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Report to Cabinet

Report Title	HRA Rent Setting and Budget 2025/26
Date of Meeting	Wednesday, 12 February 2025
Report Author	Shankar Siva Ananthan, Head of Financial Business Partnering
Corporate Director	Chief Financial Officer S151, Dawn Calvert
Lead Cabinet Member(s)	Cabinet Member for Resources
Why is this a key decision?	1. Expenditure over £500K Yes 2. Significant impact on 2 or more wards Yes
Wards Affected	All Wards
Identify exempt information and exemption category	Choose an item. N/A

Is report Urgent?	No
Reasons for urgency (only where applicable)	N/A
Appendices (if any)	1. Tenant Service Charges 2025/26 2. Other HRA Fees & Charges 2025/26 3. Extract of 30-year HRA business plan income and expenditure account (2025/26-2029/30)

1. Executive Summary

1.1 Each year local authority housing landlords are required to set rents and budgets for the forthcoming financial year. This report sets out the base position for 2025/26 following the refresh of the 30-year Housing Revenue Account (HRA) Business Plan.

1.2 In recent years, there has been a four-year period of enforced rent reductions of 1% per year between 2016 and 2020 as well as a 7% ceiling on rents in 2023/24 (compared to 10.1% plus 1% within the usual policy). These decisions made a long-term material impact on the HRA in a time of continuing inflation and new burdens upon local authority landlords without the requisite funding from Government.

1.3 The Council has a transforming homes programme which is linked to the results of a stock condition survey which has identified the investment required over the medium term. Delivery of the programme will enable Thurrock to meet its decent homes commitments.

1.4 Local Authorities can increase social and affordable rents by the previous September's Consumer Price Index (CPI) plus 1% in line with the Government's Policy on rents for social housing and confirmation of this is in the Autumn Budget 2024. This equates to a 2.7% rise for 2025/26.

1.5 In addition, Thurrock Council will be applying Rent flexibility from 1st April 2025. This allows the option to set the rent for a relet at 5% above formula rent for General needs properties and 10% above formula rent for Supported housing relets.

2. Recommendations

For the reasons set out in this report, the Cabinet is recommended to:

2.1 Approve the Rent Flexibility approach of Formula Rent plus 5% for new tenancies in properties governed by formula rent, and 10% for new tenancies in supported housing (*as explained in paragraphs 4.4 and 4.5 of this report*). Please note this is only applicable in the event of relets.

2.2 Approve the increase in rents, in line with Government Policy on rents for social housing, (*as explained in paragraphs 4.7 to 4.9 of this report*) to 2.7%.

2.3 **Approve the increase in Tenant and Leasehold Service charges and other HRA fees and charges for 2025/26, (*as explained in paragraphs 4.11 to 4.14 of this report*) and detailed in Appendices 1 and 2**.

2.4 Approve the setting of an indicative balanced HRA budget for 2025/26 (*as per paragraph 4.34 and Table 3 of this report*).

2.5 Approve the 5-year HRA Business Plan for 2025/26–2029/30 (as per paragraphs 4.35 to 4.38 of this report) as detailed in Appendix 3 and note that this is an extract from the 30-year HRA Business Plan.

2.6 Note the ongoing HRA capital programme composed of two main strands, Transforming Homes and the Demolition, Rebuilds and Acquisitions programme of which the next five years are presented at £80m and £104m respectively. Approval of these is sought via a separate Cabinet report that will be presented to February 2025 Cabinet as part of the Council's overall capital programme.

3. Commissioner's Comments

Commissioners endorse the recommendations as laid out in this report. The capital programme includes schemes as previously approved at Cabinet. An area for future consideration is the ethical debt collection approach which will be brought back to review in early 2025, initially through the Finance Recovery Board.

4. Proposals - the rationale and evidence for the recommendations

4.1 The HRA is a ringfenced account for Local Authority Housing provision under Section 74 of the Local Government and Housing Act 1989. Councils must set rents and budgets for the forthcoming year and provide tenants with statutory notice of any proposed rent and service charge changes. The Council by law is to avoid budgeting for a deficit on the HRA which means that the HRA Balance (general HRA reserve) must be above zero. In practice the Council's HRA is expected to maintain a reasonable level of reserves with a minimum of between 5% and 10% of turnover being considered good practice. The external auditor will form a view on the Council's overall standard of financial management.

4.2 The Localism Bill 2011 included plans to abolish the former Housing Subsidy system and replace it with 'self-financing.' This has meant that Councils can borrow as part of the Prudential Code set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) to invest in the capital requirements of their stock. The self-financing arrangement has led to the development of the 30-year Business Plan which makes assumptions about the level of income from rents and service charges and key risks to housing delivery in this timeframe.

4.3 The usual rent-setting process follows the Rent Standard which allows an annual uplift of CPI plus 1%. CPI as of September 2024 was 1.7% which enables Councils to raise rents by 2.7% as of April 2025.

4.4 Formula rent is currently applied to all relets. This is calculated based on the relative value of the property, relative local income levels, and the size of the property. The Rent Flexibility approach follows the Rent Guidance[1] in that there is discretion over the "rent of individual properties, to take account of local factors and concerns, in consultation with tenants. If applying this flexibility, providers should ensure that there is a clear rationale or doing so which takes into account local circumstances and affordability." There are no longer restrictions in the Rent Guidance and therefore all new General needs tenancies since 1st April 2024 can have Formula Rent plus 5% applied and all new Sheltered housing tenancies can have Formula Rent plus 10% applied. Any such increase cannot be higher than the rent cap applicable to the bedroom size of the property.

4.5 The HRA Budget is constructed within a regulatory and strategic framework as follows:

- It allows for the Regulator of Social Housing's approach as set out in the Social Housing Act 2023[2] covering economic objectives such as Councils performing functions economically, effectively, and efficiently. Consumer objectives are covered such as choice and protection for housing tenants

[1] https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing

[2] https://www.legislation.gov.uk/ukpga/2023/36

as well as contributing to the environmental, social, and economic wellbeing of the localities. It also covers strategic objectives such as driving improvements and building the organisation’s workforce.

- Under the new Consumer Standards[3] regime published in April 2024 with its four-pronged approach, social landlords will need to know about the condition of every home and the needs of the people in them as well as collecting and using data effectively. Safety and quality of homes is key. Transparency, Influence and Accountability means that landlords treat their tenants with openness, fairness and respect, enabling them to access services, raise concerns, be heard, influence decision making and hold landlords to account. Neighbourhood and Community Standards mean landlords will need to engage other relevant parties so that tenants can live in safe and well-maintained neighbourhoods. The Tenancy Standard sets out standards for management of tenancies and requirements for the fair allocation and letting of homes and reporting on Tenant Satisfaction Measures.
- The United Kingdom (U.K.) has a legally binding target to reduce net emissions by 100% by 2050. Residential buildings account for circa 22% of greenhouse emissions in the U.K. Decarbonising social housing stock can mean a range of measures including insulating more, retrofitting measures, and changing the heat source. The presence of fuel poverty and housing stock that can be difficult to decarbonise can mean that some measures may meet the Government’s target but can cause higher heating bills. Thurrock’s recent experiences have meant, for example, 50% reductions in residents’ bills at places such as Chadwell St. Mary high rise towers, using ground source heat pumps.
- New affordable homes for Thurrock are being built within the parameters of affordability and risk in the updated 30-year Business Plan.

4.6 Following and considering all of the above requirements, the approach to budget setting and the Business Plan focuses on three areas:

- Expected income from rent and service charge levels;
- Expenditure plans across revenue and capital, especially the revenue impacts of capital spend, which reflect local service priorities;
- The reserves and provisions required to ensure that the HRA is delivering strong financial performance, enabling service delivery and providing new homes over the medium to long term

Income budget setting - Increase of income by £1.5m

4.7 Annual income from rents and service charges is a key driver of total income available to the HRA and is driven by expected stock levels and the resource needed to deliver on the Business Plan which includes reserves to protect tenants from risk and unexpected changes in the future.

[3] https://www.gov.uk/government/collections/regulatory-standards-for-landlords

4.8 Applying the 2.7% increase offers £1.2m of additional revenue from rents and £0.13m from tenant service charges. Given the inflationary impact on HRA expenditure, this is vital in ensuring a balanced budget and protecting the financial sustainability of the HRA.

4.9 It is noted that the definition of rent for affordable housing is that it is inclusive of service charges and must not exceed 80% of gross market rents; meaning the rent plus service charge that a property might be expected to be let at in the private rented sector. Property size, location and service provision are considered when determining this comparison.

4.10 Given the Autumn Budget and imminent reduction in the Right to Buy (RTB) discount, the number of dwellings lost to RTB is forecast to be reduced to 30 per annum from the previous Business Plan assuming circa 50 per annum. Whilst a RTB sale affords the Council a capital receipt that can be utilised for capital expenditure, it would also cause a loss of rental income and service charges within the HRA revenue account.

4.11 Tenant and leasehold service charges are the subject of an internal review as part of a response to the s114 notice issued by the Council, and the review will cover aspects such as General Fund to HRA recharges and potential service charge recoverable items. Whilst tenant service charges are being raised by 2.7%, the internal review will be concluded, and its recommendations will be put into practice for 2026/27 Rent and Service charge setting. Any shortfall or otherwise of income will be considered as part of 2026/27's service charges and are therefore not part of this Cabinet report.

4.12 Leasehold service charges are required to reflect the actual cost of services delivered and this means that 2025/26 charges will be estimated based on 2024/25 levels with an adjustment for final 2024/25 charges in September 2025.

4.13 The overall income from garage rents is impacted in 2024/25 by circa £0.07m and 2025/26 due to a programme of demolitions to create new housing.

4.14 It is proposed that garage rents shall rise by 5% and garage plots by 10% whilst sheltered housing visitor room nightly rates shall remain the same. These rises still mean that Thurrock's charges are comparable with the market consisting of neighbouring authorities' charges.

4.15 Water charges income is set by the supplier and will only be known in early 2025.

4.16 **Appendices 1 and 2** confirm the tenant service charges and other HRA charges respectively.

Expenditure budget setting - Increase in expenditure of £1.4m

4.17 Housing management and support functions essentially consist of internal staff. The HRA has set aside monies for pay growth of 2.5% and National Insurance changes in line with the General Fund, bearing in mind that the final pay settlement for 2025/26 can occur later in the year. It is to be noted that the support functions are broadly composed of services as diverse as legal and governance as well as contracts such as ICT applications and all of these are part of the review mentioned in paragraph 4.11.

4.18 Contract inflation covers a diverse range of landlord services including revenue repairs and maintenance as well as a range of technical disciplines.

4.19 Whilst utility costs, principally electricity, have been subject to severe inflation in recent years, the latest data from the Council's procurement partner Crown Commercial Services, shows that electricity costs, on average, are broadly similar to the previous year. It is to be noted that the Council procures its electricity annually using two trading windows that open in October and April. In practice this means that whilst half of the next financial year's price is known at the time of this report, the remaining half will only be known in April, after publication of this report.

4.20 Water charges expenditure is set by the provider and will be known in early 2025.

Revenue changes in interest paid and interest earned

4.21 Whilst the Council's Treasury loan portfolio is in the process of being reshaped, there is an intention to take advantage of the Public Works Loan Board's (PWLB) concessionary rate for the HRA, introduced in June 2023 and available at the PWLB standard rate less 60 basis points (0.6%) until March 2026. As the HRA delivers new housing, borrowing at this rate would reduce the impact of the cost of interest repayments.

4.22 Set against the above is a significant programme of housing redevelopment expenditure over and above the existing rolling programme of stock investment as informed by recent stock condition surveys. As mentioned in paragraph 4.10, RTB discounts will likely reduce as of 21 November 2024 with a reduction in the forecast flow of RTB receipts to support the capital expenditure programme on new build housing/redevelopments.

4.23 On the 30th July 2024, MHCLG announced that for the financial years 2024/25 and 2025/26 the maximum permitted contribution from RTB receipts to capital expenditure on replacement housing has increased from 50% to 100%. In addition, RTB receipts will be permitted to be used with section 106 contributions and the cap on the percentage of replacements delivered as acquisitions each year (currently 50%) has been lifted. The timing of build programmes and the new level of RTB receipts, given the lower discounts, will influence the timing of PWLB borrowing and the resulting interest charges.

Capital Expenditure summary

4.24 The Council's ongoing Transforming Homes capital workstream as well as others including Fire Safety, Front door entry, Adaptations, Heating replacements, Electrical works post testing, Lifts and staffing capitalisation will need to come within the available annual amount from the Major Repairs Reserve. This amount is equivalent to HRA depreciation and is forecast to be circa £11.5m in 2025/26. Following current accountancy rules, the Major Repairs Reserve is replenished every year by the value of depreciation for that year. This value will reduce as some fixed assets are demolished as part of large redevelopments but will increase by a more than compensating amount due to the presence of completely new build dwellings in a future year, once the redevelopments are complete. As this programme will be tendered, the overall budgetary envelope is definable as part of this report, but the specific breakdown according to the abovementioned categories will only be known later. A sensitivity analysis shows that if the budgetary envelope for this aspect needed to be increased by £1m - £2m, the revenue impact would be £0.05m - £0.10m which is affordable given the impact on the bottom line in Table 2 following paragraph 4.31.

4.25 Over and above the ongoing programme which helps Thurrock meet decent homes standards, there are redevelopments and acquisitions with large programme spends summing to a forecast £109m commencing in 2024/25 and ending in 2029/30. Some of this spend is financed by grants that the Council has been successful in bidding for including the Social Housing Decarbonisation Fund, Local Authority Housing Fund and the Brownfield Land Release Fund.

4.26 There is an upward capital expenditure movement of £19.6m from the previous HRA Rent Setting Cabinet report's capital expenditure profile due to a new housing development scheme for Garage Sites.

4.27 Table 1 below summarises the capital plan and its financing.

Table 1: HRA Capital Programme

All numbers £'000	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Forecast expenditure						
Transforming Homes	24,843	25,482	13,260	13,525	13,796	14,072
Demolishments, Rebuilds and Acquisitions	8,723	22,890	46,403	31,023	333	121
Total Forecast Expenditure	**33,566**	**48,372**	**59,663**	**44,548**	**14,129**	**14,192**
Forecast sources of financing						
Major Repairs Reserve	(11,307)	(11,420)	(11,534)	(11,650)	(11,766)	(11,884)
Major Works income	(100)	(103)	(106)	(109)	(113)	(116)
Capital Receipts	(10,710)	(12,448)	(14,388)	(5,682	-	-
Capital Grants	(5,106)	(535)	(199)	-	-	-
Revenue contribution	*	*	*	*	*	*
Additional borrowing	(6,342)	(23,865)	(33,435)	(27,107)	(2,250)	(2,193)
Total Forecast sources of financing	**(33,566)**	**(48,372)**	**(59,663)**	**(44,548)**	**(14,129)**	**(14,192)**
Current implication of additional borrowing expressed as additional interest costs at current rates						
	317	**1,193**	**1,672**	**1,355**	**113**	**110**

* *The asterisk represents the potential for any headroom or unspent monies from the HRA revenue budget to be utilised to finance capital spends instead of increasing the HRA general purpose revenue reserve known as the Balance. This revenue contribution to capital outturn is a judgment for the s151 Officer bearing in mind the crystallising revenue and capital risks in each discrete year versus risks over the Business Plan timeframe.*

4.28 Given the Council's s114 notice issued in December 2022 which covered the years 2022/23 and 2023/24, it was noted that the HRA and its 30-year Business Plan remains under review, but the focus of the notice primarily concerns the General Fund and divestment programme. The making of Minimum Revenue Provision remains an option for the HRA but not an annual necessity as per CIPFA's consultation in February 2024. It specifically states that when depreciation is taken to the Major Repairs Reserve, it can be considered to be a prudent charge to revenue for the HRA element of an authority's Capital Financing Requirement.

HRA Balance and Reserves

4.29 The HRA Balance is a general-purpose revenue reserve that the HRA keeps at a minimum between 5% and 10% of total turnover to absorb business risks and disruptive shocks. It is the s151 officer's guidance that keeping the HRA Balance within this range at a minimum offers safeguards for the adequacy of HRA financial reserves.

4.30 The HRA can also keep earmarked reserves for both revenue and capital purposes. One of these is the Major Repairs Reserve which is annually replenished by the same value as depreciation and is used to finance capital expenditure.

4.31 The impact of housing redevelopments is currently reducing existing earmarked revenue reserves to nil. The impact of additional borrowing over and above sources of financing such as capital and RTB receipts as well as grants shows the HRA Balance being kept at the low end of the minimum expected value.

4.32 Table 2 below summarises the Net Cost of HRA Services, the interest paid on borrowing, and interest earned on reserves and the HRA Balance.

Table 2: Net Cost of HRA Services and below-the-line accounting

All numbers £'000	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Net Cost of HRA Services (Surplus) / deficit	(11,654)	(11,678)	(12,146)	(12,766)	(14,224)	(15,504)
Indicative interest payable	10,304	11,811	13,482	14,837	14,948	15,060
Indicative interest receivable	(214)	(343)	(543)	(805)	(926)	(951)
Surplus/(Deficit) for the year	1,536	209	(793)	(1,265)	202	1,395
HRA Balance	5,720	5,929	5,136	3,871	4,073	5,467
Balance as a % of turnover	8%	8%	7%	5%	5%	7%

4.33 In the above table, the Balance as a percentage of turnover should be between 5% and 10% at a minimum according to guidance. Whilst there are a couple of years where it is forecast to be towards the lower end of the scale, it should be borne in mind that there is potential for other earmarked reserves to change the overall picture. Reductions in interest rates for new borrowing, as well as any overall increase in service charges or service redesign, can help to cause a net reduction in costs, the result of which will increase the HRA Balance.

4.34 Table 3 below summarises the 2025/26 indicative budgets as being affordable given the recommendation to pursue the maximum permitted rent rise under Government Policy which will primarily pay for inflation for that year as well as the revenue implications of capital programme financing. There are no major new or removal of any service development headings since the previous Cabinet report dated February 2024.

Table 3: 2025/26 indicative budget for the HRA

		2025/26 indicative budget £'000
Income Rent		(55,626)
Service charges		(6,457)
All other income		(2,003)
Total Income		**(64,086)**
Frontline Service Delivery		
	Estate action	2,961
	Assets, capital, voids and technical services	2,729
	Other strategy and management	2,279
	Homeownership, Housing Options and Rents	2,172
	Sheltered Housing	2,069
	Neighbourhoods	1,996
	Concierge and CCTV	1,248
	Utilities	750
	Anti-social behaviour	582
	Business Improvement	581
	Development and Regeneration	377
Total Frontline Service Delivery		**17,744**
Repairs and Maintenance		
	Revenue responsive repairs	7,581
	Technical, planned and responsive	4,857
	Revenue void repairs	1,862
	Grounds Maintenance	1,244
	Other repairs and maintenance	137
Total Repairs and Maintenance		**15,681**
Financing and recharges		
	Net of interest payable and receivable	11,289
	Depreciation	11,572
	General Fund to HRA recharges	7,008
	Bad debt provision top-up	403
	Contribution to reserves	389
Total Financing & Recharges		**30,661**
Total for balanced budget		**0**

HRA 30-year Business Plan

4.35 This plan details how the Council's forecasts for income and expenditure bring together known and risk-adjusted estimates for all service plans across revenue and capital.

4.36 The updated plan reflects the ambitious house-building programme, investing in transforming existing homes, meeting increased legislative and regulatory necessities in respect of compliance and tenants' standards.

4.37 The plan demonstrates that projected income and expenditure ensures that the Council delivers on the above and retains an adequate balance for managing risks which have a financial implication. It also shows that the borrowing necessary is affordable whilst maintaining a risk-adjusted balance.

4.38 **Appendix 3** shows a five-year summary of the HRA Business Plan for financial years 2025/26 to 2029/30. This is extracted from the 30-year HRA Business Plan.

5. Alternative options considered

5.1 The Council has embarked upon an ambitious housing redevelopment programme with significant resource being earmarked for capital spends supported by grants, capital receipts and borrowing which will cause revenue interest costs. Annual contract inflation on existing revenue contracts as well as pay settlements will also need to be met. Not pursuing the maximum permitted rent and service charge increase will not enable the Council to pay for inflation, as well as maintain a minimum of HRA reserves.

6. Consultation

6.1 Within the Housing Act 1985 part IV, which concerns Secure Tenancies and Rights of Secure Tenants, a landlord authority shall maintain such arrangements as it considers appropriate to enable those of its secure tenants who are likely to be substantially affected by a matter of housing management (a) to be informed of the authority's proposals in respect of the matter and (ii) to make their views known to the authority within a specified period and the authority shall, before making any decision on the matter, consider any representations made to it in accordance with those arrangements.

6.2 The above notwithstanding, the legislation states that it does not extend to rent payable under a secure tenancy or to charges for services and facilities provided by the authority.

6.3 Whilst the legislation is clear, the Council is committed to engaging with tenants and will do so in time for the statutory notice period of 28 days for specifying rents and service charges to tenants.

Assistance for residents

6.4 Whilst this report is about the HRA Rents and Service Charges, Budget and 30-year Business Plan, it is recognised that awareness and assistance for residents is key. The impact of rent and service charge rises will be felt most by those not receiving full Housing Benefit (HB) or Universal Credit (UC). It is also recognised that for UC recipients, as this is paid monthly and therefore equates to a 52-week year, sometimes the HRA charging regime can have a 53-week year. The Local Government Association has lobbied Government to recognise this issue and whilst the National Housing Federation brought a legal case against the Department for Work and Pensions (DWP) in 2020, the conclusion was that the DWP's formula was 'neither irrational nor unlawful.'

6.5 Rent payers are also charged for Council Tax, so whilst this report is about the HRA, the overall impact of Council Tax and Rents is to be considered.

6.6 The Council maintains a Discretionary Housing Payment fund which can help eligible residents with rent and other housing costs when they face an HB or UC shortfall.

6.7 If residents are affected by both rent and service charge rises as well as Council Tax, they can apply for Council Tax support.

6.8 Residents over the State Pension Age and on a low income can apply for Pension Credits and if they are ineligible for this but still entitled to other benefits, they can apply for Thurrock's Pensioner Winter Support Fund.

6.9 Citizens Advice and the Trussell Trust work together to offer the Help through Hardship helpline. This enables residents to claim for their eligible benefits appropriately.

6.10 The Council makes residents aware that Anglian Water and Essex and Suffolk Water offer support to lower bills to households on low income.

6.11 Financial Inclusion officers within the Council assist rent paying residents with sustaining their tenancies, maximising their income and in-depth financial assistance including the national Breathing Space recommendation.

6.12 In tackling the issue of non-collection of rents and service charges with empathy, the Council has a pre-eviction panel before any case is progressed to warrant stage which includes a cross-council panel from Housing, Adult Social Care and Children's Social Care as appropriate.

7. Financial Implications

7.1 The calculation of the HRA budget at its most succinct is dependent on (i) the level of rents and service charges (ii) growth and savings (iii) the level of the HRA Balance.

7.2 The entire report is in relation to the setting of rents and service charges as well as the HRA budget and results of the HRA 30-year Business Plan. Therefore, the financial implications are contained within the body of the report.

Implications Verified by:

Sima Khiroya, Assistant Director Financial Management & Procurement

Date: 2024-11-22

8. Risk Implications

8.1 This section seeks to systematically set out risks in relation to the setting of a balanced and affordable HRA budget for 2025/26 in the context of the refreshed HRA 30-year Business Plan.

8.2 Whilst discrete risks are shown in Table 4 below, should risks materialise collectively with a severe financial impact, decisions would need to be made to mitigate through in-year action, apply reserves as appropriate and continue with statutory functions.

Table 4: Risks, mitigations and status

Risk	Mitigation	Status
Rent set at incorrect level leading to too high or too low an income	Set rent according to Rent Policy and apply mathematical sense check for example in relation to Rent Caps	Green
Service charges set at correct level	As mentioned in paragraph 4.11, tenant service charges are being reviewed and will be implemented by 2026/27's rent and service charge setting plan Leasehold day-to-day service charges are already set out twice a year via an estimate and then an actual invoice with supporting information	Amber
Changes in Government Rent Policy	Whilst the Autumn Budget provided some stability with a commitment to a five-year CPI plus 1% rent settlement, any change to this given wider economic headwinds may mean in-year action to reduce spends and implementing efficiency savings	Amber
Changing inflation rates	Government has been known to cap rents during times of high inflation. The HRA plans to keep its Balance at a level to absorb this whilst allowing for a return to normal levels of rent rises. Procurements will seek to offer contractual inflation that is no higher than the HRA can afford given the current Government's regime around HRA rent increases	Amber
Changing interest rates	The Council's Treasury is reviewing and rebuilding its portfolio of loans and the HRA borrows internally within the Council for its capital expenditure. The Treasury is committed to exploring the special PWLB	Amber

	HRA interest rate at 60 basis points below its regular rate. The current Business Plan assumes a rate that is higher than the above and therefore there is a certain level of prudency within the affordability of the HRA as a whole.	
Arrears	With leaseholder debt, the Council does retain the freehold to the property and operates within the defined arrears recovery procedure. With tenants who are on full or partial Housing Benefits or Universal Credits, this covers rent and eligible service charges. For affordable properties especially 3-bedrooms and above, given that UC is capped irrespective of household size at a maximum of £1,835/month, this could lead to more arrears. Advice and support is provided so that tenants maximise their benefits and the Council works to ensure the start date is correct and changes in circumstances are reflected swiftly and correctly.	Amber
Changing energy costs	The Council receives regular updates from its procurement partner as to the time windows for 6-monthly purchases of electricity and the average price. The review of tenant service charges will enable the Council to rebase and calculate the effect of this as part of annual service charge setting and ensure reconciliations and explanations to tenants.	Amber
Changing value of depreciation due to HRA revaluations	The HRA Assets that can be depreciated, principally consisting of dwellings and garages, are revalued every year. The following year's depreciation figure is then affected, and depreciation is a bottom-line cost to rent-payers whilst it also transforms into the Major Repairs Reserve and avoids borrowing which in turn reduces the interest cost of borrowing. £1 of extra deprecation does not translate to £1 of interest saved and £1 less of	Amber

	depreciation does not translate to £1 more interest paid. The mitigation is through holding a level of headroom within the HRA annual budget setting to afford a significant increase in depreciation whilst the benefit of a lower than anticipated cost of borrowing would also be experienced.	
Capital schemes cost overruns and slippage	Procurement exercises can mitigate cost envelope pressures. Reprofiling and bringing forward other schemes will also assist to smooth out capital cashflows. A strategic decision will be made for example if decarbonisation becomes unaffordable within the context of other fire safety, health and safety in the context of a list of prioritised schemes.	Amber
Right to Buy receipts not correctly calculated or applied	There is support from an existing subscription service to check the Council's RTB modelling of the retained 1-4-1 receipts and its correct entry into the annual Pooling return to Government. The Autumn Budget changes in rules for RTB are known and reworked into a reprofiled capital financing statement using existing RTB receipts as well as the potentially diminished future flow of receipts. The Council has an excess of capital home building expenditure plans as compared to RTB receipts and therefore the risk of not using them is mitigated, albeit a review of the profile of the capital schemes is being initiated to take advantage of RTB rule changes.	Green
Introduction of new capital repairs contract for the main investment in Transforming Homes/ Decent Homes standard, delivering to Regulator's standards and tenants' feedback	The Council is aiming to make the current value of depreciation as taken to the Major Repairs Reserve the main source and value of this workstream. This mitigates overall Business Plan risks especially given borrowing requirements. Commercial considerations will be strategised within the procurement exercise as part of a focus on stock condition survey results, Health & Safety, Regulator or	Amber

	Ombudsman priorities, Fire Safety, Decarbonisation and tenant feedback.	
Unfunded New Burdens	In recent years, HRAs have needed to absorb costs in relation to necessary legislation and regulation running the gamut from fire safety to raising standards. Some mitigation will come through prioritising and strategising capital and revenue spends. Some mitigation will come through maximising the available income to the HRA. Some mitigation will come through making the HRA as efficient as it can be.	Amber

Implications Verified by:

K.McMillan, Chief Risk Advisor 2024-11-12

9. Legal and Governance Implications

Requirement to maintain a Housing Revenue account "HRA"

Part VI of the Local Government and Housing Act 1989 ("the 1989 Act") requires any local authority that owns more than 200 units of housing stock to maintain the HRA. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. It is a ring-fenced account, and local authorities have no general discretion to transfer sums into or out of the HRA.

Under section 74 of the 1989 Act, the Council is required to keep a separate HRA of sums falling to be credited or debited in respect of its housing stock. Pursuant to section 76 of the 1989 Act, the Council is under a duty to prevent a debit balance on the HRA. In January and February each year the Council must prepare, and make available for public inspection, proposals relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance.

Section 76 of the 1989 Act also places a duty on local housing authorities: (a) to ensure that the annual budget for their HRA avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) if it seems that an end-of-year deficit may occur, to take all reasonably practicable steps to avoid it. The draft HRA budget fulfils these requirements.

Rent Setting

The Regulator of Social Housing may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent and rent increases. The current Rent Standard allows for a rent increase of CPI +1%, which the proposed rent increase set out in this report complies with.

Implications Verified by:

H.Nicol, Assistant Director - Legal and Governance - 2024-11-27

10. Equality and Diversity Implications (including the public sector equality duty)

A Community Equality Impact Assessment has been completed and is attached as an Appendix to this report. The council's HRA works to reflect the Council's policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, it incorporates a number of budgetary provisions aimed at providing assistance to disadvantages groups including adaptations to the stock for residents with disabilities.

Whilst a number of financial implications which impact on tenants and their households have been identified, the negative impact on all households living in council-owned accommodation would be greater without implementing a rent increase. This also includes the risk of regulatory action for non-compliance from both the Building Safety Regulator and Regulator of Social Housing.

Implications Verified by:

R.Lee, Community Development Team Manager - 2024-11-28

11. Other Relevant Implications

11.1 Not applicable.

12. Background Documents

12.1 Not applicable.

Appendix 1 – HRA Tenant Service Charges 2025/26

Service		2024/25 weekly charge at 50 weeks £	2025/26 weekly charge at 50 weeks £	Percentage increase %
Lift Maintenance		£4.11	£4.22	2.7%
Door Entry		£4.34	£4.46	2.7%
Communal Electricity		£1.93	£1.98	2.7%
Bruyns Court Electricity		£4.34	£4.46	2.7%
Caretaking	Bronze Sheltered	£0.79	£0.81	2.7%
	Bronze Standard	£3.62	£3.72	2.7%
	Silver	£10.24	£10.52	2.7%
	Silver Enhanced	£12.01	£12.33	2.7%
	Gold	£17.06	£17.52	2.7%
	Gold Enhanced	£18.84	£19.35	2.7%
Concierge	Standard	£43.12	£44.28	2.7%
	Piggs Corner	£46.50	£47.76	2.7%
Sheltered Housing		£13.10	£13.45	2.7%
Heating	Sheltered	£7.52	£7.72	2.7%
	Helford Court	£11.98	£12.30	2.7%
Emergency Lighting		£0.24	£0.24	0.0%
Enhanced Tenancy Management		£53.00	£54.43	2.7%

Appendix 2 - Other HRA Fees & Charges 2025/26

Charge type		2024/25 weekly charge £	2025/26 weekly charge £	Percentage increase %
Garage lets	Council tenant	£15.00	£15.75	5.0%
	Non-Council tenants	£18.00	£18.90	5.0%
Garage plots	Council tenants	£126.73	£139.41	10.0%
	Non-Council tenants	£152.08	£167.29	10.0%

Charge type	2024/25 nightly charge / person £	2025/26 nightly charge / person £	Percentage increase %
Sheltered Housing visitor rooms	£18	£18	0.0%

Appendix 3 - Extract of HRA 30-year Business Plan (including base year 2024/25)

2025/26-2029/30

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000

INCOME AND EXPENDITURE ACCOUNT

Income						
Dwelling Rents	(55,050)	(56,351)	(57,849)	(59,448)	(61,880)	(64,338)
Voids	708	725	744	765	797	829
Net Rents	(54,342)	(55,626)	(57,105)	(58,683)	(61,083)	(63,509)
Non-Dwelling Rents	(1,419)	(1,348)	(1,281)	(1,281)	(1,281)	(1,281)
Charges for services and facilities	(5,329)	(5,456)	(5,602)	(5,756)	(5,967)	(6,180)
Contribution towards expenditure	(1,182)	(1,202)	(1,226)	(1,250)	(1,275)	(1,301)
Other Income	(445)	(457)	(471)	(485)	(499)	(514)
Expenditure						
Repairs and maintenance	15,392	15,807	16,123	16,446	16,775	17,110
Supervision and management	23,811	24,470	24,964	25,469	25,984	26,509
Rents, rates, taxes and other charges	157	158	160	161	163	165
(Increase)/decrease in provision for bad debts	400	403	407	411	415	419
Depreciation	11,303	11,572	11,883	12,202	12,545	13,078
Net cost of services (Surplus) / deficit	**(11,654)**	**(11,678)**	**(12,146)**	**(12,766)**	**(14,224)**	**(15,504)**
Interest payable	10,304	11,811	13,482	14,837	14,948	15,060
HRA interest income from HRA Balance	(187)	(343)	(543)	(805)	(926)	(951)
Surplus / (deficit) for the year	**(1,536)**	**(209)**	**793**	**1,265**	**(202)**	**(1,395)**

STATEMENT OF MOVEMENT ON THE HRA BALANCE

Surplus / (deficit) for the year	(1,536)	(209)	793	1,265	(202)	(1,395)
Increase/(decrease) in the HRA balance	(1,536)	(209)	793	1,265	(202)	(1,395)
HRA Balance Brought Forward	(4,156)	(5,720)	(5,929)	(5,136)	(3,871)	(4,073)
HRA Balance Carried Forward	(5,720)	(5,929)	(5,136)	(3,871)	(4,073)	(5,467)