



Council : 28 February 2024

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor N. Pryce-Roberts

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SUBJECT: HOUSING ACCOUNT – 2024/25 REVENUE AND CAPITAL BUDGET SETTING

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To enable the Council to set its Housing Revenue Account (HRA) budget and capital investment programme for the next financial year 2024/25.

2.0 RECOMMENDATIONS

2.1 That the rent and service charges set within delegated authority, as detailed in sections 4 and 5 of this report, be noted.

2.2 That the 2024/25 HRA budget in Appendix 1 be approved, based on the proposals to be presented at the Council meeting by the Housing and Landlord Services portfolio holder.

2.3 That the 30-year capital programme in paragraph 7.2 be approved, based on the proposals to be presented at the Council meeting by the Housing and Landlord Services portfolio holder.

2.4 That, subject to any updated approvals in regard to Tawd Valley Developments, the HRA budgets be added to reflect the HRA share of each scheme cost, as detailed in paragraphs 7.3 to 7.6.

2.5 That the reserves policy set out in appendix 2 be approved.

- 2.6 That the HRA 30 year business plan in appendix 3 be noted.
- 2.7 That delegated authority be given to the Director of Transformation, Housing and Resources to take all necessary action to implement the decisions of Council.

3.0 BACKGROUND

- 3.1 The Council must set a budget for its Housing Revenue Account (HRA) before the start of each financial year, and this budget will set out the financial basis for the delivery of services. The budget that is set must enable Council and tenant priorities to be delivered but must also be affordable. In addition, it should comply with best practice requirements on budget setting and meet statutory and accounting regulations.
- 3.2 CPI (Consumer Price Index) inflation in September 2022 was exceptionally high, (10.1%). September 2023 CPI was also high at 6.7% Energy price rises have been considerably more. Although CPI is now coming down, (4.0% in December 2023), and is forecast to continue doing so, the impact on WLBC, like for most other individuals and organisations through contract inflationary increases, material costs and collective pay settlements, has been significant. The timing with which CPI flows through to contract increases varies from contract to contract so it is expected that there will continue to be inflationary pressures to 2024/25 HRA expenditure.
- 3.3 In 2023/24 Government imposed a rent cap of 7%. This means that rental income (the main source of HRA funding) was reduced through the lifetime of the HRA business plan, whilst costs grow cumulatively. The outcome is less overall funding available than would have otherwise been the case.
- 3.4 HRA outturns up to 2021/22 tended to show a favourable position which made absorption of cost pressures easier to manage the following year. This is no longer the case due to high cost increases in 2022/23 and 2023/24.
- 3.5 The HRA budget has been the subject of recent reports to Cabinet, Executive Overview and Scrutiny, and Landlord Services Committees. These reports identified a balanced budget subject to the value of the repairs budget for 2024/25 and the subsequently available resources for revenue contributions to help fund the capital programme.

4.0 RENTAL INCOME

- 4.1 Rents are the main source of income for the HRA, and ultimately also for housing capital, either as a revenue contribution, or for servicing debt interest. From this perspective, it is important to maximise rental income, within Government rules, as this pays for repairs and improvements to housing stock, as well as estate and tenancy services which benefit tenants.

- 4.2 As mentioned in 3.2 above, September 2023 cpi (consumer price index) inflation was 6.7%. The rent regulator has confirmed that there will be no additional rent cap in 2024/25. The Director of Transformation, Housing & Resources will therefore use his delegated authority to increase the majority of rents by 7.7%, (September cpi of 6.7% + 1%), in line with the current Government rent policy and to offset increases in expenditure due to high cpi. There will be less than 10 tenants where a lower increase is applied. As 7.7% is the maximum allowed increase, in order to ensure strict adherence to Government policy, all rents with this increase will be rounded down to the nearest penny.
- 4.3 The cost of living crisis continues to impact in a significant way. For this reason, a budget issue was included in 2023/24 budget setting to ringfence additional funding to provide support to those residents most in financial need. £500k was made available in 2023/24 and a further £250k in 2024/25. It is likely that the £500k allocation in 2023/24 will not be fully utilised, if that proves to be the case the intention is to transfer that balance into 2024/25 at 31/3/24 year end.
- 4.4 Paragraph 7.1 proposes that £120k of the 2024/25 hardship fund is vired to capital to fund a project on individual billing of heating charges. A further £30k will be required for inspection and preparation works so it is proposed to vire £30k within revenue too. In addition, as the cost of living crisis continues, and in light of the issue highlighted in paragraph 4.5 below, it is anticipated that the remaining funds will be required in 2024/25.
- 4.5 Weekly rent and service charge billing is always carried out on a Monday, and, as a consequence, every few years there are 53 Mondays, (53 rent weeks), in a calendar year rather than 52. 2024/25 will be a year with 53 rent weeks. The implications of this for the HRA business plan and individual tenants have been considered as follows:
- Increased hardship for some tenants, particularly those on Universal Credit because DWP rules don't recognise the financial impact of the additional week. Operational officers plan to communicate the implications for residents with suggestions as to how they can financially prepare. Remaining financial hardship funding (paragraph 4.3) is also available in the most serious cases.
 - Tenants who pay by monthly direct debit will see what seems to be an increase in their monthly direct debit that is more than the expected percentage change. This is because 49 charging weeks will be split between twelve months rather than the usual 48 weeks. As this is just a timing difference, the same tenants will see what appears to be a smaller increase in their rent and service charges in 2025/26 than the expected increase as this levels out again the following year. Tenants who pay weekly will not be affected and will see their weekly charges changing by the expected amounts. The table below seeks to illustrate the effect on a notional rent of £100 pw in 2023/24 and assumed rent increase of 3% in 2025/26:

	2023/24	2024/25	2025/26
Cpi + 1% increase to weekly rent		7.70%	3.00%

Weekly rent is	£100.00	£107.70	£110.93
Full year (48 weeks)	£4,800.00		£5,324.69
Full year (49 weeks)		£5,277.30	
Monthly DD	£400.00	£439.78	£443.72
Increase in DD seems to be		9.9%	0.9%

4.6 The rent budget is also affected by the number of properties within the Housing Stock which will be influenced by Right to Buy Council house sales (which is outside the Council's control), the number of homes built or purchased, and the number of homes demolished as part of revival and development projects. To reflect average right to buy sales over the medium term, the HRA business plan and the 2024/25 budget now assume 60 rtb sales a year rather than the previous 50.

5.0 OTHER CHARGES

5.1 The general principle applied to service charges is that they should be sufficient to recover the full cost of service provision. In addition, the Government has advised, but not directed, that it would expect service charge increases to be limited to CPI + 1% unless there is a clear rationale.

5.2 Following the WLBC response to the covid pandemic which was resource intensive, the Russian invasion of Ukraine exacerbated the cost of living crisis with unusually high cpi and energy costs. This has made cost estimation more difficult because the timing with which inflation hits costs varies from contract to contract. For this reason and in-keeping with the general principles outlined in paragraph 5.1, service charges have been reviewed using 2022/23 actual costs plus updated estimates for 2023/24 and estimates for 2024/25. In addition, ongoing issues around affordability for tenants at this time and the ability to let properties for the HRA business plan have also been considered.

5.3 The table below charts the changes in weekly service charges from 2022/23 budget setting to 2024/25, with comparison to the headline cpi inflation rate applicable to that year. Below the table are additional comments about some of the key service charges. The apparent effect of 49 billing weeks in 2024/25 for tenants who pay by monthly direct debit, illustrated in table 4.5 above, will also affect service charge monthly dd payments.

	2022/23	2023/24	2024/25
<i>Applicable CPI</i>	3.1%	10.1%	6.7%
Caretaking	4.1%	7%	0%

Communal Lighting	4.1%	50%	-25%
Door Entry	4.1%	11%	7.7%
Painting (pw)	1 pence	1 pence	1 pence
District Heating – typical/average	2%	88%	-10% to -40%
Sheltered Maintenance incl. communal energy but not DHS	4.1%	14%	5.5%
Independent Living category 1	-16.0%	7%	5.4%
Independent Living category 2	-4.8%	7%	-5.0%

- 5.4 The changes in charges highlighted in the table above will apply to the significant majority of residents liable for that charge. Given that most of the charges are being changed by less than the general cpi+1% approach, if anomalies are found, then individual residents will have their charge changed to bring them more in line. This will be limited to cpi+1% if there are any tenants, and the terms of the lease for any leaseholders.
- 5.5 **Communal Lighting** charges in 2022/23 were less than the costs of the electricity due to energy price inflation being more than anticipated. This is expected to be the case in 2023/24 as well, despite service charges being increased by 50% at budget setting. Electricity costs are expected to fall in 2024/25 in the region of 40% to 60%, say 50%. In order to broadly rebalance the charges versus the costs, the communal lighting charge will be reduced in 2024/25 by 25%
- 5.6 The **Door Entry** contract is being retendered in the second half of 2023/24. Until the outcome is known and without prejudice, charges have been increased by cpi + 1% in anticipation that the likely outcome is a significant contract increase, due to high cpi and a broadly 16% increase in materials costs during the last year alone.
- 5.7 There are nearly 750 residents who are part of the WLBC **district heating scheme** (DHS). In recent years the DHS has been in surplus so residents have benefited from low heating charges and a general trend of annual reductions to charges. Previous reporting charts that gas prices have been substantially more than was anticipated for 2022/23 budget setting, the full use of the heating reserve to mitigate the impact for residents, and that despite significant increases to 2023/24 charges most residents will still be in deficit at 31 March 2024.
- 5.8 The Council's gas provider has forecast a reduction in costs of around 60% for 2024/25 compared to 2023/24, though it should be noted that 2023/24 costs look like they will be more than in 2022/23 due to the mechanics of the providers forward purchasing. This assumption has been recognised in calculating estimated balances to inform heating charges.
- 5.9 The majority of DHS residents are forecast to remain in deficit at 31/3/25, even allowing for reduced heating costs in that year, there are however a significant minority who it is anticipated will be out of deficit by then.

5.10 2023/24 budget setting discussed the balance being sought by officers between collecting the full costs of heating over a reasonable period of time, the needs of residents in a cost of living crisis, and the importance to the HRA business plan that WLBC don't charge so high a rate that we cannot fill vacant homes. In 2023/24 all tenants and the majority of leaseholders in the DHS were therefore charged £25pw. The additional rent week in 2024/25 is also a factor to now be considered.

5.11 In light of this and the significantly lower gas prices forecast in 2024/25, it is proposed to reduce all tenant heat charges in 2024/25 and most leasehold charges. The level of the reduction will depend upon the forecast position at 31/3/25. This will extend the period until all residents are out of deficit but will reflect the generally better news in regard 2024/25 energy prices. As in 2023/24 officers are seeking to find the right balance. The table below summarises the proposal

Approx. no.	% of residents	Reduction %	Reduction £pw	2024/25 weekly charge
418	57%	10%	£2.50	£22.50
80	11%	20%	£5.00	£20.00
237	32%	40%	£10.00	£15.00

5.12 **Independent Living** customers benefited from a reduction in charges for 2022/23 due to Homecare Link being closed and the lifeline service being operated by an external partner instead. Category 1 tenants benefited more in % terms. Since then the number of category 1 tenants opting for the category 2 service offer has reduced. This changes the respective cost recovery for each service and this is reflected in the changes for 2024/25 along with a refresh of the cost estimates. Over the three years, category 1 customers have seen a net reduction of 5.1% and category 2 customers a net reduction of 3.3%

5.13 In broad terms, within the existing budget envelope and staffing resource, the more sheltered tenants who opt for the category 2 service, the lower the charge will be for both category 1 and category 2 customers.

5.14 The **furnishing service** offered to tenants saw an increase in prices during 2022/23 of around 17% February 2023 budget setting proposed to reflect this change over three years, with a 5% increase in 2023/24 charges. Given that most service charges are being increased by less than cpi + 1% the charges in 2024/25 will therefore be increased by 17%, reflecting previous contract price increases and current cpi rates. The charges will be reviewed again as part of 2025/26 service charge setting.

5.15 **Garage rents** will be increased by 7.7% being cpi + 1%

6.0 REVENUE ESTIMATES

- 6.1 The HRA revenue estimates for 2024/25 are shown in Appendix 1 and provide the detailed information that sets out the financial basis for how HRA service objectives will be achieved. They cover all areas of revenue expenditure and income and include changes in the base budget required to roll forward agreed service levels, such as pay and contract inflation.
- 6.2 The HRA estimates summary in table 6.7 below provides a high-level picture consistent with 2023/24 mid-year reporting, and makes clear the main assumptions being applied. Smaller adjustments, contractual uplifts and virements are reflected in the detailed budget presented in Appendix 1.
- 6.3 The **repairs contract** is key for the HRA repairs offer to residents and is often a primary measure of their satisfaction. During 2022/23 Members approved that the Director of Transformation, Housing & Resources has delegated authority to agree annual contract variations. This is to allow WLBC the flexibility required to ensure that the contract remains financially viable for the contractor as economic conditions change over time, whilst ensuring a back-stop by requiring the contractor to submit a business case each year if they wish to vary the contract from the original 2020 base terms and value.
- 6.4 High materials costs and general inflation continue to put financial pressure on this contract. Benchmarking in 2022/23 showed that variations agreed in year kept the contract competitive. Recent benchmarking suggests that although the 2024/25 contract increase is significant, the contract remains broadly consistent with general market repair contract conditions at present.
- 6.5 The reserves policy in appendix 2 includes the repairs reserve which aims to maintain a balance of at least 10% of the repairs budget. Given the increase in the repairs budget, £175k has been budgeted to add to the repairs reserve to maintain this aim.
- 6.6 In order to make the budget balance the **revenue contribution** has been flexed down slightly from its 2023/24 level. The larger the revenue contribution, the smaller the amount of additional borrowing required in year to fund the capital programme. This has particular implications for the HRA business plan in the long-term rather than any particular individual year.

6.7

HRA Revenue Estimates Summary 2024/25

Budget Area	2023/24 Budget £000	Mid-year Forecast Variance £000	2024/25 Summary £000	Assumptions
Employee Expenses	4,524	200	5,470	Based on latest establishment. Includes unbudgeted 23/24 pay uplift and assumes 4% pay uplift 24/25, as well as restructure of Property Services.
Void and response repairs plus electrical testing contract	5,370	0	7,006	Base budget plus cpi uplift Annual variations agreed to reflect the current market, these have been benchmarked to ensure vfm.
Other premises costs	4,271	0	3,974	£372k District Heating Scheme expenditure budget reduced. £95k increase in furnishing expenditure budget, offset by more income from growing the service Insurance uplift and various budget-neutral virements.
Transport costs	191	0	232	Pooled vehicles charged directly rather than recharge
Budget contingency	390	-150	290	£100k vired to fund ICT posts through recharges in order to implement system upgrades and effective IT solutions for service delivery.

Supplies and Services	1,527	0	1,177	<p>Reduce temporary budget for additional hardship support from £500k to £250k as approved Feb 2023.</p> <p>£120k vired to capital to support Heat Account itemised billing project, £30k vired within supplies and services for inspection works in preparation.</p> <p>Various budget-neutral virements and small contract uplifts.</p>
Support Services and internal income (net)	2,905	-110	2,816	<p>Reduction fir pooled vehicles; Estates valuations recharges</p> <p>£100k for ICT posts vired from contingency, above.</p> <p>£175k to go to the Repairs reserve, reflecting the increased Repairs Contractor budget</p> <p>Broadly assuming 4% uplift on most others.</p>
Loan interest & Contribution towards Repayment	3,492	0	3,726	<p>£3,057k interest – self-financing debt</p> <p>£222k interest – new/other debt</p> <p>£388k existing debt repayment set aside</p>
Contributions to capital	7,205	0	7,168	Balancing item, towards funding capital programme
Dwelling rents	-25,900	-150	-28,100	New stock. 7.7% uplift. 60 rtb sales.

Other external income	-3,975	-50	-3,759	<p>Several different income streams that behave in different ways.</p> <p>Service charges per this report. Furniture charges income budget to match expenditure.</p> <p>Heating income budget reduced £372k to balance to the expenditure budget.</p> <p>Rtb sale admin fees assume 60 rather than previous 50.</p>
Total	0	-260	0	

7.0 CAPITAL INVESTMENT PROGRAMME

7.1 The 30 year HRA capital budget was approved in February 2023 following updated stock condition survey information. This budget still applies along with the amendments below. Operational changes between years will be reflected in budget adjustments forwards or backwards, as is our standard practice.

- 2023/24 slippage approved by Council at mid-year, has been added to 2024/25.
- A proportion of the 2024/25 budgets for walls (£976k); windows and doors (£161k); and external areas (£867k) have been reprofiled broadly equally into 2025/26 and 2026/27. This is to enable the team to focus on delivering the remaining programme whilst also planning for 2025/26 and beyond.
- The budget for smoke detection has been increased by £298k for the next three years to reflect the current level of activity and contract inflation.
- After reorganisation of Property Services and review of salary capitalisations, the salaries & professional fees budget has been increased by £191k per annum for the five years from 2024/25 to 2028/29.
- £120k has been vired from the £250k revenue budget issue approved in February 2023 for 2024/25, to implement a system for individual itemised billing to residents in the District Heating scheme.

7.2 Updated 30 Year Capital programme (from 2024/25 – year 2)

Scheme	24/25 £000's	25/26 £000's	26/27 £000's	Years 5-10 £000's	Years 11-20 £000's	Years 21-30 £000's
Kitchens	842	842	842	5,054	20,153	8,369
Bathrooms	425	225	225	1,350	9,046	10,541
Electrics	608	608	608	3,651	8,344	12,341
Heating	936	936	936	5,615	11,710	15,533
Roofs	550	550	550	3,298	5,354	8,309
Walls	900	2,054	2,054	9,396	3,484	5,127
Windows and Doors	200	441	442	2,163	19,673	7,915
External Areas	200	1,500	1,501	6,401	7,927	6,317
Communal Areas	173	173	173	1,040	4,371	2,539
Housing Investment Plan	4,834	7,329	7,331	37,968	90,062	76,991
Digmoor Redevelopment	8,750					
Decarbonisation – wave 2.1	4,593					

Salaries & Professional Fees	791	791	791	3,982	6,000	6,000
Disabled Adaptations	502	502	502	3,012	5,020	5,020
Contingency	330	330	330	1,980	3,300	3,300
Smoke Detection	650	650	650	2,112	3,520	3,520
Environmental Programme	200	200	200	1,200	2,000	2,000
Sheltered Housing Upgrades	140	140	140	840	1,400	1,400
Fire Safety Works	101	101	101	606	1,010	1,010
Lifts	37					
Heat Meter & Billing Project	120					
Other Housing Schemes	16,214	2,714	2,714	13,732	22,250	22,250
Total Expenditure	21,048	10,043	10,045	51,700	112,312	99,241
<i>Budget per annum</i>				<i>8,617</i>	<i>11,231</i>	<i>9,924</i>

- 7.3 **Tawd Valley Developments** budget for existing HRA approvals to be completed in 2023/24 will be reprofiled at year end, once the 2023/24 outturn position is known. Funding plans were to utilise borrowing as well as Homes England Grants. If the financial position at the end of 2023/24 supports it, funding may be switched to revenue contributions to avoid the unnecessary use of borrowing.
- 7.4 HRA budget relating to future Tawd Valley Developments schemes will be in line with updates and approvals of the TVD business plan values for HRA stock at February 2024 Council.
- 7.5 Given substantial right to buy sales each year, this leads to a reduction in total Council housing stock available to West Lancashire residents. The work of TVD in building new Council housing helps to mitigate/offset the rtb losses.
- 7.6 In addition, by building modern homes the expectation is that less repairs and maintenance will be required, certainly in the earlier years. Whilst the business case for each scheme is calculated to reflect expected costs, including interest, over a number of decades, it is likely that these properties will stand for much longer than the business case criteria and so will provide a positive very long-term contribution to the HRA business plan.

8.0 SUSTAINABILITY IMPLICATIONS

- 8.1 The Council with its Tenants wants to ensure that the future business plan allows properties to be brought up to a reasonable standard and that appropriate investment can be made at the appropriate time. Business plan modelling enables a well-informed investment plan to be developed in keeping with the requirements of an effective asset management strategy.

9.0 RISK ASSESSMENT

- 9.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

10.0 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 The health and wellbeing implications arising from this report will be dependent on the particular circumstances for that budget.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The direct impact on members of the public, employees, elected members and / or stakeholders is dependent on the proposals to be put forward at the Council meeting. Therefore no Equality Impact Assessment has been produced at this time. However, an Assessment will be produced and made available at the Council meeting if required.

Appendix One – Draft HRA Estimates 2024/25

Budget 2024/25	Employees £	Running Expenses £	External income £	Total Cash £	Support Services & Capital Charges £	Net budget £
General Expenses						
Premises Related Expenses	0	184,980	0	184,980	0	184,980
Bad Debts Provision	0	130,000	0	130,000	0	130,000
Capital Programme Contribution	0	0	0	0	7,168,017	7,168,017
Debt Principal Repayment	0	0	0	0	387,900	387,900
Debt Charges	0	0	0	0	3,338,558	3,338,558
Sub-Total	0	314,980	0	314,980	10,894,476	11,209,456
Supervision, Management, Repairs & Maintenance						
Central Administration	-157,996	583,660	-140,100	285,564	2,772,122	3,057,686
Transformation & Housing Regulation	303,475	0	0	303,475	43,560	347,035
Income & Financial Inclusion	779,871	221,370	0	1,001,241	162,555	1,163,796
Tenancy Services						
Allocations	358,623	100,501	0	459,124	10,712	469,836
Estate Management	343,270	395,394	0	738,663	26,115	764,779
Furnished Homes	41,435	347,400	-610,000	-221,165	0	-221,165
Other Tenancy Services	7,401	49,780	-25,000	32,181	0	32,181
Elderly & Disabled Support	371,234	145,230	-532,000	-15,536	89,403	73,866
Sub-Total	1,121,962	1,038,305	-1,167,000	993,266	126,230	1,119,496
Property Services						
Property Services Management	734	7,680	0	8,414	74,917	83,331
Caretakers	649,267	202,365	-364,000	487,632	-67,308	420,324
Maintenance of Grassed Areas	71,130	768,807	-31,440	808,497	0	808,497
Responsive & Void Repairs	1,019,758	6,728,570	-69,000	7,679,328	59,826	7,739,154
Compliance	393,691	1,322,560	-100	1,716,151	-118,119	1,598,032
Independent Living Premises Costs	291,227	445,632	-855,250	-118,391	220,322	101,931
District Heating Service	0	510,000	-510,000	0	0	0
Programmed Maintenance	996,540	534,810	-149,500	1,381,850	-632,787	749,063
Sub-Total	3,422,346	10,520,424	-1,979,290	11,963,480	-463,148	11,500,332
General Income						
Customer & Client Receipts	0	0	-28,572,800	-28,572,800	0	-28,572,800
Interest	0	0	0	0	0	0
Sub-Total	0	0	-28,572,800	-28,572,800	0	-28,572,800
Transfers to/from Reserves				0	175,000	175,000
Grand Total	5,469,657	12,678,739	-31,859,190	-13,710,794	13,710,794	0

Notes:

- Tenant service charge income of £315k for caretaking services and staircase lighting has been vired from General Income - Customer & Client Receipts, to Caretakers. A further £139k for door entry and painting has been vired to Programmed Maintenance. This reflects where the relevant expenditure is incurred.
- Furnished Homes and District Heating Scheme have been allocated to individual lines to aid transparency.

Budget 2023/24	Employees £	Running Expenses £	External income £	Total Cash £	Support Services & Capital Charges £	Net budget £
General Expenses						
Premises Related Expenses	0	184,787	0	184,787	0	184,787
Bad Debts Provision	0	130,000	0	130,000	0	130,000
Capital Programme Contribution	0	0	0	0	7,454,630	7,454,630
Debt Principal Repayment	0	0	0	0	374,784	374,784
Debt Charges	0	0	0	0	3,116,990	3,116,990
Sub-Total	0	314,787	0	314,787	10,946,404	11,261,191
Supervision, Management, Repairs & Maintenance						
Central Administration	17,215	1,565,670	-1,009,100	573,785	2,692,244	3,266,029
Transformation & Housing Regulation	186,261	0	0	186,261	0	186,261
Income & Financial Inclusion	714,121	113,770	0	827,891	156,303	984,193
<u>Tenancy Services</u>						
Allocations	310,051	70,520	0	380,571	4,182	384,753
Estate Management	317,129	347,757	0	664,886	25,111	689,997
Other Tenancy Services	45,392	302,000	-470,000	-122,608	0	-122,608
Elderly & Disabled Support	329,243	145,230	-597,000	-122,528	85,964	-36,564
Sub-Total	1,001,814	865,507	-1,067,000	800,321	115,257	915,578
<u>Property Services</u>						
Property Services Management	378,471	7,680	0	386,151	-51,534	334,618
Compliance	235,352	1,153,305	-100	1,388,557	24,844	1,413,400
Caretakers	532,483	171,062	-49,000	654,545	-10,947	643,599
Maintenance of Grassed Areas	71,130	798,440	-31,440	838,130	0	838,130
Responsive & Void Repairs	356,027	5,185,570	-69,000	5,472,597	-14,554	5,458,043
Independent Living Premises Costs	270,115	432,946	-825,250	-122,189	223,848	101,659
Programmed Maintenance	540,676	534,810	-500	1,074,986	-326,386	748,600
Sub-Total	2,384,254	8,283,813	-975,290	9,692,777	-154,729	9,538,048
General Income						
Customer & Client Receipts	0	0	-26,823,300	-26,823,300	0	-26,823,300
Interest	0	0	0	0	0	0
Sub-Total	0	0	-26,823,300	-26,823,300	0	-26,823,300
Transfers to/from Reserves	0	0	0	0	0	0
Grand Total	4,303,664	11,143,547	-29,874,690	-14,427,479	13,755,478	-672,000

Appendix 2 - HRA Reserves Policy

Reserves Protocol

1.1 For each reserve held by the Council there must be a clear protocol setting out:

- The reason for and purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the reserve's management and control; and
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

1.2 Details for each HRA reserve are set out below. Each reserve is managed and controlled by a Chief Officer. The responsible officer can authorise amounts of up to £10,000 to be taken from a reserve provided that its use is in line with the stated purpose of the reserve.

1.3 In addition the responsible officer must also consult with the Housing and / or Finance Portfolio Holders before authorising uses from reserves in excess of £10,000.

1.4 Reserves are reviewed and updated as part of the annual budget preparation and as part of the closure of accounts process to ensure that they continue to be required and are adequate in size. Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area. Balances represent unallocated funds which have not been earmarked and consequently are available to support any service area.

1.5 The values shown below for each reserve reflect their current position. The process for closing down the accounts at the year-end will then allow for any outstanding in year commitments and contributions.

1.6 The underlying level of reserves is adequate.

Description	Purpose	How and When Used	Responsible Officer	Value £000
HRA BALANCES	Balances are held by every organisation and are used to cushion the impact of unexpected	Can be used as a general contingency and should be maintained at a level of at least £100 per property.	Head of Housing	620

	events or emergencies, uneven cash flows and to avoid temporary borrowing			
HRA ELEMENT OF INSURANCE FUND	Funds held to meet the Council's self-insured liabilities where this is a more cost effective method of insuring than using an external company	Costs are incurred when insurance claims are settled. The level of the reserve is determined through actuarial reviews	Head of Finance & Procurement	331
DISTRICT HEATING CHARGES RESERVE	This reserve holds the difference between the income raised from charges to tenants for the District Heating scheme and the cost of running this scheme (primarily gas charges).	It is Council policy to run this scheme on a cost recovery basis, and so it is necessary to maintain this reserve so that any surpluses that are achieved can be carried forward to fund lower charges to tenants in the future than otherwise would be possible	Head of Housing	0
REPAIRS RESERVE	This reserve is used to deal with demand led and other spending pressures on the	Can be used as a general contingency for repairs expenditure	Head of Housing	550

	response and void repairs budgets	and should be maintained at a level of at least 10% of the repairs budgets		
GENERAL SLIPPAGE RESERVE	This reserve is used to carry forward slippage on revenue and capital projects, where required	Enables the funding on schemes that are not completed at the financial year end to be carried forward so that the scheme can be completed in the next financial year	Head of Housing	30
TRANSFORMATION AND EFFICIENCY SAVINGS	This reserve is available to support the overall budget position	Used to deal with the financial challenges facing the HRA over a medium term period	Head of Housing	1,181

Appendix 3 – HRA Business Plan

The table below summarises the HRA business plan over the next 30 years, built on the draft 2024/25 HRA revenue and capital budgets, with assumptions applied to future years. It shows that the HRA is viable over the life of the business plan for revenue, capital and approved new build, though with little long-term headroom.

Although the assumptions are considered to be reasonable, it is very likely that over 30 years the picture will differ to current projections. The purpose of the model is therefore to demonstrate that, with reasonable assumptions, current and proposed approvals are expected to be affordable over the lifetime of the business plan.

Budget Area	1	2	3	4	5	Years	Years	Years
	2024/25	2025/26	2026/27	2027/28	2028/29	6-10	11-20	21-30
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Related Costs	5,470	5,575	5,692	5,802	5,187	27,493	63,692	77,087
Response Repairs, Void Repairs & Electrical testing	7,006	7,108	7,219	7,334	7,402	37,995	80,789	86,593
Other Premises Related Costs	3,974	3,971	4,041	4,114	4,173	21,778	48,433	55,606
Transport Related Costs	232	232	237	242	247	1,309	3,041	3,707
Budget Contingency	290	290	296	302	308	1,634	3,795	4,626
Supplies & Services	1,177	924	943	962	981	5,207	12,096	14,744
Support Services & Internal Income	2,816	2,694	2,748	2,803	3,054	16,209	37,656	45,902
Loan Interest & Contribution Towards Repayment	3,726	3,785	4,191	4,155	3,965	20,316	43,248	50,093
Revenue Contribution/MRR	7,168	8,185	8,455	9,205	10,358	54,375	105,259	90,617
Dwelling Rents	-28,100	-28,925	-29,892	-30,893	-31,570	-164,876	-351,072	-376,292
Other External Income	-3,760	-3,840	-3,931	-4,025	-4,104	-21,439	-46,937	-52,684
HRA TOTAL IN YEAR	0	0	0	0	0	0	0	0
Investment Programme - per scs	4,834	7,329	7,477	6,583	6,711	38,734	115,658	122,152
Other Property Services Budgets	7,464	2,714	2,768	2,513	2,562	29,782	29,034	35,312
Total Housing Capital Budget	12,298	10,043	10,245	9,096	9,274	68,516	144,692	157,464
Investment in New Build	4,357	5,569	14,469	6,583	0	0	0	0
Total Capital Expenditure	16,655	15,612	24,714	15,679	9,274	68,516	144,692	157,464
MRR	-4,780	-4,849	-4,926	-5,004	-5,050	-25,923	-55,121	-59,081
Revenue Contributions	-2,388	-3,336	-3,529	-4,201	-5,308	-28,452	-50,138	-31,536
Capital Grants	-3,122	-1,489	-1,987	-1,461	0	0	0	0
141 Receipts	0	-482	-1,616	-469	0	0	0	0
Other Capital Receipts	-401	-1,794	-1,853	-1,466	-1,138	-7,704	-11,789	-12,219
Borrowing	-5,964	-3,663	-10,803	-3,078	2,223	-6,437	-27,644	-54,628
Total Capital Funding	-16,655	-15,612	-24,714	-15,679	-9,274	-68,516	-144,692	-157,464

Key assumptions include:

- Cpi of 2% in the medium- and long-term, reflecting the Bank of England target
- Pay uplift of 4% in 2024/25 and 2% pa thereafter
- Government rent policy – yet to be announced – from 2025/26 to 2029/30 continues with an approach of cpi+1% as at present. It is assumed that rents will increase by cpi only after this date
- The cost of borrowing for the HRA reduces from 5.0% in 2024/25 to 3.0% in the medium- and long-term

Key risks to the HRA business plan have been identified as:

- **Government rent policy** being less favourable than anticipated in this model, leading to a significant loss of income over 30 years. Conversely, if Government rent policy is more favourable there will be additional funding available for other work.
- **Interest rates** available to the HRA being substantially higher or lower than 3% on average over the lifetime of the business plan. This will create additional pressure if they are higher and additional benefit if they are lower.
- **Inflation** could have a significant cumulative effect over 30 years. However, it is expected that with the 2% target set for the Bank of England by Government, the average is likely to be around 2% in the long term.
- **Increased revenue costs** from contract inflation above cpi or increased activity. This will tend to use resources otherwise available as revenue contribution, so leading to greater borrowing requirement for capital and more interest to pay within the HRA.
- **Increased capital expenditure** from contract inflation above cpi or increased activity. This will lead to increased borrowing levels and therefore increased interest payments within the HRA. Invest to save projects and new build housing should pay for themselves over time within the business plan.

If adverse events occur to make the HRA business plan unviable then action will need to be taken to mitigate or offset this. Likewise, if favourable events occur and the position improves then there will be more room for additional ambitions.

The interplay in the business plan between interest payments on capital borrowing and available revenue contributions within the business plan are illustrated in the graph below. The more capital borrowing required over 30 years, the higher the interest strain on the HRA with less rental income being available to part-fund capital projects through revenue contributions. This in turn requires greater capital borrowing, potentially creating a vicious circle. On the other hand, additional borrowing allows additional capital projects to be delivered.

The graph below shows that current approvals and firm plans are fundable.

