

## Appendix 2

**Housing Revenue Account Budget and Council House Rents 2025/26**1. Housing Revenue Account (HRA) Budget

The HRA budgets for the 2024/25 revised estimate and 2025/26 base budget are presented below. This shows a projected balance of £1.315m at 31 March 2026. This includes the requested revenue development, as detailed below:

	Revised Budget 2024/25 £	Base Budget 2025/26 £
Repairs and Maintenance	5,839,829	5,323,500
Supervision and Management	3,781,860	3,941,900
Special Services	2,574,381	2,671,700
Rents, Rates, Taxes and Other Charges	162,300	162,550
Depreciation and Impairment of Fixed Assets	4,777,900	5,014,900
Increase/Decrease in Impairment of Debtors	70,000	50,000
<b>Total Expenditure</b>	<b>17,206,270</b>	<b>17,164,550</b>
Dwelling Rents (Gross)	(18,535,470)	(19,660,000)
Non-dwelling Rents (Gross)	(279,000)	(279,000)
Tenants' Charges for Services & Facilities	(843,010)	(842,000)
Leaseholders' Charges for Services & Facilities	(110,250)	(163,600)
Other Charges for Services & Facilities	(8,500)	(123,000)
<b>Total Income</b>	<b>(19,776,230)</b>	<b>(21,067,600)</b>
<b>Net Cost of Services</b>	<b>(2,569,960)</b>	<b>(3,903,050)</b>
HRA share of Corporate and Democratic Core	487,780	513,550
HRA share of interest payable and similar charges including amortisation of premiums and discounts	3,210,320	3,929,070
HRA Investment Income	(177,400)	(132,700)
<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement</b>	<b>950,740</b>	<b>406,870</b>
Capital expenditure funded by the HRA	-	-
<b>(Increase)/Decrease in the HRA Balance</b>	<b>950,740</b>	<b>406,870</b>
<b>HRA Opening Balance</b>	<b>(2,672,511)</b>	<b>(1,721,771)</b>
<b>HRA Closing Balance</b>	<b>(1,721,771)</b>	<b>(1,314,901)</b>

## 2. Budget Changes

The budget increase for net expenditure in 2024/25 between the original budget and revised estimate is a consequence of the following items:

<b>Revenue Budget 2024/25</b>	<b>Change (£'000)</b>
Add: Approved Revenue Developments 2024/25 (Housing Disrepair Works (£350k) and Housing Disrepair Compensation (£200k))	550
Add: General Fund Revenue items carried forward from 2023/24 approved by Cabinet on 27 July 2024 (Independent Living Service – Digital Switchover £60k; Energy Performance Certificates (EPC) for HRA properties £27k)	87
Add: Budget changes approved by Cabinet on 9 January 2024 (New Change Delivery Manager £28k (HRA); New Head of Health, Safety and Emergency Planning £8k (HRA); New Compliance Manager (H&S) £25k (HRA); New Disrepair Inspector £52k; New Disrepair Administrator post £33k; Disrepair Claims - Legal locums £80k)	226
Add: Budget changes approved by Cabinet on 12 March 2024 (Housing Stock Condition Survey Programme 2024/25).	100
<b>Revenue Budget increase in 2024/25</b>	<b>963</b>

An analysis of the major variances between the 2024/25 revised budget and the 2025/26 base budget is included in the table below. The 2025/26 base budget shows an increase in expenditure of £0.885m compared to the 2024/25 revised budget, whilst income has increased by £1.429m. The major variances are detailed below:

<b>Revenue Budget 2025/26</b>	<b>Change (£'000)</b>
Changes in employee related costs across the HRA including the impact of the 2024/25 pay award, the anticipated 3% pay award in 2025/26, changes to National Insurance Contributions and contracted salary increments.	314
A net reduction in Premises costs due to: <ul style="list-style-type: none"> <li>A development budget of £200k for Housing Disrepair related repairs was a one-off in 2024/25 and therefore is not included in the 2025/26 base budget.</li> <li>A reduction in spend of £84k due to one-off budgets from 2024/25 not being required in 2025/26, including the Digital Switchover development.</li> </ul>	(184)

Revenue Budget 2025/26	Change (£'000)
<ul style="list-style-type: none"> <li>• A £32k increase in the cost of gas and electricity based upon expected usage to date and unit prices.</li> <li>• Spending on general and safety related repairs and maintenance in Independent Living Schemes is expected to increase by £42k based upon work that is currently required.</li> <li>• The stock condition survey budget has been increased by £18k in order to include garage surveys.</li> <li>• The contracted costs of the alarm/monitoring system for Independent Living Schemes are due to increase by £11k.</li> </ul>	
<p>An uplift in transport related expenditure primarily due to an increase in fleet operating costs (e.g. mechanics pay, fuel, and materials), a proportion of which is recharged to the HRA.</p>	35
<p>A net decrease in supplies and services costs mainly due to:</p> <ul style="list-style-type: none"> <li>• A development budget of £350k for Housing Disrepair related compensation was a one-off in 2024/25 and therefore is not included in the 2025/26 budget.</li> <li>• The budget for rent arrears write-offs has been decreased by £20k based on previous and forecasted requirements.</li> <li>• The budget for spend on administering leases has been reduced by £31k due to the earlier budget for registering leases with the Land Registry being a one-off and not required in 2025/26.</li> <li>• Similarly, the 2024/25 revised budget included £27k for EPC, which was a one-off budget set up several years ago, with the balance being carried forward until the project is complete. The base budget is not required for 2025/26.</li> <li>• A new revenue development for £150k for 'Damp and Mould' works has been included pending approval. Further detail can be found in the section below.</li> <li>• Insurance premiums are expected to be £18k lower in 2025/26 based on estimated premiums following a positive tender exercise for the insurance contract.</li> <li>• A £57k increase in the software maintenance internal recharge due to increased ICT and software contract costs.</li> <li>• Telephone budgets have increased by a combined £30k to match actual usage.</li> <li>• Grants paid to tenants as part of the Home Release Scheme are set to increase by £20k now that the scheme has been fully established.</li> </ul>	(175)

Revenue Budget 2025/26	Change (£'000)
<ul style="list-style-type: none"> <li>The Housing Ombudsman have increased their fees resulting in an anticipated budget increase of £10k.</li> </ul>	
<p>Increases in Third Party Payments relate to an increase in Grounds Maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation and maintaining elderly residents' gardens.</p>	57
<p>This decrease in Corporate Recharges is largely due to changes in the way Housing Repairs expenditure is processed. Administration costs are now charged directly to the relevant team (e.g. Housing Repairs – Gas/Electrical etc..) instead of being charged centrally and then recharged to the individual teams. This is not then a true saving but results from a change in accounting adjustments.</p>	(117)
<p>There has been a large increase in capital charges is forecast for the HRA in 2025/26, which is primarily due to the following factors:</p> <ul style="list-style-type: none"> <li>Borrowing interest costs to the HRA are forecasted to rise by £719k. This is based on both the estimated external borrowing required to finance the HRA Capital Programme and the forecast interest rates for that borrowing.</li> <li>An increase in the value of Council dwellings has led to a £207k increase in depreciation charges.</li> <li>A £30k increase in non-dwelling depreciation charges largely due to new vehicles being purchased as part of the vehicle replacement programme.</li> </ul>	956
<p>An increase in Housing Rents (Dwelling) income based upon:</p> <ul style="list-style-type: none"> <li>An opening stock of 4,375 properties; plus 46 acquisitions and new builds across 2024/25 and 2025/26; less 31 estimated sales (Right to Buy) across the two years; equalling a projected closing stock of 4,390 properties.</li> <li>Add the impact of a 2.7% rent increase (September CPI plus 1% as allowed by the Regulations).</li> <li>Add estimated £25k for income from shared ownership properties.</li> <li>Less projected void loss of £287k.</li> </ul> <p>See further commentary below for more details.</p>	(1,125)
<p>There is no change in the Garage Rents budget as charges have not been increased. It is proposed that there would be no increase in garage rent charges in 2025/26 to keep charges in line with other suppliers. See further commentary below for more details.</p>	-

Revenue Budget 2025/26	Change (£'000)
There has also been no material change in Support Charges. The expected fees income has increased slightly but expected void loss has also seen a slight increase resulting in no material change.	-
Other income budget variations, the most notable changes being: <ul style="list-style-type: none"> <li>An increase in the total recharges to leaseholders (£50k)</li> <li>Investment income is forecast to decrease by £45k based on expected reserve balances and interest rates.</li> <li>The HRA is expected to receive a proportion of a Section 31 grant funding that the Council is anticipating to support the increased level of employer's National Insurance Contributions (£115k).</li> <li>Based on actual time-spend from 2023/24 and pay increases, an additional £74k is budgeted to be recharged from the HRA to the capital programme in 2025/26</li> </ul>	(304)
<b>Revenue Budget decrease in 2024/25</b>	<b>(543)</b>

#### Revenue Development – Damp and Mould (£150,000)

A request for a new revenue development in 2025/26 and potentially beyond has been requested and included in the budget. This development will meet the requirements set out in 'Awaab's Law', which will require landlords to fix reported health hazards within specified timeframes. This will become an implied term in social housing tenancy agreements, although these measures are expected to come into force shortly. The total budget requested is £150k, with £100k for sub-contractors and £50k for materials.

**Cabinet is asked to approve this revenue development.**

### 3. Rents and charges proposals

With effect from 1 April 2020, local authorities can set their own rent levels, though government guidance recommends that rent increases should be not more than the Consumer Price Index (CPI) plus 1% from 2020/21 for the following five years. On 2 February 2021, the Housing Committee approved the Council's Rent Setting Policy which in summary stated Housing Rents are to increase by September CPI plus 1%. This policy has been reflected in the financial model that accompanies the HRA 30-Year Business Plan.

For 2023/24, in view of the economic situation, the Government capped rent increases at 7%. This restriction does not apply for 2024/25 and 2025/26 and therefore a return to the September CPI plus 1% method is proposed, resulting in a proposed increase of 2.7% for 2025/26.

An increase of 2.7% increase would equate to an average weekly rent of £91.82. About two-thirds of tenants receive Housing Benefit or the rent element of Universal Credit, although not all will get the full amount.

The government's Universal Credit programme continues to be rolled out across the Borough, which sees Universal Credit replacing several benefits with one. The amount due is paid directly to the claimant which is a substantial change for some claimants where housing benefits were previously paid to the landlord such as the Council. The Council is working with tenants and other agencies to ensure a smooth transition.

The budget proposals also include a freeze in Garage Rents. This is aimed to bring garage rents in line with other suppliers.

#### 4. Summary

The minimum working balance recommended on this account is £1 million. The HRA 30-Year Business Plan, approved by Cabinet in December 2023, forecasts that there will be periods when actual balance comfortably extends beyond this minimum level. This surplus balance will be used to fund future repairs and maintenance (as per the Stock condition survey), to fund capital investments, and to repay prudential borrowing.

The interest cost arising from prudential borrowing to help finance the capital programme related to the HRA is estimated at £3.929m in 2025/26.

Additional borrowing of £21.877m will be required for 2025/26 to 2027/28 to finance the proposed new build housing and housing acquisitions programme, compliance work and to contribute towards the investment and improvements of HRA dwellings included in the capital programme and ensure decent home standards are met. It is also anticipated that £2.400m will be required from HRA capital receipts to fund the Capital Programme in 2025/26

It is recommended that a HRA working balance of at least £1 million is maintained in future years to ensure that sufficient provision exists to meet unexpected needs. This will be increasingly significant in terms of having sufficient funds available to meet the cost of potential new build properties and other capital investment commitments.

The HRA 30-Year Business Plan was refreshed and approved by Cabinet in December 2023. Whilst this plan demonstrated that the HRA is financially viable over the longer-term 30-year period it was evident that careful financial management will be required to ensure the short, medium and long-term sustainability of the HRA. The 30-year Business Plan is due to be reviewed during 2024/25 and 2025/26.