APPENDIX 5

MEDIUM TERM PLANNING FORECAST (MTPF) 2023/24 to 2026/27

1.0 INTRODUCTION

1.1 The MTPF updates the Council's budget strategy for the financial years 2023/24 to 2026/27. It is based on current policies and a review of the service and financial planning horizon, and the resources forecasts contained therein are based on <u>illustrative</u> external funding levels for 2024/25 to 2026/27 including: - the 2023/24 Local Government Finance Settlement and the 2022 Autumn Statement; and estimates of future council tax, business rates and other income. It is the financial framework which will ensure the Council can continue operating on a sustainable and sound financial footing.

1.2 The Forecast is primarily concerned with General Fund revenue expenditure and income, but consideration is also given to the Housing Revenue Account.

1.3 This Budget report presents Members with a proposed budget statement for 2023/24 and this Appendix includes a three-year indicative budgetary forecast (2024/25 to 2026/27). Potentially unavoidable growth items, such as levies and concessionary fares and sustainability items have been added to arrive at a forecast budget position for each year.

1.4 The financial challenge ahead is considerable, particularly given the significant uncertainty regarding the impact of the on-going cost of living crisis and future government plans for funding levels. The report emphasises the need to build upon the continuation of a number of our existing policies that have been developed to mitigate this challenge including Service Transformation, Service Reviews, workforce initiatives, further rationalisation of services and management delayering, procurement savings and spend to save initiatives.

1.5 It will also be necessary to build upon the Council's proven record in relation to tight financial management and control with an increased emphasis on financial solutions that increase financial sustainability, get things right first time, drive out value from our asset base and create the conditions for and to harness economic growth, with a real focus on the customer, residents and businesses. We also need to ensure that robust action plans are developed in areas where we have cost pressures - most significantly, but not exclusively, in social care which despite significant growth in budgets and increases in grant remains our biggest revenue spend risk.

1.6 Despite increases in one-off funding in 2023/24 and 2024/25, Hackney's core funding from the Government has fallen significantly in real terms since 2010.

2.0 FINANCIAL STRATEGY UNDERLYING THE MTPF

2.1 The financial strategy provides the strategic framework and overarching corporate financial policy document within which the Council's finances are constructed and managed, ensuring sound governance and best practice.

2.2 The specific long-term drivers of the financial strategy pertinent to this MTPF are:

- to keep to a minimum any additional call on the council taxpayer through continuous driving of the efficiency agenda;
- to address the need to develop an income strategy that reduces the Council's reliance on central government grant income. These sources of funding are under threat of gradual erosion, yet Council is currently heavily reliant upon them;
- to take an evidence-based approach which refers to what has worked previously and, an emphasis on achieving the best outcomes for residents as far as we can.
- to focus on how best to achieve the outcomes set out in the Strategic Plan 2022-2026, which was approved in 2022 and which is developed from the Mayor and administration's manifesto.
- to preserve the Council's financial resilience through holding a minimum of £15m in general fund unallocated reserves rising to £20m by 2026/27. This is to reflect the increasing volatility and uncertainty of funding sources and spending pressures - a situation expected to continue for several years;
- to continue to prioritise our investment in Hackney and where possible, within current regulations which restrict investments purely for commercial purposes, to strive to invest in assets to generate annual income streams;
- to continue to invest in early intervention and prevention; and
- to develop delivery models that manage demand and influence behaviours.

2.3 In formulating budget proposals, we will continue to seek to deliver value for money and efficiencies while maintaining the delivery of, or support to, high-quality services; and achieve the best possible outcomes for residents while seeking to reduce our cost base. Given the scale of the challenge we will need to prioritise our resources more keenly and this will lead to some difficult decisions. The cornerstone of future activities in this area will be the Council's Transformation Programme which will span various services.

2.4 The impact of the capital programme on our MTFP is recognised in the revenue provision we make for repaying and financing our debt. Going forward as our unused capital receipts reduce and we place more reliance on borrowing than we have in the past, we will need to increase the provision in our revenue budgets. This impact must be assessed at the time of making capital investment decisions even though the charge is not borne until after the asset is brought into use.

2.5 Throughout the period covered by this MTFP, we will continue to produce a balanced and sustainable budget where an appropriate level of financial resilience is assured. The Council will make adequate provision to cover financial risks and ensure key assumptions are 'stress tested' (for public benefit, political acceptability and practical achievability).

3.0 FINANCIAL BACKGROUND

3.1 Introduction

3.1.1 The Budget Report sets out the balanced budget for 2023/24. In this section we present an indicative financial forecast which covers the period 2024/25 to 2026/27.

3.1.2 The Council has been operating in a challenging financial environment for some years. Over the past decade, Hackney’s core funding has shrunk whilst costs in areas such as adult social care, children’s services, supporting an ageing population, homelessness and lately inflationary pressures have increased significantly. Subject to the ongoing refinement of these forecasts, we will need to review the MTFP on a regular basis to ensure that it continues to provide a sustainable and resilient financial position.

3.1.3 As the Budget Report noted in detail, the Council faces considerable cost pressures in 2023/24 and beyond as a result of increasing demand for services, increased unit costs and the impact of Government interventions in areas such as social care, homelessness and education. Additionally, the impact of spiralling inflation has exerted considerable cost pressures on many services and capital projects, and aside from the direct impact, it is possible there could be a further impact if inflation results in a decline in economic activity.

3.1.4 Aside from cost pressures and inflation, there is also the continuing uncertainty concerning future external funding levels.

3.2 Autumn Statement

3.2.1 The Chancellor of the Exchequer presented the Autumn Statement on November 17th 2022 which set out departmental spending limits for 2023-24 and 2024-25 which were in line with those set out in the 2021-22 Spending Review.

3.2.2 The Statement was published against a deteriorating fiscal outlook, higher inflation and interest rates, coupled with slower economic growth, which have in turn hit the public finances.

3.2.3 Departmental Spending budgets will remain as previously set in cash terms for the next two years and total planned departmental spending will grow at 1% a year in real terms (accounting for inflation) in the following three years. No detail was given on how individual departments will be affected.

3.2.4 The main provisions affecting local government were as follows:-

- The Government is increasing the core referendum limit for increases in council tax to 3% per year from 2023/24, In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year from 2023/24.This means that London Boroughs can increase their council tax by up to 5% without holding a referendum from 2023/24.

- The planned adult social care charging reforms will be delayed from October 2023 to October 2025. The funding intended for implementation will be retained in council budgets to help them meet current pressures.

- From 1 April 2023, a revaluation will update rateable values for non-domestic properties in England in line with evidence from April 2021. The Autumn Statement announced a £13.6 billion support package to protect ratepayers facing increases.

- £1 billion will be provided to enable a further year-long extension to the Household Support Fund.

- This Government is capping the amount that social rents can increase by next year at 7% with no mention of compensation to Councils

- As the social care levy is being abolished, the Government is reducing grant funding for councils, announced as part of the 2021 Spending Review, by approximately £200m in 2023/24 and 2024/25.

- An additional £2.3bn per annum will be provided to Education over next two years.

- Targeted support announced to help the most vulnerable groups with the cost of living. The following additional payments will be made in 2023/24 financial year: £900 payment to households on means-tested benefits; £300 payment to pensioner households; and £150 payment to those receiving disability benefits

3.2.5 Over the period 2025/26 to 2027/28, the Autumn Statement states that planned total department spending will increase by a 1% real terms rise but no details were given on how individual departments will be affected as it only published the total spending plans for 2025/26 to 2027/28, not the individual departmental totals. It is unlikely that Local Government will get any real terms increase as most of the funding increase is likely go to the protected Departments such as the NHS

3.2.6 The failure to publish any departmental spending limits for 2025/26 to 2027/28 makes it extremely difficult to make a firm and reasonable forecast of aggregate local government funding in these years, let alone forecasts of individual authority funding allocations.

3.3 Provisional and Final Local Government Finance Settlement 2022/23

3.3.1 The Provisional Local Government Settlement for 2023/24 was published in December 2022 and the Final Settlement was published on 6th February 2023 The main elements of the Provisional Settlement are set out in the Budget report but what is of most relevance in the context of the MTFP is the uncertainty surrounding 2024-25 and more particularly in 2025-26 and beyond.

3.3.2 For 2024-25, the Government set out most of the intentions for the main funding streams in its policy statement on 12 December 2022 but uncertainty remains over the Services Grant, New Homes Bonus Grant, S31 compensation grants and the top up adjustment.

3.3.3 Also, neither the fundamental reform to needs assessments (previously termed the Fair Funding Review) nor the business rates reset will be implemented before 2025-26 and no indication was given by the Government as to when either will be introduced. Given that all of the work previously done on the new needs assessments is now out of date, it will all have to be done again which will require a substantial amount of work to be carried out. It follows that there must be significant doubt whether the new funding system will be introduced in 2025-26.

3.3.4 It is clear that in the 2023-24 Settlement, the government has once again opted for short-term sticking plasters to plug gaps rather than deliver any long-term solutions - particularly regarding social care. Further, council tax increases risk heaping more of the funding burden on a tax that is long overdue reform, and business rates continue to be propped up by freezing rates and ever more reliefs. While these funding interventions may help us get through the current crisis – these stop-gap solutions show that central government continues to think short-term. Looking beyond this parliament, new policy solutions must surely be required to ensure local government can be funded in a sustainable way.

3.4 Cost Pressures

3.4.1 As we noted in the Budget report, the Council’s preferred strategy to manage growth and cost pressures has for the last 5 years been for service areas to manage pressures within their budgets wherever possible. This strategy will continue for the period covered by this MTFP. However, it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable.

3.4.2 Over the period 2023/24 to 2026/27, we expect most cost pressures to be contained within existing budgets and, or met in part by one-off funding (e.g. the Social Care Grant) but there are pressures which will require additional funding, primarily the

- Assumed Pay awards
- Energy Costs
- Some Building Maintenance Costs
- One-Off and recurrent Manifesto costs
- Certain Directorate Cost pressures - primarily pressures in social care and children's services which are not met by one-off grants.

Funding for Directorate cost pressures are held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director, Finance and Corporate Resources and after it is clear that the pressure cannot be managed from within the current directorate cash limits.

3.4.3 During the remaining years of the period covered by the Plan we expect additional cost pressures that require funding primarily in: - Childrens' Services (Placements, especially residential and high cost supported, and Disabled Children's Services), Adult Social Care (Demand led cost pressures arising from demographic factors and the increasing complexity of client needs); Homelessness, Energy costs and Building Maintenance.

3.4.5 The Scrutiny Panel (Overview and Scrutiny) is currently reviewing the operation of the Council's CTRS scheme. One of the objectives is to reduce the maximum CTRS contribution by recipients to 10% by 2025/26 and move to a fully funded scheme by 2030 bearing in mind the financial uncertainties that lie ahead. The cost of implementing the first phase of this over the period of the MTFP adds a further £1.3m budget gap.

4. Three year Forecasts - Medium, Best and Worst

4.1 We have produced three forecasts - Medium Case, Best and Worst. This is primarily because there is simply not enough information on core external funding to produce a singular forecast. A robust estimate of core funding is crucial to the validity of our overall financial forecast because we are so dependent on this funding stream. As noted previously, no departmental spending plans beyond 2024/25 were published in the 2022 Autumn Statement and with regards to the long awaited Funding Review, all that the Government has said is that it will not introduce reform before 2025-26.

4.2 What we do know is that Hackney will almost certainly lose from any funding reform as we have become less deprived (according to official deprivation measures such as the Index of Multiple Deprivation), since the needs assessments (a critical element of funding allocations) were last formulated in 2013. Also our population (one of the most important elements of the needs assessments) which will be based on the 2021 Census in any new system, has grown by relatively less than the London average; and finally, the Government has made it clear that it intends to review the way in which councils in London and the SE are compensated for the higher wages and rates bills that they face compared to the rest of England. On the latter, every reformulation of the governing formula that has been made to date has disadvantaged Hackney. To make matters worse, the Government will reset the rating system at the same time as implementing any funding review and because our rateable value has increased by more than the average for all councils, this will also reduce our funding.

4.3 Given we expect to lose funding if and when the new funding system is introduced, we anticipate that we will be protected by a system of safety nets but at this stage, the Government has not stated how these will operate, what level of protection they will afford and how quickly they will be unwound. A safety net is a mechanism employed to reduce the funding losses from one year to the next with the protection eventually being withdrawn at which time the full loss will flow through. It is quite possible that the Government will set the maximum funding loss after the application of a safety net to a % of a council's Settlement Funding Assessment, which is its estimate of our core resource base (Revenue Support Grant, Top Up Grant and an assumed level of business rates income). We illustrate the impact of this in the Worst Case forecast below.

4.4 Another area which is very difficult to predict are cost pressures both inflationary and non-inflationary, and demand pressures. This will impact primarily on social care but the inflationary element will impact more generally across all services through the annual pay awards and on specific services through higher energy costs and sub contracting and commissioning fees. We have made specific provision for increasing energy costs in the 2023-24 budget and in the MTFP

4.5 In view of the above, we can only make very broad brush estimates of our income and expenditure over the period 2024-25 to 2026-27 and these must be regarded as (very) indicative only.

4.6 **Medium Forecast Forecast - Underlying Assumptions**

<u>Income</u>

(a) Funding Reform and Business Rates Reset - Assumed to not be introduced during the timescale of the Plan

(b) Revenue Support Grant is increased by 5.5% in 2024-25 and then by 2% in the following two years.

(c) The business rates multiplier (and hence top-up) will be frozen for the three years of the Plan and we receive a S31 grant which ensures that we receive full compensation for the failure to increase multiplier in line with inflation as required by the regulations

(c) The Council Tax rate will increase by 2% in 2024/25 and in the remaining two years; the taxbase will increase by 600 Band D properties each year; and the collection rate will be 94% in 2024/25 and 94.5% in 2025/26 and 95% in 2026-27. The cost of moving to a 10% CTRS claimant contribution is assumed to be £1.3m in 2024-25 and in each of the next two years

(d) The Services grant will reduce to £3.750m in 2024-25 and then be deleted in 2025-26

(e) Business Rates Retention set at 30% throughout the period of the Plan.

(f) The Business Rates rateable value is increased by 1% in each year. Retail Hospitality Reliefs are assumed to be deleted in 2024/25 but all other reliefs are assumed to increase by 1% in each year. A provision against income losses from appeals of £8m is included in each year and the collection rates are 93.25% in 2024/25, 94.5% in 2025/26 and 95.5% in 2026-27

(g) Public Health Grants are set equal to the previous year's grant with any subsequent increase being passed on to the service.

(h) The 2024/25 Social Services Grants are increased in line with the increase set out in the Government's policy document published on 12th December 2022. Thereafter, they are frozen in cash terms.

(i) New Homes Bonus Grant is set at £0.5m in each of the three years

Expenditure

(i) A total of £15.3m is available to manage cost pressures in 2024-25, which rises to £25.8m in 2025-26 and to £36.3m in 2026-27

(ii) The pay award is 4% in 2023-24 and 3% in each year thereafter

(iii) The Concessionary Fares and NLWA levies are increased in line with latest forecasts from TfL and the NLWA.

(iv) Additional Provision is made for Energy with the £8.5m included in the 2023-24 budget being rolled into the following three years and provision is made for Building Maintenance with the 2023-24 £3.2m budget allocation being rolled into the following three years

(v) RCCO is set at £4m in each of the three years

(vi) The superannuation provision and added years is £12.9m in each year

(v) The Minimum Revenue Provision is £6.9m in 2024/25, then £9.9m in 2025/26 and £13.7m in 2026/27. Interest charges are set at £1.9m, £2.9m and £3.9m respectively

4.7 The forecast derived from these assumptions is shown below. Please note that the forecast must be regarded as **illustrative only.** This is primarily due to the external funding uncertainties and the on-going impact of inflation.

Forecast 2023-24 to 2026-27 (Medium Case Forecast)

RESOURCES	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**
External Core Funding incl S31 Top Up Grant	128.770	128.385	130.767
Business Rates Income including S31 & deficit c/fwd	70.904	72.441	73.918
Council Tax incl deficit c/fwd & support netted off	106.456	109.941	113.528
IBCF & BCF	21.836	21.836	21.836
Public Health	35.871	35.871	35.871
New Homes Bonus	0.500	0.500	0.500
TOTAL	**364.338**	**368.974**	**376.420**
EXPENDITURE	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**
Directorate Cash Limits after Savings and HRA Recharge	287.501	287.471	287.441
Cost Pressures & Growth Provision	15.300	25.800	36.300
General Finance (Corporate) Account			
Capital (MRP & Interest)	6.900	9.900	13.700
Pay Award	13.929	19.377	24.825
Levies	23.564	26.641	32.261
RCCO	4.000	4.000	4.000
Other Corporate Items incl Superannuation	35.306	35.477	35.477
TOTAL	**386.500**	**408.666**	**434.004**
GAP	**-22.162**	**-39.692**	**-57.583**

4.8 So we have a forecast gap of £22.2m in 2024/25, £39.7m in 2025/26 and £57.6m in 2026/27.

4.9 The increase in the gap in 2024/25 reflects the combination of a number of factors. The major factors which have increased the gap include: - impact of assumed cost pressures (inflation and non-inflation) and growth (£15.3m), NLWA levy (£3m), Concessionary Fares Levy (£3.6m), capital costs (£3m), reduction of one-off income (£2.5m) and the pay award (£5.5m). These are partially offset by increases in external funding (£4.6m) and council tax income (£5m).

4.10 In 2025-26 and 2026-27, the reasons for the increase in the gap are primarily continuing cost pressures and growth, increasing levies and capital costs, and the pay award, partially offset by increases in council tax income and to a lesser extent increases in NNDR income.

4.11 **Best Case**

The best case differs from the Medium in the following areas.

(a) Social Care Grants are assumed to be increased by £4m in 2025-26 and 2026-27. These are netted off the social care cost pressures and growth line in the forecast.

(b) Other External Funding streams are increased by £3.75m in 2025-26 and 2026-27 to reflect the assumption that Services Grant is retained

(c) Council Tax is increased by 4.99% in 2024-25 (the announcement of the 2023-24 Settlement included the statement that council tax could be increased by 4.99% in 2024-25) and by 2% in the following two years

(d) The pay award is 2% in all years

4.12 **Worst Case.**

The Worst case differs from the Medium in the following areas.

(a) The Fair Funding Review and Business Rates reset are assumed to be introduced in 2025-26 with our losses being capped at 5% of our estimated Settlement Funding Assessment in both 2025-26 and 2026-27 (£7.5m in 2025-26 and £15m in 2026-27).

(b) Cost pressures and growth are 15% higher as a whole over the three year period

(c) The pay award is 4% in 2024-25, 3.5% in 2025-26, and 3% in 2026-27

4.13 A comparison between the Best, Medium & Worst case budget gaps are shown below

Budget Gap Under the three Funding Scenarios

Year	2024/25 £m	2025/26 £m	2026/27 £m
Medium Case	-22.162	-39.692	-57.583
Best Case	-17.176	-25.039	-41.008
Worst Case	-27.490	-55.003	-81.969

5.0 Meeting the Budget Gap

5.1 The scale of the budget gap requires a fundamental review of significant areas of spend where we have some discretion as well as consideration of assumptions regarding income, both in respect of Council Tax levels and fees and charges.

5.2 Through our Transformation Programme we will target areas for review where we spend significantly more than comparative groups and where we think there are opportunities to deliver services more effectively and efficiently. This will inevitably lead to some difficult choices in the coming months.

5.3 The above in itself will not be enough and it is emphasised that a significant driver of the budget gap is ongoing cost pressures, particularly in social care. We need to have an increased focus on demand management in these areas. As a council we invest in early help services and we need to ensure we are clear about the impact of these services - are they as effective as they could be at preventing escalation to statutory services? What evidence is there for this? Could we do things better?

5.4 Furthermore, we need to continue to challenge our services to deliver as efficiently as possible. How do we benchmark? Do we maximise income recovery and are our traded services really viable? Are our processes unnecessarily burdensome?

5.5 The importance of financial control and close budget monitoring cannot be overstated. Managers need to ensure that where possible expenditure remains within budgets. Where budget pressures arise Group Directors need to oversee recovery action to bring expenditure down, including minimising non-essential spend and taking performance management action where appropriate.

5.6 The Group Director of Finance and Corporate Resources will lead this work, but it also needs to be front and centre of service planning and a key priority for Group Directors. Governance for progress will be through CLT with each Group Director accountable for reviews in their areas of responsibility and will be expected to present clear programme and project plans which meet the scale of the challenge and the timescales required.

5.7 Resource has been set aside in 2023/24 and throughout this MTFP period to support this work. In addition, the Corporate Leadership Team has endorsed and agreed the need for this focus on financial discipline as one of the key threads to our work to become one of the ‘best council’s’ in the Country around the themes of;

- Putting Residents at the heart of everything.
- Being Financially Sustainable.
- Being a Modern and Innovative Council.

6.0 HRA

6.1 The main source of funding for housing is rental income. The Social Housing Regulator set a new rent standard effective from 1st April 2020. The direction is to revert to a rent increase of CPI +1% over the 5 years from 2020/21, which is in line with the rent policy that was in place before the rent reduction policy which ran for five years up to 2020. This policy of CPI +1% was intended to re-establish a stable financial platform for councils and registered providers to plan ahead. However, following the cost of living crisis the recent standard was amended for 2023/24 imposing a 7% rent cap.

6.2 This revised rent standard, which is a below inflation rent increase, when coupled with the recent significant increases in inflation is impacting the cost of delivering housing services and presents a significant challenge to the finances of the HRA. Inflation reached 11.1% in October 2022 and though it has dipped slightly since then, the forecast for 2023 is that inflation will remain in excess of 7% for the whole of the year.

6.3 The Council, as a landlord, is in a difficult position. On the one hand, wanting to support tenants at a time where many are facing significant financial difficulties and a cost-of-living crisis (caused by high prices – particularly on food and fuel bills) by restraining rent increases in 2023/24. At the same time, there is a need to cover the inflationary pressures within the HRA and to deliver on operational requirements and strategic priorities, from repairs and maintenance, to building safety and decarbonisation. Specifically these include:

- pay award inflation - 6% for the current year
- Non pay inflation especially relating to repairs - currently circa 10%, Gas, 98.5%, Electricity, 54% and fuel circa 30.2%.
- The levels of investment needed to maintain the decency of existing homes as well as undertake essential building safety work, especially with inflationary drivers above the long-term forecast e.g. supplies/materials costs; contractor costs; construction costs which are currently 20% to 25%
- levels of investment needed to meet the Council’s aspiration for investment into all our council housing stock.

6.4 The HRA budget is normally set in line with the HRA Business Plan which was approved in March 2019 as part of the Housing Asset Management Strategy. This plan sets out the Council’s financial plans for managing and maintaining its housing stock (including leasehold properties) and other assets held in the HRA. The HRA Business Plan financial model informs the budget setting and capital programme over the Business Plan period. Its fundamental purpose is to set out the resources required to ensure the effective and sustainable management of these housing assets.

6.5 In setting the balanced budget for 2023/24 savings of £14.2m were required with a significant impact on our investment in maintaining our housing stock through a £11m reduction in Revenue Contributions to Capital Outlay (RCCO). The late announcement of the Government’s rent policy meant that the Council did not have the space to have a full, open and transparent conversation with our tenants and leaseholders on what they see as the priorities for how we spend the annual HRA budget.

6.6 Over the medium term there is a need to deliver service transformation and deliver savings from 2024/25 onwards in order to replenish the RCCO budget removed to balance the 2023/24 budget. This will need to be an open and honest conversation with our tenants that recognises that in real terms there will be less money to spend and therefore want to ensure that we proactively target our spending of the available budget in a way that reflects their priorities.

6.7 The Council wishes to sustain its investment in its housing assets by ensuring all homes are maintained to a high standard, through a wide range of works and cyclical programmes that ensure compliance with legal and safety regulations and that protect against, and prevent deterioration of its buildings. There are also wider Council ambitions to reduce the carbon emissions from the housing stock from investment in thermal and heating technologies, but there is currently no identified resource to fund this investment. However, the Council will continue to adopt the “fabric first” approach and use existing available resources to carry out improvements to the fabric of our buildings until better and more reliable technology is available to replace current energy systems. This will include carrying out pilot retrofit initiatives.

6.8 In addition to investment in existing properties, the Council continues to progress three extensive regeneration programmes within the borough: Woodberry Down, the Estate Regeneration Programme (ERP), and the Housing Supply Programme (HSP). In addition, it approved a new housing regeneration programme, the New Council House Building Programme, in December. The financial plans for the existing HRA stock and the regeneration programmes are presented and monitored separately to ensure the viability of each of the asset investments.

6.9 Under the self-financing system, introduced in April 2012, the Government determined that Hackney’s HRA could sustain £168m of debt. Whilst the debt cap has been removed, this figure is still a relevant measure of viability and so will be used as a guide. However, resources and delivery plans will be profiled to deliver effective investment plans and respond to issues, and so this benchmark may be exceeded for short periods provided prudent assumptions and forecasts are made on medium-term resources.

6.10 The HRA Business Plan financial model required savings of £1.0m over the period 2021/22 to 2023/24. However, due to the combined impact of the pandemic, the cyberattack and the cost of living crisis Savings of £14.2m were required for 2023/24. As outlined in para 5.6 above there is a need to deliver savings in order to replenish RCCOs and the development of savings proposals will be undertaken in the context of the strategic objectives for housing services, the housing improvement plan and also the need to balance the competing priorities of :

- Maintaining and improving the service we deliver to our tenants and leaseholders;
- Maintaining the investment in our housing stock;
- Ensuring the safety of our residents in their homes;
- Delivering the Council's climate action ambitions for council housing stock;
- The delivery of our housing regeneration programmes; and
- Sustainable borrowing for the HRA.

6.11 It is recognised that current inflationary pressures on the cost of living for our tenant and leaseholders are imposing severe burdens on all households, particularly poorer residents, which may well impact on rent collections rates over the coming year. In order to support tenants to pay their rent in these unprecedented times, we continue to invest in tenant sustainability services and work collaboratively across the Council, work in partnership with the Department for Work and Pensions (DWP), with advice providers and other partners to co-design ways to boost benefit take up. The aim of this collaborative working is to maximise the income of our tenants (involving the local Universal Credit Partnership), prevent debt, consolidate approaches to debt collection and prevent evictions. We are committed to working with tenants and we continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

7.0 CAPITAL

7.1 The Capital Strategy is set out in **Appendix 9** to the main report.

7.2 The impact of the capital programme on our MTFP is recognised in the revenue provision we make for repaying and financing our debt as well our revenue contributions to capital outlay. Going forward as our unused capital receipts reduce and we place more reliance on borrowing than we have in the past we will need to increase provisions in our revenue budgets. This iteration of the MTFP reflects a significant increase in revenue provisions to reflect the above position based on our existing capital programme.

7.3 It is important to note that regulations require that the revenue account is charged with a 'minimum revenue provision' the year after the asset is brought into use where it is funded from borrowing - a decision made say in 2023/24 around a major capital scheme may not hit as revenue charge on the general fund until 2024/25 or later if a longer term scheme. This impact must be assessed at the time of making capital investment decisions even though the charge is not borne until after the asset is brought into use. The cumulative impact and long-term nature of significant capital decisions is also emphasised - a new asset with a 30 year useful life will generate a revenue charge 30 years into the future.