Appendix 4 – HRA MTFS and 30 Year financial plan

1. Medium Term Financial Strategy (MTFS) 2026/27 to 2030/31

1.1 The Medium-Term Financial revenue position provides a net deficit after allocation of revenue and capital budgets of £5.163m. There are mitigations that can be put in place to help improve this position, being efficiency savings that can be identified across service expenditure, Local Government Reforms or at the last resort any in-year deficits could be funded from the useable reserve balance of £5.863m.

2.1 Current projections show an overall deficit of £5.163m in the HRA over the medium term, as outlined in Table 1 below. There is a break even position in years 1 and 4, with a surplus of £1.051m anticipated by year 5. However, significant deficits are expected in years 2 and 3, at £3.012m and £3.125m respectively. These figures do not account for unbudgeted disrepair claim costs, which are estimated to reflect the £2m incurred in 2025/26, and reducing over the medium term, as action is taken to reduce the costs.

3.1 In the medium term, the primary objective will continue to be the delivery of the main report's key priorities, while endeavouring to do so within the current budget constraints. A robust strategy is being developed to address this, reflecting the challenge faced, not only in Brighton & Hove, but across many local authorities. A survey by the Local Government Association (LGA) indicated that 72 per cent of all respondent councils with an HRA are "very" or "fairly" likely to draw down on reserves to balance their housing budgets from 2025/26 onwards. The LGA also forecasts that HRA deficits will exceed £3b within the next decade due to rising costs in maintenance, safety, and decarbonisation (EPC C standards). However, the projected deficit represents 1.07% of planned expenditure; with effective financial planning, this is manageable, provided that savings and efficiencies are identified and agreed upon at an early stage.

1.1 A review of all income streams will need to be conducted alongside rationalising the service ensuring it is running as efficiently as possible to ensure the HRA maximises all of its resources.

Table 1 – Surplus & Deficit by Year	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Expenditure						
Management & Service Costs	33,105	34,151	34,835	35,532	35,313	172,936
Repairs & Maintenance	20,298	20,907	21,534	21,965	22,404	107,108
Other Costs	2,134	2,177	2,220	2,265	2,310	11,106
Borrowing costs	14,143	18,855	21,983	23,330	25,663	103,974
Depreciation	17,014	17,354	17,701	18,055	18,417	88,541
Total Expenditure	**86,694**	**93,444**	**98,274**	**101,147**	**104,107**	**483,666**
Income						
Rental Income	(75,029)	(78,417)	(82,773)	(88,323)	(92,029)	(416,571)
Service Charges (Tenants)	(5,493)	(5,658)	(5,828)	(6,002)	(6,182)	(29,163)
Other Income	(6,172)	(6,357)	(6,548)	(6,744)	(6,947)	(32,768)
Total Income	**(86,694)**	**(90,432)**	**(95,148)**	**(101,070)**	**(105,158)**	**(478,502)**
Contribution to/(from) reserves		-	-	-	-	-
(Surplus) / Deficit	**-**	**3,012**	**3,125**	**77**	**(1,051)**	**5,163**

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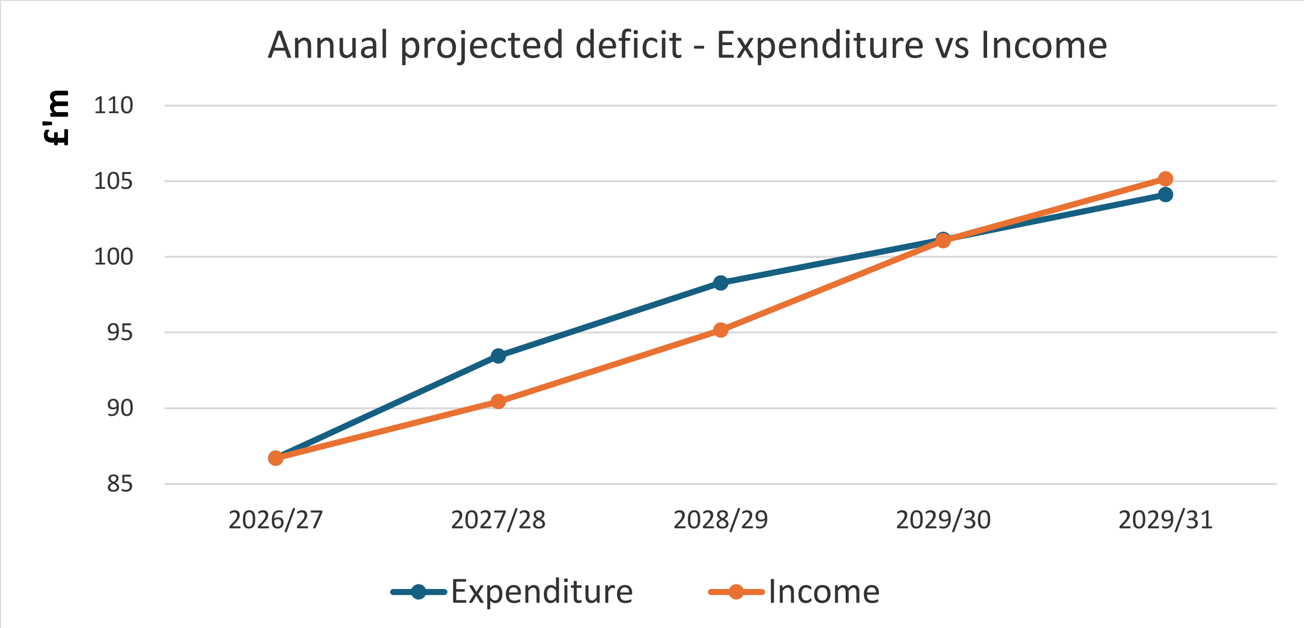

MTFS Assumptions

1.2 The following table outlines the assumptions made in formulating the MTFS figures:

Category	Assumption
Salary related	Based on long term CPI rate of 2%.
Repairs & Maintenance	Based on long term CPI rate of 2%.
Supplies & Services	Based on long term CPI rate of 2%.
Rents	Assumed CPI+1% as per the latest rent setting policy
Service Charges	Based on long term CPI rate of 2%.
Other income	Based on long term CPI rate of 2%.
Savings / Efficiencies	These cannot be quantified for future years – this will require consultation and a full review of the resources available.
LPS	Annual revenue investment for CCTV, security and waste clearance is included in the 5 year MTFS from year six these costs are assumed to be removed.
Reserves	General reserves are maintained at the levels from April 2027.

2 30 Year financial forecast

4.1 The introduction of self-financing provided local authorities with the opportunity to develop longer term planning to improve the management and maintenance of council homes. From April 2016, the Welfare Reform and Work Act 2016 required that rents should be reduced by 1% per annum for four years commencing in 2016/17; the final year of this decrease was 2019/20. This decision in today's terms has removed £9.3m from the core rent budget.

2.1 The government then announced in 2018 that social rents could be increased by a maximum of CPI+1% over a 5-year period commencing in 2020/21. However, rents were capped to a 7% uplift in 2023/24 which removed c.£2.6m from the rental income base.

2.2 The cumulative impact of both of these decisions has removed £11.9m from the core rent budget, over a 30-year period this equates to more than £302m (excluding inflation) from the income stream, reducing the resources available to support investment in homes over that time. This level of income would have supported a viable business plan.

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2.3 The current financial plan projections shown below indicate that over the medium term the HRA is forecast to be in deficit in 12 months' time where a more pressurised financial position is faced. This continues after year 5 where the HRA is anticipated to remain in a revenue deficit position, which cannot be maintained. Current estimates indicate a total deficit over 30 years of £175.813m as shown in table 2 below. Therefore, it is imperative that action is taken to manage the situation and that the HRA finances are kept under close review to ensure it remains financially stable in the long term.

2.4 Table 3 provides a long-term view of the HRA capital programme totalling £1,293,135m, it clearly shows that there is a heavy reliance on external borrowing to fund it. This level of borrowing at the interest rates assumed is having an impact on the revenue costs within 30-year revenue projection.

2.5 The investments are based on a view of all known projects in the first five years and then an assumed level of investment determined by the councils asset management system thereafter. Any future asset management strategy will determine the level of investment in future iterations of the plan.

2.6 Appendix 3 outlines the HRA reserves projections on the basis that over the 30-year period the reserves will remain at the balance of £8,945m (including the £3m working balance). Use of reserves need to be considered carefully as they are a finite resource.

2.7 However, the total level of borrowing regardless of the bottom-line position needs to be considered in line with the prudential indicators the council sets on an annual basis. The total level of borrowing now there is no cap on borrowing needs to be monitored closely. If left to increase the HRA could become highly geared, which is not a recommended position to be in.

2.8 All assumptions remain the same as outlined in the MTFS assumption table with the long-term view that inflation will be consistent from years 6 to 30 at 2% per annum for income and expenditure.

2.9 A sensitivity analysis has been run against the 30-year plan to assess the impact of the potential for a 10-year rent settlement to be proposed. This could mean that rents could be increased by CPI+1% from year 6 to 10 30-year plan. With all other assumptions remaining the same this would reduce the 30-year deficit to c.£69m but would not have any benefit for the 5-year plan.

2.10 This is a snapshot based on the 2026/27 budget proposals and estimates and is subject to change year-on-year. For example, the position could very easily change if the economic environment improves significantly. The overriding assumption is that a projection of costs and income are only included where projects and programmes have received formal Council or Cabinet approval. This means that future pipeline projects where cabinet approval have not given are not included in the projections.

2.11 The plan is designed to give an overview of the financial health of the HRA based on broad assumptions for the long term and current approvals. It is not a detailed plan and therefore surpluses or deficits indicated by the 30-year plan cannot be relied on and only provide a guide as to overall financial sustainability. Many factors can change including the funding and financing regime of the HRA itself and government rent policy. However, the movement in the 30 Year Plan year-on-year can provide a guide as to the direction of travel of HRA finances, particularly when looked at over a period of years.

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Table 2	Years 1-5	Years 6-10	Years 11-20	Years 21-30	Total
	£'000	£'000	£'000	£'000	£'000
Revenue Expenditure					
Management & Service Costs	172,936	203,362	419,488	513,979	**1,309,765**
Repairs and Maintenance	107,108	118,407	269,605	320,034	**815,155**
Other Costs	11,106	11,738	25,945	31,627	**80,415**
Borrowing costs	103,974	119,429	217,618	260,304	**701,324**
Depreciation	88,541	96,360	215,636	250,255	**650,791**
Total Revenue Expenditure	**483,664**	**549,296**	**1,148,292**	**1,376,198**	**3,557,450**
Income					
Rental Income	(416,571)	(447,496)	(942,257)	(1,143,471)	**(2,949,795)**
Service Charges (Tenants)	(29,163)	(30,864)	(71,496)	(86,781)	**(218,303)**
Other Income	(32,768)	(41,728)	(62,422)	(76,621)	**(213,539)**
Total Income	**(478,502)**	**(520,088)**	**(1,076,175)**	**(1,306,873)**	**(3,381,638)**
Net Revenue (surplus) / deficit	**5,162**	**29,209**	**72,118**	**69,325**	**175,813**

Table 3	Years 1-5	Years 6-10	Years 11-20	Years 21-30	Total
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Capital Investment programme	308,195	198,227	308,631	303,208	**1,118,261**
Development	174,874	-	-	-	**174,874**
Total Expenditure	**483,069**	**198,227**	**308,631**	**303,208**	**1,293,135**
Funded By:					
Other Capital Income	(75,351)	(3,610)	(8,385)	(10,222)	**(97,567)**
New Capital Borrowing	(318,177)	(98,259)	(84,610)	(56,000)	**(557,046)**
Major Repairs Reserve	(89,541)	(96,360)	(215,636)	(236,986)	**(638,522)**
Total Capital Funding	**(483,069)**	**(198,228)**	**(308,632)**	**(303,207)**	**(1,293,135)**