Newydd, Taff, United Welsh and Wales and West Housing Associations operate a Common Housing Waiting List for social housing, from which suitable applicants are identified to be offered available properties.

The number of applicants on the Common Waiting List was 7,882 at the beginning of January 2021, with 485 identified as homeless. The total number of lets in the year to 1st January was 1,302 of which 805 were let by the Council with 497 let by partners. Pressures continue with new applications for the waiting list exceeding 1,000.

Cardiff Council has set a target of building 1,000 new Council homes by 2022 and at least 2,000 new Council homes in the longer term to meet the increasing demand for good quality, affordable social housing. Cardiff's programme currently represents the largest Council housing build programme in Wales and will see around £400 million invested over the period to 2029/30 delivering a variety of new Council homes in volume and at pace.

1.4 Key Objectives and Priorities

Key objectives and priorities for the HRA in the medium term include the following:

- A new build housing programme to deliver 1,000 new Council housing units by 2022 with a further 1,000 to follow, including the continuation of the 10 year Cardiff Living innovative building partnership
- Ensuring high quality and sustainable housing through the maintenance of the Welsh Housing Quality Standard and investment in capital improvement works
- Providing assistance to tenants with debt management and budgeting to minimise the impact of Universal Credit, other welfare reform changes and the economic impact from Covid 19
- Remodelling and refurbishment of existing homes, such as improvements to sheltered blocks
- Ensuring our estates are good places to live through improved estate management, regeneration and area improvement works
- Investing in energy efficiency works and exploring the challenges and opportunities of a carbon neutral future
- Helping to address the issues of an aging population, developing specialist older persons accommodation and ensuring that our tenants can stay independent for as long as possible
- Helping to address the increasing pressures and complexity of homelessness and housing need, delivering good quality supported and temporary accommodation schemes that meet the needs of both families and single people and contributing to the move towards rapid rehousing

1. Context and Outlook

- Continued delivery of community benefits through our contracts linked to Into Work opportunities for our tenants and other residents
- Consulting and involving tenants and encouraging participation.

2. Rent Policy

2.1 Rent Policy Framework

Whilst the responsibility for setting rents for dwellings rests with the Council, it is necessary to operate within a policy framework set by the Welsh Government (WG). A new five year Social Housing Rent policy was introduced by the WG Government in 2020/21. This will run from 2020/21 to 2024/25 and allows for a maximum 1% rent increase above the rate of the consumer price index (CPI).

The new rent policy recognises the requirement to balance the needs of landlords with the interests of tenants and consequently includes a requirement that social landlords make an annual assessment of affordability and cost efficiencies which demonstrate that their homes and services represent value for money. This assessment is set out in section 4.

2.2 WG Policy for Social Housing Rents

The new five year rent policy set by the WG provides for a maximum annual uplift of CPI +1% each year from 2020/21 to 2024/25 using the level of CPI from the previous September each year. The September 2020 CPI was 0.5%.

CPI + 1% will be the maximum increase allowable in any one year but landlord decisions on rent must also take into account the affordability of rents for tenants. Should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing will determine the appropriate changes to rent levels to be applied for that year only.

2.3 Council Policy for Social Housing Rents

In line with the above policy, it is proposed that rents increase by CPI + 1% over the period. The average rent for a Council home in Cardiff will increase by £1.59 per week (£1.69 based on 49 week collection) exclusive of service charges for 2021/22. This results in an average weekly rent of £107.80 for standard housing stock.

It is considered that the rent uplifts proposed above will allow for obligations to tenants and lenders to be met and help to support the financial viability of the Housing Revenue Account whilst ensuring that rents remain affordable for current and future tenants. This level of increase will also allow for the continuation of the Council's ambitious new build plans.

The table below sets out the proposed average rent per property type for Cardiff for 2021/22.

No. of Bedrooms	***Estimated Average Rent 2021/22***
1	£96.76
2	£111.45
3	£128.15
4	£141.99

2.4 Tenant Consultation

Consultation on the rent increase took place between 15th December 2020 and 13th January 2021. Due to the pandemic, the survey was carried out on line and telephone assistance was offered if that was required. The survey was promoted over social media platforms such as Twitter and Facebook with a "link" to the survey via the Council website. Letters were also sent to 1,380 randomly selected individual tenants encouraging them to take part.

The online survey proved successful, resulting in more than a tenfold increase in the response compared to the previous year. It was also reassuring that most age groups took part in the survey. 49% of those who responded paid the whole of their rent with the remainder on full or partial benefits.

81 tenants expressed an opinion about whether the rent was good value for money and 53% thought that the proposed rents were very good or fairly good value for money, while 28% thought that they were poor or very poor value.

Whilst the majority of respondents stated they were not experiencing difficulties paying their rent, 32% stated they were, of which 6 specifically took up the offer of Council assistance. Further information about the affordability of Council rents can be found in section 4.

3. 2021/22 Budget and Medium Term Financial Plan

3.1 Revenue Budget

The forecast financial position for the Housing Revenue Account for the financial years 2021/22 to 2025/26 is set out below:

		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure	Employees	23,822	24,952	25,651	26,420	27,371
	Premises - Council House Repairs	20,632	21,319	22,022	22,661	23,319
	Premises - Other Repairs & Maintenance	1,495	1,533	1,569	1,610	1,652
	Premises - Other Premises Costs	4,213	4,426	4,557	4,692	4,831
	Transport	180	186	193	200	208
	Supplies & Services	4,454	4,799	5,056	5,377	5,699
	Support Services	6,638	6,836	7,050	7,247	7,449
	Capital Financing	30,148	31,234	35,538	38,580	40,702
	Contribution to reserves/General balances	250	250	0	0	0
	Total Expenditure	**91,832**	**95,535**	**101,636**	**106,787**	**111,231**
Resources	Rents and Service Charges	(85,923)	(89,563)	(95,428)	(100,475)	(104,814)
	Fees & Charges	(644)	(651)	(659)	(668)	(676)
	Other Income	(5,265)	(5,321)	(5,549)	(5,644)	(5,741)
	Total Resources	**(91,832)**	**(95,535)**	**(101,636)**	**(106,787)**	**(111,231)**

3.2 Key Assumptions

Key assumptions and factors which make up the HRA revenue budget proposal and capital investment programme include the following items:

- Rent increases in line with WG guidelines taking account of forward indicators for inflation factors (CPI assumed to increase incrementally to 2% by 2024/25)
- In the absence of an agreed pay award, 2% annual uplifts are included for 2021/22. Provision is made for employers' National Insurance and Superannuation contributions, employee incremental pay progression as well as other full year impacts of the costed establishment including Apprenticeship levies and the Voluntary Living Wage
- General inflation increases of 2% for non-employee budgets
- A £20.632 million budget has been set for Council Housing Repairs for 2021/22 reflecting the estimated requirements for both planned and responsive maintenance
- A contribution to a new reserve for 2021/22 and 2022/23 to mitigate against risk and to improve resilience within the Housing Development Capital programme
- The direct revenue financing budget for capital expenditure assumes a contribution of £2.4 million in 2021/22
- Continued receipt of the Major Repairs Allowance of £9.5 million

- An allowance is made for the ongoing estimated impact of Welfare Reform under the Universal Credit scheme on rent income levels, additional costs of collection and recovery, bad debts provision and the potential impact on void allowances
- Capital financing requirements reflect the increasing borrowing requirement proposed in the Capital Investment Programme
- Receipt of approved Affordable Housing Grant
- Changes to fees and charges are set out in detail in Appendix 3b of the Council's overall budget proposals

3.3 Capital Investment Programme

		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	%
Expenditure	Regeneration and Area	3,150	4,150	5,150	5,150	5,150	22,750	
	External and Internal Improvements	19,250	21,100	13,600	11,100	9,950	75,000	
	New Build and Acquisitions	60,990	89,085	69,250	50,750	32,790	302,865	
	Disabled Facilities Adaptations	3,350	3,350	3,350	3,350	3,350	16,750	
	Total Expenditure	**86,740**	**117,685**	**91,350**	**70,350**	**51,240**	**417,365**	
Resources	Major Repairs Allowance Grant	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(47,500)	12
	Additional Borrowing	(63,706)	(95,320)	(66,750)	(50,350)	(34,340)	(310,466)	74
	Direct Revenue Financing	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(12,000)	3
	Grant estimates and contributions	(10,734)	(6,565)	(7,700)	(3,900)	0	(28,899)	7
	Capital Receipts	(400)	(3,900)	(5,000)	(4,200)	(5,000)	(18,500)	4
	Total Resources	**(86,740)**	**(117,685)**	**(91,350)**	**(70,350)**	**(51,240)**	**(417,365)**	**100**

Expenditure commitments proposed over the next 5 years include:

- Regeneration and area improvement projects aiming to create better and safer places to live by undertaking Environmental works including defensible space, demolition, conversion and road/footpath realignment; energy efficiency schemes; improvements to flats, garages, gullies and open spaces
- Planned maintenance projects aim to enhance the standard and safety of existing dwellings and maintain the achievement of the Welsh Housing Quality Standards. Works to the internal and external fabric of housing stock include central heating, fencing, roofing, high rise upgrades, door entry systems, window and door upgrades, kitchens and bathrooms, improvements to sheltered housing and energy efficiency measures
- In order to meet the increasing demand for good quality, affordable social housing, new homes will be delivered via a number of routes such as construction by the Council and working together with developers to acquire completed sites

- Disabled adaptations to dwellings aims to help eligible tenants to live independently and improve their movement in and around the home.

The programme is reviewed annually in line with the 30 year HRA Business Plan.

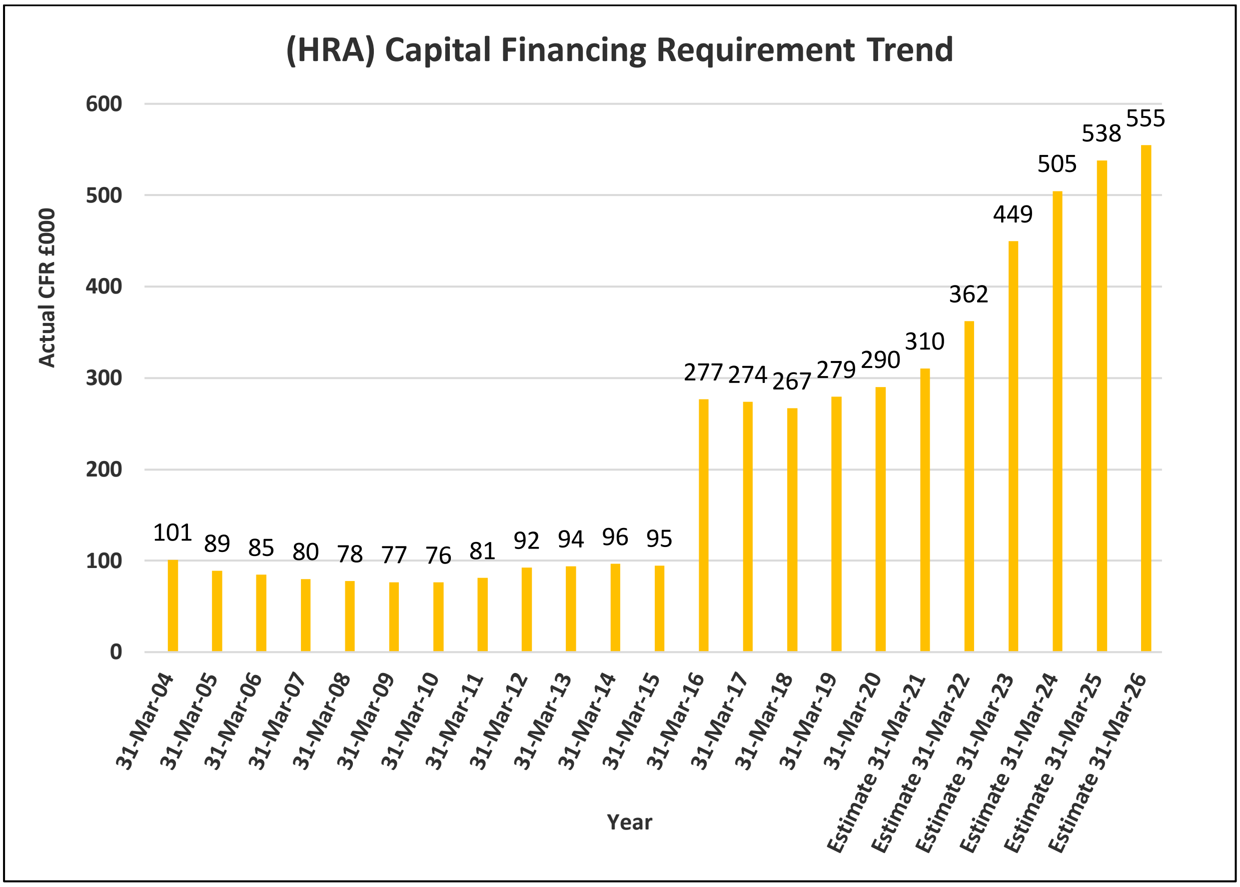
The capital expenditure commitments for the Housing Revenue Account proposed and incurred in the past, highlight a significant need to borrow in order to invest in homes and to create new assets. This is demonstrated by the increase in what is termed the Capital Financing Requirement (CFR).

Where capital expenditure has been incurred without a resource to pay for it, this will increase the CFR which is the HRA's underlying need to borrow. A prudent provision is made for the repayment of historic capital expenditure from the revenue budget in line with an agreed policy. This reduces the CFR.

The calculation of the CFR is summarised in the table below.

Movement	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	Closing Capital Financing Requirement (CFR)

The chart below shows the historic trend in the CFR for the Housing Revenue Account. This includes the £187 million payment made to HM Treasury to exit the subsidy system in 2015/16 and also the significant future capital investment proposed.



The revenue budget impact of capital schemes for rent payers includes:

- The costs of operating/maintaining new assets
- The capital financing costs of servicing any borrowing required to pay for investment (interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing)
- The revenue costs of preparing and delivering projects
- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all costs of that investment may be offset by financial and non-financial benefits such as income, cost avoidance and, importantly, improved outcomes for rent payers.

The table below shows two ratios highlighting the impact of the increasing borrowing requirement on the net revenue stream (rental and service charge income for the year).

a) Capital financing costs as a proportion of the Net Revenue Stream - An increasing ratio indicates that a greater proportion of the HRA resources are required to meet capital financing costs over the period.

b) HRA Capital Financing Requirement (Debt) as a ratio of the Net Revenue Stream – this ratio shows the amount of debt proportionate to the net revenue stream and is an indicator of financial sustainability. It helps to explain the relationship of debt to the HRA resources available to deliver services.

3. 2021/22 Budget and Medium Term Financial Plan

	2011/12 Actual	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA Capital Financing costs as a proportion of the Net Revenue Stream (%)	15.48	32.97	32.94	33.93	34.09	36.69	38.00	38.53
HRA Capital Financing Requirement as a ratio of Net Revenue Stream	2.24	3.81	3.90	4.43	5.31	5.59	5.65	5.58

4. Affordability and Value For Money

The WG Rent Policy recognises the need to balance the needs of landlords and the interest of tenants and therefore the policy includes a requirement that social landlords make an annual assessment of affordability, cost efficiencies and demonstrate that their homes and services represent value for money.

4.1 Affordability

The WG have made clear that affordability should include all costs of living in a property including rent, service charges and energy costs. A review has therefore been carried out of the affordability of living in a Council property in Cardiff.

The review used the Joseph Rowntree Living Rent Model which states that a rent should be affordable for a household with someone in full-time employment and earning around the minimum wage. The model uses the earnings of the lower quartile of earners resident in Cardiff and assumes that 28% of income is available to pay rent and is adjusted for the size of the household.

The review indicated that Council rents are affordable when compared to the Joseph Roundtree Living Rents.

4.2 Comparative Rent levels

As set out above, an uplift of CPI +1% would result in an average rent increase of £1.59 and an average rent of £107.80. The table below shows average gross rents including service charges. Council rents are below the Local Housing Allowance (LHA) rates for Cardiff, and well below market rents. It is estimated that private tenants claiming benefits are paying on average £25 per week above LHA levels.

No. of Bedrooms	Market Rent	Local Housing Allowance Rate 2020/21	Current Average Rent 2020/21	Estimated Average Rent 2021/22
1	£147.00	£105.32	£95.33	£96.76
2	£178.00	£129.08	£109.81	£111.45
3	£225.00	£152.55	£126.26	£128.15
4	£300.00	£193.63	£139.89	£141.99

While up to date information is not available, previous years' figures have shown that Council rents are broadly aligned with the rents of other social landlords in Cardiff, with rents for some property types, including one bed flats, being considerably lower than housing association rents.

It is clear that Council rents are considerably more affordable than private sector rents.

4.3 Energy Costs

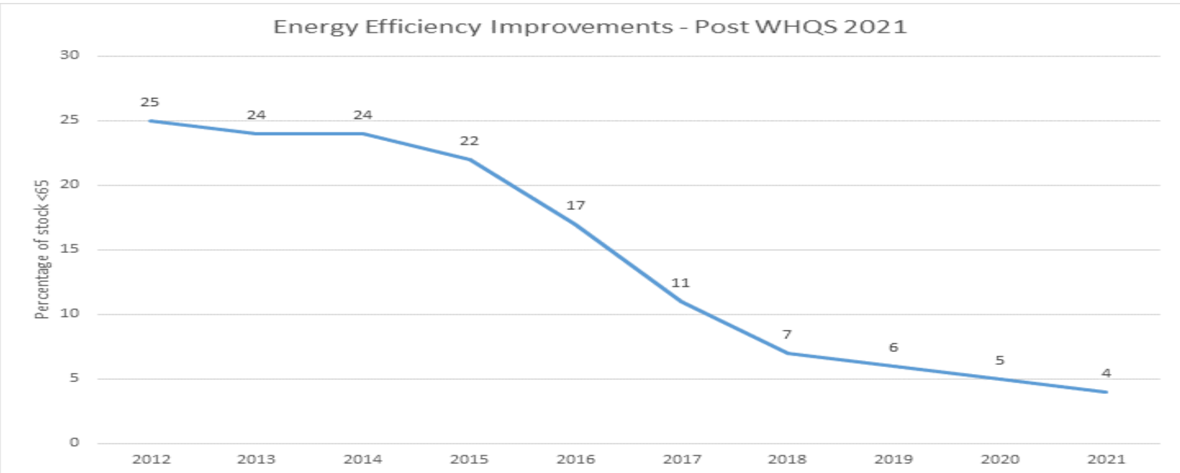
Existing Council homes exceed the energy efficiency requirements as set out in the Welsh Housing Quality Standard (WHQS) guidance.

4. Affordability and Value For Money

The Standard states "the annual energy consumption for space and water heating must be estimated using the Governments Standard Assessment Procedure for Energy Rating of Dwelling (SAP 2005) method.

A minimum of 65 out of 100 must be achieved". The current average SAP rating for the Council's 13,685 properties is 71.5.

The Council has worked to continually improve SAP levels in all its stock and the graph below shows how the number of poor performing properties has reduced since 2012 with only 4% now below the required standard.



Every effort is being made to improve energy efficiency where possible, including increasing the amount of loft and wall insulation and by installing more efficient heating systems. "A" rated energy efficient boilers have been fitted to 99% of all Council properties. Moving forward the service intends to pilot the retrofitting of renewable energy sources such as solar panels and external wall insulation which will dovetail with the Councils One Planet Agenda to decarbonise the city by 2030.

A 'Cardiff standard' has been set for all Council new builds which requires a fabric first approach to delivering energy efficient homes. This means that the external fabric of the building is as effective as possible in reducing heat loss thereby reducing bills and helping to tackle fuel poverty.

Currently, on average, Council new build properties are achieving a high B SAP rating. WG are considering the requirement that all new build affordable homes (which are allocated grant) achieve an A SAP rating. To achieve this it would be necessary to install renewable technology as well as continuing with the fabric first approach or adopt a construction method such as PassivHaus.

The Council's first PassivHaus scheme is underway at Highfields in Heath. This will deliver 10 new Council homes and will provide the opportunity to evaluate how PassivHaus works for tenants. The award of a WG Innovative Housing Programme grant of £3.8 million will allow the service to deliver the Council's first Zero Energy housing scheme. The Cardiff Living development at the former Rumney High school site will deliver 214 new homes to a high energy efficiency specification incorporating solar PV with batteries, ground source heat pumps and electric vehicle charging points.

4. Affordability and Value For Money

Beattie Passive will be creating 48 new modular homes for the city, providing temporary homes for families while a more permanent housing solution is found. These one, two and three bedroom flats will be state of the art Haus4 builds at the Gasworks site in Grangetown.

The timber-framed units, built for a 60+ year lifespan, are manufactured off-site using sustainable materials with a low carbon footprint, and delivered to site for installation.

4.4 Value for Money

Value for Money is achieved by focusing on key priorities in the pursuit of social objectives that benefit a range of stakeholders/service users and delivering these priorities in an effective and efficient way. Cardiff aims to achieve this in the following ways:

- Maintaining homes to a high standard
- Building new homes
- Delivering a high standard of tenancy services
- Community investment such as work to increase employability, financial and social inclusion
- Meeting the housing needs of the most vulnerable
- Preventing evictions
- Supporting people to live independently
- Supporting national and local policy objectives

We recognise that tenants have a right to expect good value for rents and to obtain maximum impact from available resources. We consult service users when setting rents and charges to get the balance right between service costs, service levels, priorities for investment, the need for new homes and affordability.

In order to continue to demonstrate value for money, during 2021/22 and in future years, the Council will undertake the following:

- Review all costs to reflect activity and value for money
- Seek opportunities to undertake external benchmarking and self-assessment with peers
- Continue to follow the Councils best practice in relation to procurement of goods and services
- Secure maximum value from assets through an understanding of stock and making intelligent (social) business decisions based on that understanding. This will necessitate:
    - Understanding condition of stock
    - Maintenance costs and investment needs
    - Demand within our communities
    - Performance of the stock at an appropriate and proportionate level of detail
    - Variation in performance across the stock
    - Priorities for improvement

A range of high quality services are provided to Council tenants including a dedicated Welfare Liaison Team to maximise income and prevent arrears and a Tenancy Sustainment service to support more vulnerable tenants.

4. Affordability and Value For Money

The clear aim of the housing service is to prevent unnecessary legal action and evictions. A wide range of additional services are also available locally through the Hubs, including Into Work help and support.

A Tenants Satisfaction Survey is normally carried out each year. In light of the pandemic, a decision was made to postpone the survey until 2021/22. The Council considers this will also provide a better reflection of services and any need for service change.

The Rent Survey carried out in January identified that 53% of tenants considered the proposed rents were very good of fairly good value for money, with only 28% disagreeing.

4.5 Cost Efficiencies

In 2019/20 the service commenced a review of spend and costs, to ensure that good value for money is being achieved. The review indicated a number of areas where efficiencies could be made, including the level of repairs carried out on void properties and recharges from other services.

Additional opportunities for efficiencies include a proposed review of office accommodation in line with increased home working and office rationalisation. Also there are plans for a further review of responsive repairs.

It is planned that this work will be continued into 2021/22 with a full review of all costs and overheads.

4.6. Financial Resilience

As well as recurring financial risks, the Council has embarked on a £400 million new build programme to meet the housing needs of current and future generations. This creates a number of risks to financial resilience which needs to be monitored and managed closely.

The Council will do this by:

- Ensuring that a HRA General balance is maintained and maintained at a prudent level
- Create specific earmarked reserves to mitigate against increasing and unforeseen costs in respect to the new build programme such as the price of materials, uncertain rent policy in the medium / long term
- Annually updating and submitting to the WG for approval a 30 year business plan
- Ensuring strong asset management practices and understanding of the condition of existing stock
- Continuing to develop indicators to support assessment of financial resilience
- Maintaining a prudent approach to repayment of capital expenditure
- Regular monitoring and review of expenditure against approved budgets
- Compliance with the terms of reference set by the Housing Board in respect to approval or changes in sites proposed for new housing development including viability assessments.

5. Key Risks and Uncertainties

5.1 Key Risks and Uncertainties

Key risks and uncertainties which could impact on the budget proposals for 2021/22 and the medium term include, but are not limited to, the following:

Risk Description	Impact	Pre Mitigation Risk Analysis	Mitigating Controls	Post Mitigation
Restricted rent uplift for 2021/22 and future years due to the impact of lower CPI and potential changes to the rent policy beyond 2024/25	Significant reduction in available revenue resources to support the HRA budget and key commitments impacting on level and quality of service provision to tenants and capital schemes that can be taken forward. Affordability, prudence and sustainability of additional borrowing. Impact on local and national affordable housing targets	Red	Ongoing multivariate sensitivity and stress testing to determine potential impact. Identify operational efficiencies and savings. Revise budget and avoid over commitment of new build programme. Planned build- up of reserves and general balance to support financial resilience.	Amber
Cost inflation increase above rent uplifts	Increase in costs of supervision, management and repairs and maintenance	Amber	Review and reprioritise revenue operating costs and consider a reduction in planned expenditure proposed to be funded by borrowing	Green
A reduction in the (£9.5m per annum) WG Major Repairs Allowance (MRA) grant	Impact on the achievability of the Capital Programme	Red	Review and reprioritisation of the Capital Programme allowing for committed spend but realigning future spend plans	Amber
Impact of Welfare Reform and Universal Credit	Impact on tenants' ability to pay rent, resulting in increased rent arrears, requirement for bad debt provision and increased debt collection and recovery costs	Amber	Understanding of the Welfare Reform regime and risks. Information and advice to tenants, for example through Into Work Services. Maximisation of funding for promotion of available benefits and specific support e.g. the Hardship Fund and Discretionary Housing Payments grant. Regular review of bad debts provision.	Amber/Green
Impact of Covid 19	Increase in unemployment impacting on tenants' ability to pay rent, resulting in increased	Red	Information and advice to tenants, for example through Into Work Services. Maximisation of funding for promotion of available benefits	Amber

	rent arrears, requirement for bad debt provision and increased debt collection and recovery costs		and specific support e.g. the Hardship Fund and Discretionary Housing Payments grant. Regular review of bad debts provision.	
Impact of Brexit	Shortage of supply and cost inflation of materials due to increased bureaucracy and uncertainty.	Amber	Maintain communication channels with suppliers and contractors including seeking alternative sources of supply. Embrace post-Brexit procurement opportunities to ensure regime is simple, efficient and delivers greater value for money.	Amber / Green
Failure to meet new build housing programme targets resulting in delays to timing of lettings of new build properties	Non achievement of Capital Ambition targets. Failure to reduce housing waiting list and impact on temporary accommodation and homelessness. Holding costs of vacant sites and revenue costs of development teams. Reduction in rental income receivable and resources available to support the HRA budget	Red	Contractual commitments are closely monitored by the New Build Board. Individual project viability is reviewed at key stages of the scheme development. Ongoing review of new build programme development and resources required.	Amber
Treasury Management	Increased costs of interest and prudent repayment of any borrowing undertaken to pay for capital expenditure proposed in the HRA Capital programme	Red	Integrated Council wide Treasury Management policies and strategy. Regular reporting in line with best practice. Review of programme in line with affordability and government policy changes such as rent. Setting a prudent approach to repayment of debt and identification of revenue resources to support financial resilience. This all allows the Council to respond to issues quickly and appropriately.	Amber
Challenge of Decarbonisation	Failure to plan and invest strategically in order to meet carbon reduction targets could result in failure to meet WG target. This will impact on tenants' energy costs.	Red/Amber	Work closely with WG to understand key requirements, targets, delivery methods and costs. Plans in place to pilot renewable technology in order to meet the challenge.	Amber

5. Key Risks and Uncertainties

	The requirement to meet the cost of decarbonisation without additional funding will impact on other spend – could reduce borrowing capacity and reduce funds available for new build.			

Review and monitoring of the financial and wider risks identified for the Housing Revenue Accounts takes place as part of the Directorate's risk identification and monitoring process.

HRA risks are considered within the Directorate Operational Risk Register which is reviewed and updated quarterly.

The development and progress of the New Build programme is reported to and monitored at the Housing Development and Capital Finance Board which meets bi-monthly whilst the revenue and capital financial position is considered as part of regular monthly monitoring and reporting processes.

5.2 Sensitivity Analysis

The assumptions as detailed within 3.2 above are based on best information and will be subject to a risk of change. The table below sets out key areas of sensitivity and their potential annual impact based on the financial year 2021/22.

Assumption	£'000
CPI 0.5% lower than anticipated	381
CPI 1% higher than anticipated	762
Employers' Pay Award 1% higher than budgeted	312
Revenue repair costs 2% higher than budgeted	402
Void rent loss 1% higher than budgeted	774

This is on the assumption that all other factors remain constant and no mitigation/offsetting actions are in place. In reality, as set out within the Risk Matrix table above, mitigation would take the form of numerous and varied measures to bring the budget back into a viable financial position.

5. Key Risks and Uncertainties

CPI and Rent increases

Rent increases of 1.5% (CPI+1%) are assumed within the budget for 2021/22 and with incremental increases from 2022/23 onwards in line with the WG forward indicators for inflation factors. A reduction to a CPI of 0% would reduce rental income due by £381,000 which would have a significant impact on planned development and new build aspirations, unless mitigating actions were taken.

Conversely, an increase in CPI to 1% would generate an additional £762,000. Rent increases/decreases via the rent policy impacts on the affordability of new housing. In broad terms, for every £1m extra income in rent after all additional costs are met, circa 100 properties can be built through additional borrowing. The Council will continue to maximise its ambition to deliver new affordable housing but will also ensure any plans are financially viable.

Employers' pay award

In the absence of an Employers agreed pay award, a 2% uplift has been assumed for 2021/22. A pay award increase 1% higher than budgeted would result in an increased funding requirement of £312,000.

Revenue Repairs

Revenue responsive and planned maintenance costs are estimated at £20.116 million for 2021/22. An increase of 2% would require additional funding of £402,000.

Void property percentage

The level of void properties is budgeted at 1.55% with an estimated rental loss of £1.2 million for standard housing stock based on the 2021/22 budget. A 1% deterioration in this position would result in reduced rental income of £774,000.