NORWICH City Council

Cabinet

SUPPLEMENTARY AGENDA

Date: **Wednesday, 14 December 2022**
Time: **17:30**
Venue: **Council chamber**, **City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:

Councillors:

Waters (chair)
Harris (vice chair)
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7	**The council's provisional budget and medium-term financial strategy - Section 6 Public Consultation** **Purpose**: To consider section 6 of the report.	5 - 14
8	**Housing Revenue Account (HRA) Business Plan and HRA Budget 2023-24** **Purpose**: The report provides the 2023/24 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to: • Invest in health and safety compliance measures to ensure we move out of regulatory supervision and our council homes comply with the new, emerging building safety legislative environment • Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property, and building maintenance services • Deliver programmes to build and acquire more council homes • Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest and deliver plans by April 2024 which will set out the roadmap to ensure Norwich City Council homes achieve net-zero carbon emissions as soon as possible and by 2050 at the latest • Deliver year on year targets to achieve reductions management cost by £1.6m by 2025/26 through a review of our delivery model • Deliver improvements to frontline neighbourhood housing services	15 - 30

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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Date of publication**: Thursday, 08 December 2022**

Section 6: Public Consultation

Norwich City Council's budget 2023/2024

Setting next year's budget – your views

On Tuesday 21 February 2023, the democratically elected councillors for the whole of the Norwich City Council area will discuss and approve the budget for 2023/24.

An important part of the budget-setting process is hearing from you. We want to know if you agree with the proposed council tax level, what you think about our spending plans, and the council's approach to balancing the budget for next year.

This consultation will run from until **20 January 2023**. What you tell us will be analysed and included in a report published on our website. Your response will help inform the final proposals which will be considered initially by the cabinet to inform their final set of formal proposals to the council at its budget-setting meeting in February 2023.

Overview

Norwich City Council delivers lots of important services to the people of Norwich. Our boundary (the area we cover and are responsible for) is about 60 per cent of the urban area of the city, covering a population of around 143,000 people.

Like all local councils throughout the country, we are under serious financial pressure to balance our books so we can continue to deliver key services that our residents rely on us to provide.

The scale of our financial challenge is very real and means we're currently working towards needing to save £6.2m for 2023-24. This will mean making some really difficult choices on certain services and how we deliver them.

Despite the budget challenges we're facing, it's equally important to emphasise the significant investment the city council makes, every single day, when it comes to providing important services as well as how the council uses its wider role as a key influencer to champion the city.

We very much want to hear what you have to say on a number of key areas in this year's budget consultation including the following:

- Our proposed council tax increase
- How we plan to bridge our budget gap
- Our plans on providing council tax relief (Council Tax Reduction Scheme)

But this year we want more than just feedback on our budget proposals.

We want to know what matters to you.

We want you to tell us what you consider to be the biggest challenges that Norwich will face over the next financial year as well as hearing what you're personally most concerned about. So we've included some questions on these important topics too.

Please do take a few minutes out of your day to give us your views as they will help to inform some of the decisions we make about future service delivery.

Prioritising the services we provide

The city council provides a really broad range of services for its residents. Some of these are services we have to provide (often called 'statutory services') while others we choose to provide (often called 'discretionary services').

There are, however, many different ways in which any of our services can be provided, all with different cost implications. These services include:

- Housing services (affordable and council homes, rough sleeping)
- Waste and recycling collections
- Parks and other open spaces (eg Mousehold Heath)
- Street cleaning
- Car park provision
- Housing and council tax benefits
- Local planning services
- Cultural, tourism and leisure services, including city council funded events (eg Christmas switch-on)
- Electoral registration
- Public protection services (eg licensing, health and safety)
- Support services such as HR, finance, legal

Where we get our money from for the services we provide

Local council finances are complicated! We get our money from a number of sources.

In 2013-14 the government provided £7.9m of grant funding to support our budget. That's now dwindled to about £200,000.

Based on our 2023-24 projections, we will receive a very small percentage of what we need from central government (about 6 per cent). As a result, we're increasingly having to do things very differently to bring in the money we need to pay for services.

Our main sources of income for 2023-24

The council has a total of just over £64m worth of income to pay for a vast array of council services (excluding what we need for our council homes, this comes out of another budget) within what's called the general fund budget.

The majority of our income is generated by various fees and charges and rental income on properties (this adds up to about 50 per cent of our total income in the general fund). Council tax is estimated to contribute about 17 per cent of our total income.

The income streams come from a variety of sources. Here are some of the main ones:

£32.6m – fees, charges and rental income (eg money from car parks and commercial property)
£11m – council tax
£6.8m – business rates
£4.4m – government grants

What we spend our money on

Our outgoings (the money we use for the services we provide) for 2023-24 need to match our income of just over £64m if we are to balance our books.

Last year, you told us the top three service areas that matter most to you – waste and recycling; housing services; parks and open spaces. In 2023-24 we will continue to invest heavily in the services you most value, along with many other important services you rely on us to provide.

As with our sources of income in the general fund, the majority of our expenditure can be grouped into core areas of spend. Here are the main ones:

£18m – environmental services (this includes waste and recycling collections; maintaining our parks and open spaces; keeping our streets clean). Of this £18m we spend:

- £5.3m on waste and recycling
- £3.3m on maintaining our parks and open spaces
- £1.8m on street cleaning

£7.4m – property and economic development (including management and repair costs for maintaining our non-housing properties)
£6.9 – housing and community safety (including homelessness and rough sleeping prevention, management of our private sector leasing scheme. This does not include managing our 14,000 council homes which is financed by a separate pot of money.
£4m – planning and regulatory services (eg licensing, health and safety, our enforcement role in private sector housing)
£4.6 – collecting council tax and business rates and processing benefit claims
£3m – corporate financing (eg interest on external loans, contingency funding)
£20.2m – running the council (including IT; legal and procurement; HR, finance, audit and risk; strategy, communications; management costs).

Q1) How we will manage our budget

We're currently working towards needing to save £6.2m for 2023-24, with a total of £11m to save by 2026-27. The actions we plan to take to make this saving of £6.2m fall into a number of themes.

These themes are based around the need to generate additional income, make savings and use some of our savings to bridge our budget gap in the coming financial year.

The themes are:

- Redesign services (eg modern and fit for purpose IT systems to efficiently manage everything we need to support service delivery)
- Reform contracts (make sure our large contracts deliver the best quality services for what we can afford to pay)
- Maximise commercial opportunities (increase fees and charges for some of our paid-for services)
- Drive value from our assets (eg using our buildings/facilities to reduce how much they cost us and where possible make money)
- Drive growth and regeneration (eg develop key sites in the city)

Looking at the above themes and examples of what they do, to what extent do you agree with our approach to help us bridge our budget gap?

- Definitely agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Definitely disagree

Q2) Please take at a look at some of the core council services we provide and choose the top three that you value the most.

- Providing housing services (affordable and council homes, rough sleeping)
- Waste and recycling collections
- Car parking provision
- Parks and open spaces
- Culture, tourism, and leisure including events
- Electoral services (which allow you to vote in local and general elections)
- Providing benefits (for those on low income such as housing benefit and council tax reduction)
- Local planning services
- Public protection services (including licensing and environmental health)

Council tax

The expectation from the government is that councils fund services primarily through local taxation, including council tax. The government set a maximum amount it can be increased to which is up to 3 per cent for the city council, without the need for a public vote.

There is no assurance from government that further funding will be made available to local councils to help them provide vital services. The size of our budget challenge means we have to find ways of bridging the gap – increasing council tax is one of the ways we can do that to help avoid additional cuts to services.

We are therefore consulting on an increase to the city council's share of council tax of up to the 3 per cent maximum allowed. Most of the council tax we pay goes to Norfolk County Council for their services (about 73 per cent). The city council and the office of the Police and Crime Commissioner each receive about 14 per cent of the council tax that's collected.

The proposed increase in council tax would bring in a total of around £320,000 additional income to the city council to help fund services (bringing the council's total income from council tax to about £11m). This would mean an increase of £8.38 per year or around 16p per week for an average band D property for the city council's share of council tax.

Q3) To what extent do you support the council increasing its share of council tax by up to 3 per cent in 2023-24 to help towards paying for council services?

Revenue budget

The council uses what it calls its 'revenue budget' to meet the cost of its day-to-day expenditure such as on salaries and supplies and services. Most of our revenue costs are on salaries. So, in looking at ways to reduce costs, there is often an associated impact on the number of people we employ. In considering where we can save money, we have prioritised those areas which provide direct services to our residents such as housing services, including those for the homeless, and environmental services such as keeping the streets clean and collecting and recycling household rubbish.

The city council has identified a number of aims to help guide it through its four-year corporate plan, a document which sets out a vision for the city and the council up to 2026.

Our key aims for Norwich are as follows:

- We want people to live well and independently in a safe and diverse city
- We want a sustainable and healthy city
- We have the infrastructure and housing we need to be a successful city
- We have an inclusive economy where all residents have an equal opportunity to flourish

In setting our budget, choices must be made about which aims are most important and how our money can be spent across these aims to deliver the maximum benefit to all our residents. For example, although housing is an important priority, we also need to spend some money on other services such as planning which we must provide by law.

Q4) With these key aims in mind, if you had £1m to invest in Norwich, what would your spending priorities be?

As a reminder, below are some of the key services the city council provides (both statutory and non-statutory).

Housing services (affordable and council homes, rough sleeping)
Waste and recycling collections
Parks and other open spaces (eg Mousehold Heath)
Street cleaning
Car park provision
Housing and council tax benefits
Local planning services
Cultural, tourism and leisure services, including city council funded events (eg Christmas switch-on)
Electoral registration
Public protection services (eg licensing and health and safety)
Support services such as HR, finance, legal

Council Tax Reduction Scheme

Every council must maintain its own Council Tax Reduction Scheme (CTRS) to provide council tax relief to some households from paying it in full. Certain groups, such as pensioners, must by law be given up to 100 per cent council tax relief depending on their income levels.

The city council is one of a small number of local authorities which also provides up to 100 per cent relief to working age residents on low incomes. This means that some people will pay no council tax.

In order to change the council's scheme, a full consultation on any proposals for change would need to be undertaken separately and approved by the council by the end of January each year. There is no intention to make changes for 2023-24 but we are still interested to hear your views about continuing to provide relief at this level in future years as part of our longer-term financial planning.

Q5) To what extent do you agree with providing up to 100 per cent to those who qualify for this?

- Definitely agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Definitely disagree

Q6) What do you think will be the three most important issues facing Norwich in the next year? (issue 1 is the most challenging, issue 3 is the least challenging).

- Cost of living crisis
- New waves of Covid
- Housing related services (including building affordable properties and council homes and work with partners to prevent rough sleeping and homelessness)
- Tackling climate change
- Antisocial behaviour in our communities
- Fewer council services due to financial pressures
- Keeping our streets clean
- Keeping Norwich a vibrant city
- Taking action on rogue private landlords
- Tackling fly-tipping
- Working with partners to deliver full-fibre broadband across the city
- Supporting the voluntary community.

Other

If you selected other, please specify

Q7) Which three things are you personally most concerned about at the moment?

Please select from the below:

- My physical health and fitness
- My mental health and wellbeing
- Being lonely
- Climate change
- Paying bills
- Affordable housing
- Future job prospects
- Raising children
- Education provision
- Experiencing antisocial behaviour
- Being a victim of crime
- Cleanliness of my neighbourhood

- Cleanliness of the city centre
- Public transport
- Having access to free family friendly events
- Other

If you selected other, please specify below

Q8) If you own or run a business in Norwich what are the three things that most concern you from a business perspective?

- Transport/parking
- Office space/premises
- Digital/broadband/connectivity
- Cleanliness of the city
- Business rates
- Energy costs
- Cost of living crisis
- Inflationary impacts (eg goods, services, memberships, subscriptions)
- Staffing matters (eg recruiting and retaining)
- Help and support for city businesses from the council
- Other

If you selected other, please specify below

Capital expenditure

This is money spent on creating or improving our assets where the benefits last into the future. Capital expenditure includes the buying, constructing, maintenance or improvement of physical assets, such as buildings and land. We are proposing to spend nearly £50m on general fund capital items over the medium-term period 2023 – 2028. A further £180m is proposed to invest in our council housing stock – maintaining and improving the condition of our existing properties and increasing the availability of homes through new building projects.

This kind of spending is different to revenue spending, which covers day-to-day items to run services such as staffing and the purchase of supplies services, so it is budgeted for separately. We also fund capital expenditure in different ways – sometimes by using money from selling other assets, sometimes by borrowing money and repaying it over time.

The council ensures all capital expenditure is directly linked to the council's priorities, affordable and delivered through key corporate projects.

Capital expenditure is usually of a one-off nature, it can be a significant amount and can span several financial years. Examples of capital schemes include making improvements to our parks and open spaces, paying for up-to-date IT equipment and systems and investing in schemes which bring regeneration opportunities to the city. Sometimes we do this in partnership with others or by combining our resources with them to make a bigger impact.

We can also sell some of our assets to generate money which can be invested in other schemes or to reduce the amount of borrowing that the council has – a recent example of this is when the city council and the county council, as previous co-owners of Norwich airport industrial estate, sold the 48-acre site in the summer of 2022.

Some assets we hold generate an on-going income stream. It is important that we understand what we are holding assets for and keep their performance under review so we can maximise their benefits.

Another example of reviewing our assets includes considering how best to use City Hall – especially so in light of the pandemic and new ways of working which has seen the majority of staff split their working time between home and the office.

Q9) To what extent do you agree that we should continue to review our assets by assessing which ones to sell or finding ways of generating additional income from letting out our assets?

- Definitely agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Definitely disagree

Q10) Do you have any other ideas about which capital expenditure projects would make a difference to our residents or businesses?

Q11) Do you have any other ideas about how we can balance our budget by doing things differently, finding additional ways to bring in more money or make savings?

NORWICH
City Council

Item 8

Committee name: Cabinet

Committee date: 14/12/2022

Report title: Housing Revenue Account (HRA) Business Plan and HRA Budget 2023/24

Portfolio: Councillor Harris, Deputy leader and cabinet member for social housing

Report from: Executive director of community services

Wards: All wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

The report provides the 2023/24 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Invest in health and safety compliance measures to ensure we move out of regulatory supervision and our council homes comply with the new, emerging building safety legislative environment

- Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property, and building maintenance services

- Deliver programmes to build and acquire more council homes

- Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest and deliver plans by April 2024 which will set out the roadmap to ensure Norwich City Council homes achieve net-zero carbon emissions as soon as possible and by 2050 at the latest

- Deliver year on year targets to achieve reductions management cost by £1.6m by 2025/26 through a review of our delivery model

- Deliver improvements to frontline neighbourhood housing services

Recommendation:

It is recommended that:

1. The HRA Business Plan report for 2023/24 is approved by Cabinet, subject to approval of the HRA Revenue Account Budget 2023/24 at Council in February 2023.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the corporate priorities

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.

This report addresses the following priority in the Corporate Plan:

Make the best use of our Housing Revenue Account assets and resources, maximizing our income and spending wisely to provide easy to access, high quality services and support for our tenants and leaseholders.

1. **Report details**

2. This report provides the 2023/24 update of the Housing Revenue Account (HRA) 30- year Business Plan and supports the 2023/24 revenue and capital budget for the HRA which is separately addressed on this agenda. The information in this report is dependant on the approval of the HRA budget by Council in February 2023.

3. This year a full review of the financial elements of the Business Plan has been undertaken and a new business planning model has been introduced. The review aligns the investment priorities in the Business Plan with our Housing Strategy 'Fit for the Future' 2020 – 2026 which has four goals:

   - Meeting housing need - delivering new homes
   - Maintaining and improving condition of existing housing
   - Improving the use and management of our existing stock
   - Improving our neighbourhoods

4. The HRA Business Plan 2023/24 update, reflects and underpins the goals we have set in the Housing Strategy.

5. In 2019 the Council declared a Climate Emergency, and in response committed to achieving net zero emissions, from its own operations, by 2030. Recognising that decarbonisation of its homes would require significant investment and a longer timescale the Government target of 2050 was adopted.
6. This is the first city council HRA Business Plan which has committed to making large scale investment in full decarbonisation of its homes. Further details are set out later in the report.
7. **Background**
8. The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Norwich regardless of tenure.
9. The HRA 30 – year Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) that the local authority is able to generate in its capacity as landlord.
10. There is no legal requirement to produce a HRA business plan, but it is considered best practice to develop and regularly review the plan. It is an early warning system which tells us what may happen in the future based on the available data and set of assumptions. It supports us in understanding investment capacity and to make informed decisions about investment priorities.
11. The HRA operates within a national political context; therefore, any changes within national housing policy can have a significant impact on the HRA Business Plan.
12. Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 30-year affordability profile.
13. **Context**
14. The city council owns, lets, and manages approximately 14,500 homes across the city, and provides services to approximately 3,500 leaseholders who own homes within its buildings. We are a large local authority landlord and like many others our stock is ageing and in need of significant investment.
15. Demand for the services we provide for our most vulnerable residents just keeps increasing. More people with complex lifestyles need our support. This increasing demand, compounded by the cost-of-living crisis is putting significant pressure on the services we provide and the demand for social housing.
16. The uncertain economic climate - high inflation and borrowing costs, high energy costs, supply chain issues and skills shortages - is crystalising a number of risks and testing the resilience of the housing sector. We face the challenge of income not rising in line with costs, which is creating a gap in our capacity to invest in our tenants' homes. These factors coupled with the

challenge of new social housing regulation and the decarbonisation of our homes means we inevitably face ‘trade off’s’ in our investment decisions.

17. Over the duration of this plan, the legal, economic and social environment will change and with it, the balance of competing priorities for investment will shift. As it does, the Council will update and test the assumptions, requirements and strategic approach within the plan.

18. **Key information**

19. The key priorities for the HRA Business Plan 2022/23 are:

20. **Invest in health and safety compliance measures to ensure we move out of regulatory supervision and our council homes comply with the emerging building safety legislative environment**

21. During the last 18 months, the Council has been focused on addressing historic issues relating to health, safety and compliance in our tenants’ homes. We continue to priorities health and safety repairs. working closely with the Regulator of Social Housing to achieve full compliance for our homes and with our contractors to clear outstanding inspections and remedial works. As we work through these historic issues, we are identifying a number of areas where further investment is required.

22. The Fire Safety Act 2021 received Royal Assent in April 2021 providing greater clarity over responsibility for fire safety in multi-occupation residential buildings and for all council owned flat and maisonette blocks. The Council’s focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas.

23. The Building Safety Act received Royal Assent in April 2022 introducing wide ranging changes to the legal and regulatory framework governing the management of building safety during design, construction, and occupation. It introduces a new and much more stringent regulatory framework for higher-risk residential buildings, such as tower blocks which has increased and defined the responsibilities of social housing landlords. The Council is working to implement the requirements.

24. This new legislative landscape not only considers our buildings but equally important our tenants. The Bill provides the next steps to give residents more rights and decision making about their homes, powers and protections and sets out significant changes to the way residential buildings should be constructed, managed on a day-to-day basis, and maintained in the future.

25. Further detail is expected to be included in separate secondary legislation. The Council is taking a pro-active approach to ensure the investment capacity in the Business Plan and resources are in place to comply with any further legislative requirements. We are bringing forward fire safety improvements to blocks and developing a resident engagement plan.

26. **Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property, and building maintenance services**

27. The Repairs and Maintenance Services requires significant improvement following its transfer from Norwich Norse Building Ltd to Norwich City Services Ltd (NCSL) in April 2022. The Council are working closely with NCSL to drive improvements over a three-year period (2022 – 2025).

28. A significant backlog of repairs and empty homes was outstanding at the beginning of April 2022. At the time of writing this report 75 repairs remain outstanding for completion and 80 empty homes (which require major work) from a total backlog of approximately 4000. Reducing the length of time it takes to get an empty home ready to relet will continue to be a high priority for the Council in 2023/24.

29. The 5-year HRA investment programme will continue to prioritise work that keeps people safe and will deliver improvements to people's homes (fire safety, electrical upgrades, kitchens, bathrooms, windows, doors, roofs, insulating homes etc.) to make sure they continue to be well maintained. Over £90m will be invested over the next 5 years to make these improvements.

30. A stock condition survey has been commissioned this year, which will provide up-to-date information and data about the condition of our housing stock. This information will be used to plan the investment programme more accurately. We are also reviewing our strategic approach to commissioning and managing capital works on housing to ensure best value for residents.

31. The work which is planned to maintain and improve our existing homes is based on meeting the 'Norwich Standard.' The national Decent Homes standard is currently under review. The Council will in turn review its own 'Norwich Standard', to ensure it is compliant with legislative requirements and meets the needs of our tenants.

32. **Deliver programmes to build and acquire more council homes**

33. Over 4000 households are registered with the Council, waiting for a home. The cost-of-living crisis is increasing demand for council homes with more people struggling to afford to live in their private rented and owned homes with mortgages. In addition, each year approximately 140 council homes are lost through Right to Buy (RTB) sales. The sale of homes, through RTB means that over the 30-year life of the Business Plan, just over £19m is lost in rental income alone.

34. The Business Plan secures investment for three new home programmes, described in the table below. In total 234 new homes are planned by 2027/28.

Scheme	Number of homes
Three Score (Phase 3)	52
Argyle Street	14
Mile Cross	168
Total	**234**

35. Due to the current economic climate, schemes will be subject to further viability assessment as the detailed proposal comes forward. Further opportunities will

also be considered as they come forward. All opportunities will be assessed thoroughly to ensure that they are financially viable within the Business Plan. A range of funding options will be considered including HRA funds, housing grant and s. 141 right to buy receipts.

36. **Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest. Deliver a 'Roadmap to Decarbonisation' to ensure Norwich City Council homes reach net-zero carbon emissions as soon as possible and by 2050 at the latest.**

37. Along with many other social landlords the Council is evaluating how it can fund and maximise pace of delivery to zero carbon. There are significant challenges because of the number of homes we own, and the age and composition of our homes. For example, solid wall homes and tower blocks will present significant challenges.

38. The Council has currently estimated that investment of approximately £290m is required to meet EPC level C by 2030 and reach net-zero carbon emissions by 2050. This sum is included in the HRA Business Plan.

39. Further work will be undertaken during 2023/34 based on improved stock condition data, to develop a comprehensive 'Roadmap to Decarbonisation'.

40. The Council continues to work with Government, submitting funding bids for green grants when they become available to reduce costs. Within the Business Plan we have identified that we will need 10% funding from Government, or other sources to support us to achieve net zero. Availability of funding is crucial - this will enable us to do more, faster.

41. The Council has been successful in bidding for funding through the Social Housing Decarbonisation Fund and have received £985k for 2022/23. This has accelerated the delivery of improvements, such as loft and wall insulation, to 50 homes. A further bid for £2m of SHDF has been made for 2023/24 and 2024/25 benefitting 930 homes if successful.

42. In addition, £53m to improve energy efficiency and carbon reduction measures is included within the 5-year investment programme (2023/28). This work is crucial in making homes warmer and more affordable for our tenants. The focus will be on a 'fabric first' approach, installing cavity, loft and wall insulation, draught proofing and improvements to heating systems. Solar PV systems will also be installed where most effective.

43. Additionally, a whole house and work packaging approach which will look at the most cost-effective time and methodology to upgrade, for example by installing solar and roof insulation at the same time as undertaking a planned roof replacement or wall insulation at the same time as replacing windows.

44. **Deliver improvements to frontline housing neighbourhood services**

45. The Council are currently developing a housing and estate management strategy which will seek to improve existing services and potentially develop new services for our tenants. We will work with residents to ensure the services meet their needs, and we will utilise new technology to achieve this.

This year saw the launch of our new housing management software, NEC, which has extended the ability of tenants to self-serve and we will be developing this further. We are also developing a new estate management app to enable staff to undertake more frequent health, safety and compliance inspections, and to do this efficiently.

46. **Deliver year on year targets to achieve a reduction in management cost by £1.6m by 2025/26.**

47. The drive for efficiency means we have set ourselves the goal of reducing our management costs by £1.6m over the next 3 years. We will seek to use the NEC system to achieve some of this saving, but we will also look at the way in which we deliver services, ensuring that we focus on those that relate to delivering a right-first time experience to our tenants, ensuring statutory compliance is met, whilst seeking to improve the overall performance of the service.

48. Over the next 12 months we will continue to modernise and invest in the services that we provide to tenants. We introduced a new IT system in 2021 to enable us to be smarter and more efficient, to reduce back-office administration and improve the customer experience. This will improve the efficiency of the service we provide, both to customers and the teams we work with.

49. We will need to review future options for making further efficiencies and savings for the HRA to ensure a sustainable business plan over the next 30 years. In 2022/23 we will start to identify areas where these can be made across the service.

50. **Implement and embed the requirements of the Social Housing (Regulation) Bill**

51. The Social Housing (Regulation) Bill received its first reading in the House of Commons on 31 October 2022. With the Bill, the Government intends to strengthen the regulatory regime to change the behaviour of landlords of social housing to focus on the needs of their tenants. It also aims to ensure landlords are held to account for their performance.

52. The Council will implement the Social Housing Regulation Bill, which sets out a Charter for Social Housing Tenants and outlines plans for the strengthened Regulator for Social Housing and their consumer regulation, a strengthened Housing Ombudsman to speed up complaints resolution, and future sector wide reporting against tenant satisfaction measures.

53. Development of a new Tenant Engagement Strategy in anticipation of the new standards to be announced by the Regulator in underway. The strategy is a first step in addressing the key elements within the bill relating to a customer voice. The strategy is being developed in consultation and engagement with our tenants to ensure we have incorporated their views and feedback.

Consultation

54. The Tenant Involvement Panel will be consulted on the priorities in the Business Plan in January. Their comments and views will be incorporated in the budget consultation element of the HRA budget approval in February.

55. The review of tenant engagement arrangements will enable us to undertake a comprehensive engagement exercise with our tenants' during 2023/24.

Implications

Financial and resources

56. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.

57. The HRA 30-year Business Plan creates a framework by which affordability of our investment and operational plans can be evaluated. The proposed HRA revenue and capital budget for 2023/24 have been factored into the Business Plan, as well as outturn expenditure for 2022/23.

58. The Business Plan is based on a set of key assumptions to help us mitigate risks or changes that may occur in the coming years. The projections form part of the Council's early warning system for monitoring the financial health of the HRA – it should not therefore be considered, a budget, a strategy/policy document or an absolute prediction of the future.

59. It is good practice to update and test the projections regularly to ensure that emerging risks and opportunities are identified and to help the Council plan any actions that are needed. This year we have reviewed all the financial assumptions in the plan and have introduced a new updated business plan modelling tool. We will continue to review and refresh the assumptions each year to reflect the changing economic environment in which the Business Plan operates.

60. **Key Financial Assumptions**

61. A schedule of the key assumptions made within the HRA Business Plan model are described below:

- Consumer price index was 10.1% in September 2022 this has been applied for 2023/24. Projections from the Bank of England suggest that CPI could be 5.2% in Autumn/Winter 2023. For following years of the plan, the Government's standard inflation rate of 2% p/a has been assumed.

- The 2023/24 rent increase for existing council tenants is modelled at 7% in line with the maximum rent increase, set by the Chancellor of the Exchequer in the November 2022 Autumn Statement.

- The rent increase for 2024/25 has been modelled at CPI +1%, which is consistent with current government policy, which indicated CPI +1% rent increases until 2024/25 (before introduction of the rent cap for 2023/24). From 2025/26 the projections assume annual rent increases at CPI only.

- New lettings and relets will have rents based at the formula rent, set in line with government policy, + 5% rent flexibility.

- 10% of the cost of decarbonisation works to be funded from government grant. This is a notional allowance at this stage, which the Council will need to secure through the available government programmes.

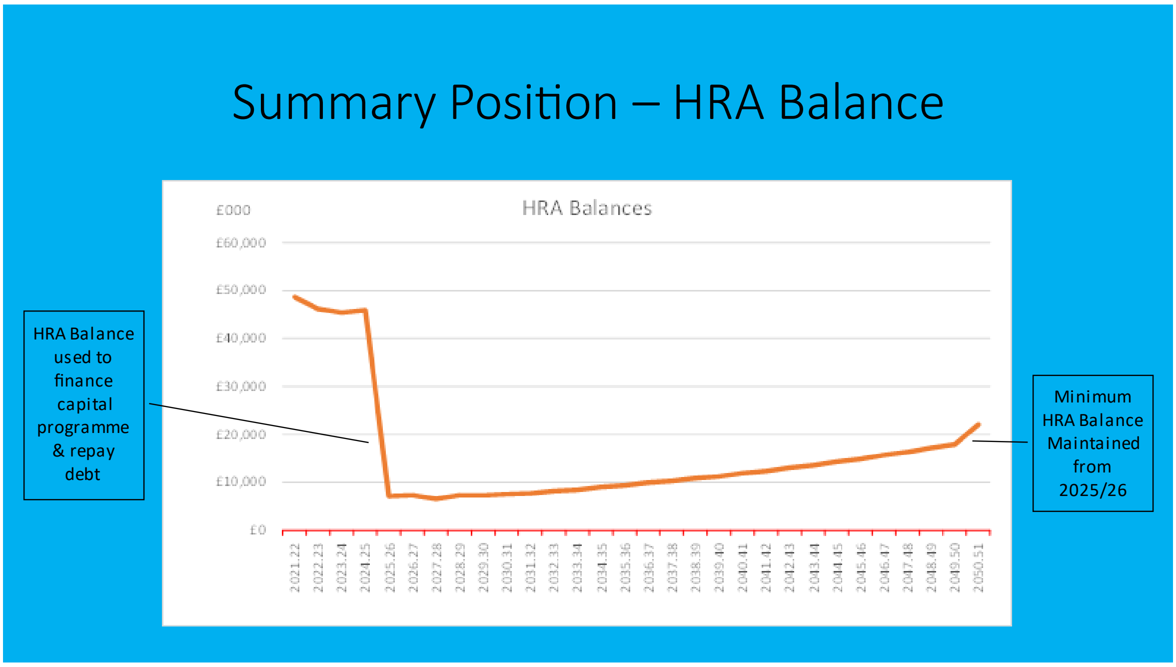
- Interest rates for existing borrowing reflect the actual individual rates at which the loans were secured. Interest rates against all new borrowing have been applied at 3% throughout the plan.

62. The charts included below demonstrate that the investment proposals set out within this report and included in the HRA 30-year Business Plan are affordable. Any annual revenue surpluses on the account will continue to support the 30-year business plan.

63. The HRA capital investment programme, including the new homes programme will require further borrowing as allowed under the current Government guidelines. Any borrowing will continue to be reviewed and developed in accordance with the Council's treasury management policy.

64. **HRA 30-year Business Plan Charts**

65. The HRA Business Plan allows the Council to assess the financial health of its HRA from a number of perspectives. The first of these is the ability of the HRA to maintain a minimum revenue balance, which is shown in the following chart:



66. The projections reflect the Council's draft medium term budgets until 2024/25. From 2025/26 onwards they prioritise maintaining a minimum revenue balance of around £5.9m, plus inflation. Any balances generated that exceed this level are used to finance the capital programme (as an alternative to borrowing) or to repay debt. This helps to present an optimised set of projections, where borrowing costs have been minimised. This helps to provide a clearer indication of the potential financial capacity of the HRA.

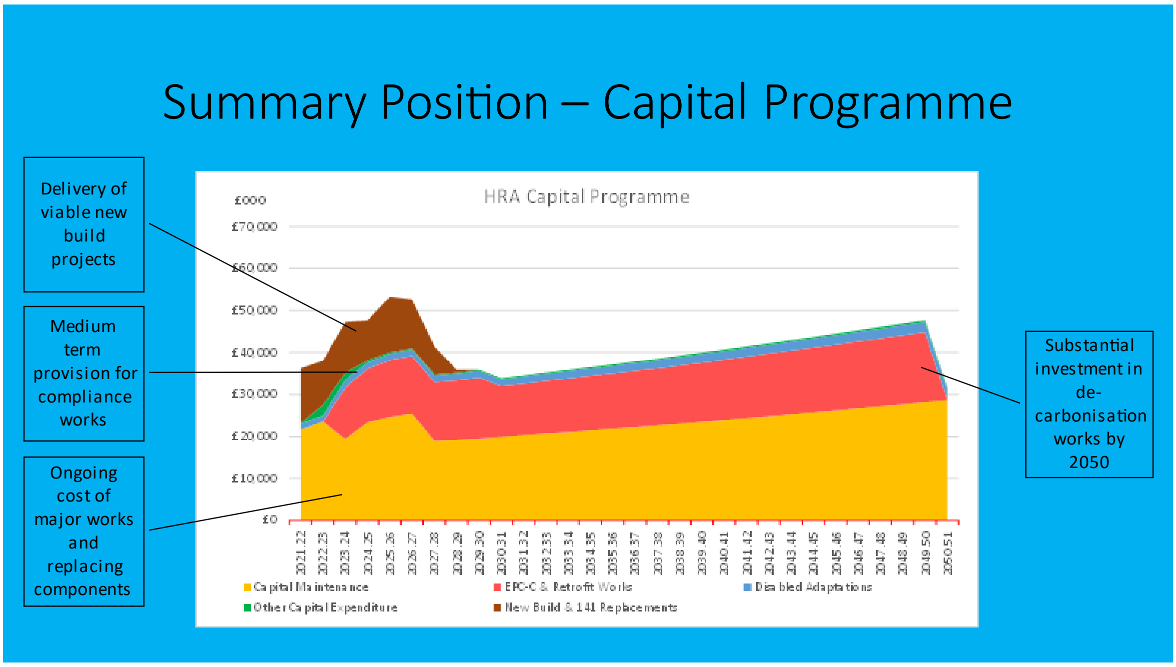
67. It is important to note that any actual borrowing undertaken by the Council would be governed by the treasury policy and guided by market conditions and the Council's requirements at the time it needs to borrow. Accordingly, the actual borrowing decisions made by the Council are likely to vary from the

assumptions made for the purposes of these projections. The terms that are available when the authority needs to borrow to finance its HRA capital programme or to refinance existing HRA debt constitute a key risk within the projections.

68. The projections show that the Council is able to maintain the required minimum balance on its HRA.

Summary Position – Capital Programme

69. The next chart presents the profile of the HRA capital programme, showing the different types of expenditure that have been included:

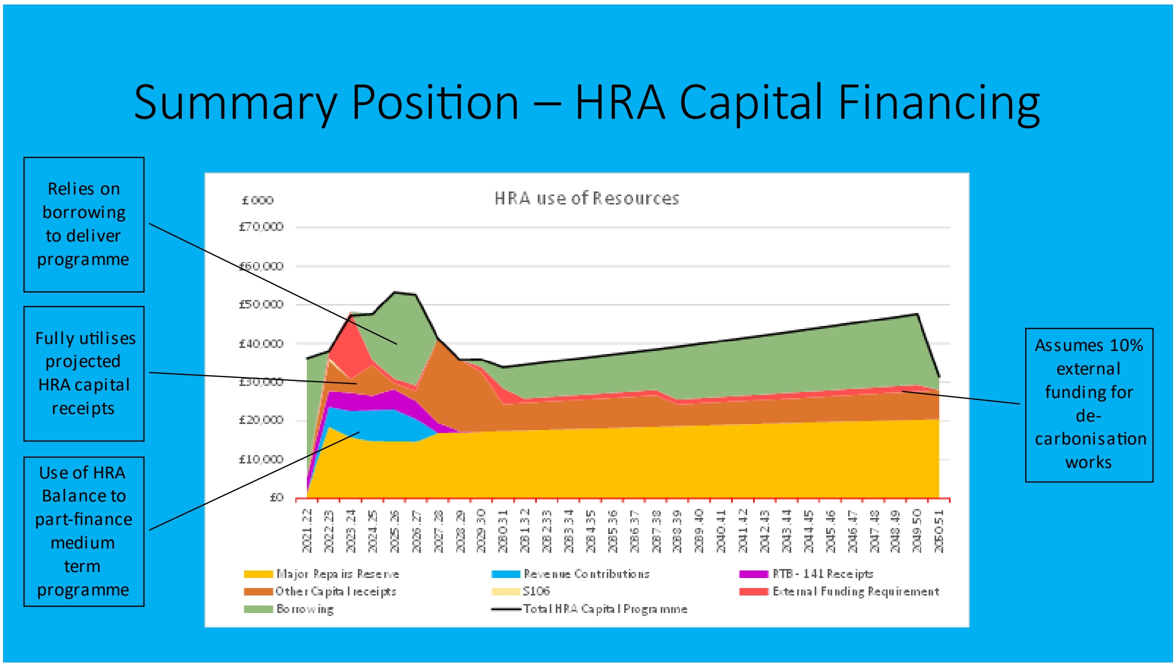


70. The amber area at the bottom of this chart represents capital maintenance to the authority’s existing housing stock and largely comprises the costs of existing components (such as kitchens, bathrooms, windows and doors). The red area provides an indication of the investment required to deliver homes that comply with EPC-C levels of energy efficiency by 2030, and then wider decarbonisation requirements by 2050. The other main area of spend relates to the delivery of new homes, which includes the authority’s current programme of schemes and is represented by the brown area in the above chart.

71. The costs that have been assumed in relation to capital maintenance (amber area) and EPC-C/ decarbonisation works in the above chart will be strengthened by stock condition survey and further survey works. This constitutes a key risk within the projections, which is expected to reduce as the Council generates better information on the specific works required.

Summary Position – HRA Capital Financing

72. The chart below provides an indication of how the Council could finance the above capital programme, using the various types of resource that have been projected:



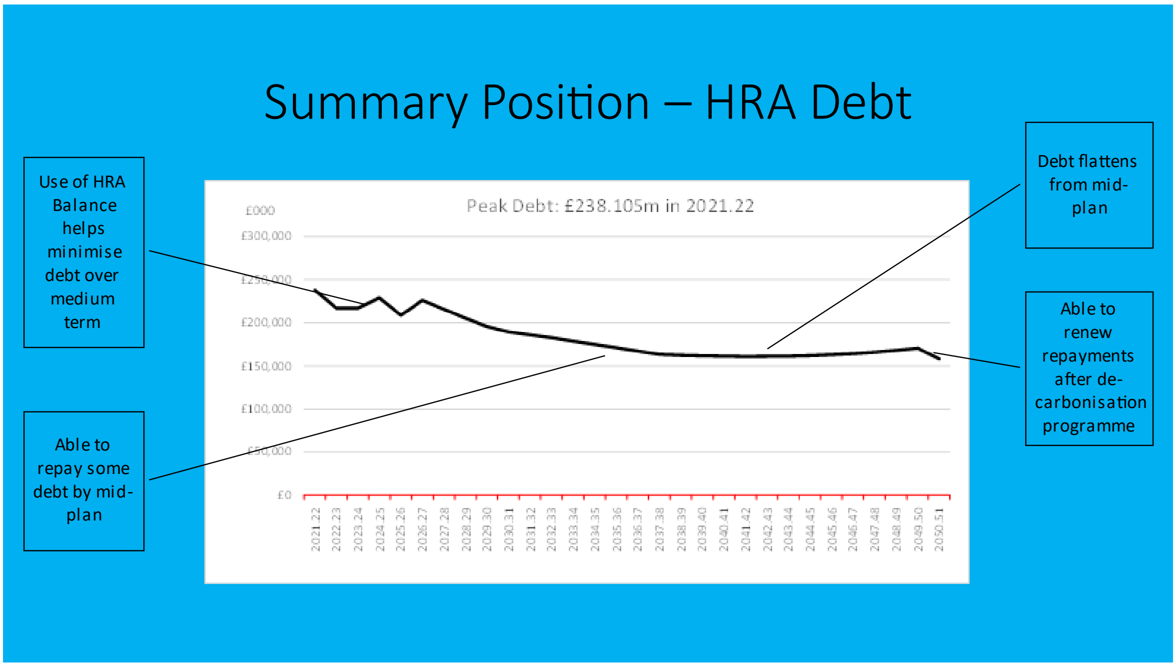
73. The amber area in this chart relates to the major repairs reserve (MRR), which is generated internally by the HRA from the depreciation charged on its assets. This is then recycled to part-pay for the capital programme. Alongside the MRR, the projections allow for use of HRA revenue balances over the medium term (blue area), along with 141 right to buy receipts (pink area), which may be used to pay for up to 40% of the costs of new social housing. The authority also generates other types of capital receipt from the sale of homes under the right to buy, which are covered by the orange area. For decarbonisation works, the projections assume that the authority would receive 10% funding (red area). The final (green) area in this chart covers borrowing. This is the last resource available to the HRA, after all others have been utilised.

74. It is clear from this chart that the Council needs to rely on borrowing in order to deliver these HRA projections. The level of borrowing has increased from previous versions of the HRA business plan as a result of increasing spending pressures (such as the requirement for EPC-C and decarbonisation works), higher costs, due to the effects of high levels of inflation and reduced rental income (owing to the debt cap).

75. There is no guarantee that grant will be available to part-pay for the costs of EPC-C and decarbonisation works, which represents a potential risk to the projections. If grant is not available, borrowing would need to rise further.

Summary Position - HRA Debt

76. The following chart summarises the impact of the revenue and capital positions on the projected levels of borrowing for the HRA:

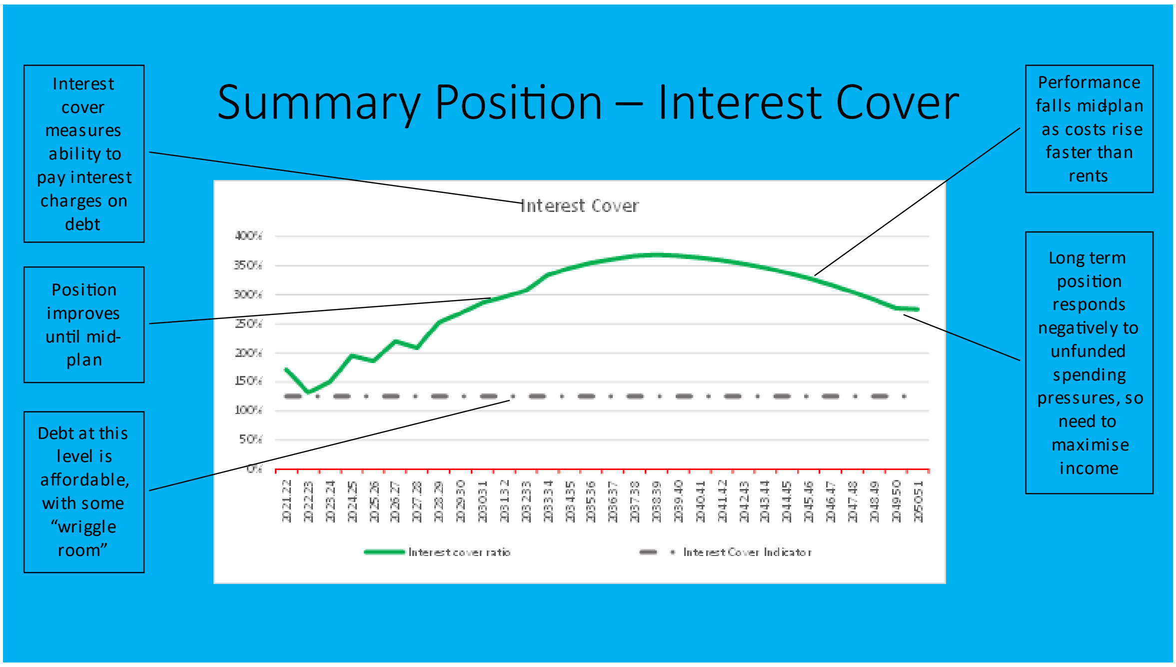


77. The underlying revenue position of the HRA enables it to finance its capital borrowing with minimal net borrowing over the medium term, and then to gradually repay debt until mid-plan. At that stage debt levels-off until the projected decarbonisation programme ends in 2050/51, when the authority is able to resume debt repayments. This allows the HRA to reduce its debt levels from a peak of £238m at the beginning of the plan to £158m after 30 years.

78. One consequence of holding higher levels of debt is that the authority could be exposed to risks associated with fluctuations in interest rates.

Summary Position – Interest Cover

79. The final chart provides a further view of the affordability of debt levels required to finance the HRA projections, by focusing on interest cover:



80. Interest cover shows how well the operating surplus on the HRA (i.e., rental income less operating costs) is able to cover the cost of the projected interest charges. In this chart the grey dashed line provides an indication of an affordable debt level, where the operating surplus can pay for the interest charges, with a further 25% in hand. The green line shows how interest cover performance for the projections fluctuates over 30 years. It is clear that performance improves until mid-plan, before levelling-off, and then starting to decline. This is caused by the behaviour of underlying costs within the projections, which start to grow at a faster rate than income.

81. The growth in net costs over the long term indicates a potential risk to the HRA. The Council will monitor this situation and will take actions that continuously bear down on costs, while maximising income.

Summary Position – Key messages

82. The graphs tell us that**:**

- Higher costs (from inflation and additional spending requirements) require the authority to borrow more to deliver stock investment and new homes for the HRA.
- Lower income (from the rent cap) means the authority cannot repay debt as easily.
- This causes the authority to hold higher levels of debt than previously expected, to the extent that affordability of the HRA starts to decline over the long term, even after taking mitigating actions and assuming some external funding for decarbonisation works.
- There is capacity to repay some debt over the life of the plan. Having this capacity provides some cover for any changes in interest rates.
- That based on the assumptions made, the proposals for investment are sustainable for the HRA over the 30-year period.

83. There are underlying risks set out in the risk section that could affect the authority's ability to deliver its HRA in line with these projections. These risks should be mitigated by

- Incorporation of more up to date information on stock condition and requirements for delivering EPC-C/ decarbonization investment, when completed.
- Taking actions that continuously bear down on costs.
- Maximising the income available to the HRA.
- Rigorously assessing the financial impact of new projects, so that the Council can improve its ability to respond to other emerging risks and opportunities.
- Regularly updating and stress testing its HRA projections. This can help to identify emerging risks at an early stage and enable plans to be developed and actions taken that mitigate or reduce their effects.

Legal Implications

84. No specific legal advice has been sought in relation to the implementation of the proposals in the HRA Business Plan. Separate legal advice may be sought in relation to implementation of specific programmes and projects where necessary.

85. The HRA consists of expenditure on Council owned housing and there is a statutory requirement whereby the Council is obliged to keep its Housing Revenue Account (HRA) separate from other housing activities in accordance with the Local Government and Housing Act 1989 (as amended) ("the 1989 Act"). In addition, there is a requirement not to allow cross subsidy to or from the Council's General Fund resources.

86. The Localism Act 2011 contains provisions relating to Housing Finance in Sections 167 to 175. These provisions introduced a system of Council housing finance which ended the Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

87. On the 29th October 2018, HRA borrowing cap was abolished with immediate effect. As a result, local authorities with a HRA are able to borrow against their expected rental income, however this must be in line with the CIPFA Prudential Code (for the purposes of this report, the Prudential Code 2021, the latest edition, has been used).

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	No specific impacts
Health, social and economic impact	Maintaining homes to comply with Decent Homes Standards contributes to the health and well-being of our tenants
Crime and disorder	No specific impacts
Children and adults safeguarding	No specific impacts
Environmental impact	The HRA Business Plan will significantly contributed to the Net Zero Carbon emissions target for 2045.

Risk management

88. Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a directorate and corporate risk register. These risks are reviewed and regularly updated.

89. The key risks to the HRA Business Plan are:

Long term future rent uncertainty – we have seen the impact of the four-year rent freeze. Any cap or reduction below inflation will have an impact on the Business Plan.

Increase in cost of repairs and major works - The delivery of the repairs and maintenance service brings several inherent risks including fluctuations in the number of vacant properties, on-going stock deterioration rates, changes in government guidance and regulations and the transformation of the NCSL service. An improvement plan is being developed to tackle these impacts but the risk to the business plan remains.

We have seen some significant increases in contractor and materials costs as part of capital and responsive repair programmes. We will continue to monitor the long-term direction of construction cost inflation, collaborating with colleagues across the Council. The business plan is a 'living document' and will be adjusted accordingly.

Meeting decarbonisation targets – The investment included within the business plan is based on assumptions currently used by the social housing sector. As local stock condition, energy performance and cost data are developed in 2023/24, we will update the assumptions. Additional grant funding (above the 10% assumed), could support delivery at a faster pace. We will investigate opportunities to work with other social housing sector partners to share opportunities for funding, skills and supply chain.

Borrowing and interest rates - The HRA's existing loan portfolio comprises loans of various but fixed rates, however future borrowing will be exposed to interest rate changes. Although this is a risk to the business plan, where possible, future borrowing will be timed to take advantage of lower interest levels as opportunities arise.

Building and fire safety - The full cost impact assessment has not been possible yet because secondary legislation will be published over several years. However, budget provision has been made for the next 5 years which is based on the best information we have and should enable investment in all buildings over 18 metres (high-rise) and any high-rise residential buildings. In the future, some degree of re- prioritisation of the 30-year business plan may be needed.

The Fire Safety Act 2021 and subsequent legislation means there are further fire safety measures that we need to implement. The costs of preparing for and managing these changes have been included in the business plan. There continues to be a risk around the market capacity/capability to respond to the scale of need nationally which could lead to the possible inflation of costs. This will have an impact on our repairs and capital budgets.

Inflation Rate Risk -The HRA Business Plan assumes a range of ongoing inflation rates which has been factored into the 30-year plan. The assumed consumer price index inflation rate of 5.2% for 2024/25 and 2% assumed thereafter for both revenue and capital. Building costs inflation of 6.7% for 2024/25 and 6.2% for 2025/26 and 3% assumed thereafter. If the assumed inflation rate was to change then this will have an impact upon the forecasted income into the HRA over the 30 years; if the assumed inflation rate was to be exceeded, then this may have a negative impact upon revenue expenditure and the capital programme costs.

Stock condition and performance data risk – A stock condition survey has been commissioned, the data from the survey and energy performance assessment information will be utilised to fully understand costs and enable better planning of capital and decarbonisation works.

Other options considered

90. The HRA Business Plan is used as a sector wide planning tool, therefore no alternative options were considered. A range of scenarios, mitigations and assumptions were tested in developing the final plan.

Reasons for the decision/recommendation

91. The proposals in this report are aimed at maximising financial resources to deliver outcomes to our tenants in the context of a self-financing funding regime, developments in national policy, the current economic climate, and reductions in government funding.

92. The HRA Business Plan 2023/24 will continue to contribute to the delivery of wider housing strategies and policies such as the Housing Strategy, the Homelessness Prevention Strategy, and our development plans.

93. The Council must ensure that as a self-financing entity council housing in Norwich has a sustainable future. The purpose of the HRA Business Plan report for 2023/24 is to ensure the cost of council housing - including investment in homes, services to tenants, the servicing of debt and overheads - can continue to be met by the income raised in the HRA.

Background papers: None

Appendices: None

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