Appendix A1

HRA 2023/24 Budget Report and Update on 30-year Business Plan

1 Introduction and Context

1.1 The Housing Revenue Account (HRA) is a ring-fenced account, which contains the income and expenditure relating to the Council's landlord duties in respect of approximately 28,661 dwellings including those held by leaseholders.

1.2 The HRA budget is set each year in the context of the 30-year business plan. The Business Plan is a statutory requirement used to assess the ongoing financial viability of the HRA and its ability to deliver the Council's housing priorities.

1.3 The business plan assumptions are reviewed annually to determine whether any aspects of the strategy need to be revised, allowing for horizon scanning and the identification and mitigation of business risks in the short, medium, and long term. Sensitivity analysis is undertaken to ensure that effective contingency plans are considered and that appropriate reserves are maintained in light of any change in assumptions.

1.4 This report includes a proposal for the HRA rent setting for 2023/24, sets out the final proposed budgets for 2023/24 and provides an update to the refreshed HRA Business Plan, along with highlighting the key assumptions required to reflect national policies and financial impacts to the HRA.

1.5 The business plan projections reflect the income and expenditure required to manage the landlord functions and, at the same time, work towards the Council's objectives to investing in existing tenants' homes and creating capacity to fund the development of affordable homes for rent.

1.6 This report does not attempt to summarise all aspects of the HRA business plan but aims to highlight areas to be noted and options considered for future budget strategy.

1.7 The HRA business plan provides long-term financial forecasts resulting from the implications of the Council's spending, investment, and rent-setting decisions, based on the authority's current income, assumptions on how costs and income might change in the future to illustrate what the authority can reasonably expect to happen, using the best available information.

2 Rent Setting proposal for 2023/24

2.1 Income raised through tenants' rents and service charges is ring-fenced and cannot be used to fund expenditure outside of the HRA.

2.2 The proposal is to follow the current government guidelines announced in the autumn statement to facilitate the investment in stock and assumes that, this will apply to all Council-owned rented accommodation. Dwelling rents will therefore increase by 7% in 2023/24 with effect from April 2023.

2.3 The proposed average weekly rent for HRA socially rented tenancies in 2023/24 will be £90.76, compared to £84.82 in 2022/23.

2.4 Table 1 shows the proposed average rent levels for 2023/24. All new re-lets are charged at formula rent, which is reflected in the current average rent. A rent increase of 7% is estimated to result in an additional £9.3m of income when compared to the 2022/23 projected outturn.

Table 1: Average rents by bedroom size

No. of beds	Average rents 2022/23	7% 2023/24 Uplift	Average rents 2023/24
0	£64.96	£4.54	£69.50
1	£73.74	£5.16	£78.90
2	£82.14	£5.75	£87.89
3	£95.68	£6.70	£102.38
4	£103.05	£7.22	£110.27
5	£111.59	£7.81	£119.40
6	£119.41	£8.36	£127.77
Average Rent	**£84.82**	**£5.94**	**£90.76**

2.5 This additional resource is required to finance increased costs in the existing level of services, and to provide further mitigation against bad debt and tenants rent arrears. This will also allow the service to maintain its investment commitment to the HRA Capital Programme and ensure the Council complies with all of its statutory duties.

3 Service Charges and Other Costs for 2023/24

3.1 Tenant service charges are not affected by the rent setting policy or the 7% rent cap announced in the autumn statement. Service charges are expected to increase by 11.1% with effect from April 2023. The increase is based on September CPI figure plus 1%.

3.2 Leasehold service charges, in line with tenant service charges, are required to reflect the actual cost of the services incurred. This means service charges for leaseholders will be based on 2021/22 expenditure levels with the agreed inflationary increase. In line with Service Charge legislation, leaseholder accounts will be reconciled with the actual costs and leaseholders will be issued their actuals statement by September 2023, which will include a deficit or surplus depending on costs incurred within the financial year for

2021/2022. Delegation will be sought to issue the Actual statements by September 2023.

3.3 Garage rents are expected to increase by CPI (10.1% at the end of September 2022) with effect from April 2023.

3.4 District heating and communal energy are adjusted annually in line with the energy supplier inflation forecasts. The business plan model assumes an inflation uplift of circa.12% for 2023/24.

3.5 The business plan assumes a pay inflation uplift of 4% in year 1 (2023/24), reduced to 3% in year 2 and then 2.5% up to year 5. A small contingency is held for variations resulting in a budget increase requirement of circa £2m. The business plan assumes an appropriate contingency is retained to support contract uplifts that may be required in areas such as Repairs and Maintenance.

Special Services and Supervision and Management costs assume CPI increase of 10.1% (September 2022 CPI) in 2023/24.

3.6 The disparity between inflationary pressures and the Councils ability to raise rents accordingly, results in a deficit with the overall budget, and as a result, reductions in expenditure will need to be made.

3.7 Efficiency savings targets have been incorporated into the HRA business plan. A 3% efficiency target applied across management activities will result in a £0.9m budget reduction for 2024/25.

3.8 Depreciation provision is increasing at CPI throughout the model and is adjusted based on stock numbers. This does not represent movements in cash but is a transfer in the HRA from revenue to the Major Repairs Reserves to facilitate the financing of the capital programme.

3.9 A void rate of 1.2% has been modelled throughout the business plan based on current performance.

3.10 The ongoing impact of the global pandemic and the rising cost of living have increased the risk of the under-recovery of rents, which could lead to a rise in bad debts. The assumption in the model is 1% increase in the provision for bad debts based on current performance.

4 Proposed Revenue Budget 2023/24

4.1 The Council has a duty to develop a balanced HRA budget, for the next financial year the proposed budget is summarised in table 2 below.

Table 2 - Proposed 2023/24 HRA Budget

Table 2 - Proposed 2023/24 HRA Budget Income and Expenditure	2022-23 Budget £000	2022-23 P8 Forecast £000	2023-24 Proposed Budget £000	Movement £'000
Dwelling rents	(118,262)	(117,822)	(127,153)	(9,331)
Voids	1,253	1,421	1,637	216
Non-dwelling rents	(1,219)	(1,013)	(1,115)	(102)
Charges for services and facilities	(9,823)	(9,847)	(10,735)	(888)
Contributions towards expenditure	0	(50)	0	50
TOTAL INCOME	**(128,051)**	**(127,311)**	**(137,365)**	**(10,054)**
Repairs & Maintenance	37,214	35,564	40,058	4,494
Supervision & Management	32,021	32,444	34,953	2,509
Special Services	11,518	14,958	16,431	1,473
Rents, rates, taxes and other charges	595	793	851	58
Depreciation & impairment of non-current assets	30,357	31,067	31,258	191
Debt management	41	41	41	0
Movement in doubtful debt provision	1,774	1,773	1,370	(403)
TOTAL EXPENDITURE - CORE SERVICES	**113,520**	**116,640**	**124,962**	**8,323**
NET COST OF CORE HRA SERVICES	**(14,530)**	**(10,671)**	**(12,403)**	**(1,732)**
Interest and investment income		(170)	(457)	(287)
Net interest payable, pension costs and other non operational charges	11,043	11,441	11,374	(68)
Capital expenditure funded from revenue	3,487	0	0	0
(Surplus) / Deficit for the year on HRA services	**0**	**600**	**(1,486)**	**(2,086)**
Waking Watch	0	4,085	8,000	3,915
Draw down from reserve		(4,685)	(6,514)	(1,828)
NET	**0**	**0**	**0**	**0**

5 Capital Programme

5.1 The Capital Programme is spent on providing or improving assets, which include land, buildings, and equipment, and will be used in providing services for more than one financial year. The programme is funded through a combination of capital grants, capital receipts, reserves, contribution from revenue and borrowing.

5.2 In reviewing the overall HRA financial position, the Capital Programme was amended to ensure that any revenue implications from capital decisions were considered in building the revenue budget.

5.3 The 5-year HRA Capital programme includes a baseline New Development Programme for new council homes of £453 million. It also includes the Housing Investment Plan (HIP) totalling £408 million.

5.4 The total proposed HRA Capital Programme budget for 2023/24 – 2027/28 is at £865 million as shown in table 3.

Table 3 - HRA CAPITAL PROGRAMME							
Ref	Descriptions	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000
HRA1	Planned Programme - Major Works	69,756	92,626	99,185	81,077	65,401	408,044
HRA2	New Build & Land Enabling	61,738	126,256	118,113	45,712	101,460	453,280
HRA3	HRA Infrastructure	1,789	1,302	478	0	0	3,568
	GROSS HRA CAPITAL	133,283	220,184	217,776	126,789	166,861	864,893
	CAPITAL FINANCING						
	Capital Receipts	(24,633)	(29,883)	(32,328)	(13,413)	(19,241)	(119,498)
	Capital Grants	(27,174)	(10,593)	(5,840)	(22,790)	(25,250)	(91,648)
	Prudential Borrowing	0	(136,505)	(127,466)	(50,089)	(79,416)	(393,476)
	Major Repair Allowance	(31,258)	(33,196)	(34,444)	(35,419)	(36,672)	(170,990)
	Other Contributions	(2,537)	0	0	0	0	(2,537)
	Reserve via Revenue Contributions	(47,681)	(10,007)	(17,698)	(5,077)	(6,282)	(86,745)
	TOTAL FINANCING	(133,283)	(220,184)	(217,776)	(126,789)	(166,861)	(864,893)
	NET HRA CAPITAL PROGRAMME	0	0	0	0	0	0

5.5 The HRA business plan seeks to fund capital expenditure by utilising all available receipts as the first call, then balances available within the Major Repairs Reserve (whilst observing a minimum balance of £10million). Available resources from the HRA itself (whilst maintaining a minimum balance of £21million) will next be called upon after which, any residual funding required will be via borrowing through increasing the HRA CFR.

5.6 New borrowing for both developments and acquisitions & investment in existing properties are set to repay via a charge to the HRA on the following basis:

- Development & Acquisition borrowing: 50-year repayment on an equal basis commencing from the year after the loan is drawn down
- Investment in Existing Stock borrowing: 30-year repayment on an equal basis commencing the year after the loan is drawn down

5.7 Further details on the investment programme (HIP) and the New Build & Acquisition are set out in appendix 2 and 3 respectively.

6 HRA financing and reserves

6.1 In October 2018 the government announced the removal of the HRA borrowing cap. This was to enable local authorities to deliver more affordable homes.

6.2 Whilst there is no statutory requirement for a minimum repayment set-aside (unlike the general fund), £419 million has been allocated for repayment of new borrowing over the life of the business plan. Up until recently, it has not been necessary to borrow additionally to fund the HRA capital programme, but that position is no longer feasible because borrowing will increase significantly as building and fire safety and new build programmes ramp-up. The business plan assumes borrowing of £394 million between 2024/25 and 2027/8 as illustrated in the table 3 above.

6.3 The interest rate attributed to new borrowings is an average 4% over the first three years of the business plan before returning to long term Public Works Loan Board (PWLB) averages at 3.2% from year four of the plan. The inflationary cost impact of any capital works remains a significant risk to delivery at present, and this will be closely monitored.

6.4 The HRA operating reserve as of 31st March 2022 was £102 million. Currently, the business plan assumes a minimum operating reserve balance of £21 million, this represents three months of cashflow. An additional £5 million has been provided in the general reserves to reflect the current economic climate and risk exposure. The operating reserve is necessary to manage unexpected deficits, or for smoothing in-year budget pressures due to timing differences between the cost of building new homes and receiving rental income.

6.5 In addition to the need for the HRA to balance competing demands, such as investing in supply of new homes, fire safety, the current recession and cost of living crisis have further stressed the importance of maintaining an adequate level of reserves.

7 30- Year Business Plan

7.1 The Housing Revenue Account 30-year Business plan details how the Council uses tenants' rents, service charges, grants and borrowing to manage, maintain and develop properties.

7.2 The Plan was last revised in January 2022 and this report provides an update on the refreshed business plan, reflecting the delivery of the new build programme; current policy and finances (including the 7% cap on rent increases for 2023/24); increased borrowing costs & inflation. It also outlines the Council's continued ambitions to build more council homes, invest in improving the quality of current stock and improve energy efficiency.

7.3 The objectives of the 2023 HRA business plan are to show sustainability of the Council's existing homes, demonstrate the viability of the Authority's plans into the longer term and identify & source funding for investment in new developments.

7.4 The refreshed business plan encompasses projected income and expenditure, including continued investment in the stock (HIP) and the New

Build & Acquisition programme, providing assurance that the HRA will retain adequate cash balances and achieve viable surpluses over the 30-year lifetime of the business plan.

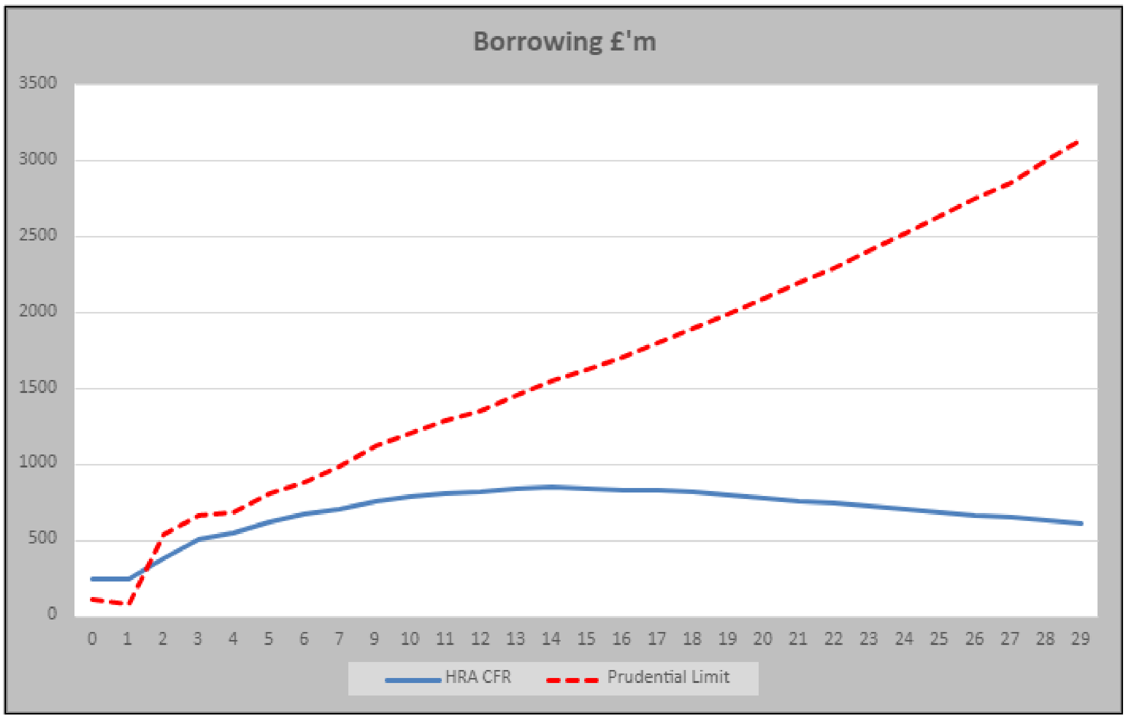
7.5 There is insufficient funding available for the proposed programmes without taking on additional debt. The refreshed 30-year business plan is projecting borrowing totalling £788 million over years 2 to 18 to deliver the new developments and additional investment in the existing stock. This is significantly higher than the existing debt (CFR) of £245 million.

7.6 The Council has set a limit for prudential borrowing (based on a minimum Interest Cover Ratio (ICR) of 1.25) whilst ensuring that minimum balances are held within the HRA & Major Repairs Reserve. Also, provision for the repayment of newly arising debt has modelled over the life of the plan and stipulates that new borrowing is not refinanced.

7.7 The ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest. The ICR in 2023/24 is 0.39 which indicates that for this year the borrowing is not affordable and therefore the Council is not proposing to borrow in that year and to utilise existing reserves.

7.8 The level of debt compared to the prudential limits (ensuring that the ICR does not fall below 1.25) is shown in the chart 1 below:

Chart 1



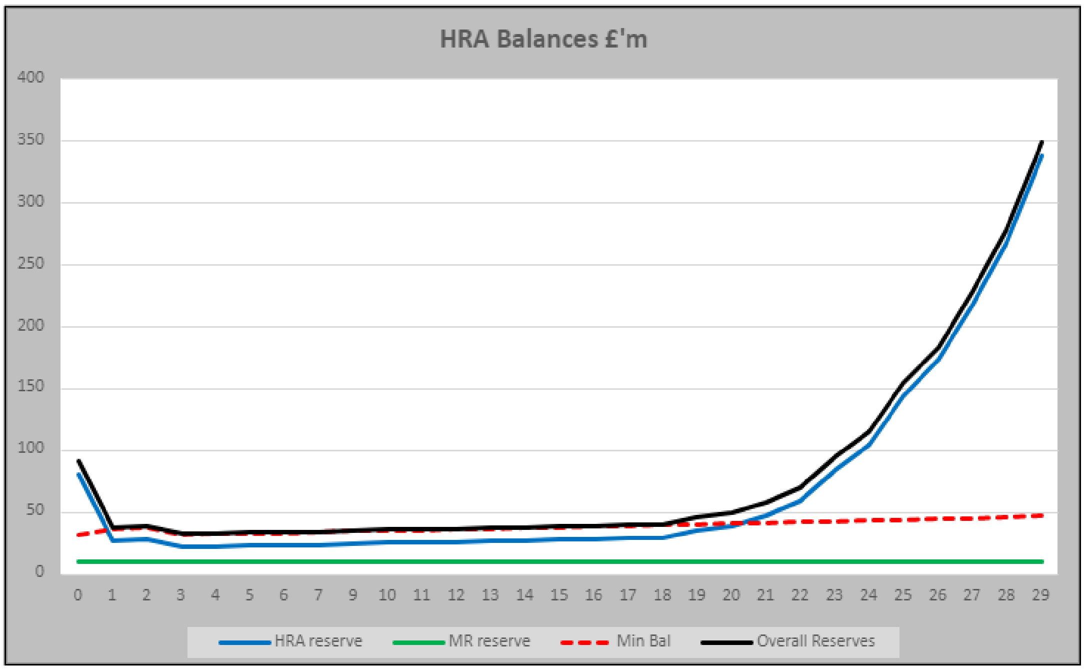
7.9 Chart 1 reflects the current loan portfolio and the additional borrowing with subsequent repayments. The gap between the blue line (current debt) and the red line (borrowing limits) is effectively the borrowing headroom available. All new borrowing is being reduced year on year after the initial drawdown period.

7.10 In all years where the Council is borrowing the prudential limit is not exceeded, with the minimum headroom being £135m in year 4. Thereafter borrowing capacity increases.

7.11 This increased level of borrowing is considered affordable for the HRA and is dependent on what is sustainable under the current assumptions for the projected income and expenditure profiles. Should any projected assumptions such as inflation, interest rates, income or expenditure be less favourable than is currently modelled, proposals would need to be urgently sought to ensure the continued viability of the business plan.

7.12 Chart 2 below illustrates the accumulation of all the reserves that make up (black line) the projected balances. The core HRA reserve balance is maintained at the minimum balance of £21million (plus inflation) and increases to a projected balance of c£340million in 30 years, whilst the Major Repairs Reserve remains at £10million.

Chart 2



7.13 The chart represents a positive position in that debt repayment levels are achieved whilst keeping minimum balances and the HRA reserve begin to accrue above the minimum level from year 19 of the plan. This demonstrates that there is capacity within the plan to borrow or reconsider options in respect of debt repayment.

8 HRA Business Plan Model – Key Assumptions

8.1 The 2023 HRA Business Plan was recently refreshed to reflect the latest assumptions on inflation and income & expenditure budgets. The updated plan includes the proposed investment and capital resources for existing stock and new build developments.

8.2 A summary of the key assumptions that underpin the 30-year business plan is detailed in table 4 below:

Table 4 - HRA Business Plan Assumptions

Descriptions	Business Plan Target	Assumptions used in the Business Plan
Inflation	2%	2023/24 CPI is 10.1%, 5% in 2024/25 and 2% onwards.
Management Efficiency Savings	3% from Y2 (2024-25)	No efficiency applied in 2023/24. 3% efficiency savings generate £0.9m annually from 2024/25.
Optimism bias	N/A	2% optimism bias has been applied to the capital budget in 2023/24.
New Build and Acquisition	N/A	Estimated units to be delivered in 2023/24 of 138 and 1,715 over the MTFP period.
Minimum HRA balances	£21million	Minimum working balance assumed in the HRA Business Plan is £21million. This represents 3 months cash flow plus inflation. For the next two years up to 2024/25, an additional £5 million has been provided in the general reserves to reflect the current economic climate and risk exposure. The combined amount has been inflated by CPI for subsequent years.
Rental Income (Dwellings)	CPI+1	Model based on 7% increase in 2023/24. Rent increase of CPI plus 1% between 2024/25 and 2027/28. CPI only thereafter
Rental Income (non-dwellings)	CPI	CPI (10.1%) increase in 2023/24, 5% in 2024/25 and 2% onwards.
Void Rate	1.2%	Voids rate of 1.2% applied on Council dwellings throughout the Business Plan. This equates to £1.5m in 2023/24.
Pay award	2%	A provisional growth of circa £2m has been set aside for a potential salary inflation settlement of 4% plus a small contingency held for variations resulting in a budget increase requirement in 2023/24.The model assumes 3% in 2024/25 and 2.5% for the rest of the MTFP
Bad Debt Allowance	1.0%	Bad debt – 1% based on current trend applied to Council dwellings throughout the model. This equates to £1.3m in 2023/24.
Interest rate on borrowing	4.00%	The existing loans are currently all on fixed rate, fixed term basis and are not subject to interest rate risk. Additional borrowing is modelled on fixed interest rate that are set by the treasury team, based on the year the borrowing is incurred: 2022/23 - 4.25% 2023/24 - 4% 2024/25 - 4% 2025/26 - 3.6% thereafter 3.2%
Minimum Interest Cover Ratio (ICR)	1.25	The model is indicating an ICR of 0.39 for 2023/24, however, the requirement to meet the ICR target is only applicable in the year of borrowing. ICR target of 1.25 is met for the rest of the MTFP and the refeshed 2023 HRA plan.
HRA Debt Balance	N/A	The HRA CFR opening balance in 2022/23 was £245m. In the business plan borrowing is not required until year 2. The estimated debt position at the end of the MTFP is £620m.
Debt Repayment	N/A	No borrowing assumed in the business plan until year 2, therefore repayments starts in year 3. The total amount set aside for debt repayments included in the model for the MTFP period is £18m.
Right To Buy (RTB's)	N/A	RTB sales are modelled at average 100 units per year up to year 6, then 50 units per year thereafter
Major Repair Reserve (MRR)	£10m	Minimum working balance assumed in the HRA Business Plan is £10 million.

9 HRA Business Plan Sensitivities

9.1 The key sensitivities of the HRA are detailed below:

9.2 **Rent increase**

The Government has suspended the application of the Rent Standard of CPI + 1% (11.1%) which would have applied in 2023/24. At 7%, rental income is approximately £127.3 million whereas an 11.1% increase would yield £132 million. This is an annual loss of £4.7 million for 2023/24 and each subsequent year of the plan. CPI+1% rent increases are assumed to resume after the 2023/24 financial year. An uplift of 1% would generate additional income of £1.2 million annually.

9.3 **Inflation**

Price and material increases are having significant effect on costs and cashflows within the business plan, increasing the pressure on the HRA budget. Resources that should be used for the delivery of services and development of new build properties will now be allocated to cover materials and contract price increases. A small percentage increase in inflation will impact costs and borrowings and will also reduce the overall HRA borrowing headroom. An increase of 1% in 2023/24 capital expenditure will increase overall programme costs by £1.3 million and borrowing cost will increase annually by £0.05 million.

9.4 **Interest rate on borrowings**

Existing loans are all at fixed rates and not subject to interest rate risks. However, for every £1 million of additional borrowing from 2023/24 onwards, there would be an increase in interest payable of circa £42,500 per year. Currently, there are no borrowings anticipated for 2023/24.

9.5 **HRA & MRR reserves balances**

The core HRA reserve balance is maintained at the minimum of £21million (plus inflation) and increases to a projected balance of circa £123million in 30 years. Financing of the Council's capital expenditure is primarily via the Major Repairs Reserve, reducing the need to borrow to maintain the housing stock. An increase in expenditure or reduction in the rental income will directly impact the level of reserve balances at the end of the year.

10 Key Changes to the HRA Financial Model

10.1 **HRA rent and other income**

Rent increases are projected at CPI plus 1% up to 2027/28 (year 5), except in the next financial year (year 1) which is subject to an overall rent increase cap of 7% announced by the Government for 2023/24. The remaining years in the plan assume rent will increase at CPI only. Void rates of 1.2% and Bad Debt provision of 1% have been modelled throughout the plan, based on current performance.

It is anticipated that rent increases will be affordable for tenants at this level, as 65% of them are in receipt of Universal Credit or housing benefits that will absorb the additional costs. Government announced in their Autumn statement that benefits will be uplifted in line with inflation for 2023/24. Tenants who receive no state assistance would see typical rent increases of approximately £24 per month.

10.2 **Changes impacting on the HRA capital and other expenditure**

Interest on borrowing is modelled at an average of 4% in the first three years of the plan before returning to long term Public Works Loan Board (PWLB) averages at 3.2% from year four of the plan.

Inflationary increases (CP1) in the business plan are now modelled at the elevated level of 10.1% in 2023/24, 5% in 2024/25, returning to medium-term target level of 2% from year 3 of the plan. This is to reflect the extraordinary levels of inflation being experienced in the wider economy.

10.3 **HRA Capital Programme**

The capital programme in the model for Housing Investment Plan (HIP) expenditure (including 2022/23) totals £2.1 billion. The business plan has increased the expenditure derived from the HIP to allow for inflation and a reduction in stock numbers.

New Build & Acquisition projected expenditure over the life of the business plan including 2022/23 is £2 billion.

11 National and local policies that can impact the HRA Business Plan

11.1 National housing policies and changes proposed by future Governments could have an adverse impact on the HRA business plan and could require additional resources to address any unexpected changes.

11.2 The HRA debt cap has been removed and significant borrowing may be required to invest in stock to increase housing supply in Bristol. The HRA is also exposed to interest rate fluctuations, which could have a significant impact on revenue budgets, future borrowings, and the overall business plan.

11.3 The government introduced a new policy (after the Welfare Reform Act 2016 ended) effective from April 2020, which allowed Local Authority Landlords and Registered Providers (housing associations) to increase rents by CPI plus 1%. This was modelled over 5 years from April 2020 and was intended to provide stability & certainty regarding planned investment in the current stock. It was also intended to ensure service improvements and new developments, at least in the short to medium term.

11.4 However due to the rapid rise of inflation within the context of the cost-of-living crisis, the government consulted on a temporary amendment to the rent standard policy (CPI+1%) for 2023/24, with the outcome of up to 7% rent increase cap announced in the autumn statement. Rent increases in 2023/24 do not only affect the financial year in question, but they also impact future rent levels. A lower rent increase in 2023/24 means the base for rent increases in 2024/25 is also going to be lower and so on, for future years.

11.5 Increasing rents by only 7% for 2023/24 limits the capacity available to fund major works without the need to borrow in the long term. This eliminates the possibility for a borrowing strategy to be exclusively aimed towards new builds and housing supply. The Government regulated rent standard policy approach to be taken beyond April 2025 remains uncertain.

11.6 Factors such as the unprecedented increases in energy and material costs, repairs & maintenance contracts, mean any decision by the government to set rents at less than CPI+1, provides a significant risk to the sustainability of the HRA. The Council also needs to cover the inflationary pressures within the HRA whilst delivering its operational requirements and strategic priorities.

11.7 Variations in the rental income stream as a direct result of the current economic crisis and rising cost of living could increase the likelihood of non-collection of rents and may, consequently result in elevated levels of rent arrears and bad debt.

11.8 In May 2019, the UK government declared a climate change emergency, committing to target net zero carbon emissions by 2050. The Council has already made significant progress on its journey to reducing its own corporate carbon emissions.

11.9 Right to Buy (RTB) Sales continue to be relatively high due to the increase in discount levels introduced in April 2012. However, the recent increases in mortgage rates could lead to a reduction in sales and therefore fewer capital receipts to finance future programmes.

11.10 The Bank of England base rate was 0.25% at the start of 2022, since then interest rates have been increasing steadily from this historic low. This substantial increase in the cost of borrowing, coupled with rising construction costs from high inflation is making the viability of capital projects extremely challenging.

11.11 Appendix A1b below provides a summary of the 30-year HRA business plan risks.

Appendix A1b

Appendix A1b

HRA 30-YEAR BUSINESS PLAN RISK REGISTER

Items	Risk	Scenario description	Uncontrolled Risk	Controls	Controlled Risk
1	**Interest Rates**	Interest rates increase, faster than CPI linked to rental increases, leading to shortfall in the income required to service the council's debt. If it is not possible to refinance loans at a lower rate, and new borrowings are at the current high rates, the council would be forced to cut budgets and so reduce development, maintenance and services for residents.	Medium	The current HRA debt is structured over long-term loans from sources such as Public Works Loan Board (PWLB), which offers the best and most stable rates. All new borrowings will need to meet the affordability metric indicated in the business plan	Medium
2	**Rent Charges**	A rent freeze or reduction reduces the income available to the council in the medium - and long term because of its cumulative, compounded effect. This forces the council to reduce development, maintenance and services to residents.	Medium	The rents for council properties continue to converge on the optimum value, as vacant properties are re-let at formula rent. The government announced a one-year rent increase cap of 7% for 2023/24 only and this cap is presumed to not apply beyond year 1 in the model where we revert back to CPI+1 up year the CPI for the remainder of the 30-year plan.	Medium
3	**Cost of Inflation**	BCC has seen cost inflation increasing above CPI of up to 20% for various services including utilities, materials and contractor costs. As rental increases is linked to CPI, the higher cost inflation on services have led to a shortfall of income that forces the Council to cut its management and capital budgets and so reduce maintenance and services for residents.	High	Cost inflation is profiled and accounted for against schemes of new development, the capital programme and in general across the service delivery model. Rents are designed to increase just above inflation, to allow a surplus of income that can absorb a level of above-inflation increases in cost. However, sharp increases due to external market and macroeconomic conditions may exceed this and may require reprofiling of the planned expenditure.	High
4	**Bad Debt**	Some tenants and leaseholders are unable or unwilling to pay the council. This could be because of changes to their employment or benefit status. Only some arrears are recoverable, others are bad debts and are written off. Widespread, non-recoverable arrears decrease income, causing the council to reduce development, maintenance and services to residents.	High	A level of bad debt provision is accounted for in the model, based on previous levels of defaults and write-offs. Rent and service charge arrears are handled pro-actively by the housing management service. However, welfare policy changes compounded by a difficult economy could impact significantly impact levels of arrears.	Medium
5	**Voids**	Empty units provide no income for the council yet still incur costs to secure and maintain. An increase in the current voids, either due to greater numbers or longer time spent to re-let or repair, will decrease available income and so reduce development, maintenance and services for residents.	Medium	The rate at which tenants leave properties is consistent over time and the projected rate is built into the model. Void times are closely monitored with targets, so it is unlikely that voids will increase significantly, due to time spent in repairs or taken to re-let.	Medium
6	**Right to Buy**	Sale of council housing stock at a significant discount reduces rental income to the HRA, in disproportion to the cost reduction from servicing and maintaining these properties, because of the economies of scale and fixed costs. Increased demand for RTB for market value or policy reasons can therefore compromise planned development, maintenance or service to residents	Medium	Right To Buy (RTB) sales are consistent over time and an allowance for sales at the current projected levels is built in the model. It is unlikely there will be any significant increase in RTB sales, unless there is a significant policy change to increase the discount still further, or a widespread reduction in the value of council stock.	
7	**Housing Market**	A downturn in demand or widespread increase in supply reduces the ability to sell ownership products or let council properties to new tenants. This causes cash flow problems that hinder future development, as schemes depend on the sale/occupation of units to provide future funds and make them economical to service and maintained.	Medium	Given the trend over previous decades, a reduction in demand for housing in Bristol is unlikely. There is a backlog of demand for housing in the City with 19593 persons on the housing waiting list. Therefore, any reduction in the value of housing is likely to slow, but not halt the delivery of additional housing units over the lifetime of the business plan.	Low
8	**Disaster**	A disastrous major incident causes a significant portion of the council stock to fall into disrepair. Priority repairs and alternative accommodation for affected residents reduce available funds so that non-priority development, maintenance and general services for residents are scaled back, postponed or cancelled.	Medium	Compliance with safety standards is embedded throughout service delivery, construction of additional units and delivery of the capital maintenance programme. All reasonable steps are taken to minimise the risk of any potential incident. However, it remains a possibility that an adverse event could occur in the council housing stock. A reserve is set aside for this, which should be enough to deal with ad-hoc day-to-day contingencies, or any emergency other than a catastrophic major incident.	Low
9	**Failure of contractor**	The figures from the Royal Institute of Chartered Surveyors, published in May 2022, suggest that high material prices are now impeding activity for 84% of construction firms. The construction industry expects further price rises, with an average estimate of 12%-13% inflation over the next 12 months, increasing the likelihood of risk that contractors may not be able to complete or take on more work	Medium	Effective contract and procurement management	Medium
10	**Internal Capacity**	Reduced capacity within operational and support services (legal, procurement) impacting the delivery of new homes and maintaining current stock to the required standard.	High	Effective management of resources and key work ac	Medium
11	**Government policy changes**	Impacts of national housing policies and any changes proposed in future Government papers can have an adverse impact on the HRA and could require additional resources to address any unexpected changes	Medium	The Council will review and monitor the business plan to reflect any changes that the Government might announce	Low