WELWYN HATFIELD BOROUGH COUNCIL

COUNCIL – 5 FEBRUARY 2024

FOR DISCUSSION AS PART OF ITEM 8a – BUDGET PROPOSALS AND MEDIUM-TERM FORECASTS 2024/25

Proposal 1: Increased Planning Enforcement Capacity (Proposer: Cllr Stephen Boulton)

The reduction on planning income of £350k in Appendix D seems to be overly pessimistic given the general reduction in inflation, expected interest rate reductions and adoption of a Local Plan which is likely to result in additional planning applications. Additionally planning fees increased in December last year by 35% for major applications and 25% for household applications. Indeed, officers at a recent DMC meeting highlighted that they expected more major planning application to be submitted.

Enforcement can often be a concern of residents when development happens without consent, and when plans are not adhered to. Planning enforcement is often stretched to deal with the complexity and number of enforcements requested.

Therefore, we propose to reduce the assumption of loss of planning income by £112k to fund the recruitment of two full time enforcement officers to increase the speed and number of enforcement cases undertaken and support residents in their valid concerns.

Section 151 Officer Comments regarding proposed amendment

The cost of two planning enforcement officers is estimated to be around £112k.

As highlighted in the most recent budget monitoring report, as presented to Cabinet, there has been a reduction in planning income in 2023/24 due to the construction market, and wider market conditions, for which an adverse variance has been forecast for the year.

Some of this reduction in income has been included when setting the 2024/25 budget (before the increases have been made to fees, in line with the recent changes to planning fee legislation). Alongside this, due to the reduced level of income, a one-year saving has been included on staffing, associated with freezing the recruitment to a current vacancy whilst the level of applications is closely monitored in the coming year.

The medium-term financial strategy (MTFS) recognises that the local plan has now been adopted, and, will have an impact on the developments in the area. Therefore, the number of major planning applications that are likely to come through for consideration by the council are likely to increase. These applications will see additional income being generated by the service.

A review of the income, and resources required to assess an increased level of applications, was to be assessed during 2024/25 once more data is available on the speed of applications coming forward. The MTFS does recognise the likelihood of increased income, however the income from this proposal cannot be guaranteed at this stage, and committing to costs for planning enforcement would, once recruited to, be a certain into the future.

The resources required to assess an increase in major applications, associated with the increased income in the proposal, has not been included. Further work would be required on this to understand the exact resource requirements, but the cost of two planning officers would also be in the region of £112k.

As part of recent Government announcements to further review planning fees, the Government made clear that further increase in fees and charges would be directly linked to planning performance, so that where a council fails to determine applications within deadlines set by the Government, refunds of planning fees would be due. Further information is awaited on this, but this could present a financial risk to the council if planning fee income generated from additional major applications, is utilised towards planning enforcement over planning application assessment.

Budget pack amendments required for this proposal

This budget proposal would increase the employee costs and income generated with the planning service, both by £112k, representing a funded proposal.

The following page presents and updated appendix B6.

Consideration to the MTFS has been given, and while inflation may be slightly different between the employees and income forecasts, the net impact would not have an impact significant enough to warrant changes to the MTFS.

The growth summary, shown in Appendix D would also be updated, although total growth would remain the same, with the row showing loss of planning income of £350k, being replaced with a row for loss of planning income at £238k and a row for two planning enforcement officers of £112k.

No other changes would be required to the budget pack for this proposal.

General Fund
Budget 2024/25 **Appendix B6**

Planning

Description	Budget 2023/24	Budget 2024/25	Change
	£ '000	£ '000	£ '000
Employees	1,679	1,843	164
Premises Related	2	2	0
Transport Related	2	2	(0)
Supplies and Services	235	255	20
Third Party Payments	53	56	4
Transfer Payments	0	0	0
Income	(1,181)	(1,089)	92
Controllable Costs	**789**	**1,069**	**281**

Analysis of Controllable Costs	£'000
Original Budget 2023/24	**789**
Growth:	
Reduction to planning income (service demand)	238
Planning Enforcement - 2 Officers	112
Efficiencies:	
National increase to planning fees	(189)
Review of Estate Management Scheme	(16)
Service review	(43)
Inflation and Other Changes:	
Salaries inflation and turnover	112
Inflationary expenditure increases	4
Virements between service areas	(1)
Other Movements	64
Original Budget 2024/25	**1,069**

Proposal 2: Social Rent Increase Adjustment (Proposer: Cllr Alastair Hellyer)

Modification: *Reduce the planned social rent increase from 7.7% to 5.0%.*

Rationale: *To reflect recent CPI changes, reduce the financial burden on social housing tenants, and increase consistency in Social Rent rises.*

As councillors will be aware, the increase in Social Rents was capped nationally last year at 7%. Yet as inflation has come down the rate of increase in Social Rents is scheduled to be 7.7%. Had inflation remained at approximately 7% this might be understandable to residents, but the most recent figures as of the time of writing have CPI down at 4%, and so this increase seems excessive – particularly as WHBC's HRA is in good shape.

Therefore, the increase is proposed to drop to 5%. Note that this is still not a real terms decrease, but only a slower rate of increase closer to current inflation; the precedent of raising Social Rents by CPI + 1% is still maintained but using more up-to-date figures.

Funding: *The HRA loan term would be extended by three years. This should still be regarded as consequential but given the economic environment this should also be considered an acceptable trade-off.*

Section 151 Officer Comments regarding proposed amendment

A reduction to the rent increase to 5% would reduce the rent income budget for 2024/25 by £1.5m, from £60.3m to £58.8m. In order for the council to maintain its target minimum Housing Revenue Account balance, this would mean a reduction the revenue contribution to capital by the same value, and in turn increase the borrowing by the same value for the year.

The council has a legal requirement to consider longer term financial planning when considering its Housing Revenue Account, in the form of a 30-year business plan. This planning, is used in the Medium-Term Financial Strategy (MTFS). This currently identifies that all current borrowing, and all new borrowing required to maintain stock levels at around 9,000 properties would be repaid by year 27.

Over the term of the 30-year business plan, the cumulative impact of this reduction in rent increases for 2024/25, would be a £62.5m reduction to income resources available over that period. It would also lead to additional interest payments on borrowing of £50.5m over the same period, meaning a total loss of available resources of around £113m of the 30 years.

This would equate to borrowing being pushed out by around 3 years, and the repayment year becoming year 30 for all current borrowing, and new borrowing required to deliver the affordable homes programme.

Whilst this does still demonstrate a viable business plan, if the council wishes to continue to repay all borrowing within the term of the business plan, it leaves no room for additional pressures or further investment that may be required. There is a risk that new requirements, or identified investment needs may come along in the next few years.

The councils repayment period when self-financing started was 14 years. Since the introduction of this regime, the government has implemented four years of rent freezes, and one year with a rent cap. Whilst there have been other changes to the business plan in this period, this has been the key driver in the increase in the borrowing repayment period, which based on the proposed budget stands now at 27 years. Whilst no rent cap has been introduced by the Government this year outside of the standard rent policy limits, members should be aware of the impact a risk of a centrally imposed rent caps/freezes has on the business plan.

The council has always strived to repay det with 30 years, linked to this being the industry standard period for business planning, alongside the legal requirement to maintain a 30 year plan. It is possible to extend the business plan for longer than 30 years should the council wish to do so, but further work would be required to provide justification for doing so, and this decision would need to set out clear rationale as to how the extended period still provides a sound basis for decisions in order to maintain a sustainable position.

Rented housing is under the highest level of scrutiny it has ever received, with new legislation and requirements coming through regularly, such as changes to compliance regulations, the social housing act, new requirements on damp and mould and many other changes. The Housing Regulator has had its powers increased, and are issuing a number of orders for councils and registered providers across the country.

The council is still implementing its plan for compliance with the new social housing act, and it is not yet known at this stage whether further pressures or investment in services is required in some areas to ensure compliance.

During 2023/24, a statutory tenant satisfaction survey is being issued, and a summary of the responses, comparred to other councils, will be published by the housing regulator. The council will be expected to respond to any poorly performing tenant satisfaction measures, and until the results of this survey is known, we do not know if any additional service investment will be required.

If the proposal is accepted, members should note, that in order to retain the repayment of borrowing within the 30-year period, any new requirements associated with new requirements, for example from the items above, would then need to be funded through a reduction in expenditure in other areas, or a comprehensive review of the business planning period would need to be considered.

Budget pack amendments required for this proposal

The following pages provide updates that would be required to the budget pack for this proposal. In summary, these are:

Appendix F – Reduction to Rent income of £1.496m, reduction to the revenue contribution to capital of £1.532m, increase in borrowing interest of £37k.

Appendix G – Changes to year on year variances for lines changed in appendix F

Appendix J – Updates in each to annual revenue contribution to capital and capital financing (borrowing) requirement. Cumulative impact is an increase from £325.336m capital financing requirement in 2028/29 to £337.601m.

Appendix L - Changes to MTFS would require a number of minor changes to narrative which would be delegated to the Chief Financial Officer. Key updates included in this section which are shown in the following pages are: budget forecasts, borrowing repayment period, authorised and operational bowing limits, capital financing requirement tables, tables in treasury management strategy, liability benchmark. The summary of prudential indicators in Appendix G would also be required to be changed to match the tables and data shown in the following pages.

Appendix F

Description	Current Budget 2023/24 £ '000	Proposed Budget 2024/25 £ '000	Year on Year Variance £ '000
Dwelling rents	(55,920)	(58,766)	(2,846)
Non-dwelling rents	(435)	(508)	(73)
Tenants' charges for services and facilities	(1,938)	(1,826)	112
Leaseholders' charges for services and facilities	(1,474)	(885)	589
Contributions towards expenditure	(269)	(250)	19
Total Income	**(60,036)**	**(62,235)**	**(2,199)**
Repairs and maintenance	11,844	11,470	(374)
Supervision and management	11,576	11,801	259
Special services	4,637	4,186	(451)
Rents, rates, taxes and other charges	872	1,342	470
Impairment allowance for doubtful debts	490	572	82
Depreciation	16,602	17,100	498
Debt management costs	18	42	23
Sums directed by Secretary of State	50	100	50
Total Expenditure	**46,088**	**46,612**	**557**
HRA share of Corporate and Democratic Core	928	1,261	333
Net Cost of Services	**(13,019)**	**(14,362)**	**(1,309)**
Less Interest and Non-Statutory Items:			
Interest payable and similar charges	8,120	9,095	975
HRA financing and investment income	(78)	(124)	(46)
Revenue Contribution to Capital	4,769	5,068	299
Total Adjustments	**12,811**	**14,039**	**1,228**
(Surplus) / Deficit on the HRA	**(209)**	**(324)**	**(82)**

Welwyn Hatfield Borough Council

Appendix G

Housing Revenue Account – Budget Changes 2024/25

Dwelling rents - Increased income of (£2.846m)
The rent has been increased in line with government guidance issued earlier this year. For 2024/25, this equates to an increase of 5.0% and takes the average actual rent to £127.74. Allowance has been made in the total estimated income for the decanting of properties for redevelopment, for the loss of properties due to right to buy and for increases in properties as a result of the Affordable Housing Programme.
Tenants Charges for Services and Facilities – Decreased income of (£112k)
A reduction to income has been included following the changes to the service model for the delivery of the community buses, savings which offset this growth are shown in the special services. Overall a net saving was generated from this change. There has also been a reduction in the number of users using the Lifeline alarms which has also resulted in a loss of income of £60k.
Leaseholder Charges for Services and Facilities – Decreased income of (£589k)
Decreased income is expected in 2024/25 as the Fire Doors capital programme is coming to an end. There was lower demand and take up for this than expected. Where leaseholders are part of a block where works are undertaken, a proportion of these costs will be recharged to leaseholders. Major Repairs expenditure is also expected to be lower than expected due to ongoing issues with contractors, which will also affect the leaseholder recharges.
Repairs and maintenance – Decreased expenditure of £374k
Decreased expenditure is expected due to the stock condition survey being undertaken in 2023/24, and the one-off budget no longer required (£1.5m saving). There is also growth of £500k for a new external decoration programme and inflationary contract increases of £676k.
Supervision and management – Increased expenditure of £259k
Increased expenditure is largely driven by inflation on salaries and contracts.
Special services – Decreased expenditure of £451k
Following transformation reviews a there has been several savings within this area, including £200k for the control centre and £90k net saving for community buses (After income loss). Utility bills are now forecasted to be decrease based on the 2023/24 budget saving £127k.
Rents, rates, taxes and other charges – Increased expenditure of £470k
There is increased expenditure expected on council tax for several sites that are currently vacant, pending redevelopment or major upgrade works. These are now incurring council tax at double the usual rate due to being classified as being long-term vacancies. This budget will decrease in future years once works are completed.

Depreciation – Increased expenditure of £0.498m
£0.498m increased depreciation charge. The depreciation charge to the HRA is a statutory charge based on the value of the Council's dwelling stock and it increases in line with its stock value. This charge is credited to the capital account (i.e., Major Repairs Reserve) and used towards funding the HRA capital programme and repayment of borrowing.
HRA Share of Democratic Core – Increased expenditure of £333k
£333k internal recharges – following a review of core council budgets and recharges, a calculation has been undertaken to apportion costs to the HRA.
Interest payable and similar charges – Increased expenditure of £975k
There is a £975k increase to interest payable due to the Council's capital programme which includes financing and borrowing forecasts. These forecasts show a net increase to the HRA borrowing requirement which in turn increases the interest payable.
Revenue Contribution to Capital – Increased expenditure of £299k
There is a £299k increase in the revenue contribution to capital. The balance on the HRA each year is contributed to support the capital expenditure programme, specifically the Affordable Housing Programme and repayment of existing borrowing. This is done to make best use of funds as well as minimise the borrowing requirement and associated costs. This amount will vary each year dependent on rent policy, scheduled loan repayments, depreciation charges and other factors. The Council's Medium-Term Financial Strategy sets medium term minimum working balance on the HRA at 5% of turnover. The revenue contribution is therefore calculated as the difference between 5% of total income and all other items of income and expenditure.

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Capital Financing Summary

Appendix J

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
HOUSING REVENUE ACCOUNT						
Total Expenditure	41,701	57,199	47,111	46,997	43,128	38,378
Loan Repayment	34,200	25,800	27,500	29,300	29,800	13,100
Capital Receipts and Reserves	(19,392)	(20,220)	(21,434)	(22,377)	(23,382)	(23,942)
Restricted 141 Capital Receipts	(2,867)	(5,333)	(3,675)	(4,320)	(4,320)	(4,320)
Capital Grants and Contributions	0	(2,800)	0	0	0	0
Revenue Contribution to Capital	(4,792)	(5,068)	(4,246)	(3,874)	(4,694)	(2,853)
Borrowing Requirement for Year	**48,850**	**49,579**	**45,255**	**45,726**	**40,532**	**20,363**
Cumulative Borrowing Requirement at year end	261,646	285,425	303,180	319,606	330,338	337,601
Capital Reserves and Grants Balance at year end	13,951	11,164	10,467	8,787	6,660	4,534

Table 2.2b – Housing Revenue Account Forecasts

	2024/25 Budget £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Income			
Rental Income	(58,766)	(61,560)	(63,861)
Non Dwelling Rents	(508)	(566)	(578)
Charges for Services and Facilities	(2,689)	(2,921)	(3,000)
Other Income	(250)	(276)	(281)
Total Income	**(62.237)**	**(65,323)**	**(67,721)**
Expenditure			
Repairs and Maintenance	11,470	12,010	12,359
Management, Special Service and Rates/Taxes	18,690	20,854	21,310
Allowance for Doubtful Debt	572	604	634
Depreciation	17,100	17,460	17,644
Other Expenditure	42	30	31
Total Revenue Expenditure	**47,874**	**50,958**	**51,978**
Other Items of Income and Expense			
Interest Payable	9,095	10,268	11,813
Interest Received	(124)	(115)	(49)
Revenue Contribution to Capital	5,068	4,246	3,874
Net (surplus)/deficit	**(324)**	**(19)**	**(120)**

3.2.1 The total amount of cash required to fund the schemes we borrow for (whether internally or externally) is known as the Capital Financing Requirement (CFR). It is important that we monitor our requirement, as this will require repayment in the longer term, and we ensure we have strategies in place for repayment. Our CFR forecasts are as follows:

	2024/25 £'m	**2025/26** £'m	**2026/27** £'m	**2027/28** £'m	**2028/29** £'m
General Fund	53.628	52.713	53.079	55.222	61.068
Housing Revenue Account	285.425	303.180	319.606	330.338	337.604
TOTAL CFR	**339.053**	**355.893**	**372.685**	**385.560**	**398.672**

Annex F

Balance sheet summary and forecast

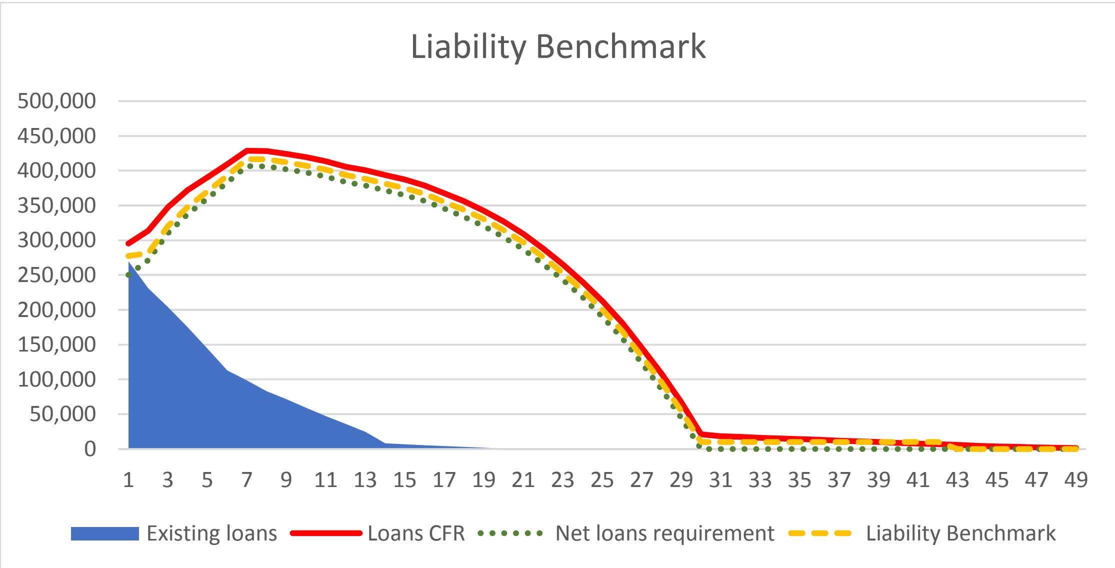
F2.1 To take a view on likely treasury activity in 2024/25 it is necessary to look at the Council's balance sheet to estimate the level of funds available for investment purposes and any borrowing requirements, as shown in the forecast closing balances table below:

Table 1: Balance sheet summary and forecast

	2022/23 Actual £m	**2023/24 Forecast £m**	**2024/25 Forecast £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**	**2028/29 Forecast £m**
General Fund CFR	50.446	54.231	53.628	52.713	53.079	55.222	61.068
HRA CFR	246.996	261.646	285.425	303.180	319.606	330.338	337.601
Total CFR	**297.441**	**315.877**	**339.052**	**355.893**	**372.684**	**385.560**	**398.668**
Less: Other debt liabilities	-2.284	-2.266	-2.248	-2.230	-2.212	-2.194	-2.176
Loans CFR	**295.157**	**313.611**	**336.804**	**353.663**	**370.472**	**383.366**	**396.492**
Less: Existing borrowing	-269.670	-231.051	-203.832	-174.913	-144.194	-112.976	-98.457
Under/(Over) borrowing	**25.487**	**82.560**	**132.972**	**178.750**	**226.278**	**270.390**	**298.035**
Less: Usable reserves	-52.816	-36.050	-34.170	-31.423	-27.650	-23.482	-19.187
Less: Working capital	0	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000
New Borrowing (Cumulative)	0	-50.510	-105.803	-154.327	-205.629	-253.908	-285.849
Investments	**27.329**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**

F2.4 The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance and shows the lowest risk level of borrowing. The objective of the liability benchmark is to show the optimum level of borrowing in order to ensure appropriate funding and liquidity for both longer term projects and short term cashflow needs. This assumes the same forecasts as in Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year end to maintain sufficient liquidity but minimise credit risk. Table 2 shows the figures and they are also produced in graphical format overleaf.

Table 2: Prudential Indicator – Liability benchmark	**31.3.23 Actual £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**	**31.3.27 Forecast £m**
Loans CFR	295.157	313.611	336.804	353.663	370.472
Less: Balance Sheet Resources	-45.181	-42.050	-37.170	-34.423	-30.650
Net Loans requirement	**249.977**	**271.561**	**299.634**	**319.240**	**339.822**
Plus: liquidity allowance	27.329	10.000	10.000	10.000	10.000
Liability benchmark	**277.306**	**281.561**	**309.634**	**329.240**	**349.822**



F4.9 The latest HRA Business Plan forecasts that borrowing will be repaid in year 30, of the 30 Year plan.

F4.18 **Authorised Borrowing Limit:** The authorised limit is what we determine to be our maximum affordable borrowing in any one year. It is not the amount the Council expects to borrow to meet its capital expenditure requirements but provides headroom over and above our capital requirements to allow for unusual cash movements, or to take advantage of low interest rates and to borrow in advance of need.

Table 4: Authorised Borrowing Limit

Authorised Borrowing Limit	**2024/25** **£'m**	**2025/26** **£'m**	**2026/27** **£'m**
External Borrowing	366.804	383.663	400.472
Other Long-term Liabilities	2.248	2.230	2.212
TOTAL	**369.052**	**385.893**	**402.684**

F4.19 **Operational Boundary:** The operational boundary is based on the Council's estimate of most likely scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement, and is a key management tool for in-year monitoring. The operational boundary below is set based upon our expected year end position and may be exceeded during the year based on upon cashflow requirements, and the timing of borrowing repayments.

Table 5: Operational Boundary

Operational Boundary	**2024/25** **£'m**	**2025/26** **£'m**	**2026/27** **£m**
External Borrowing	336.804	353.663	370.472
Other Long-term Liabilities	2.248	2.230	2.212
TOTAL	**339.052**	**355.893**	**372.684**