Report to:	**Cabinet**
Date:	**6 February 2025**
Subject:	**Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2025/26 and HRA Capital Programme 2024-29**
Report of:	**Homira Javadi, Director of Finance and Performance (Chief Finance Officer – S151 Officer)**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council and Cabinet Member for Finance, Assets and Community Wealth Building**
Ward(s):	**All**
Purpose of the report:	**To agree the detailed HRA budget proposals, rent levels and service charges for 2025/26, and the HRA Capital Programme 2024-29**
Decision type:	**Budget and policy framework**
Recommendations:	**Cabinet is asked to recommend the following proposals to Full Council:**

i) The HRA Revenue budget for 2025/26 and revised budget for 2024/25 as set out in Appendix 1

ii) The five-year HRA Capital Programme as set out in Appendix 2

iii) An increase of 2.7% to social and affordable rents (including shared ownership) with effect from 7th April 2025 in line with government policy

iv) When social rented supported accommodation properties are relet to new tenants, the applicable rent will be increased by 10% above target rent with effect from 7th April 2025 in line with government policy

v) When affordable rented properties are relet to new tenants, the applicable rent is reset to the lower of 80% of market rent (inclusive of Service Charges) or Local Housing Allowance, with effect from 7th April 2025 in line with government policy

vi) That the revised service charges as set out in paragraphs 2.4 of this report and Appendix 3 are implemented with effect from 7th April 2025

Recommendations (cont/d)	**vii)**	**An increase of 10% to Garage rents with effect from 7th April 2025**
	viii)	**To note that £5.982m of Major Works capital expenditure profiled over 4 years between 2024/25 to 2027/28, is being 50% match funded by grant, subject to Government grant bids. The Government scheme aims to improve EPC ratings in HRA properties.**

Reasons for recommendations:	The Cabinet must recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.
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1.0 Introduction and Background

1.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account that represents all landlord functions for 3235 rented properties and 279 Leasehold properties. The HRA is required to be self-financing, which means that expenditure must be entirely supported from rental and other HRA-related income. The main tool for the financial management of the HRA is the 30-Year Business Plan.

1.2 The longer-term sustainability of HRA 30-Year Business Plan remains uncertain. Lewes District Council (LDC) is calling to Government, as part of 109 stock holding authorities in the UK, to address long-standing policy and financial shortfalls. The impact of rent restrictions and deviations from the previous rent settlement during 2016-2024, enhanced regulatory requirements coupled with the cost of repairs and general inflation running above capped rent increases, creates challenges in setting a balanced and viable HRA.

1.3 During 2024/25, Government initiatives and council's priority to reduce carbon footprints and create energy efficient homes, has come some way to elevate longer term pressures of maintaining homes to the Decent Homes Standard. The council successfully bid for grant funding under the Social Decarbonisation Housing Fund (SDHF) which match funds the cost to bring a cohort of dwellings to an Energy Performance Certificate (EPC) 'C'. Major Works that were programmed in future years have been brought forward to maximise this grant funding.

1.4 In response to the national housing crisis, a series of reviews and legislative changes were announced by the Deputy Prime Minister on 30th July 2024 and 30th November 2024 alongside the Autumn Statement, to increase supply of new homes. These included:

- An extension to the timeframe authorities must spend Right to Buy (RTB) receipts from 3 to 5 years
- An increase to the percentage of new home costs that can be funded by RTB receipts from 40% to 100% to March 2026
- The retention of 100% of RTB receipts made permanent from 1st November 2024
- Allowing the use of Section 106 (S106) receipts alongside RTB receipts to March 2026
- Allowing the use of RTB receipts for Shared Ownership and First Homes
- Lifting the 50% Acquisitions cap on the use of retained RTB receipts to support the cost of replacement homes to March 2026
- A reduction in RTB Discounts returning to pre-2012 levels from 21st November 2024
- Extending the cost floor period from 15-30 years to ensure purchase price of properties do not fall below what was spent on building, buying, repairing or maintaining it over a period from 21st November 2024
- Preferential Public Works Loan Board (PWLB) borrowing rates (currently -0.40% to be extended to March 2026
- Consultation on a five-year rent settlement of CPI + 1% with potential for this to be extended to 10 years
- Consultation on further RTB reforms including eligibility criteria

1.5 The council is in the process of formally responding to the consultations and will be urging government to go much further than what is currently being considered and proposed, including abolition of the statutory RTB altogether. In addition, for government to recognise the long-term impacts on the financial stability of HRAs across the country, which now requires a much more significant level of intervention to enable councils to keep tenants safe, in homes that are well-maintained, and part of a clear green and decent homes programme. Equally, to accelerate the building of new, sustainable, and affordable council homes to meet the growing and varying local housing needs of our population.

1.6 As a result, measures have been considered in the 30-Year Business Plan including a prudent reduction in forecast number of properties lost through RTBs and maximising the combined use of up to 100% retained RTB receipts and S106 funding in the Capital Programme, to improve the viability of new build and acquisition proposals.

1.7 From 1st April 2024, the Regulator for Social Housing (RSH) has powers to regulate registered providers. The regulator will assess providers by carrying out inspections and assessing them against the new Consumer Standard measures. The four consumer standards are: Neighbourhood and Community, Safety and Quality, Tenancy and Transparency, Influence and Accountability. In response, the Council has adopted a revised governance structure and begun aligning services with the new regulatory regime as identified in a gap analysis in early

2024. The new cost burden to enhance compliance has been considered a risk, during the service planning process, which largely centred around IT development but is expected to be delivered under the council's existing contract.

1.8 Any significant changes to the assumptions underpinning the 30 Year Business Plan during 2025/26 will trigger a full review to assess the impact, but, in any event, there will be an annual review and update.

2.0 Proposal

2.1 2025/26 HRA Revenue Budget

2.1.1 The 2025/26 budget mirrors the HRA 30-Year Business Plan and is attached at Appendix 1.

2.1.2 The budget proposals respond to the legislative and regulatory changes outlined in 1.4 and 1.6, including investment in the supply of new homes aligning with the council's Corporate Plan in prioritising housing within the district. During the Service Planning process in August 2024, Budget Managers were consulted and identified a series of risks, unavoidable pressures and efficiencies. Growth and efficiencies, which have been tested for viability in the HRA 30-Year Business Plan, are reflected in the 2025/26 budget (Table 2) and outlined in 2.1.3 below. Where possible, costs have been managed by reallocating resources

2.1.3 The Service Planning proposals are as follows:

i) *The transfer of Estate Services from Neighbourhood first to Homes First*
To transfer services into Homes First to seek improvements in service delivery and compliance with consumer standards. The current operating model consists of a provision for 1 x Neighbourhood First operative financed through a contribution from the HRA to the council's General Fund. The proposal to transfer services into Homes First increases the provision for service delivery to 2.25 Fixed-Term Equivalent (FTE) operatives with on-costs at a direct net cost to the HRA of £56,000.

ii) *Increased cost of Insurance premiums*
The council's insurance tender is due for renewal in 2025/26. The policy for insuring dwellings, garages and shops is expected to increase by 75%. Whilst it is an unavoidable cost, increases will be carefully managed by procuring best value for money when the tender is awarded. The additional cost to the HRA is expected to be £86,000.

iii) *Housing Property Services Team restructure*
With effect from 1st October 2024, the Housing Property Services Team operate under a new structure, which will realise a savings of £93,000 in staff costs to the HRA (£47k in 2024/25 and a further £46k in 2025/26). Efficiencies realised are before the 2025/26 Pay Award and National Insurance (NI) increases of which are considered as part of the total inflationary increases embedded in the HRA 30-Year Business plan.

iv) *Extension to Tenancy Sustainment and Prevention posts*
The current fixed term posts manage and respond to high-risk hoarders and are part funded by Homeless Prevention Grant (HPG) and HRA resources. The posts respond to the regulatory requirement to support tenants to maintain their tenancies, ensure property access to undertake compliance checks and repairs, facilitate supporting grants for clearance costs otherwise met by the HRA and support the health and wellbeing of the tenant. It is proposed that these are met by cost controls within the HRA and secured HPG 2025/26.

v) *Regulator of Social Housing subscriptions*
On 1st July 2024, the RSH proposed new subscription charges for registered providers of social housing. The charge to the council's HRA holding more than 1,000 homes is £9.28 per unit. The increased cost to the HRA is £32,000 per annum and is proposed to be met by cost controls within the HRA.

2.1.4 The 2024/25 revised budget is expected to return an operating surplus of £908k compared to the original budget surplus of £479k. The movement between the 2024/25 original and revised budget reflects a refinement of the base budget income and void estimates. It captures changes in staff cost pressures, management costs for new homes let during the year and efficiencies in service delivery. Increases in finance costs are offset by a reduced depreciation charge which is the result of a change to the accounting policy and adoption of 60 year 'straight line' method. The movements are outlined in the table below:

HRA Revenue Budget	2024/25 Original Budget	Movement between Original and Revised budget							2024/25 Revised Budget
		Budget Virements	Reduced Rental Income (Voids)	Other Income base changes	Pay Award & team restructuring	Increased management costs for new homes	Changes in service delivery	Changes in Finance costs & Depreciation charges	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Dwelling Rents	(18,914)		84						(18,830)
Non Dwelling Rents	(417)		60						(357)
Charges for Services	(1,479)	42		(211)					(1,648)
Contriubutions towards Expenditure	(224)	(42)		33					(233)
Gross Income	**(21,034)**	**0**	**144**	**(178)**	**0**	**0**	**0**	**0**	**(21,067)**
Repairs & Maintenance	6,155				(47)	25			6,133
Supervision and Management	3,882				86	11	(33)		3,946
Special Services	1,743	14			12	21			1,790
Rents, Rates, Taxes and Other Charges	146	(14)					4		136
Provision for Doubtful Debts	58								58
Depreciation & Impairment of Fixed Assets	6,018							(846)	5,172
Amortisation of Intangible Assets	3								3
Debt Management Costs	10							(1)	9
Gross Expenditure	**18,015**	**0**	**0**	**0**	**51**	**57**	**(29)**	**(847)**	**17,247**
HRA share of Corporate and Democratic Core	134							10	144
Loan Charges - Interest	2,954							389	3,343
Interest Receivable	(548)							(27)	(575)
Net Operating (surplus) / deficit	**(479)**	**0**	**144**	**(178)**	**51**	**57**	**(29)**	**(475)**	**(908)**

Table 1: Movement between 2024/25 Original and Revised Budget

2.1.5 In addition, a revenue contribution to capital expenditure of £1.693m has been made as a result to changes in the method of calculating depreciation.

2.1.6 The 2025/26 original budget is expected to return an operating deficit of £114k compared to the 2024/25 revised budget of £908k. It should be noted that, in the context of the HRA 30-Year Business Plan, an in-year deficit is not of concern in either year, as the balance on the account at the end of each year remains in surplus.

2.1.7 The movement between the 2024/25 revised budget and 2025/26 budget of £1.022m considers inflationary uplifts, new rental income, management costs for new homes, service planning growth and efficiencies (outlined in 2.1.3), investment in damp and mould works (outlined in 4.3) and revised borrowing and investment interest forecasts. The movements are outlined in the table below:

HRA Revenue Budget	2024/25 Revised Budget	Movement between 2024/25 Revised and 2025/26 Estimate Budget							2025/26 Estimate Budget
		Budget Virements	Inflation	New rental income	Management costs for new homes	Service Planning Growth & Efficiencies	Damp & mould works (TOLD)	Changes in Finance costs	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Dwelling Rents	(18,830)			(611)					(19,441)
Non Dwelling Rents	(357)			(7)					(364)
Charges for Services	(1,648)			(96)					(1,744)
Contriubutions towards Expenditure	(233)			(5)					(238)
Gross Income	**(21,067)**	**0**	**0**	**(719)**	**0**	**0**	**0**	**0**	**(21,787)**
Repairs & Maintenance	6,133		168		59	(46)	300		6,614
Supervision and Management	3,946	(92)	(23)		16				3,847
Special Services	1,790	92	33		24	56			1,995
Rents, Rates, Taxes and Other Charges	136		3			86			225
Provision for Doubtful Debts	58		1						59
Depreciation & Impairment of Fixed Assets	5,172		158						5,330
Amortisation of Intangible Assets	3								3
Debt Management Costs	9		2						11
Gross Expenditure	**17,247**	**0**	**342**	**0**	**99**	**96**	**300**	**0**	**18,084**
HRA share of Corporate and Democratic Core	144							(6)	138
Loan Charges - Interest	3,343							688	4,031
Interest Receivable	(575)							223	(352)
Net Operating (surplus) / deficit	**(908)**	**0**	**342**	**(719)**	**99**	**96**	**300**	**905**	**114**

Table 2: Movement between 2024/25 Revised and 2025/26 Estimate Budget

2.1.8 In addition, a revenue contribution to capital expenditure of £138k has been made. These contributions are made depending on the size of the proposed capital programme and the affordability for the revenue account. Appendix 2 shows that continued revenue contributions to the Capital Programme can be afforded in all years.

2.1.9 The contribution to capital expenditure is funded from the HRA balance. It reflects the modelling in the HRA 30-Year Business Plan and is consistent with the council using its reserves and balances to fund the Capital Programme prior to taking out new borrowing.

2.1.10 The HRA debt outstanding on loans at 31st March 2024 was £75.908m and is expected to increase to £76.549m by 31st March 2025. In the short term, debt levels will increase as the council borrows more to fund property acquisitions and new builds. The average debt per property is currently approximately £23.5k

2.1.11 The council's treasury management advisors are predicting a gradual decrease in Bank of England interest rates (from the current level of 4.75%) over the next three years. The interest receivable budget has been prepared on this basis.

2.1.12 The HRA Business Plan is a strategic planning document to assist the officers and members of the council, working together with tenants and leaseholders, in the management and maintenance of the council's housing stock over the next 30 years in ensuring homes always meet the Fitness for Human Habitation test.

2.1.13 The Business Plan is also a statement of the viability of the council's HRA over the next 30 years and a statement of our aspirations as a landlord.

2.2 HRA Reserves and Provisions

2.2.1 The HRA working balance is a reserve held to mitigate the impact of future risk and is set on the council's policy to maintain a minimum balance to ensure the long-term sustainability of the HRA. The minimum working balance set for 2025/26 is £1.601m (£400 per dwelling and an earmarked reserve of £275k for self-insurance) and the estimated balance at 31st March 2026 is £1.946m. The 30-Year Business Plan forecast shows that the HRA minimum balance is maintained in all years and in turn, enables capacity for debt repayment, unforeseeable revenue costs or additional capital expenditure.

2.2.2 The Major Repairs Reserve (MRR) is funded from cash backed depreciation charges to the revenue account of £5.333m plus inflation per year and will be used to fund expenditure on improving the stock and other HRA assets.

2.2.3 The Leaseholder Future Repair Reserve (LFRR) is funded by contributions from leaseholders for cyclical major repairs to properties where the council is the freeholder.

2.2.4 The forecast balances on HRA reserves are as follows:

	HRA Working Balance £'000	Major Repairs Reserve (MRR) and Leaseholder Future Repair Reserve (FRR) £'000
Balance as at 1.4.24	**3,310**	**10,790**
Net transfer to / (from) Revenue	(903)	
Depreciation		5,175
Contributions		117
Capital Expenditure financed by reserves		(8,753)
Estimated balance as at 31.3.25	**2,407**	**7,329**
Net transfer to / (from) Revenue	(461)	
Depreciation		5,333
Contributions		208
Capital Expenditure financed by reserves		(6,997)
Estimated balance as at 31.3.26	**1,946**	**5,873**

Table 3: Reserves Statement

2.2.5 The council is required to make a provision for bad debt which covers the write-off of current and former rent arrears, service charges and other rechargeable works arrears, when all other avenues of recovery have been exhausted. At the 1st April 2024, the provision held totalled £954,500 providing for 67% of the arrears balance of £1,424,700. At the end of each financial year, in accordance with the council's Accounting Policy, an assessment of the aged of debt and collection rate is undertaken. Any increases in provision are charged to the revenue account. The 2025/26 budget allows for an estimate increase in provision of £59,450.

2.3 Rent Levels for 2025/26

2.3.1 The council has been following the Government's guidance for rents for social housing since December 2001. This has been subject to various legislative changes and more recently, in February 2019, the Government published a Rent Policy Statement which continues to apply. The maximum actual rent increases are subject to CPI+1% with exception of actual rents that exceeded formula (target) rent, in which case is capped at CPI.

2.3.2 In 2025/26, rents can be increased by no more than 2.7% (being 1.7% Consumer Prices Index (CPI) at 30th September 2024 + 1%). The proposal to increase rents by 2.7% is based on maintaining a sustainable (affordable) HRA Business Plan. It is proposed that supported housing and shared ownership property rents are increased by the same percentage.

2.3.3 The following table details the proposed average weekly rent by dwelling type. The proposed weekly rents are significantly lower than the average target rent of £129.19 and average market rent of £300-500 per week.

Dwelling Type	No. Dwellings	2025/26 Proposed Weekly Rent
General Needs	2740	£114.94
Supported Accommodation	379	£95.40
Shared Ownership	13	£110.48
Affordable Rented	103	£205.39

Table 4: 2025/26 Proposed Weekly Rent

2.3.4 In addition to the above proposed rent increase, the council also has flexibility to increase actual rents by 5% above target rent (10% above target rent for supported accommodation) at the point that a property is relet. This will only affect new tenancies and not current tenants in their current homes. According to the Government, a council should ensure that there is a clear rationale for applying the flexibility which takes into account local circumstances and affordability. Although sustainable in the long term, the HRA Business Plan remains constrained and recent benchmarking has shown that its rents are relatively low when compared to other authorities.

2.3.5 The implementation of the +5% flexibility of target rent on social property relets was adopted in 2024/25. Members are asked to recommend implementation of +10% of target rent on supported accommodation relets from 7th April 2025, which will assist the authority to build income into the HRA and improve its sustainability over the long term. The average weekly rent for supported accommodation upon relet will increase from an actual rent of £95.40 to a target rent of £114.58.

2.3.6 Rent for affordable homes is first set upon the council's policy of the lower of either 80% of market rent (inclusive of service charges) or the Local Housing Allowance (LHA). In accordance with Government's Rent Policy, when a property is relet, the rent must be re-set based on a new valuation. Re-setting the base rent will reflect any changes in the market and ensures rents levels are maintained. Members are asked to recommend proposals to undertake new valuations on affordable rented properties at the point of re-let to ensure new rent, where relevant, is no more than 80% of the market rent.

2.4 Tenant Service Charges for 2025/26

2.4.1 Tenant service charges are charged in addition to rent and apply to properties that share communal facilities and amenities. They are governed by provisions of the tenancy agreement, legislation (including the Landlord and Tenant Act 1985 and reflects the requirements under the Direction on the Rent Standard 2019) and the Policy Statement on Rents for Social Housing December 2022.

2.4.2 Service charges are fixed for the year and calculated using a combination of invoiced ad-hoc costs from 2023/24, contract costs from 2024/25 and actual utility billing from September 2023 to August 2024. Costs are apportioned to reflect services benefited by each property, weighted by the size and type of dwelling and may not apply to every tenant.

2.4.3 For properties that share facilities and amenities, these charges cover common services such as communal heating, lighting, cleaning, caretaking, equipment maintenance contracts and grounds maintenance and are eligible for housing benefit (HB).

2.4.4 In retirement housing accommodation, the charges also include Retirement Housing Advisers' staff costs and maintaining communal rooms. Personal heating, lighting and lifeline services provided direct to individual dwellings are not eligible for HB and only apply to tenants that benefit from this service. A list of service charges and proposals are outlined in Appendix 3

2.4.5 It should be noted that, inflation for the period that costs were considered in setting service charges remained high. Contract costs increased on average by 6% and electricity standing charges increased by 37%.

2.4.6 As the council undertakes full cost recovery, some service charge increases may prove challenging. In a year that sees changes in eligibility for the Government's Winter Fuel Payment, the council has considered the affordability in service charge increases. Homes First will review the level of these charges and offer support where possible to mitigate the impact on individual tenants.

2.4.7 For general needs tenants, the average total for HB eligible service charges will be £6.41 per week with the lowest at £0.31 and the highest at £24.15. The average total for non-HB eligible service charges will be £17.93 per week with the lowest at £0.53 and the highest at £26.88.

2.4.8 For retirement housing tenants, the average total for HB eligible service charges will be £36.50 per week with the lowest at £19.12 and the highest at £60.15. The average total for non-HB eligible service charges will be £12.33 per week with the lowest at £2.97 and the highest at £34.18

2.5 Garage Rents for 2025/26

2.5.1 It is recommended that garage rents increase by 10% in 2025/26, with the weekly average rent being £24.91.

2.6 2025/26 HRA Capital Programme

2.6.1 The Capital Programme set out in Appendix 2 reflects the proposals contained within the HRA 30-Year Business Plan. Total budgeted expenditure for 2025/26 is £33.916m.

2.6.2 The base budget for the new build and acquisition programme has been set at £21.965m and £4.636m respectively. The programme sets to acquire and build new homes every 4 years, in-line with the council's commitment to deliver 200 new council houses in a Corporate Plan period, largely supported by government grant and borrowing.

2.6.3 In the case of acquisitions, each proposed acquisition will be modelled to ensure "viability" (that the annual costs associated with the purchase and upkeep of the property will not exceed the rental income) and progressed in accordance with the council Scheme of Delegations to officers. New build schemes either have been brought or will need to be brought to Cabinet for individual approval. The reports will include an analysis of the effects on the Business Plan.

2.6.4 The base budget for the major works programme has been set at £6.820m per annum, increasing each year by inflation. This sum and all sums required over the next 30-years reflect an affordable level of investment which will allow the councils housing stock to be appropriately maintained. However, although affordable and helping to maintain the stock, without additional levels of subsidy the sums fall short of works required long-term, as identified in the Stock Condition Survey.

2.6.5 The budget for the disabled adaptations programme has been set at £441k and play areas at £53k.

2.6.6 Funding for the major works programme comes mainly from the MRR. A change to the council's depreciation method has been agreed by the council's Section 151 Officer and will be implemented on 31st March 2025. The new accounting policy departs from the existing 'componentisation' method and adopts a standard '60 year straight-line' method. Cash backed depreciation transfers into the Major Repairs Reserve (MRR) will be lower per annum than in previous years but not a reflection of the investment into improvements of stock. Shortfalls between the depreciation transfer and the major works programme will be met by increased revenue contributions.

2.6.7 Over the 5-year Capital Programme, the Business Plan proposes substantial investment in the building and acquisition of new properties (£104.281m), major works (£38.493m), disabled adaptations (£2.205m) and play areas (£265k). The level of investment will be enabled by revenue contributions, sales receipts, RTB receipts, grants and reserves, and lastly borrowing, when all other capital financing has been exhausted. More details are contained in Appendix 2.

3.0 Outcome Expected and Performance Management

3.1 The HRA budget will be monitored regularly during 2025/26 to understand demands over the coming year and address emerging financial pressures to ensure overall financial viability. The financial performance will be reported to the council's Cabinet quarterly.

3.2 The council is obliged to ensure that all tenants are given 28 days' notice of any changes to their tenancy including changes to the rent they pay.

4.0 Consultation

4.1 The Tenants of Lewes District Council (TOLD) have consulted on this report and the council would like to thank TOLD for their participation. Feedback centred around the long-term repairs service, impact of accounting policy changes on the Major Works capital programme and General Fund charges for support services and landlord activities.

4.2 The council recognises the importance maintaining homes whilst balancing the overall long-term sustainability of the HRA. Officers will consult with TOLD in the coming months to redefine the repairs service for tenants.

4.3 During consultation, TOLD provided valuable insight to resident priorities and quickly identified opportunities to repurpose an earmarked reserve previously held for future special projects. TOLD impressed on the Council the positive impact that increased damp and mould works would have on tenants in their homes. With immediate effect, the 2025/26 revenue budget now reflects a one-off investment of £300k for damp and mould works (Outlined in Table 2). A review of the adequacy of HRA reserves held will be undertaken during 2025/26, working in conjunction with TOLD, to assess the HRA's capacity to enhance priority repair provisions such as these in the longer term.

4.4 Workshops have been planned to explore the Major Works programme assumptions and it's longer-term financing, as well as the commissioning of an independent review of General Fund charges to the HRA. Where relevant, any changes to the apportioned charges will be reported during the quarterly monitoring to Cabinet and reflected in the 2025/26 revised budget later in the year.

5.0 Corporate Plan and Council Policies

5.1 The Corporate Plan 2024-2028 sets out clear priorities for housing, specifically:

- Enabling the delivery of 300 new affordable homes
- Delivering 200 additional council houses
- Directly deliver more council housing for rent
- More sustainable and energy efficient homes across the district
- Accessible housing for those with additional support needs

5.2 The Corporate Plan continues to prioritise housing, particularly in the context of the cost-of-living crisis and climate emergencies, focusing on building warmer, better homes that people can afford to live in.

5.3 The proposals contained within this report flow directly from the HRA 30-Year Business Plan, which itself aligns with the Corporate Plan. Key (current and future) council policies, plans, and strategies will all be aligned to help deliver the objectives and goals of the HRA 30-Year Business Plan.

6.0 Business Case and Alternative Option(s) Considered

6.1 The capital and revenue budgets, rents and service charges have been set in line with government policy and with the HRA 30-Year Business Plan.

7.0 Financial Appraisal

7.1 This is included in the main body of the report.

8.0 Legal Implications

8.1 Local housing authorities are required by section 74 of the Local Government and Housing Act 1989 to keep a HRA unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how they are funded by rents and other income.

8.2 Section 76 of the 1989 Act requires HRA budgets to be set on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA, and all reasonable steps must be taken to avoid a deficit.

8.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.

8.4 Under the Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the Full Council. This explains the decision-making route in the officer's recommendation.

Date of legal input: 18.12.24 *Legal ref: 013648-JOINT-KS*

9.0 Risk Management Implications

9.1 The 2024/25 Revenue Budget and Capital Programme will require close monitoring in the forthcoming year to ensure that they, and therefore the 30-Year HRA Business Plan, remain on track. Any large variances to expenditure or income will need to be reviewed and, if significant or ongoing, modelled into the Business Plan to assess the impact and likely mitigation.

9.2 Levels of voids and debts will continue to require close monitoring to ensure that properties are promptly relet and with rent and service charge increases are not causing greater levels of non-payment. Timely action will need to be taken if performance targets are not being met.

9.3 In the context of government reforms, changes to the rent policy poses significant risk. The current rent policy extends to March 2026 with central government consultation considering a 5/10-year rent settlement. The Business Plan is underpinned by an assumption that CPI+1% will continue to March 2031. Thereafter, reducing to a prudent CPI+0.5%. A sensitivity analysis, modelling a consultation outcome of CPI+0% (CPI flat), shows the HRA remains viable over 30-years however, a reduced income of £71.119m results in an additional borrowing requirement of £59.315m to support the Capital Programme.

9.4 Alongside routine monitoring, a sensitivity analysis will also be undertaken to assess the impact of government reforms, fluctuations in forecast interest rates and other areas of risks arising.

10.0 Equality Analysis

10.1 An Equality and Fairness Analysis has been undertaken on these proposals. This has concluded that:

- Changes to charges will impact the protected groups of age, disability and sex. Additionally, those experiencing homelessness and potentially carers may be impacted.
- Communication around any change to charges must be clear and timely and contain information on how concerns may be channelled. Concerned residents (or their carers) should have a clear avenue to raise concerns or receive further information. Alternative formats should be arranged upon request.
- The cost-of-living crisis has impacted many residents across the board. Not only people of working age but anyone with limited funds who have been trying to manage the increase in price of food and energy. The councils have funded local support initiatives including enhanced advice provision. The councils will continue to maintain the website and Customer Advisor resources to support residents with any queries and concerns they may have related to the cost-of-living crisis.

11.0 Sustainability Implications

11.1 Sustainability is and will continue to be a key driver in developing capital repairs schemes. Officers are currently taking the opportunity to bid for the Government Social Housing Decarbonisation Fund (SHDF): Wave 3 to contribute towards a second cohort of dwellings to improve energy efficiency over 2025/26 to 2027/28.

11.2 The HRA Capital Programme shown at Appendix 2 includes £4.082m (SHDF Wave 2.2) and £1.9m (SHDF Wave 3) over 2024/25 to 2027/28 to improve the energy efficiency of the stock. It is assumed that 50% of this will be met by government match funding. Officers are currently preparing the bidding documents to secure the SHDF Wave 3 grant and will be notified if the bid is successful by March 2025. The aim of this bid is to provide warmer homes and reduce bills for tenants and residents, whilst also reducing the council's carbon footprint. The scheme will help the council to achieve its Corporate Plan priorities.

12.0 Appendices

- Appendix 1 - HRA 2024/25 Revised Revenue Budget and 2025/26 Budget
- Appendix 2 - HRA Capital Programme 2024/25-2028/29
- Appendix 3 – Service Charges 2025/26

13.0 Background Papers

- Government's Policy Statement on Rents for Social Housing (December 2022) Policy statement on rents for social housing - GOV.UK (www.gov.uk)
- Government's Policy Paper on Right to Buy reforms A review of the increased Right to Buy discounts introduced in 2012 - GOV.UK
- HRA 30-Year Business Plan
- HRA RTB Model