

5 March 2024		ITEM: 8
Housing Overview and Scrutiny Committee		
HRA Review		
Wards and communities affected: All	Key Decision: N/A	
Report of: Mike Jones – Assistant Director for Strategic and Corporate Finance		
Accountable Assistant Director: Ewelina Sorbjan – Assistant Director Housing & Development		
Accountable Director: Ian Wake – Executive Director of Adult Housing and Health		
This report is Public		
Version Final		

Executive Summary

The purpose of this report is to provide further detail to the Committee of the 2024/25 HRA budget, the HRA structure, and the allocation of income

1. Recommendation(s)

1.1 That the Committee comment on the report

2. Introduction and Background

The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.

The function of the Housing Revenue Account

The Housing Revenue Account (HRA) is the name of the Council account where all the income and expenditure related to the Council's housing is accounted for. At its core, the HRA pays for the management and maintenance of council-owned housing. The HRA can also fund the provision of new council housing. In consultation with its tenants, a Council may also decide to fund services other than these core services.

Charges not made to the HRA

Other housing services provided by the Council that meets the needs of customers other than tenants of the Council are **not** funded through the HRA. These are funded from the Council's main operational budget, the General Fund.

These non-HRA housing related services would include:

- homelessness.
- the provision of wider housing advice.
- housing support.
- housing benefit administration, and
- work related to private sector housing

The main features of the HRA are:

- it is a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities (under the powers and duties conferred on them in Part II of the Housing Act 1985 and certain provisions of earlier legislation)
- it is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund
- the main items of expenditure included in the account are management and maintenance costs, major repairs, loan charges, and depreciation costs
- the main sources of income are from tenants in the form of rents and service charges
- the HRA should be based on accruals in accordance with proper accounting practices, rather than cash accounting

Legislative features are:

- ring-fenced account within the General Fund
- Credits and Debits are prescribed by statute
- no general discretion to breach the ring-fence
- cannot budget for a deficit
- all borrowing within the HRA is in line with the CIPFA Prudential Code

3. HRA Business Plan

The HRA is required to produce a 30-year business model which ensures the long-term position of the HRA is sustainable and that costs of investment are spread over the medium to long term. This ensures that all dwelling within the stock will benefit from investments.

The Business model is reviewed annually and data that is input includes: -

- Current year expected costs and income
- Future years estimated budgets
- Stock numbers updated for new builds to calculate expected rent
- Inflation/ pay rise predications
- Cost of Borrowing predications
- Current outstanding debt
- Assumptions on Bad debt provision required

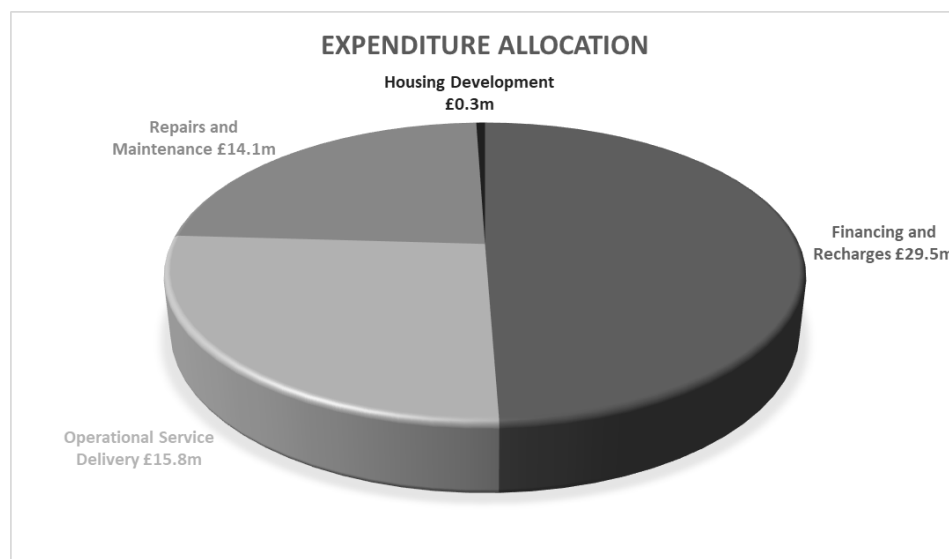
The updated HRA business plan was agreed at Cabinet on 21 February 2024

4. HRA Budget Allocation

The funding to finance expenditure within the HRA is generated through Rent, Service charges and other income. Detailed in the following section are the elements that make up the overall HRA budget for 2024/25, with a further breakdown of the individual services

4.1 Expenditure

The key areas of expenditure are illustrated in the following pie chart



Total Expenditure Summary

	£000's	£000's
Financing and Recharges		
<i>Comprising of:</i>		
Interest Payments	10,335	
Revenue Contribution to Capital	11,307	
Contribution to Reserves	1,578	
Premises Costs	63	
Supports Costs and Recharges	6,299	
		29,582
Operational Service Delivery		15,879
Repairs and Maintenance		14,092
Housing Development		316
Total Gross Expenditure		59,870

The two main areas of direct expenditure into housing services are though operational service delivery and repairs and maintenance.

4.2 Operational Service Delivery

The operational service delivery budget of £15.879m consists of the following key areas:

Table 1: Operational Service Delivery

Sub Services	2024/25 Budget £000's
Anti Social Behaviour	531
Business Improvement	702
CCTV and Concierge	1,155
Estate Action Teams (Caretaking)	2,749
Grounds Maintenance	1,211
Housing Operations East and West	1,770
Lettings and Allocations	689
Management and Strategy	4,512
Neighbourhood Action Plan	112
Rent Collection	761
Sheltered Housing	1,687
	15,879

At the Overview and Scrutiny Committee on 9th January 2024, the Committee requested a breakdown of the costs which are included under the heading of Management and Strategy. These are detailed in **Tables 2** and **3** below

Table 2: Analysis of Operational Activity by Service Type

Sub Services	2024/25 Budget £000's
Communal Estate Costs	940
Head of Housing	553
Housing Asset Delivery - Revenue Team	762
Voids Team	185
Housing Asset Delivery - Capital Team	513
Investment Planning and Performance Team	251
Technical Services Team	1,091
Homeownership Services	218
	4,512

Table 3: Analysis of Operational Activity by Expenditure Type

Sub Services	2024/25 Budget £000's
Salary	2,413.12
National Insurance	251.91
Superannuation	454.94
Employee Training	0.50
Maintenance of Grounds	129.13
Electricity	509.44
Electricity District Heating	5.66
Rent Payable	48.88

Business Rates	31.47
Council Tax	39.97
Insurance Builds Plant Equip	304.63
Car Allowances	52.70
Equipment Purchase	1.40
IT Equipment	2.50
Stationery	6.90
Books and Publications	0.55
Photocopying	0.50
Professional Fees	3.60
Medical Fees	0.20
Legal Fees	1.80
Postage	0.10
Subscriptions Prof Bodies	4.00
Project Work	282.15
Private Contractors	63.99
Administration Costs Recovered	(97.75)
	4,512

4.3 Repairs and Maintenance

The Repair and Maintenance budgets of £14.092m are allocated across the following three distinct areas:

Table 4: Analysis of Repairs and Maintenance by Service Type

Sub Services	2024/25 Budget £000's
Planned Programme Work	4,806
Responsive Repairs	7,390
Void Repairs	1,896
	14,092

Table 5: Analysis of Repairs and Maintenance by Expenditure Type

Sub Services	2024/25 Budget £000's
Gas Servicing	1,390
Lift Maintenance	272
Maintenance Lifts Hoists	65
Door Entry	244
Housing Breakdown Repairs	9,206
Minor Programmes	846
Water Services	153
Rewiring Programme	1,067
Hoist Lift Replacement Program	222
Asbestos Sealing	84
Purchase Dispersed Alarms	14

5. Income

The majority of the revenue received into the HRA is through dwelling rents. However, there are further items of income which also contribute to the total level of available resources ring fenced to the HRA

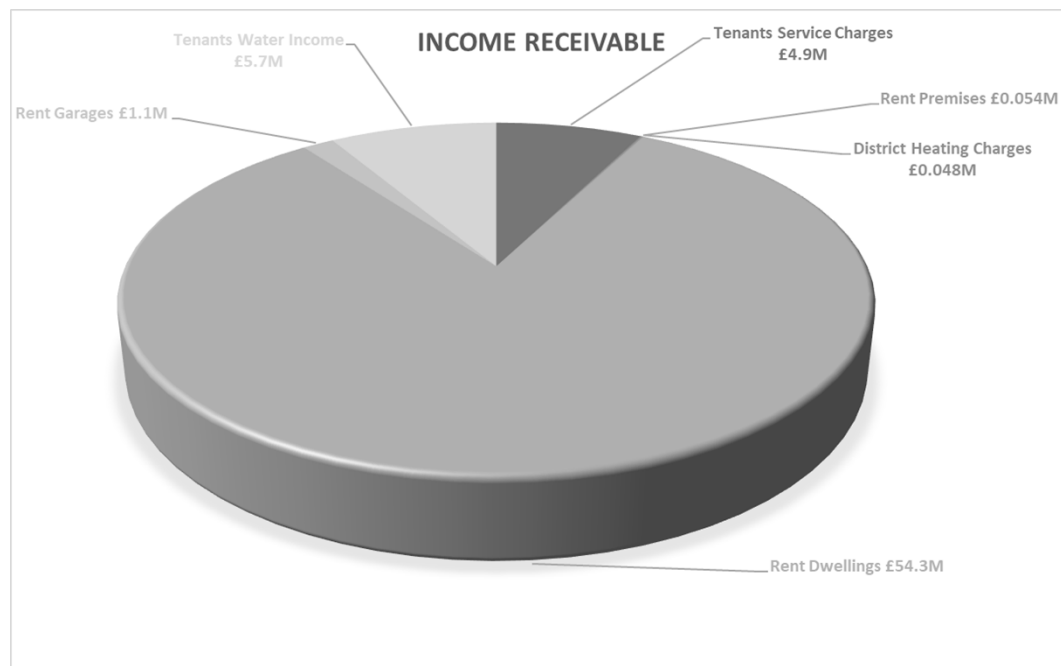


Table 6 – Income Components

Income Component	2024/25 Budget £000's
Tenants Service Charges	4,960
District Heating Charges	48
Rent Premises	54
Rent Dwellings	54,344
Rent Garages	1,060
Tenants Water Income	5,679
	66,145

Note – Tenants water charges are the recovery of expenditure

6. Capital Programme

Major repairs and improvements to the HRA stock are delivered through the Capital Programme. These works include transforming homes, major component replacements and also ensuring that the Council meets legislation changes and Carbon reduction.

The Capital programme is funded through a combination of revenue from rents and services, and prudential borrowing

Table 7 - 5 year Capital Programme for Existing Stock

Investment in Existing Stock	2024/25	2025/26	2026/27	2027/28	2028/29
	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget
	£'000	£'000	£'000	£'000	£'000
New Capital Contract		13,000	13,650	14,333	15,049
Transforming Homes	11,307				
Major / Disabled Adaptations	200				
Fire Safety Works	1,000				
Tower Block Refurbishment	12,426				
HRA Garages	250				
Heating Replacement Programme	600				
Lifts Refurbishment	200				
Door Entry Installation	650				
Water Mains	40				
Staffing Costs Capital Programme	260				
Carbon Reduction Requirements	1,642				
Highways and Lighting	300				
Electrical infrastructure Testing	250				
Total Capital Programme	29,125	13,000	13,650	14,333	15,049
Financed By:					
Revenue Contribution	(11,307)	(11,000)	(11,650)	(12,333)	(13,049)
Capital Receipt	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Prudential Borrowing Requirement	(15,818)				
Balance	0	0	0	0	0

7. Rent Setting 2024/25

The 7.7% rent increase was agreed by Cabinet on 21 February 2024. After application, the average rents per property, based on bedroom size is as follows:

Table 8: Social Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield
0	236	£69.40	£5.34	£74.75	£917,293
1	2,723	£82.72	£6.37	£89.09	£12,614,721
2	2,144	£90.99	£7.01	£97.99	£10,924,830
3	4,017	£112.40	£8.65	£121.05	£25,285,635
4	250	£125.73	£9.68	£135.41	£1,760,322
5	12	£129.71	£9.99	£139.70	£87,170
6	3	£138.17	£10.64	£148.81	£23,215
Total / Average	9,385	£98.20	£7.56	£105.76	£51,613,186

Table 9: Affordable Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield
0	2	£142.86	£ 11.00	£153.86	£ 16,001
1	99	£135.85	£ 10.46	£146.31	£ 753,180
2	129	£166.58	£ 12.83	£179.41	£ 1,203,457
3	66	£209.33	£ 16.12	£225.45	£ 773,755
4	9	£259.39	£ 19.97	£279.36	£ 130,741
5	1	£260.53	£ 20.06	£280.59	£ 14,591
Total / Average	306	£168.74	£12.99	£181.73	£ 2,891,725

The definition of rent for affordable housing (inclusive of service charges) must not exceed 80% of gross market rent. Gross market rent means the rent (inclusive of any applicable service charges) for which the accommodation might be expected to be let in the private rented sector. Property size, location type and service provision must be considered when determining what gross market rent a property might achieve if let in the private rented sector.

8. Service Charges

The service charge increases were agreed at Cabinet on 21 February 2024. After application of the increases, the charges for 2024/25 will be as follows:

Table 10: Increases to service charges in line with increased costs

Service	2023/24 Weekly Charge (50 weeks)	2024/25 Weekly Charge (50 weeks)
	£	
Lift Maintenance	£3.82	£4.11
Door Entry	£4.03	£4.34
Communal Electricity	£1.79	£1.93
Bruyns Court Electricity	£4.03	£4.34
Caretaking - Bronze Sheltered	£0.73	£0.79
Caretaking - Bronze Standard	£3.36	£3.62
Caretaking - Silver	£9.51	£10.24
Caretaking - Silver Enhanced	£11.15	£12.01
Caretaking - Gold	£15.84	£17.06
Caretaking - Gold Enhanced	£17.49	£18.84
Concierge	£40.04	£43.12
Concierge - Piggs Corner	£43.18	£46.50
Sheltered Housing Service	£12.16	£13.10
Heating - Sheltered Complex	£6.98	£7.52
Heating - Helford Court	£11.12	£11.98
Emergency Lighting	£0.22	£0.24
Enhanced Tenancy Management	£49.21	£53.00

Service charges are not subject to the prescribed rental increase which related to Dwellings rents but are based on trying to gain full cost recovery.

9. Retained right to buy receipts

In April 2012, the government raised the maximum cash cap on Right to Buy discounts to £75,000 and confirmed that receipts generated by additional sales resulting from the discount increases (against a baseline of sales forecast before the increases) would be used to fund replacement stock on a one-for-one basis nationally. At the same time, the government offered to enter into an agreement with any local authorities that wished to retain their own receipts from additional RTB sales so that they could reinvest them in new affordable housing themselves.

If the authority cannot spend the required amount within five years, it must send the receipts to MHCLG through a process known as Local Authority Housing Capital Receipts Pooling.

How the level of retainable additional receipts is calculated

The level of an authority's additional retainable receipts in any year is the total amount of its receipts arising from RTB sales, net of the following elements:

- i. Transaction costs** (retained by authority unconditionally) a set amount per RTB sale to partially cover the authority's costs of administering the RTB scheme;
- ii. Allowable debt** (retained by authority unconditionally) calculated to cover that part of the authority's housing debt it is obliged to pay off that is in excess of the debt its 2012 Self-Financing Payment has allowed for;
- iii. Local authority share** (retained by authority unconditionally) calculated to approximate to what authorities would have retained had the pre-2012 pooling system continued when they retained 25% of all net RTB receipts;
- iv. Treasury share** (paid to the Secretary of State) calculated to approximate to what authorities would have paid the Secretary of State had the pre-2012 pooling system continued when authorities paid over 75% of all net RTB receipts;

From 1 April 2021 the rules on spending retained additional receipts changed:

The changes from the Original Legislation

- Increasing the time limit for the use of the receipts from three to five years.
 - Requiring yearly rather than quarterly pooling returns and payments
 - Increasing the cap on the cost of a replacement home that can be met from RTB receipts from 30 percent to 40 percent
 - Setting a percentage cap on the use of RTB receipts for acquisitions – i.e. "a percentage of a local authority's total delivery each year using Right to Buy receipts". This will be phased in: 50 per cent in 2022/23, 40 per cent in 2023/4 and 30 per cent from 2024/25 onwards. The first 20 units each year will be excluded.
- The total value of retained receipt to buy receipts in the HRA reserve is £24.053m. This includes an estimate for 2023/24 of £3.5m

Table 11

Expiry Date	Value £
2024/25	1,051
2025/26	3,617
2026/27	7,812
2027/28	8,073
2028/29	3,500
	24,053

9.1 Property Acquisition

Through the PHI (Phi Capital Investments) programme, the council has to date successfully increased the number of units within the HRA by 171. This was completed in two stages, 75 properties financed through a long term finance lease, and 96 through prudential borrowing.

In both stages of the programme, retained right to buy receipts were applied to the total cost of the acquisition. This allowed between 30% & 40% of the purchases value to be financed directly, with remainder through a long-term finance lease and prudential borrowing.

The PHI leasing scheme was implemented to ensure retained Right to Buy receipts, which were otherwise due to expire, were utilised to increase the level of housing stock, and also to avoid the interest compound interest penalties if the receipts had of been returned to central government.

The leasing model was reviewed at length, including legal and financial due diligence, before agreement was agreed. The council entered into a Process Agreement with Phi Capital Investments and their investment partner Topland Olympus Ltd enabling the company to source suitable properties for the council to use as social housing, under a leasing agreement of 41 years.

The model gives the local authority the ability to purchase Topland's superior interest in the property at the end of the council's lease term (41 years) for a nominal sum of £1. This gives Thurrock Council the opportunity to obtain a potentially valuable capital asset for a relatively low up front contribution of RTB receipts. Up to 40% RTB receipts can be applied to the leased properties (including additional works and fees)

Given the level of retained RTB receipts, spending timescales and a limited resource internally to meet these perimeters, the best option to the council was to enter into a partnership arrangement through a third party company. As detailed above, the third party would purchase the properties on the council's behalf and lease them back under certain conditions and this will enable the council to maximise its RTB receipts, increase the level of housing stock and avoid interest penalties.

The total expenditure on property acquisition to date is £15.153m though the programme.

The council also purchased an additional 18 dwellings through its buy back scheme. This project was led by the homeownership team, and purchased dwellings that had previously been sold under Right to Buy.

9.2 HRA Development

Since the introduction of retained right to buy receipts, the HRA has successfully completed the following developments:

✓ Bruyns Court	35 Dwellings
✓ The Echoes	53 Dwellings
✓ Alma Court	29 Dwellings
✓ Bracelet Close	11 Dwellings
✓ Heathlyn Close	53 Dwellings
✓ Beaconsfield Place	35 Dwellings
✓ Oaklands	1 Dwelling
✓ Lealand	1 Dwelling
✓ Lowern Road	4 Dwellings

Since the introduction of the Retain Right to Buy receipts in the financial year 2012/13, the HRA has invested a total of £97.757m in additional dwellings through its development and acquisition programmes.

10 Reserves

The estimated level of useable general reserve for 2024/25 is detailed in **Table 12** below.

The HRA is required to hold a minimum level of general balances which currently amounts to £2.175m. This balance will be maintained in the current financial year and will be assessed on an annual basis to ensure that it remains sufficient.

There are identified budget pressures of £0.664m in 2024/25, and in addition there are further costs of £5.221m which relate to the initial works required for the relocation of tenants within the Blackshots Tower blocks, and the non-traditional properties in Teviot Avenue. These dwelling have been identified as being no longer habitable in future years, and need to be demolished. Negotiations are currently being held with the Department of levelling-up, Housing and Communities, and with His Majesty's Treasury to seek approval to borrow in order to fund construction of replacements units.

Table 12: Reserves

<u>HRA General Reserve</u>		
Opening Balance 2023/24	(7,064)	
Forecast Outturn position 2023/24	(817)	
		(7,881)
<u>Commitments</u>		
Independent Tenant & Leaseholder Advisor	90	
Blackshots Decant Officer	50	
Blackshots Health and safety	114	
Legal support for Disrepair Claims	250	
R&M Contract Tender Procurement	160	
		664
<u>Development Revenue Implications</u>		
Teviot Relocation	320	
Teviot Leaseholder Payments	1,000	
Blackshots Relocation	1,201	
Blackshots Leaseholder Payments	2,700	
		5,221
Total Commitment		5,885
Remaining		(1,996)
HRA Budgeted Surplus 2024/25		(1,578)
Estimated Closing HRA Reserves		(3,574)

8. Reasons for Recommendation

For Committee to have a detailed overview of the Housing Revenue Account, as requested at the Committee in January 2024

9. Consultation (including Overview and Scrutiny, if applicable)

Not required

10. Impact on corporate policies, priorities, performance and community impact

The management and operation of the HRA strives to support vulnerable residents. The 30-year business plan sets out to ensure there is value for money within the Housing Service. The service is committed to the delivery of decent homes for its tenants, and compliance with legislation.

11. Implications**11.1 Financial**

Implications verified by: **Mike Jones**

Interim Assistant Director for Strategic and Corporate Finance

The report provides an overview of the Housing Revenue Account, and therefore there are no directly implications.

11.2 Legal

Implications verified by: **Godwin Mangse**
Interim Principal Lawyer Housing & Litigation| Law & Governance

The report provides an overview of the Housing Revenue Account, and therefore there are no direct implications.

11.3 Diversity and Equality

Implications verified by: **Becky Lee**
Team Manager – Community Development and Equalities, Adults, Housing & Health

The report provides an overview of the Housing Revenue Account, and therefore there are no direct implications.

11.4 Risks

Expenditure on both Revenue and Capital budget will be closely monitored, to ensure the HRA is managed in accordance with the budget provisions detailed in the report

11.5 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

12. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

13. List of Appendices

None

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