



<b>Committee</b>	Cabinet
<b>Date</b>	06/02/2024
<b>Subject</b>	Housing Revenue Account (HRA) Budget Report 2024/25 to 2027/28
<b>Cabinet Member(s)</b>	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money  Councillor David Beavan Deputy Leader and Cabinet Member with responsibility for Housing
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Key Decision?	No
Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not Applicable.
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## Purpose/Summary

This report provides the relevant information to enable Cabinet to review, consider, and comment upon the Council's proposed 2024/25 to 2027/28 Housing Revenue Account (HRA) budget, before making recommendations to Council on 21 February 2024 as required under the Budget and Policy Framework.

As set out in the Council's Financial Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting reports on revenue budgets to Cabinet and Council.

The 2024/25 budget and the indicative figures for 2025/26 to 2027/28 will be considered at the following Council meetings:

- Cabinet 2 January 2024
- Scrutiny Committee 18 January 2024
- Cabinet 6 February 2024
- Full Council 21 February 2024

The report details how rents and service charges are determined, and the proposed increases for 2024/25 are set out for approval.

The report also notes changes in welfare and benefits and the impact of external and internal requirements which have been considered when completing the budgets, and rents and service charges for 2024/25.

## Recommendation(s)

That Cabinet to recommend that Council approves the following:

1. The draft HRA budget for 2024/25, and the indicative figures for 2025/26 to 2027/28;
2. Movements in HRA Reserves and Balances;
3. Proposed rent increase of up to 7.7%. In line with the Rent Standard September 2023 CPI + 1%.
4. Service charges and associated fees for 2024/25;
5. Rent and Service Charges to be charged over a 51-week period unless being used for Temporary Accommodation when a 53-week period will be applied, due to 2024/25 being a 53-week year.

To note the following:

6. Projected outturn position for 2023/24;
7. Changes affecting public and private sector housing and welfare;
8. Effects of the cost-of-living crisis to the HRA.

## Strategic plan

### How does this proposal support Our Direction 2028?

#### Environmental Impact

##### **Continued Commitment to net zero by 2030.**

Although the HRA stock is excluded from this target, it is still committed to improving the energy efficiency of its housing stock. The Social Housing (Regulation) Act 2023 which received royal assent on 20 July 2023 includes the provision for all social housing to have a minimum EPC of C by 2030.

Stock condition surveys are underway and budgeted to continue through 2024/25, which will help with planned programmes of work to target energy efficiency within the housing stock.

Budgets have been included within the HRA's capital programme for significant investment in its own stock to contribute towards this. This includes £1,000,000 per annum for instalment of solar panels where appropriate, £500,000 per annum replacing and improving windows and external doors, £500,000 for upgrades and replacement of loft and cavity wall insulation and associated works of properties, and a further contingency of £500,000 for other initiatives to help improve the energy efficiencies of the housing stock.

The combination of the stock condition surveys of all HRA stock, and the asset investments planned will help ensure the HRA achieves this goal.

##### **Support, promote and implement Green Tech.**

The investment in solar panel installation will also contribute towards the implementation of green tech. In addition, heat source pumps and other green initiatives are being fitted in appropriate properties.

#### Sustainable Housing

##### **Deliver the right housing based on our communities' needs.**

All housing development through the HRA are consulted with the housing needs team, to ensure it delivers the right types/size housing to meet the needs of the residents in that area.

##### **Tackle fuel poverty and support new heating technologies.**

As per above, the implementation of solar panels and heat source pumps contributes to delivering this goal. In addition to this, a passivhaus development at Deben Fields brings new initiatives to tackling fuel poverty.

##### **Add to, improve and make better use of our housing stock.**

The capital investment in housing development directly meets this goal by adding to the housing stock.

In addition to this, the capital investment of the asset investment programme is targeting the improvement of the housing stock.

	<p>The stock condition survey being carried out will provide data to then plan and make the best use of the housing stock.</p>
<p><b>Tackling Inequalities</b></p>	<p><b>Efficiently deliver benefits and grants to residents.</b>  Within the HRA there are 2 Financial Inclusion Officers to help support HRA tenants with their finances. Ensuring they are sign posted to the benefits they are entitled to, and to help them on their Universal Credit journey.</p> <p><b>Reduce health inequality and improve wellbeing.</b>  One of the new roles added to the HRA is a dedicated damp and mould inspector, to ensure HRA tenants are not being impacted by damp and mould in the home, which can affect tenants' health.</p> <p><b>Take action to improve community safety and reduce ASB.</b>  Within the HRA there is a dedicated Anti-Social Behaviour Officer to help, assist and support tenants experiencing ASB.</p>
<p><b>Thriving Economy</b></p>	<p><b>Community wealth building by working with local companies.</b>  Where possible, local companies are used for contracted work for repairs and maintenance and the housing development programme.</p>
<p><b>Our Foundations / governance of the organisation</b></p>	<p>Under the Self-Financing regime, the resources and spend of the HRA are based on local decisions. The HRA budget report uses all available reserves and balances to provide the best possible service to it's tenants, while ensuring it remains compliant, and financially sustainable.</p> <p>To ensure the HRA maintains its minimum working balance while delivering the strategic direction of East Suffolk Council, it is required to maximise rental income in 2024/25. A 7.7% rental increase is deemed essential to produce a balanced budget. The income for 2024/25 not only impacts on that financial year, but all years within the 30-year financial business plan.</p> <p>Setting a balanced budget is a statutory requirement, and the report will be considered at the following meetings:</p> <ul style="list-style-type: none"> <li>• Cabinet 2 January 2024</li> <li>• Scrutiny Committee 18 January 2024</li> <li>• Cabinet 6 February 2024</li> <li>• Full Council 21 February 2024</li> </ul>

## Justification for recommendations

### 1. Background

#### Self-Financing Arrangement

- 1.1. The HRA self-financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future housing subsidy. This change is beneficial to the HRA over the long-term.
- 1.2. A 30-year financial business model is used to support the delivery of the HRA under the self-financing regime. It makes assumptions regarding the level of income available and the key risks facing housing service delivery within this timeframe. It also programmes in the due date for current borrowing to be repaid, whilst delivering the required service.
- 1.3. The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.
- 1.4. Originally the HRA had a 'borrowing cap' of £87.26 million imposed on it by Central Government, however this was removed in 2018 when Central Government issued a determination revoking the limit of indebtedness on the HRA. However, the HRA's borrowing capacity is still restricted to the operational boundary for external debt for the whole Council. The boundary is set at £173 million, which includes both the General Fund (GF) and the HRA. Therefore, consideration must be given to the Council's total borrowing and the requirements for borrowing by the GF, before considering increasing the current borrowing of the HRA.
- 1.5. As of 1 April 2023, the total debt of the HRA was £60.4 million (£58 million from the self-financing settlement and £2.4 million pre-self-financing).
- 1.6. During the budget period 2024/25 to 2027/28 a further £960,000 is due to be repaid in 2024/25 and £10 million in 2026/27. Both amounts have already been set aside in the debt repayment reserve and the Major Repairs Reserve.
- 1.7. Interest on all current HRA borrowing is fixed, therefore, the HRA will see a reduction in interest payments in the subsequent years of repayment.
- 1.8. The HRA spending plans, including its capital investment programme, are fully funded from existing resources. Therefore, there is currently no need to make use of any additional borrowing. However, any additional costs added to the budget in the future, will likely require additional borrowing, and the HRA will need to ensure it can service the interest payments as well as the principle borrowing.

#### Welfare Reform

- 1.9. **Universal Credit** (UC) was first introduced 11 years ago as part of 'The Welfare Reform Act 2012'. It is a single payment for working aged people who are looking for work or are on a low-income. It replaces housing benefit, working tax credit, child tax credit, income support, income-based jobseekers' allowance and income related employment and support allowance. It was rolled out in the district in 2015.
- 1.10. New claimants of UC have an initial wait time of five weeks before receiving their first payment, however if they are already receiving housing benefits, this will continue for the first two weeks of the claim process, reducing pressure on tenants.

- 1.11. **The benefit cap** has always been £20,000 per annum (outside of Greater London), since the introduction of the Welfare Reform Act 2012. However, from April 2023, Government increased the cap by 10.1% for the first time since its introduction. The current cap is £22,020 per annum, which provided claimants with a much-needed boost during a cost-of-living crisis. However, it has been confirmed this new cap will remain for 2024/25.
- 1.12. If new claimants' previous income was higher than the benefit cap, they are given a 'grace period' of nine months, easing the transition for the claimant.
- 1.13. Although the benefit cap is frozen, UC payments will increase by 6.7% (September CPI) from April 2024, up to the benefit cap.
- 1.14. **The Local Housing Allowance (LHA)** rates are used to calculate the amount of housing benefits a tenant can receive. These have been frozen for the past four years. However, it was announced in the Autumn Statement 2023 that the LHA rates will be reset in April 2024 to the 30th percentile of the local market rents of September 2023. This means the cheapest 30% of rents in the area should be affordable to people claiming UC or housing benefits.
- 1.15. **Under-Occupation Charge** (also referred to as the 'Bedroom tax') is a fixed cut to housing benefit or the housing element of UC received based on the number of spare bedrooms in the property. The charge only applies to working aged tenants renting from local authorities, registered housing associations or other registered social landlords and is set by Central Government. The cut is 14% for one spare room, or 25% for two or more spare rooms.
- 1.16. To help alleviate the pressure of this penalty, the Council's HRA offers the incentive called 'Cash-for-Moving.' This is a widely used scheme across councils to encourage tenants to downsize. Tenants can bid for a smaller property on Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up.
- 1.17. **The Right to Buy (RTB) Scheme** allows tenants to purchase their council house at a discounted rate. The maximum discount available is 70% or £96,000 (outside of Greater London) whichever is lower. This value is set by Central Government and increases in April each year by CPI.
- 1.18. In 2012, the Council entered into an agreement with the Secretary of state to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. As of April 2021, the conditions of this agreement were updated by Central Government. The receipts can now fund up to 40% of investment in new affordable housing (previously only 30%) and they can now contribute to the delivery of shared ownership properties or first Homes, which they could not before.
- 1.19. On average the HRA loses 30 properties a year through RTB, and this is the assumption used within the 30-year business plan. However, for 2023/24 (as at 05 January 2024) only 12 properties have been sold through the scheme. This is a trend being seen by many other councils and is likely linked to increased living costs and high interest rates.
- 1.20. The implication of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB is on average £140,000 per annum (year on year). RTB sales are considered when setting the dwelling income budget.

## 2. Introduction

### Dwelling Rents and Service Charges

- 2.1. The 2020 Rent Standard is the Policy Statement for rents on social housing and has been in effect from 1 April 2020. It is the first-time Government have directed the Regulator of Social Housing to apply its Rent Standard to all social housing providers, including local authorities.
- 2.2. From 1 April 2020, all Registered Provider rents (including Local Authorities) must be charged in accordance with the Government Policy Statement on Rents for Social Housing. The Rent Standard, published by the Regulator of Social Housing in 2020 requires rents to be set in line with this policy statement.
- 2.3. The rent policy permits the Council to increase its rents for at least five years to 2024/25 by up to CPI for September of the previous year plus 1%. The Rent Standard also provides freedom to apply a lower increase or to freeze or reduce the rent if a registered housing provider chooses to do so.
- 2.4. There has been no indication from Government as to what social housing providers will be permitted to increase rents by from 2025/26. The budgets are working on the assumption of continuing with the same method as the past five years, however, this could be subject to change.
- 2.5. Due to high inflation, CPI was 6.7% in September 2023, which results in social housing landlords having the ability to increase rents by up to 7.7% (6.7% CPI + 1%). Government have confirmed there will be no rent increase caps, like they did for 2023-24.
- 2.6. The rent policy aims to strike a balance between the interests of existing social housing tenants who pay some or all their own rent, and the importance of ensuring that providers of social housing have sufficient income to manage and maintain their housing stock.
- 2.7. **Rent Setting** is different depending on the type of rent set. There are three types of rents used within the HRA. Social Rent, Affordable Rent and Shared Ownership, as well as a small number of leased properties.  
The current breakdown of the stock by rent type as at 1 December 2023 is as follows:
  - Social Rent: 4,264
  - Affordable Rent: 119
  - Shared Ownership: 16
  - Leased: 11
  - Total: 4,410
- 2.8. **Social Rent** is described as all low-cost rental accommodation. Since 2001 social rents have been based on a formula set by Government. Annual updates to the formula calculations are published in November of the previous year.
- 2.9. Under the Rent Policy the initial rent may be set at a level no higher than formula rent plus rent flexibility. The formula rent takes account of relative property values, relative local earnings, and a bedroom factor, i.e. smaller properties should have lower rents. The formula rent is also subject to a rent cap. The rent cap applies a maximum ceiling on the formula rent. Therefore, if the formula rent is higher than the rent cap for a particular property, the rent cap must be used instead. The rent caps will increase each year by CPI (September of the previous year) plus 1.5%.

- 2.10. The Government's Rent Policy recognises that registered housing providers should have some flexibility over the rent set for individual properties, to take account of local factors. As a result, the Policy Statement contains flexibility to set rents at up to 5% above the formula rent (10% for supported housing). East Suffolk Council applies rent flexibility following approval by Full Council in January 2023.
- 2.11. The Government's Rent Policy states any social rents that exceed the flexibility level must not be increased by more than CPI (rather than CPI plus 1%) each year, until the rent is brought within the rent flexibility level. Also, the property must be re-let at the formula rent value (plus rent flexibility). If this arises when setting the HRA rents, the rent will be frozen or potentially reduced until it reaches the formula rent value. Such situations will be dealt with on a case-by-case basis.
- 2.12. **Affordable Rent** values were introduced in 2011 and must not exceed 80% of gross market rent (inclusive of service charges), i.e. rent for which the accommodation might reasonably be expected to be let in the private rented sector. The size, location and service provision must be taken into consideration.
- 2.13. Affordable rent is exempt from the social rent requirements of the Policy Statement. The Government expects new build properties to be let at affordable rent values. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable local authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new build or purchased properties and can do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain RTB receipts for investment in new affordable rented homes.
- 2.14. The private rented market can fluctuate from month to month. Therefore, the Council charges the Local Housing Allowance (LHA) rate for all affordable rents (inclusive of service charges). The LHA rate is less than 80% of market rent, but more than social rents. The LHA rate is the most a tenant can receive in benefits towards their rent, therefore anything charged over this value would need to be financed by the tenant's own resources, which could cause financial hardship and potential arrears.
- 2.15. An additional benefit to this approach ensures a consistent and fair approach to all tenants.
- 2.16. Affordable rents must not increase by more than CPI (September of the previous year) plus 1%. As with social rent setting, this is a ceiling and a lower increase, or to freeze or reduce affordable rents is permitted.
- 2.17. **Full Market Rent** can be charged by a social landlord from April 2015, where a social tenant has an annual household income of at least £60,000. This change allowed landlords to make better use of their social housing for properties rented to households with relatively high incomes. However, the HRA does not currently charge any tenants full market rent as very few tenants are in this position, and the cost to identify these tenants outweighs the benefit of the additional income.
- 2.18. **Shared Ownership Rent** is calculated at 2.75% of the share still owned by ESC. This is a nationwide calculation for the initial rent charged. Future year increases will follow the 2020 Rent Standard of the previous year's September RPI + 0.5%.
- 2.19. For any shared ownership properties acquired on or after 12/10/2023 must have future year rent increases in line with CPI + 1%.



- 2.20. **The Rent Period** the Council works on is a 50-week period. The 52-week rent value is converted to the slightly higher 50-week value, allowing tenants to have two 'rent free weeks' over the Christmas period. This helps tenants at an expensive time of year, and for those in arrears, can help them 'catch up.'
- 2.21. A small number of HRA properties are used as temporary accommodation. These properties are charged at the 52-week value as they will not be in the property for more than a year, and therefore would not benefit from the rent-free weeks.
- 2.22. Every five to six years there are 53 Mondays in the rent year. 2024/25 is a 53-week rent year. Tenants will need to be aware of this if in receipt of UC as this is based on a 52-week rent year and the Government have yet to release a statement as to whether this will be changed considering the 53-week rent year. However, in the past the Government have not made any allowances for this, and it is unlikely to change its stance on this now.
- 2.23. **Garage Rents** do not follow the same restrictions as dwelling rents. These are based on market research in the district and have been considered for approval by Cabinet as part of the 2024/25 Fees and Charges Report.
- 2.24. **Service Charges** are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. communal facilities in sheltered accommodation (Grouped Homes).
- 2.25. Councils can review their service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. Therefore, not all service charges will necessarily increase each year, they will replicate the cost of the service provided. As set out in the Policy Statement, increases for service charges should be managed, where possible, within the limit on rent changes of CPI plus 1%. Exceptions to this include new charges or where services have been extended.
- Arrears**
- 2.26. 2022/23 had an increase on arrears from 2021/22 of £236,497.82. As at 31.03.23 arrears were 6.78% of total rents and charges raised. This was a 0.99% increase from the previous year.
- 2.27. The current arrears position as of 05 January 2024 is higher than the 2022/23 position. The total arrears are currently £1,600,763.56, an increase of £192,000.
- 2.28. Although the arrears position continues to rise, it is anticipated a high percentage of these arrears will be cleared due to the rents and service charge refund process (Over £1,000,000). Arrears are required to be cleared before tenants are entitled to a refund. Reducing these arrears should help with managing the remaining arrears in the future.
- 2.29. To further reduce the risk of arrears, new tenants are asked to pay rent in advance. The amount they pay is linked to how regularly they pay their rent e.g. if a tenant pays weekly, they will be required to pay one week in advance. As of 05 January 2024, the HRA holds £986,717.50 in rent in advance.

### **Repairs and Maintenance**

- 2.30. The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Revenue costs are to be funded from the revenue income derived from rents, whilst capital will be funded from the Major Repairs Reserve.
- 2.31. In recent years the budgets have been increased to consider the increase in material costs.
- 2.32. The HRA is currently undertaking a programme of essential safety inspections, primarily relating to fire safety and essential works identified during inspections. A report detailing the planned works was approved at Cabinet on 4 October 2022 and included in the 2023/24 budget setting. However, these increases to budget did not include provisions to meet the new Social Housing (Regulation) Act 2023 announced in July 2023.

### **Capital Programme**

- 2.33. The HRA capital programme forms part of the Council's 'Capital Programme Report 2024/25 to 2027/28'. The HRA capital programme consists of capital budgets for 'Asset Investment' and 'Acquisition and Housing Development.'
- 2.34. The HRA capital programme will be funded via the rental income it retains, also referred to as 'Direct Revenue Financing' (DRF), the Major Repairs Reserve, Right-to-Buy (RTB) receipts, external funding and other capital receipts held.
- 2.35. The repairs and maintenance aspect of the capital programme forms part of the 'Asset Investment Programme.' This element of the capital programme is funded through the MRR.
- 2.36. The Asset Investment Programme not only covers repairs and maintenance, but also energy efficiency measures, fire safety, and redevelopment of existing housing stock.
- 2.37. The Acquisition and Housing Development element of the capital programme is the investment in purchasing and building new affordable housing to be held within the HRA. The current development programme has seen cost pressures associated with the increases across the construction industry.
- 2.38. As of the 31 March 2023, the Council's housing stock totalled 4,418. During 2023/24 there have been 12 RTB sales to date with more anticipated before the end of the year. However, there will be an additional 25 properties added to the stock through the acquisition and development programme giving a net increase to the stock levels for this year.
- 2.39. 2024/25 will then see a decrease in stock levels due to the decant and demolition of St Peters Court.
- 2.40. **Special Services** are made up of revenue costs for Sheltered Schemes, Warden services, caretakers and acquisitions and new build programme. As the acquisitions and new build programmes increases, the associated revenue costs also increase. These costs include for example, architect fees, consultant fees, warranty insurance, marketing, and staffing.

### 3. Proposal

#### Rents and service charges

##### Rent Setting

- 3.1. In accordance with the Rent Standard for 2020, rent increases for 2024/25 will be increased by the September 2023 CPI plus 1%. September CPI was 6.7%, which gives a proposed rent increase of up to 7.7%. Government have confirmed there are no rent increase caps in place for 2024/25.
- 3.2. Official guidance was released by Government on 04 January 2024, the formula rent (a nationwide calculation) will be increased by the September 2023 CPI plus 1% regardless of the rent increase applied to current tenants. The Council has no option on this, and it will affect new tenancies only.
- 3.3. ESC has a commitment to providing all tenants with a home at a decent home's standard, as well as investing in its existing housing stock to meet the Social Housing (Regulation) Act 2023, while building much needed new homes for those waiting on the housing register.
- 3.4. The balance between service provision and protecting current tenants have been carefully considered, and a rent increase of up to 7.7% for 2024/25 is proposed in this report.
- 3.5. The Government's increase to the LHA rate and ESC rent policy to cap affordable rents at the LHA rate will help with the affordability of the rent increase proposed.
- 3.6. Government released the indicative LHA rates for 2024-25 on 09 January 2024. The LHA rate has increased by more than 7.7%, and therefore affordable rents will have the same rent increases applied as social rents.
- 3.7. Rent setting takes place during February each year to ensure the most up to date rents are used as a base and reduces the chance of manual updates relating to properties re-let between February and March (before the new rent values apply).
- 3.8. Applying a 7.7% rent increase in 2024/25, gives an average rent increase of £6.92 per week for social rented properties and £8.23 for affordable rented properties. **Table A** below shows the current average weekly rent value and the anticipated average for both social and affordable rented properties in 2024/25.

**Table A**

Average Rent	Social Rents	Affordable Rents
2023/24 Average Rent (52 Week Value)	£89.86	£107.37
2024/25 Average Rent (52 Week Value)	£96.78	£115.61
Average Weekly Rent Increase (52 Week Value)	£6.92	£8.23

- 3.9. Due to the affordable rents being capped at the LHA rate, these rents have not seen a rent increase since the last time the LHA was increased, which was back in April 2020, which will be 4 years ago.
- 3.10. The average rent for the East of England as provided by the HomeLet statistics for December 2023 is £1,215 per month. This is the equivalent to £280.38 per week. This equates to ESC 2023/24 average social rent being just 32.04% and affordable rents being 38.29% of the average rents for the area.

- 3.11. The proposed 2024/25 ESC average social rent increases to 34.52% and affordable rents to 41.23% of the average rent charged in the area compared to December 2023. Both still significantly below the average.
- 3.12. The ESC average rent value will fluctuate slightly week-to-week, depending on the number of voids and re-lets during a month. However, the change will be minimum (a few pence different), and it is compared each year during December, giving a consistent approach.
- 3.13. Shared Ownership properties follow a slightly different set of guidance. Although the Shared ownership rent reform was introduced in October 2023, it only affects shared ownership properties purchased or built after this date, and therefore, does not impact on our current shared ownership properties.
- 3.14. Shared Ownership properties are to increase by Retail Price Index (RPI) plus 0.5% each year. The September 2023 RPI was 8.9%, giving an increase to rents of 9.4%.
- 3.15. Applying a 9.4% rent increase to shared ownership properties in 2024/25, gives an average rent increase of £17.54 per month. All Shared ownership properties are charged monthly as per the ESC rent policy. Their rents will vary depending on the valuation of their property and the percentage share bought. **Table B** below shows the current average monthly rent value and the anticipated average value for shared ownership properties in 2024/25.

**Table B**

<b>Average Rent</b>	<b>Shared Ownership</b>
2023/24 Average Rent (52 Week Value)	£186.56
2024/25 Average Rent (52 Week Value)	£204.10
Average Weekly Rent Increase (52 Week Value)	£17.54

- 3.16. Not increasing social and affordable rents by 7.7% or Shared ownership properties by 9.4% would put a financial strain on the HRA. With increasing demands and costs across all service areas, and the requirement for significant investment in the decarbonisation of the current housing stock and new build programme, the capital programme will suffer if rent increases are not utilised.
- 3.17. Due to the agreement ESC holds with the Secretary of State to retain its RTB receipts, the Council must invest in the provision of new affordable homes. However, the provision of new affordable housing is not a legislative or regulative requirement. If the Capital programme is required to reduce to balance the budget, the investment in new affordable housing would have to be reduced or removed. Any RTB receipts held would need to be gifted to other social housing providers as required by the agreement or returned to Government each year.
- 3.18. Although Government have not announced a new settlement on how rents will be set for the period 2025/26 to 2027/28, the budgets have been based on the same methodology as the previous five-year arrangement. An increase of the September CPI plus 1%. The Bank of England (BoE) CPI predictions plus 1% have been applied to these years.
- 2025/26 (BoE) CPI 2.4% plus 1%
  - 2026/27 (BoE) CPI 2.1% plus 1%

- 2027/28 (BoE) CPI 2.1% plus 1%

If the new settlement arrangement is announced before Full council, the report and budgets will be updated accordingly.

- 3.19. Other factors are also taken into consideration when calculating the dwelling rent budget for future years. Such as disposals through RTB's or asset management of underperforming stock, reconversions, new build developments and acquisitions.
- 3.20. The 2024/25 and future year income budgets take into consideration the decant and demolition of St Peters Court. This is a loss of £400,000 plus rent increases each year.

#### **Service charges**

- 3.21. The proposed service charges for 2024/25 are set out in Appendix C of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered. The HRA cannot make a profit on the service charges, these are purely to recover HRA costs.
- 3.22. Not all service charges, outlined in **Appendix C** will increase in 2024/25. This is due to contracts that run for more than one year for a fixed price.
- 3.23. The average grouped home service charge relates to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2024/25 is set at an average weekly charge of £19.31. This is an increase of £3.21 compared to 2023/24.
- 3.24. The average grouped home heating charge is based on the previous full year's cost and reflect the tenants use of utilities in their home. Due to using the previous year's full costs, tenants benefited from no major increases last year, however in fairness to all council tenants who pay for their own heating charges, the recharge should reflect the actual cost of their utility's usage. The proposed heating charge for 2024/25 is £23.71 per week (with 2 'rent free weeks'). This is an increase of £5.58 compared to 2023/24.
- 3.25. Due to the decant at St Peters Court, it was deemed inappropriate to increase any rents or service charges here, while tenants are waiting to be rehoused.

#### **Garage Rents**

- 3.26. Garage rents are also set out in Appendix C. For 2024/25 tenant's weekly garage rent is proposed to increase from £9.45 to £9.73, an increase of £0.28 on the 2023/24 charge. The proposed increased for non-tenant weekly garage rent is £13.63 from £13.23 (inclusive of VAT), an increase of £0.40 on the 2023/24 charge.
- 3.27. The Garage rents are based on local market research. Historically, ESC has charged particularly low garage rents, however they are now at a similar level as other Local Council providers. Garage rents form part of the Councils' annual fees and charges report to be considered by Cabinet on 2 January 2024.

#### **Repairs and Maintenance**

- 3.28. The repairs and maintenance revenue budget for 2024/25 has been set at £7.978 million, compared to a revised forecast of £6.781 million in the 2023/24 budget. An analysis of the repairs and maintenance revenue budget is set out in **Appendix D**.
- 3.29. The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties. It should also be sufficient to cover

significant levels of work on fire risk safety, compliance contract management and stock condition surveys for the entire HRA stock. The costs associated with the Government's target to ensuring all stock is EPC C or above by 2030 is within the HRA capital programme.

- 3.30. The 2024/25 budget includes increases to cover; additional compliance consultancy support, increased contract costs, extension of the stock condition survey to cover all housing stock, increased budgets to tackle damp and mould and increased staffing budgets relating to compliance management.
- 3.31. Increased revenue costs associated with the decant of St Peters Court fall under special services as part of non-sheltered scheme costs. The decant and demolition has had a £500,000 impact on the 2023/24 forecasted outturn position and increased the 2024/25 to 2025/26 budgets by approximately £1,000,000. These additional costs were approved as part of the report to Cabinet on 3 October 2023. Although over 30 years this was the best financial option, these costs were not included in the original budget.

### **Human Resources**

- 3.32. The budget has been increased to cover staffing requirements of the HRA, with 15 new permanent posts being added in 2024/25 and 1 fixed term posts. This follows the addition of 8.75 new posts during the 2023/24 budgets setting.
- 3.33. The new permanent posts will help to meet the growing demands of all service areas following the introduction of the Social Housing (Regulation) Act 2023, covering services such as housing compliance, housing development, tenant engagement and data analysis.
- 3.34. The cost of these additional posts is £751,000 in 2024/25, increasing to £823,000 by 2027/28.
- 3.35. The HRA needs to increase capacity to meet the requirements of the Social Housing Regulation Act. Ideally, the service requires an additional 45 posts, at a cost of £1.8 million per annum, increasing to £2.05M by 2027/28. However, this cannot currently be afforded. Therefore, as per paragraph 3.34 £751,000 has been added to 2024/25 for 15 of these new posts to support some of the additional roles required. If there are further requirements for posts, which will be over the budget allowed, then a report will be presented to Cabinet for consideration.
- 3.36. The 1 additional fixed term posts is in relation to the decant of St Peters Court to support tenants requiring to be rehoused and was approved as part of the cabinet report 'Asset Review – St Peters Court, Lowestoft' on 3 October 2023.
- 3.37. Further changes to the staffing budgets are a result of the following:
- 2023/24 national pay award agreed.
  - In year vacancies.
  - Updating of job descriptions and regrading.

### **Other Budget Pressures and Savings**

- 3.38. The acceptance of £4.2 million grant funding for the Brownfield Site Release Fund had additional costs associated with it. The total revenue impact was £518,000 between 2023/24 and 2025/26. Also, in addition to this, the HRA had to contribute a further £300,000 to the capital programme for the decontamination of the site.

- 3.39. Due to the size of the Deben fields new build development, the revenue costs associated with the build are much higher and outside of the existing budgets. Therefore, an additional £700,000 has been added to the budgets between 2024/25 and 2025/26.
- 3.40. Higher interest rates have given the HRA a boost on its interest income over 2023/24 and 2024/25, providing an additional £1.1 million, which will help contribute towards some of the budget pressures highlighted above.

#### **Reserves and Balances**

- 3.41. The HRA has earmarked reserves as well as the HRA revenue working balance (see section 11.19 in **Appendix A2** for details on the revenue working balance), and the Major Repairs Reserve. **Appendix E** shows the movement and balances of these reserves for the budget period 2023/24 to 2027/28.
- 3.42. **Brownfield Land Release Reserve** is a new reserve set up during 2023-24 for the grant funding received for the decontamination works at the former Sanyo site and will be spend in accordance with the grant agreement.
- 3.43. **HRA Debt Repayment Reserve** was set up in 2012/13. The viability of the self-financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The balance at 31 March 2028 is forecasted to be £3 million. This is after a planned repayment of a substantial debt instalment of £10 million in 2026/27. Payments into this reserve from 2027/28 will need to increase to meet the following instalment of £10 million due in 2031/32. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.
- 3.44. During 2024/25 the HRA has significant cost pressures. To avoid short-term borrowing and increases in interest payments it is planned to release £1.8 million of the debt repayment reserve back into the HRA revenue account to balance the budget. This will then be replenished between 2025/26 to 2027/28.
- 3.45. Any savings above the projected outturn for 2023/24 will be used to reduce the need to release funds from this reserve.
- 3.46. **HRA DHP Top-Up Reserve (also known as the hardship reserve)** was set up in 2012/13 with a fund of £500,000 taking the Welfare Reform Act 2012 into account. The reserve recognised the unexpected and exceptional difficulties tenants may face arising from these changes. Although the Act is now over ten years old, the financial difficulties tenants face has not faded.
- 3.47. This reserve was set up to 'top up' the Discretionary Housing Payments (DHP) made by the Council by the value used by HRA tenants, only if the total payments made were to exceed the value of the DHP grant received by the Council. To date, this has not been required. With increased Department for Work and Pensions (DWP) grant in recent years, it is unlikely to be required in 2023/24.
- 3.48. Due to the reserve not being required for its original purpose, discussions have been held, and the reserve is now being utilised for some staffing posts that will benefit our tenants when managing their finances. This includes a finance inclusion officer, and temporary staffing to guide tenants through their rents and service charge refund process as well as the decant at St Peters Court.

- 3.49. The balance is estimated to be £59,000 at 31 March 2028 and will continue to be utilised in future years.
- 3.50. **MMI Reserve** is the Municipal Mutual Insurance Reserve. This reserve covers any potential insurance claims relating to when the Council was covered by this insurer, and the new insurance providers will not cover such claims.
- 3.51. **Acquisition and Development Reserve** is used to transfer in potential underspends during a given financial year, to later fund the acquisition and new build capital programme. The reserve is planned to be utilised between 2023/24 and 2024/25.
- 3.52. **Major Repairs Reserve (MRR)** was set up following the introduction of the self-financing on 1 April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13. Depreciation charged to the HRA is credited to the MRR and can be used to repay the principal elements of the HRA debt, as well as finance capital expenditure on the existing dwelling stock. There are plans to use the MRR to part fund the capital programme in each financial year. The balance at 31 March 2028 is projected to be a £7.436 million. The balance of this reserve is monitored through the 30-year financial business model to ensure it remains at a balance sufficient to fund capital programme repairs and contribute to debt repayment in future years.
- 3.53. The next debt repayment instalment of £960,000 in 2024/25 is planned to be financed by the MMR.
- 3.54. All reserves and balances are allocated to fund both the revenue and capital budgets, including repayment of debt in future years. Anything additional added to these proposed budgets will require borrowing to be taken out against the new build capital programme. However, this is subject to capacity in revenue budgets to cover additional interest payments and servicing new debt.

#### 4. Financial Implications

- 4.1. A summary analysis of the budget movement is shown in **Table C**. This table is supported by **Appendix A1**, that gives a full breakdown of all budget changes between 2024/25 and 2027/28, with a brief explanation to the changes.

**Table C**

HRA MTFS Updates	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Additional Cost	8,518	3,371	1,763	2,102
Reduced Income	428	442	599	602
Additional Income	-1,690	-955	-858	-1,408
Saving	-327	-439	-903	-3,097
Use of Reserves	-4,390	-1,328	-1,283	-1,120
<b>Net Movement Each Year</b>	<b>2539</b>	<b>1,091</b>	<b>-682</b>	<b>-681</b>
<b>New Movement over the period 2024/25 to 2027/28</b>				<b>2,267</b>

- 4.2. The full HRA budget and relevant information can be seen in **Appendix A2**.
- 4.3. The proposed budgets remain financially sustainable for the HRA, however any unforeseen costs will need to be mitigated by in year savings to be identified. Close budget monitoring will be required.



## **5. Legal Implications**

- 5.1. No Impact directly arising from this report.
- 5.2. The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget.
- 5.3. From 1 April 2020 the Government set out a new policy statement for rents on social housing (the Policy Statement). This was implemented through the Regulator for Social Housing rather than through legislation. The Government published a 'Direction to the Regulator' to set a Rent Standard, and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government has directed the Regulator to apply its Rent Standard to all registered providers, including local authorities.

## **6. Risk Implications**

- 6.1. The HRA self-financing regime transferred the financial risk to the Council. The HRA manages this risk through prudent budgeting, careful financial management and adoption of a rolling 30-year financial business plan. The financial sustainability of the budget is managed by ensuring adequate funds are set aside to repay the debt and appropriate levels of working balances are available for any unforeseen costs. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.
- 6.2. The HRA budgets 2024/25 to 2027/28 (including a projected outturn for 2023/24) have been updated in the 30-year financial business plan, it shows the current requirements are financially sustainable if the proposed income levels are approved, and no further borrowing will be required at this point.
- 6.3. However, there are significant costs pressures on the HRA during the MTFS, and all reserves and balances have been utilised to fund the budget and capital programme. Adding any further costs will put the financial sustainability of the HRA at risk. Budget will need to be monitored closely and savings identified to cover any in year overspends.
- 6.4. A new HRA 30-year business plan has been purchased and updated with the new budgets. The new business plan provides improved data and financial sustainability indicators to further reduce the risk of future deficits.
- 6.5. In addition to this, significant investment has been made in Housing software to improve the service tenants receive and create delivery efficiencies within the repairs and maintenance service, which will help to improve performance against budget.

## **7. Options**

- 7.1. **HRA Budget Setting:** The Housing Revenue Account Budget forms part of the Council's Budget and Policy Framework. The Council is required to set an annual budget and therefore no other options have been considered for this.
- 7.2. **Rent Setting:** Following four years of compulsory rent reduction, setting rents from 2020/21 below the maximum permitted under the Rent Standard is not recommended. However, the 2023/24 rents were set 1% below the Government cap of 7% to help alleviate financial pressures on our tenants. From 2024/25 it is not recommended to repeat this to ensure financial sustainability within the HRA.
- 7.3. The budgets work on the assumption of increasing rents by the September Consumer Price Index (6.7%) + 1% as per the Rent Standard. Government have confirmed there will be no rent cap for 2024/25 and Local Authorities are expected to follow the Rent Standard.
- 7.4. Other options include setting the rents at less than the September Consumer Price Index (6.7%) + 1%. However, this will have a negative impact on the HRA budget and 30-year business plan and is not recommended.

## **8. Recommendations**

- 8.1. Cabinet to recommend that Council approves the following:
1. The draft HRA budget for 2024/25, and the indicative figures for 2025/26 to 2027/28;
  2. Movements in HRA Reserves and Balances;
  3. Proposed rent increase of up to 7.7%. In line with the Rent Standard September 2023 CPI + 1%.
  4. Service charges and associated fees for 2024/25;
  5. Rent and Service Charges to be charged over a 51-week period unless being used for Temporary Accommodation when a 53-week period will be applied, due to 2024/25 being a 53-week year.
- 8.2. To note the following:
6. Projected outturn position for 2023/24;
  7. Changes affecting public and private sector housing and welfare;
  8. Effects of the cost-of-living crisis to the HRA.

## **9. Reasons for Recommendations**

- 9.1. This report brings together all relevant information to enable Members to review, consider and comment upon the Council's Housing Revenue Account budgets, the proposed rental increase, service and other charges and movements in reserves and balances, before making final recommendations to Full Council on 21 February 2024. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 18 January 2024 as required under the Budget and Policy Framework.
- 9.2. To advise Members of the wider housing and welfare changes that will impact on future service delivery.

**10. Conclusions/Next Steps**

- 10.1. The HRA budget set for 2024/25 to 2027/28 makes full use of all balances and reserves to provide the best possible service to tenants, make improvements to the existing housing stock to meet the goal of EPC C by 2030 while remaining compliant with the Regulator for Social Housing and deliver much needed additional affordable housing.
- 10.2. This is only possible by increasing rents in line with the Government guidance of the September CPI (6.7%) + 1%. Social rents are considerably less than affordable rents, which are capped at the LHA rate. The LHA rate is set to increase in April 2024, meaning all rents should remain affordable for all tenants.
- 10.3. Although this is a balanced budget, work will continue to be done to identify efficiencies and savings where possible to ensure tenants receive value for money and the HRA remains financially sustainable.
- 10.4. The report will next be presented to Full Council on 21 February 2024 for consideration and approval.

## Areas of consideration comments

### **Section 151 Officer comments:**

As per the Constitution, it is the Chief Finance Officers responsibility to present Cabinet with the budget for the Medium-Term Financial Strategy (MTFS), to be approved by Council.

The HRA budget report is compliant with the constitution by delivering a financially sustainable budget that does not go into deficit.

The report will be presented to Council on 21 February 2024.

### **Monitoring Officer comments:**

This report complies with Section 2 of the Budget and Policy Framework Procedure Rules in the Council's Constitution. The setting of the Budget (Capital Programme, Housing Revenue Account, General Fund and Council Tax) is a matter reserved to Full Council, having considered recommendations made by the Cabinet. Scrutiny Committee was given the opportunity to scrutinise the Budget, and make recommendations on the Budget to Cabinet, at its meeting on 18 January 2024.

### **Equality, Diversity and Inclusion/EQIA:**

An Equality impact assessment has been completed for setting the HRA budgets and proposed rent setting for 2024/25, EQIA568922876.

There is potential for a negative impact on low-income households if rents are increased. However, measures have been put in place to support these tenants if this should happen. Affordable rents are capped at the LHA rate which is the most a tenant can receive for the housing element of benefits. This should mean the rents are affordable to all.

### **Safeguarding:**

There is no negative impact on Safeguarding related to this budget.

### **Crime and Disorder:**

There is no negative impact on Crime and Disorder related to this budget.

### **Corporate Services implications:**

*(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)*

The budget does not add any significant impacts on the corporate services of the Council. However, it is worth noting, that withing the HRA budget, the HRA pays a support recharge to the General Fund for the corporate services it used. Therefore, the budget has taken into account the work required from other services and has been reflected in this recharge.

### **Residents and Businesses consultation/consideration:**

Tenants will be informed in writing of any changes to their rent and service charges one month before they take effect, including reference to 2024/25 being a 53-week rent year. Tenants will have the opportunity to speak to their rent officer or the HRA's financial inclusion officers if they have any concerns.

## Appendices:

<b>Appendix A1</b>	Budget changes to the financial period 2024/25 to 2027/28
<b>Appendix A2</b>	HRA 2024/25 to 2027/28 Budget – inclusive of 2023/24 forecast position
<b>Appendix B</b>	Summary of Headings on Chart of Accounts
<b>Appendix C</b>	HRA Service and other charges
<b>Appendix D</b>	HRA Repairs and Maintenance Revenue Budget
<b>Appendix E</b>	HRA Balances and Reserve Summary
<b>Appendix F</b>	HRA Budget Key Assumptions

## Background reference papers:

<b>Date</b>	<b>Type</b>	<b>Available From</b>
November 2023	Budget Working Papers	Financial Services
November 2023	Bank of England Monetary Policy Report November 2023	<a href="#">Bank rate maintained at 5.25% - November 2023   Bank of England</a>
November 2023	September 2023 CPI	<a href="#">Consumer price inflation, UK - Office for National Statistics</a>
December 2023	HomeLet average rent Statistics	<a href="#">Average Rents in The East of England   Average Rental Prices 2023   HomeLet Rental Index</a>
9 January 2024	Increase in LHA rate from April 2024	<a href="#">Indicative Local Housing Allowance rates for 2024 to 2025 - GOV.UK (www.gov.uk)</a>
9 January 2024	Limit on annual rent increase 2024-25 from April 2024	<a href="#">Limit on annual rent increases 2024-25 – from April 2024 (accessible version) - GOV.UK (www.gov.uk)</a>
July 2023	Social Housing (Regulation) Act 2023	<a href="#">Social Housing (Regulation) Act 2023 (legislation.gov.uk)</a>

**Budget changes to the financial period 2024/25 to 2027/28**

**Table D**

HRA Budget update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Description
<b>Additional Cost</b>					
Direct Revenue Financing - source of finance for capital programme	4,418	1,600	0	0	Increase due to changes in Capital programme. Some Capital Grants and Reserve movements contra against these.
St Peters Court - Decant and Demolition	735	48	0	0	Revenue costs associated with the decant and demolition of St Peters Court (excludes staffing).
St Peters Court - Decant and Demolition (Staffing)	24	0	0	0	Additional Staffing Requirements during decant of St Peters Court.
Housing Development Programme	647	0	0	0	Additional revenue costs associated with Housing development. 1 x Damp & Mould Officer, 1 x Operational Lead: Housing Maintenance support, 1 x Senior Development Officer, 1 x Contract Manager - Electrical, 0.4 x Disabled Adaption Manager, 0.5 Policy & Project Officer, 2 x Capital Project Officers and Assistant Project Officer, 1 x Operational Lead: Investment and Ownership, 1 x Housing Officer, 1 x Resident Liaison Officer, 2 x Schedulers, 1 x Tenant Engagement Officer, 1 x Neighbourhood Manager. Also staff pay awards. 2027/28 base is 2026/27 budget.
Additional Staffing Requirements	751	758	795	1,037	
Brownfield Land Release Revenue costs	496	22	0	0	Planning fees and project management of Brownfield Release. Costs to be recovered through land sale at end of project.
Consultancy costs	372	75	50	0	External consultancy costs relating to HRA compliance.
Repairs and Maintenance service cost increase	298	402	415	428	Increase Material costs, increased cost of services and additional compliance works previously approved at cabinet.
running of schemes (sheltered and non- sheltered)	245	203	207	208	Increases in utilities bills for all schemes.
Stock Condition Survey	229	0	0	0	Extend contract for stock condition surveys to cover all HRA stock. Contract to continue from 2023-24 to 2024-25.
Rents, rates and other charges	130	19	0	0	Estimated Council Tax on voids at St Peters Court until demolition.
Depreciation charge	0	121	164	284	Depreciation is linked to the capital programme.
Insurance Premiums	36	44	51	58	External impact, insurance premiums have increased across the Council.
Provision for Bad Debt	35	21	19	16	Increase on provision for bad debt following the rent refunds processed.
Digital Transformation Programme	64	20	24	33	Increase in investment in analytical software and digital transformation programme.
Travel Expenses	16	16	16	16	Increase in travel costs with increased staff, vacancies filled and increased office working.
Tenant Engagement	11	11	11	11	Vacancy filled, increase investment in tenant engagement.
Corporate Subscriptions	11	11	11	11	Housing Ombudsman increased annual fee.
	<b>8,518</b>	<b>3,371</b>	<b>1,763</b>	<b>2,102</b>	
<b>Reduced Income</b>					
Dwelling Rent income	412	426	440	453	Decant of St Peters Court.
Interest on cash balances	0	0	142	136	Forecasted reduced HRA balances in 26/27 & 27/28.
Non Dwelling Income (Leases and Wayleaves)	8	8	8	8	Reduced income due to demolition of St Peters court.
Reimbursement of costs	5	5	5	5	Reduced external use of Choice Based Letting Service.
Non Dwelling Income (Garage Rents)	3	3	4	0	Reduced number of Garages.
	<b>428</b>	<b>442</b>	<b>599</b>	<b>602</b>	

<b>Additional Income</b>					
Dwelling Rent income	-1,017	-635	-675	-1,198	7.7% increase applied to 2024/25. 2027/28 base is 2026/27 budget. BOI predicted CPI + 1% for 2025/26 to 2027/28.
Interest on cash balances	-299	-139	0	0	Increase in average interest received in 24/25 & 25/26.
Service charges and facilities income	-171	-176	-178	-204	Increase to recover costs of services.
Capital Grants and Contributions	-157	0	0	0	Homes England funding towards specific housing development. Contra against increase in DRF.
Contribution towards expenditure	-41	0	0	0	Reserve contribution to specific development sites.
Leaseholders Charges for Services	-5	-5	-5	-5	Improved recharging to leaseholders.
Non Dwelling Income (Garage Rents)	0	0	0	-1	27/28 base is 2026/27 budget. 3% increase applied.
	<b>-1,690</b>	<b>-955</b>	<b>-858</b>	<b>-1,408</b>	
<b>Savings</b>					
Direct Revenue Financing - source of finance for capital programme	0	0	-501	-2,465	Use of Capital Receipts in future years. 2027/28 base is 2026/27 budget.
Support recharge from General Fund to HRA	-205	-185	-179	-137	Support recharges reviewed to reflect the services used by the HRA.
Interest Payable and similar Charges	0	0	0	-302	Interest to reduce in 27/28 following repayment of debt instalment.
Housing Development Programme	0	-156	-91	-56	Revenue costs associated with Housing Development to reflect capital programme requirements.
Dwelling Rent Write-offs	-50	-50	-50	-50	Dwelling rent write off budget to reduce due to rent and service charges refunds.
Depreciation charge	-53	0	0	0	Depreciation is linked to the capital programme.
St Peters Court - Decant and Demolition - Staffing	-9	-37	-39	-39	Savings from posts currently filled by agency relating to St Peters Court.
St Peters Court - Decant and Demolition	0	0	-20	-20	Savings from removing the running costs of St Peters court (excludes staffing).
HRA Contribution to Treasury Management	-10	-11	-12	-17	Contribution reduces inline with HRA share of cash balances
Rents, rates and other charges	0	0	-11	-11	Once redevelopment programme progresses, charges for associated properties/sites will be removed.
	<b>-327</b>	<b>-439</b>	<b>-903</b>	<b>-3,097</b>	
<b>Use of Reserves</b>					
Debt Repayment Reserve	-1,800	200	450	1,150	Use of balance 24/25 to cover in year expenses. To be replenished between 25/26 to 27/28.
Brownfield Land Release Reserve	-1,000	-1,500	-1,704	0	Use of reserve to contra against increase in DRF. - Kirkley Water Front Decontamination.
Acquisition and Development Reserve	-1,486	0	0	0	Use of reserve to contra against increase in DRF. - Development Programme.
Hardship/DHP Top up Reserve	-104	-28	-29	-30	To extend agency cover for rent officers and fund a financial inclusion officer post.
	<b>-4,390</b>	<b>-1,328</b>	<b>-1,283</b>	<b>1,120</b>	
<b>Net Total Movements</b>	<b>2,539</b>	<b>1,091</b>	<b>-682</b>	<b>-681</b>	
	<b>Net Total Movements between 2024/25 and 2027/28</b>			<b>2,267</b>	

**11.1 Table D** details the changes across each financial year, with a brief description for the change. All changes have been put through the 30-year business plan to ensure the financial viability of the HRA. There is no adverse effect to the long-term financial position of the HRA by making these changes, and no requirement to take on additional borrowing at this stage. However, if the proposed dwelling rent increase of 7.7% is not adopted, or further growth is added to the budgets, borrowing against the new build capital programme will be required or potentially reducing/removing the new build programme.

## HRA 2024/25 to 2027/28 Budget – inclusive of Projected outturn for 2023/24

**11.2 Table E** summarises the 2024/25 budget through to 2027/28, with a projected outturn position for 2023/24. A brief description for each heading can be found in **Appendix B**.

**Table E**

	2023/24 Budget £'000	2023/24 Projection £'000	2023/24 Movement £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
<b>Income</b>							
Dwelling Rent	(20,634)	(20,411)	223	(22,136)	(22,440)	(23,040)	(23,550)
Non-Dwelling Rent	(184)	(175)	9	(177)	(181)	(185)	(190)
Service & Other Charges	(732)	(750)	(18)	(911)	(924)	(946)	(972)
Leaseholders Charges for Services	(10)	(20)	(10)	(15)	(15)	(15)	(15)
Contribution towards Expenditure	(57)	(234)	(177)	(74)	(33)	(33)	(33)
Reimbursement of Costs	(68)	(80)	(12)	(64)	(64)	(64)	(64)
Capital Grants and Contributions	-	(4,926)	(4,926)	(157)	-	-	-
Interest Income	(276)	(1,083)	(807)	(575)	(415)	(134)	(140)
<b>Total Income</b>	<b>(21,961)</b>	<b>(27,679)</b>	<b>(5,718)</b>	<b>(24,109)</b>	<b>(24,072)</b>	<b>(24,417)</b>	<b>(24,964)</b>
<b>10% of total income</b>	<b>(2,196)</b>	<b>(2,768)</b>	<b>(572)</b>	<b>(2,411)</b>	<b>(2,407)</b>	<b>(2,442)</b>	<b>(2,496)</b>
<b>Expenditure</b>							
Repairs & Maintenance	6,935	6,786	(153)	7,938	7,715	7,866	8,012
Supervision & Management	3,724	3,862	138	4,024	3,973	4,079	4,203
Special Services	2,705	3,660	959	5,052	2,961	2,956	2,984
Rents, Rates and other Charges	143	188	45	243	131	101	102
Movement in Bad Debt Provision	-	(220)	(220)	34	21	19	16
Contribution to CDC	92	92	-	92	92	92	92
Capital Charges	4,191	4,206	15	4,633	5,100	5,397	5,511
Interest Charges	2,106	2,106	-	2,066	2,026	2,026	1,724
Revenue Contribution to Capital	3,400	6,040	3,011	6,555	3,400	3,199	1,235
Transfer to Earmarked Reserves	(38)	481	519	(4,430)	(1,328)	(1,283)	1,120
<b>Total Expenditure</b>	<b>23,258</b>	<b>27,201</b>	<b>4,314</b>	<b>26,207</b>	<b>24,091</b>	<b>24,452</b>	<b>24,999</b>
<b>Movement in the HRA balance</b>	<b>1,297</b>	<b>(478)</b>	<b>(1,404)</b>	<b>2,098</b>	<b>19</b>	<b>35</b>	<b>35</b>
<b>HRA Balance carried forward</b>	<b>(3,066)</b>	<b>(4,841)</b>	<b>(1,775)</b>	<b>(2,743)</b>	<b>(2,724)</b>	<b>(2,689)</b>	<b>(2,654)</b>

### Highlights regarding 2023/24 revised position – Table E

#### Income

**11.3** The reduction in dwelling rent is in relation to the decant of St Peters Court and delays in the new build development programme.

**11.4** The small variation in non-dwellings is due to the reduction in the number of garages.

**11.5** The small variation in service charges is minimal compared to the size of the budget.

**11.6** The increased income on leaseholder charged is due to improved processes on recharging.

**11.7** The increase on contribution to expenditure is a combination of:

- Refund on Stamp Duty Paid on properties for social housing over the last 4 years.



- Unexpected funding from the Government towards the new burdens of customer satisfaction measures.
- Additional contributions towards to project management of decontamination of the former Sanyo site.

**11.8** Reimbursement on costs includes a one-off recharge for work completed in 2022-23.

**11.9** Additional funding received in Capital Grants relates to:

- £4.2 million for the Brownfield release fund.
- £250,000 Suffolk County Council contribution towards the purchase of 2 properties for Homes for Ukraine's.
- £473,000 Homes England funding towards Milton Road new build development.

**11.10** Increased interest income due to increased cash balances in year and higher interest rates.

### **Expenditure**

**11.11** Saving on Repairs and Maintenance in relation to in year vacancy savings.

**11.12** Increased costs on Supervision and Management are in relation to implementation of new ICT software and agency staff for the rents and service charge refund process.

**11.13** Increased costs on Special Services are due to the decant and demolition of St Peters Court, Consultancy fees and additional revenue costs associated with the Deben Fields Development.

**11.14** The increase in rents, rates and other charges are increased Council Tax payments on void properties in St Peters Court.

**11.15** The saving on Bad Debt Provision is based on the knowledge that rent arrears will be reduced due to the rents and service charge refund process.

**11.16** The slight change to the Capital charges is the depreciation charge. This is transferred to the Major Repairs Reserve.

**11.17** The increase in Revenue contributions to Capital are partly covered by the additional grant funding received (section 11.9), and the use of the acquisition and development reserve.

**11.18** The increase to earmark reserves represents all earmark reserve movements that can be seen in detail on appendix E.

### **2024/25 to 2027/28 Budgets**

**11.19** **Table E** demonstrates a projected healthy HRA working balance at 31 March 2024. The balance is planned to be drawn down in financial years 2024/25, to make best use of the funds, but always maintaining the required 10% minimum. Best practice is considered to have a minimum working balance that approximates to 10% of the total income received in one year.

**11.20** There is a separate provision already set aside in previous financial years to cover all anticipated refunds through the rents and service charge refund process. This process will not impact on the proposed budgets.

## SUMMARY OF HEADINGS ON CHART OF ACCOUNT

### Income.

- **Dwelling Rent;** Rental income from tenants for housing (Including Housing Benefits).
- **Non-Dwelling Rent;** Rental income for garages, and any other assets rented out by the HRA.
- **Services and other Charges;** Service Charges and nonspecific income.
- **Leaseholder's charges for services;** Recharges to Leaseholders for works and services.
- **Contributions towards expenditure;** External contributions towards expenditure.
- **Reimbursement of costs;** Rechargeable works to a third party.
- **Interest Income;** Interest received on cash balances held by the HRA.

### Expenditure.

- **Repairs and Maintenance;** General Repairs and Maintenance to all housing stock.
- **Supervision and Management;** Costs associated with running the HRA, e.g. tenant's services, office-based staff, IT etc.
- **Special Services;** Sheltered schemes, warden costs, property acquisitions, redevelopment/decarbonisation, and new development revenue costs.
- **Rents, Rates, and other Charges;** Council Tax charges for void properties and Business Rates.
- **Movement in Bad Debt Provision;** Bad debt provision is to hold funds to cover debt (arrears) that are unlikely to be recovered by the HRA. Current Bad Debt provision is at £872k.
- **Contribution to CDC;** CDC is Corporate & Democratic Core costs. This is the HRA's contribution towards these.
- **Capital Charges;** Depreciation charged to HRA assets. (This is transferred to the Major Repairs Reserve. This can fund capital work or contribute to paying down the debt).
- **Interest Charges;** The interest payments relating to HRA borrowing.
- **Revenue contribution to Capital;** Capital expenditure is large repairs work such as 'replacing a kitchen' or building new properties. These are funded from either the HRA 'Revenue Contribution,' receipts held through the sale of assets (e.g. Right to Buy Properties), or other reserves and contributions.
- **Transfer to Earmark Reserves;** The HRA has several reserves, but the one used most frequently is the Debt Repayment Reserve. Money is transferred to this reserve each year to pay off the debt held by the HRA.

## HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases/(Decreases) in charges are proposed for 2024/25.

	Average Weekly Charge 2023/24 £	Average Proposed Weekly Charge 2024/25 £	Average Weekly Increase/ (Decrease) £
<b>Grouped Homes Service Charges (average):</b>			
General Service Charge	16.10	19.31	3.21
Heating Charge	18.13	23.71	5.58
Communal Water Charge	1.71	2.29	0.58
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.90	0.00

	Weekly Charge 2023/24 £	Proposed Weekly Charge 24/25 £	Weekly Increase/ (Decrease) £
<b>Caretaker:</b>			
St Peter's Court	7.15	7.15	0.00
Dukes Head Street	5.30	5.45	0.15
Chapel Court	3.75	3.86	0.11

<b>Servicing:</b>			
Septic Tank Emptying/Servicing	5.83	6.12	0.29
Flue Maintenance	2.53	2.71	0.18
Grounds Maintenance (average) *	1.39	1.42	0.03

\* Cost vary depending on size of land to maintain.

<b>Other:</b>			
Communal Area Cleaning Service (average) **	2.55	2.67	0.12

\*\* Cost vary depending on number and size of communal areas.

	Weekly Charge 2023/24 £	Proposed Weekly Charge 2024/25 £	Weekly Increase/ (Decrease) £
<b>Garage Rents:</b>			
Tenants	9.45	9.73	0.28
Non Tenants (net of VAT)	11.03	11.36	0.33 (13.63 inclusive of VAT)

## HRA REPAIRS &amp; MAINTENANCE REVENUE BUDGETS

	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Approved	Forecast				
	Budget	Outturn	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
<b>Responsive Maintenance</b>						
Supervision and Management (See note 1 below)	2,365,500	2,745,800	2,997,200	3,069,300	3,088,500	3,094,900
Compliance Consultancy	120,000	110,500	196,700	0	0	0
Compliance Contract Management (See note 2 below)	331,500	356,400	647,600	691,600	716,900	737,900
Jobbing Repairs	1,350,000	1,050,000	1,100,000	1,152,500	1,207,600	1,265,500
Loft and Cavity wall Insulation (See note 3 below)	50,000	35,000	0	0	0	0
Tenant Paint Allowances	40,000	25,000	31,500	33,100	34,800	36,500
Relet Repairs (Voids)	925,000	755,000	807,500	846,900	888,200	931,600
Asbestos - Removal	80,000	155,000	150,000	150,000	150,000	150,000
Asbestos - Testing	95,000	35,000	60,000	60,000	60,000	60,000
Legionella	10,000	35,000	50,000	50,000	50,000	50,000
Internal Communal Areas (See note 4 below)	60,000	0	60,000	60,000	60,000	60,000
Solid Fuel and Heating Repairs	33,000	33,000	34,500	36,100	37,800	39,500
Electrical Testing & Repairs	200,000	200,000	200,000	200,000	200,000	200,000
Emergency Lighting	0	80,000	35,000	35,000	35,000	35,000
External Decoration (See note 4 below)	100,000	40,000	150,000	150,000	150,000	150,000
Roof and PVC Panelling Cleaning (See note 5 below)	25,000	0	0	0	0	0
Fire Fighting Equipment and Detection	17,000	62,000	20,000	20,000	20,000	20,000
Fire Risk Assessments	9,800	20,000	37,400	27,900	17,400	11,800
Fire Alarm Servicing	0	23,300	24,000	24,700	25,400	26,200
Solar Panel and Sprinkler Servicing	0	6,200	7,300	8,400	6,000	7,000
Installation of CO2 detectors (See note 6 below)	0	23,700	0	0	0	0
Stock Condition Survey (See note 7 below)	0	155,000	229,000	0	0	0
Lift servicing, maintenance and installation	55,000	54,000	56,700	58,400	60,200	62,000
Disabled Adaptations	30,000	45,000	30,000	30,000	30,000	30,000
Door Porter and Security Systems	20,000	25,000	20,000	20,000	20,000	20,000
Environmental Works/Energy Efficiency software	7,500	7,500	7,500	7,500	7,500	7,500
Drainage and Pumping Stations	9,600	9,600	9,600	9,600	9,600	9,600
Mutual Exchange	10,000	10,000	10,000	10,000	10,000	10,000
Rechargeable Works - Incl's Leaseholder Properties	40,000	40,000	40,000	40,000	40,000	40,000
Servicing Contracts & Repairs	486,000	469,000	536,000	552,000	568,500	585,500
<b>Total Responsive Maintenance</b>	<b>6,469,900</b>	<b>6,606,000</b>	<b>7,547,500</b>	<b>7,343,000</b>	<b>7,493,400</b>	<b>7,640,500</b>
<b>Planned Maintenance</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chimneys	20,000	10,000	10,000	10,000	10,000	10,000
External Walls, Boundary and retaining walls	60,000	35,000	60,000	60,000	60,000	60,000
Canopy's and Porches	15,000	0	0	0	0	0
Paths / Hardstanding	250,000	50,000	180,000	180,000	180,000	180,000
Outbuildings	40,000	10,000	20,000	20,000	20,000	20,000
Structural / Damp / Drainage / etc (See note 4 below)	80,000	70,000	160,000	160,000	160,000	160,000
<b>Total Planned Maintenance</b>	<b>465,000</b>	<b>175,000</b>	<b>430,000</b>	<b>430,000</b>	<b>430,000</b>	<b>430,000</b>
<b>Total HRA Housing Repairs</b>	<b>6,934,900</b>	<b>6,781,000</b>	<b>7,977,500</b>	<b>7,773,000</b>	<b>7,923,400</b>	<b>8,070,500</b>

**Notes:**

Note 1 - Supervision and Management of the Repairs and Maintenance Team, unrecoverable cost, stock and equipment.

Note 2 - New Contract Compliance Team managing compliance contracts including fire safety.

Note 3 - Previously a £50,000 revenue budget held. This has been replaced with a £500,000 Capital Budget to focus investment in this area.

Note 4 - Programme of works being worked up during 2023-24 to be implemented from 2024/25 onwards.

Note 5 - Roof cleaning to be combines with external dec works. Not required to be held separate.

Note 6 - Fitting of CO2 Detectors - most of the work was completed in 2022-23, remaining balance paid in 2023-24.

Note 7 - Work planned for 2022-23, now being completed in 2023-24, and contract extended into 2024-25 to cover the whole HRA Stock.

## Appendix E

### HRA BALANCE AND RESERVE SUMMARY

#### HRA WORKING BALANCE

	2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28
	Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Working Balance	-4,363	(478)	0	-4,841	-	2,098	-2,743	0	19	-2,724	-	35	-2,689	-	35	-2,654
10% Requirement	-2,085			-2,167			-2,338			-2,366			-2,429			-2,482

#### HRA EARMARKED RESERVES

	2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28
	Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Repayment Reserve	-13,000	-	-	-13,000	-	1,800	-11,200	(200)	-	-11,400	(450)	10,000	-1,850	(1,150)	-	-3,000
HRA DHP topup Reserve	-499	-	209	-290	-	144	-146	-	28	-118	-	29	-89	-	30	-59
MMI Reserve	-60	-	-	-60	-	-	-60	-	-	-60	-	-	-60	-	-	-60
Acquisition & Development Reserve	-5,000	-	3,514	-1,486	-	1,486	-	-	-	-	-	-	-	-	-	-
Brownfield Land release Reserve	0	(4,204)	-	-4,204	-	1,000	3,204	-	1,500	1,704	-	1,704	-	-	-	-
Brampton Sinking Fund	-2	(1)	-	-3	(1)	-	-4	(1)	-	-5	(1)	-	-6	(1)	-	-7
<b>Total HRA Earmarked Reserves</b>	<b>-18,561</b>	<b>-4,205</b>	<b>3,723</b>	<b>-19,043</b>	<b>-1</b>	<b>4,430</b>	<b>-14,614</b>	<b>-201</b>	<b>1,528.00</b>	<b>-13,287</b>	<b>-451</b>	<b>11,733</b>	<b>-2,005</b>	<b>-1,151</b>	<b>30</b>	<b>-3,126</b>

#### HRA CAPITAL RESERVE

	2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28
	Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Major Repairs Reserve	-15,780	(4,174)	4,074	-15,880	(4,605)	8,404	-12,081	(5,073)	10,498	-6,656	(5,370)	5,290	-6,736	(5,490)	4,790	-7,436

## HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

<b>Income</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Dwelling rents annual increase (see paragraph 3.19)	7.7%	3.4%	3.1%	3.1%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase	3.0%	3.0%	3.0%	3.0%
Charges for services & facilities annual increase *	N/A	3.00%	3.00%	3.00%
Write-off allowance **	£0	£50,000	£50,000	£50,000
Number of dwellings lost through Right To Buys (RTB's)	15	30	30	30
Number of dwellings lost to demolition	0	90	0	0
Number of new dwellings added to the stock	25	81	20	31
Average interest rate on HRA balances	4.00%	3.00%	3.00%	2.00%

**Expenditure**

Bad Debt Provision

Due to the rents and service charge refunds an assumption has been made that there will be a reduction in the bad debt requirement during 2023/24, and then a small increase has been added for future years. This will be revised each year.

\* The 2024/25 service charges have varying increases, see Appendix C. 3% has been applied to future years inline with increased budget costs.

\*\* No write-off allowance is included in 2024/25 while the rent and service charge audit is being carried out and potential refunds are to be processed.