

Agenda No 12

AGENDA MANAGEMENT SHEET

Report Title: Draft Housing Revenue Account Capital & Revenue Budgets 2024/25 and Medium Term Financial Plan 2024-28

Name of Committee: Cabinet

Date of Meeting: 5 February 2024

Report Director: Chief Officer – Finance and Performance and Chief Officer - Communities and Homes

Portfolio: Communities, Homes, Digital and Communications

Ward Relevance: all

Prior Consultation: Group Leaders and Leadership team

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Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)

Summary:	The primary purpose of this report is to present a final draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2024/25, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C) and a summary of reserves (Appendix D).
Financial Implications:	The financial implications are contained in the report
Risk Management/Health and Safety Implications:	Contained in the report
Environmental Implications:	A Climate Change and Environmental Impact Assessment will be presented with the final budget report at Council on 05 February 2024
Legal Implications:	Contained in 1.2 and 2.1 of this report.
Equality and Diversity:	A Equality Impact Assessment will be presented with the final budget report at Council on 05 February 2024
Options:	None as a direct result of this report
Recommendation:	IT BE RECOMMENDED TO COUNCIL THAT - <ul style="list-style-type: none"> 1) the draft revenue budgets for 2024/25 and the updated medium term financial plan in Appendices A and C be approved inclusive of 7.7% increase in rent and service charges based on estimated costs and the pitch fees at Woodside Park; 2) the approved capital budget in Appendix B be noted; and 3) the contribution to the Transformation reserve as set out in paragraph 9.4 be approved.
Reasons for Recommendation:	To give Cabinet an initial view of the Housing Revenue Account revenue for 2024/25 onwards

Cabinet - 5 February 2024

**Draft Housing Revenue Account Capital & Revenue Budgets
2024/25 and Medium Term Financial Plan 2024-28**

**Public Report of the Chief Officer – Finance and Performance and
Chief Officer - Communities and Homes**

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT -

- 1) the draft revenue budgets for 2024/25 and the updated medium term financial plan in Appendices A and C be approved inclusive of 7.7% increase in rent and service charges based on estimated costs and the pitch fees at Woodside Park;
- 2) the approved capital budget in Appendix B be noted; and
- 3) the contribution to the Transformation reserve as set out in paragraph 9.4 be approved.

EXECUTIVE SUMMARY

The report sets out the Housing Revenue Accounts budgets, both capital and revenue for the financial year 2024/25. The main features of the report are

- The HRA will set a balanced budget keeping the main reserve at £3.840million, this is both prudent and responsible, allowing the council to quickly respond to unforeseen emergencies within the stock.
- The potential annual rent increase of 7.7% on all dwellings
- The annual HRA Capital Programme totals, for 2024/25 of £22.155m
- All HRA reserves will total £24.584m at the end of 2024/25, vital to the continuous improvement and repair of the stock.

The budget along with its reserves demonstrates that the Housing Revenue Account's financial position is robust and sustainable, allowing the continuation of a quality housing service across the Borough.

1. Purpose

1.1. The purpose of this report is to present a draft HRA revenue position and a capital position for 2024/25 based on budget submissions, plus a HRA Medium Term Financial Plan (MTFP) for recommended approval at rent setting full Council on 6 February 2024.

1.2. The Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change which will come into effect from 1 April 2024.

2. Background

2.1. The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act ensures that the HRA does not fall into a deficit position.

2.2. The rent for the year needs to align with the Regulator for Social Housing Rent Policy Statement. The Rent Policy Statement sets requirements and expectations regarding charges including increasing and decreasing rents and service charges.

2.3. This report includes the following appendices:

- **Appendix A** – Draft Revenue Budgets 2024/25 summary – Housing Revenue Account
- **Appendix B** – Proposed Housing Revenue Account Capital Programme 2024/25 and onwards
- **Appendix C – Medium Term Financial Plan – Housing Revenue Account 2024/25-2027/28**
- **Appendix D – Reserves summary**

Throughout the report savings on expenditure and income are shown in brackets.

3. Summary

3.1. The changes to the estimates presented to Cabinet in January are as follows and are detailed in Section 4 below.

- Changes to salaries of £0.575m
- Estimated change to internal recharge calculations from the General Fund to HRA of £0.110m.
- Utility costs of (£0.127m) following an estimated decrease in gas costs for 2024/25

3.2. Significant activities within or impacting upon the Housing Revenue Account in 2023/24 to date include:

- 29 property acquisitions have been completed
- 5 properties sold under Right To Buy
- Deconstruction of Rounds Gardens site is near completion. Completion estimated for February 2024.

- Start on site at Biart Place in quarter 3 of 2023/24 to build 100 new council homes (social rented)
- Examining the statistics from acquiring properties and those lost through the Right To Buy, this financial year (2023/24) the Council are in positive surplus of stock with +24
- An influx of void properties classed as major voids. Industry benchmarking would expect circa 15% of void properties to be classed as major but in 2023/24 this has been in excess of 50%.

3.3. For 2023/24 rent increases were capped at 7.0%, however previous Rent guidance allowed increases of CPI in September + 1% for the four years up to 2024. DHLUC have confirmed that Councils can revert to the CPI+1% policy for 2024/25. For financial planning within the Medium-Term Financial Plan rent uplifts are estimated at 4.5% in 2025/26 and then 3% (Bank of England CPI target of 2% + 1%).

4. Revenue

4.1. The current proposed revenue income and expenditure account for the HRA is shown in appendix A, however in summary;

	2023/24 £000s	2024/25 £000s	Difference £000s
Income	(18,452)	(19,787)	(1,335)
Expenditure	18,452	19,787	1,335
Net	0	0	0

The significant areas of movement are outline below;

4.2. Employee costs - £0.575m

The pay award accepted for 2023/24 is a flat rate increase of £1,925 across all salary points up to grade K on the pay scales however the budget was set at 4%. As well as requiring budget for the pressure generated by this of £98,160 a pay award of 4.00% has been assumed for 2024/25. Progression through pay scales and increased employer contributions to the Local Government Pension Scheme and Employers National Insurance have also been included in the MTFP. An additional £0.200m has been included for temporary staffing and consultancy work within the HRA.

Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

4.3. Utility Costs (£0.127m)

Electricity prices are expected to increase by 1.34% and gas prices to reduce by 46.5%. Gas prices estimates for 2023/24 from our wholesaler ESPO projected that gas prices could rise by 285% for 2023/24 on top of a projected rise in 2022/23 of 33%. The latest information from ESPO expects the cost of gas to be significantly lower due to higher volumes of storage and gas levels

being maintained meaning that the panic buying of gas is unlikely to happen as it did in the second half of 2022.

	2023/24 £000s	2024/25 £000s	Difference £000s
Electricity	224	227	3
Gas	243	113	(130)
Total	467	340	(127)

4.4. ^(OBJ)Central Recharge - £0.110m

These costs are currently £2.918m in 2023/24 and include the HRA's proportion of Corporate Property, ICT, Legal, Human Resources, Payroll, and other costs. The estimated figure for 2024/25 is £3.018m, an increase of 3.4%.

4.5. Charges for Capital - £0.204m

Estimates for 2024/25 charges will be based around Chartered Institute for Public Finance and Accountancy (CIPFA) and DLUHC guidance. If there is a variance on final depreciation charge the excess or deficit is transferred to the Major Repairs Reserve to ensure the smoothing of costs for major works over the medium term.

4.6. Voluntary Repayment of Debt (£0)

Unlike the General Fund, there is no statutory requirement to set aside money from revenue for debt repayment within the HRA allowing flexibility to adjust debt repayment considering HRA business planning needs in future years. The Council has now repaid the loans taken out in 2012 as part of the new financing arrangements introduced and therefore no voluntary repayments are required.

4.7. Stock Condition Survey - £0.057m

This is an allocation of funds to carry out a stock condition survey as part of an approved programme of work for 20% of properties in the first year. The results of the survey will not be known until the work is completed and therefore no allowance for capital included in appendix B. This will form part of a separate report to Cabinet. Preparations will start toward the end of 2023/24 with the survey proper commencing in 2024/25.

4.8 Stock options appraisal for Tanser Court - £0.150m

To progress further an assessment of potential options for the future of Tanser Court, at a cost of £150m, with proposals being brought to council for consideration in 2024/25.

4.9 Housing Repairs - £0.475m

Housing repairs expenditure covers both planned and responsive maintenance, some of which is capital funded. The funding is split between:

- the Housing Repairs Account for revenue expenditure such as boiler servicing, electrical inspections, etc.; and
- the Major Repairs Reserve (MRR) for capital works including the replacement of significant components (kitchens, bathrooms, central heating, etc.)

The proposed transfer to the Housing Repairs Account in 2024/25 is estimated at £4.779m (£4.304m 2023/24). Works within this total include:

- £0.430m - an increase of £0.044m for gas servicing and maintenance works;
- £3.895m - an increase of £0.431m for responsive repairs and voids; £0.140m - Smoke alarm replacements (unchanged); and
- £0.314m - Electrical inspections and maintenance (unchanged).

5. Capital

5.1 The 2023/24 Capital Programme has seen the Council continue its refurbishment and improvement programme. The work has included

- 145 Bathroom refurbishments
- 300 Kitchen refurbishments
- 60 Boiler upgrades
- 1 commercial boiler replacement
- All planned new security entrance doors and associated intercoms have been completed and two existing intercom systems will be upgraded by March
- 44 properties have benefitted from disability adaptations -including 17 further level access showers, 1 ground floor WC installation, 27 properties had either grab rails, handrails, half steps or a combination of all three, 2 x ramps, 1 stairlift, 8 door widenings and 15 other miscellaneous adaptations (repositioning of intercoms, specialist alarms etc).

The current proposed capital programme is shown in appendix B, however in summary:-

	2023/24£000s	2024/25 £000s	2025/2 £000s	2026/27 £000s	2027/28 £000s
Expenditure	19,606	22,155	13,814	5,970	4,867
Funded by					
Revenue/ Contributions / RTB receipts	8,060	7,838	1,805	1,805	1,805
Grants	4,172	2,804	1,700	0	0
Major Repair Reserve	3,560	2,568	3,062	3,062	3,062
Borrowing	3,814	8,945	7,247	1,103	0
Total	19,606	22,155	13,814	5,970	4,867

5.2 The above table includes estimated re-profiling from 2023/24 into 2024/25 of the HRA's major schemes (£000s);

- Biart Place £6.864m for the regeneration of the site.
- Rounds Gardens £1.236m for the regeneration of the site.
- Carbon management Plan £1.308m for energy efficiency improvements on our housing stock.

5.3 The Prudential Code for Capital Finance in Local Authorities sets out that to demonstrate that an authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The Capital Strategy will set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

5.4 The Capital Strategy also gives the Chief Financial Officer the delegated authority to review the funding of the capital programme and make changes where appropriate.

6 Decarbonisation of the housing stock

6.1 A plan is being established to incorporate how the capital programme can help the Council to deliver the climate change commitments as identified in the Corporate Strategy. In achieving this there will also be benefits to the tenants as the schemes will support them with more energy efficient homes.

6.2 In December 2023 Council agreed to a stock condition survey of 60% of all properties and 100% of communal areas, along with a refresh of 700 EPC's to be undertaken.

6.3 In future years, a rolling programme of 20% of stock condition surveys is recommended to ensure that the council is ensuring the quality of its homes for tenants and complying with the expectations of the Regulator for Social Housing.

6.4 Stock modelling software has been purchased, which will support the development of plans in a strategic way, feeding into both the soon to be refreshed asset management strategy and a new HRA business plan.

6.5 The Council is currently regenerating its two high-rise areas building more suitable accommodation for the needs of the residents of the brough. These new homes are being designed to have EPC Rating of A or A+

6.6 The Council is delivering energy efficiency improvements to 112 solid wall properties in Long Lawford and Rokeby, through the utilisation of the Social Housing Decarbonisation fund, The £2.2m scheme, to be delivered over two years is 50% grant funded and 50% RBC funded.

7. MEDIUM TERM FINANCIAL PLAN 2024/25-2027/28

7.1. Appendix C shows the MTFP for the next four financial years and below is a summary:-

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Income	(19,787)	(20,907)	(21,794)	(23,016)
Expenditure	19,787	20,907	21,794	23,016
Net	0	0	0	0

8. FUNDING OF THE HRA

8.1. The funding for the HRA is generated through:

- Dwelling & Non-Dwelling Rents
- Service charges
- Individual heating systems

8.1 Rent Increase

8.2 With September CPI being 6.7%, this means rents could potentially rise by 7.7%, the increase in rent is critical to the delivery of the social landlord function as this income is also used to provide household repairs for example plumbing and electrical repairs and improvements such as energy efficient boilers replacements at no additional cost to the tenant.

8.3 Any below inflationary increase has several consequences.

- The compound impact on future generated income
- The ability to maintain balances for both current expenditure and future investment
- The ability to provide decent homes to meet the needs of the tenants

The illustrative table (below) demonstrates that compound impact over the next 3 years with an inflationary increase of 3% from 2024/25 onwards.

Increase %	2024/25 £000s	2025/26 £000s	2026/27 £000s	Total £000s
7.7%	0	0	0	0
5%	458	472	486	1,416
4%	628	647	666	1,940
3%	797	821	846	2,465
2%	967	996	1,026	2,989
1%	1,137	1,171	1,206	3,513
0%	1,306	1,346	1,386	4,038

- 8.4 Rent estimates for 2024/25 assume a stock level of 3,456 available to let HRA properties at the start of April 2024. It is estimated that stock will fall by an estimated 20 Right-to-Buy sales in year. The fall in numbers will be mitigated by the acquisitions available on the open market (including purchases from developers as part of S106 provisions). A void rate of 2.40% is estimated for 2024/25.
- 8.5 Currently, approximately two-thirds of council tenants receive help with the payment of their rent through Universal Credit or Housing Benefit. However, the Council will not be aware of all the Universal Claimants as this benefit is normally paid directly to the claimant. The financial support received will be adjusted to account for any changes in rent or eligible service charges.
- 8.6 Also, the benefits increases, including Universal Credit for 2023/24 and 2024/25 have been 10.1% and 6.7% respectively keeping them ahead of Local Authority rent increases over the same period. The UK State pension has, in the same period, increased by 10.1% and 8.5% due to the triple lock mechanism used.
- 8.7 The rent raised goes, wholly, towards running the service and keeping the stock up to the quality levels expected by members. It contributes to day-to-day repairs, to major capital schemes including the Council’s ambition of achieving net-zero. It is important that the rent base is not eroded, as it was between 2016 and 2020 as this has long term ramifications which cannot be repaired.

Rent Calculation

- 8.8 The calculations for rents are based on average rents over the entire year. The percentages applied to this may not be the same as the ones applicable when considering a 48 or 49-week rent year.
- 8.9 The following calculations are based on stock numbers as of October 2023. Tenants with a 48/49 week tenancy agreement get four “non-payment rent weeks per year. They are charged the same amount of rent as those paying for 52/53 weeks of this year but just over the shorter period. Tenants with council debts are encouraged to carry on paying as usual during these weeks to reduce their liability to the council.

	2023/24 £	2024/25 £	Average Increase %	Average Increase £
Average Weekly Rent 52 week basis	97.12	104.60	7.70	7.48
Average Weekly Rent 48 week basis	105.21	113.31	7.70	8.10
Total annual rent	16.966m	18.340m		

8.10 Although the average increase is £7.48 a week, the Council rents are still considerably lower than other landlords within the housing sector. This is particularly true when comparing the weekly cost of a family home to the private sector landlords which along with secure tenancies (lifetime tenancies) means that RBC is providing great value for money. The following table compares current rent levels across all sectors, based on information for December 2023:

Cross-sector comparison of current rent levels (£ pw)	Council	Housing Association	Private	“Affordable”
One bed	93.98	87.79	151.61	100.34
Two bed	107.12	106.87	177.50	126.50
Three bed	115.81	118.50	273.57	148.55
Four bed	125.13	136.80	332.67	193.98
Five bed	149.79	162.56	-	-

8.11 Estimated rental income from dwellings of £18.340m for 2024/25. The estimate is based on the central business case of:

- An average 2.40% void rate across the stock;
- 20 Right-to-Buy sales in 2024/25; and
- Acquisition of 15 properties.

8.12 The table below shows the impact of voids on the income levels. As well as the loss in income, the Landlord also becomes liable for the council tax and utility standing charges between tenancies

	Loss of income £000s	Additional Council tax (based on a band D property – Rugby Town Area) £000s	Total impact £000s
1%	188	75	263
2%	376	150	525
3%	564	225	789

8.13 Each additional RTB sale produces an average rent loss of £5,440 in a full year. The average target rent in 2023/24 (52-week basis) will be £102.35 as compared to the average current rent of £104.60.

Rent Collection/Bad Debt Provision

- 8.14 The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that must be set aside.
- 8.15 Arrears as at 01 January amounted to £1.344m, 72% of this total (£0.967m) relates to current tenants. The HRA’s contribution to the bad debt provision for 2023/24 was £0.066m, calculations at this stage indicate that an additional contribution to the provision is not required for 2024/25, so the provision for now remains unchanged at £0.066m.
- 8.16 The additional staffing request recently approved for the Housing Services Team will allow additional Income Officer recruitment to further strengthen our services. This will reduce patch sizes for each officer, allowing them to work on cases in greater detail, thus improving collection rates. It also includes the recruitment, now well advanced, of Lead Officer to oversee this work and provide specialist knowledge and an increase in Support Officers to work with any residents experiencing financial difficulties.
- 8.17 Some of the pressure on tenants will be mitigated by inflation level increases in both benefits and State Pension highlighted in section 8.6 above.

Service Charges

- 8.18 In line with government guidance, service charges are de-pooled from rent charges which enables tenants to see the estimated amount spent on services. Income from service charges is estimated at £1.180m in 2024/25 (including a void allowance of 2.40%).
- 8.19 The average weekly impact upon utilities and cleaning service charges arising from the estimates of costs associated with that service in 2024/25 (on a 52-week basis) is as follows:

Charge Type	Average Charge p/w (52 wk basis) £	Average Change p/w £
Communal Lighting - Electricity (Rebateable – eligible for Housing Benefit)	1.93	0.03
Communal Heating – Gas (Rebateable – eligible for Housing Benefit)	0.58	(1.23)
Communal Cleaning (Rebateable – eligible for Housing Benefit)	3.07	0.10
Independent Living Co-ordinator (to be increased in line with rent rise)	10.31	0.74
Water	7.33	0.40

- 8.20 Utility costs have been included based upon information from Quarter 2 ESPO energy report. This has resulted in a slight increase in electricity cost of 1.34% and a reduction in gas costs of 53.5%.

Woodside Park Rents

8.21 It is proposed that Pitch fees for Woodside Park are to rise in line with HRA rents. The current pitch fee is £138.02 and will rise in 2024/25 to £148.64 - an increase of £552.24 per annum (7.7%). These will be included as part of the fees and charges schedule approved by Council in February. Changes to pitch fees are governed by the Mobile Homes Act 1983.

8.22 The Housing Services Team have built good relationships with the Department for Work and Pensions in order to assist residents to obtain all benefits they are entitled to. Officers visit site to offer face to face assistance or can offer appointments at the Town Hall.

Individual Apartment Heating costs

8.23 The recovery of heating costs only relates to three sheltered schemes (Albert Square, Tanser Court and Lesley Souter House) in 2024/25 (on a 52-week basis) is as follows:

Charge Type	Average Charge p/w (52 wk basis) £	Average Change p/w £
Individual Apartment heating cost Communal Heating – Gas (Non-Rebateable – Very Sheltered Housing only – not eligible for Housing Benefit)	16.07	(17.43)

8.24 Unlike a service charge, this is the heating charge for the tenants as the sites have a centralised heating system, which feeds the domestic supply of each individual property within the housing scheme. Tenants are responsible for their domestic utility costs as are other households within the HRA. Such charges are specifically ineligible for housing benefit (please quote relevant guidance etc).

8.25 This is also a fixed charge so the affected tenants will be insulated from any in year price fluctuations.

9. Reserves

9.1 As part of the annual budget setting process an assessment of required level of reserves needs to be undertaken, taking account of the potential future financial risks faced by the landlord. It is considered prudent to hold sufficient reserves and balances to give the Council the ability to manage any peaks in expenditure and troughs in income and funding over the medium term and give the Council time to plan service changes and further efficiencies.

- 9.2 It is anticipated that the Sheltered Accommodation Reserve may be used in part to fund the upgrading of Lifeline systems in Independent Living properties as part of the nationwide move from analogue to digital.
- 9.3 In 2023/24 a HRA transformation reserve was established. There is a corporate transformation budget which is ring-fenced to supporting General Fund activities however, there was no similar provision for Housing Revenue Account transformation activities. It is proposed that a HRA transformation reserve of £0.150m be continued for 2024/25, to be funded from the Housing Capital Investment balances. This funding will be used for backfilling of posts if internal secondments are utilised as well as consultancy support to boost capacity for project development and delivery. This is essential so that the service can maintain a customer focused approach on the day-to-day management of our portfolio of homes and prepare for the new social housing inspection regime which begins in 2024.
- 9.4 The availability of these reserves provides resilience to enable to services to provide a positive and dynamic respond to any shock events such as unexpected interventions from the Regulator without compromising the service to our tenants.
- 9.5 A summary of the key HRA balances is shown in appendix D, a summary of total balances is shown below

	2023/24	2024/25	2025/26
	£000s	£000s	£000s
Housing Revenue Account	3,840	3,840	3,840
Major Repairs Reserve	4,621	5,377	5,789
Housing Capital Reserve	14,442	13,661	17,614
Climate Change Reserve	1,000	1,000	1,000
Transformation Reserve	0	100	100
Sheltered Accommodation Reserve	407	456	507
Total	24,310	24,434	29,850

HRA Revenue Balance

- 9.6 This reserve is held in order to fund tenant services and day to day repairs and maintenance of the Council housing stock. It is estimated HRA Revenue balance on 31 March 2024 will be £3.840m. This level is considered prudent to meet unexpected revenue costs arising relating to the HRA Medium Term Financial Plan.

Major Repairs Reserve

9.7 The Major Repairs Reserve (MRR) reflects the need to replace major components as they wear out. This funding, together with previous allocations of supported borrowing and revenue contributions, has enabled the Council to maintain the housing stock in a good condition. Balances will require reviewing considering any regulatory changes in future years.

Housing Repairs Account

9.8 The Housing Repairs Account is an earmarked reserve used to mitigate the risks associated with cyclical and responsive repairs over time. The forecast balance over the period of the medium-term financial plan is £0

Housing Capital Reserve

9.9 In addition to the above, the Council has also made revenue contributions set aside for capital investment in prior years to fund new build, estate regeneration and other works.

Climate Change Reserve

9.10 The reserve has been established to support the Council's objective to move operations towards carbon neutrality by 2030. It will also assist in getting external funding to be made available by being utilised as match funding

10 Right-to-Buy (RTB) Capital Receipts

10.1. On 01 April 2022, Department of Levelling Up, Housing and Communities (DLUHC), introduced a cap on the number of acquisitions for which the Council could use its Right to Buy receipts. Currently the cap is set at 50% of acquisitions with the first 20 purchases being exempt from this. The cap will reduce to 40% from 2025/26 and to 30% thereafter. Currently up to 40% of the financing of acquisitions within the cap can be met by retained Right to Buy receipts. The DLUHC hope that by putting this cap in place it will encourage new building and therefore increase the overall number of houses in the UK.

10.1. The Council has a 1-4-1 retention agreement with DLUHC allowing it to retain a greater proportion of receipts upon the condition that they are utilised in provision of replacement housing within 5 years. Receipts that are not utilised must be returned to Her Majesty's Treasury (HMT) and incur an interest charge of Bank of England Base Rate plus 4%. Following on from the update in policy, 40% of the expenditure incurred on replacement housing may be financed from RTB receipts and a cap has been introduced the reliance on this form on financing will be reduced during the next 3 years.

10.2. It is assumed that 28 homes will be sold under the Right-to-Buy scheme per year over the period of the medium-term financial plan producing an average receipt of £0.105m per property (prior to pooling).

10.3. The total amount of capital receipts relating to HRA sales is currently £12.767m. These are contained in the Council's overall Capital Receipts Reserve which includes both 1-4-1 receipts and also the Council's general use capital receipts.

11 Void Management

11.1 There is a direct relationship between the time a property remains void, and the rent foregone. Consequently, ensuring that homes are re-let in the most efficient manner is a key priority for housing and property repairs service staff.

11.2. For 2024/05 the target for void property rent and service charge loss will be let at 2.40%, equating to £0.450m based upon the current void levels. Where rechargeable works are identified at the point of tenancy termination, tenants are offered the opportunity to make good, or will be billed for the costs. Void rechargeable repairs (the works identified through this process) year to date are £0.048m.

11.3. There are numerous activities currently underway or planned to improve void performance figures:

- **Housing Allocations Policy and the process for letting council homes** – the housing allocations policy sets out the criteria for eligible applicants and the process for awarding offers of social housing. The letting of properties refers to the next step – matching people and available homes within the HRA portfolio. Both of these are closely interlinked and both are under review as one has to mirror the requirements of the other. The aims are to make social housing in Rugby more accessible to those with an affordable housing need by increasing the number of Rugby residents eligible to join the housing waiting list. The review of the allocations process will help to ensure that customers have increased choice and consequently, efficiencies will be derived in the lettings process. This is a positive step for Rugby residents and will increase the number of applicants we can let our properties to, decreasing void losses.

- **Pilot Project** - to advertise harder to let properties with local private letting agents in order to reach a wider number of local residents who meet the criteria of the Allocations Policy and are in need of affordable housing.

- **Temporary Accommodation** - using vacant properties to reduce reliance on private sector leased properties to meet temporary accommodation requirements. This will fill voids and reduce expenditure.

- **Pre Allocation** – moving towards the allocation of properties to new tenants as soon as notice is received from the previous tenant in order to minimise void times.
- **Tenancy Audit Programme** – Due to be launched in early 2024 following recent approval for recruitment to additional positions within the Housing Services Team. The programme aims to visit each household every year to assess how they are managing their tenancy - to check tenants are managing their finances and their properties in order to identify properties of concern and tackle issues before properties become void.

This compliments existing work with external contractors who visit homes to carry out gas and other compliance testing programmes. Contractors are encouraged to be the eyes and ears of the Council and report back any concerns they have including regarding the condition of the property. If concerns are raised, the Housing Services Team will carry out a home visit to establish facts and arrange appropriate follow up action.

- **Estate inspections** – have resumed to pro-actively identify properties that are in a poor state of repair by taking note of potential warning signs such as unkempt gardens / damaged glazing and initiate intervention before a property becomes void.
- **Probationary tenancies** - are used for those without a successful tenancy history. Once a tenancy has been satisfactorily conducted for twelve months, the agreement reverts to a secure tenancy. A home visit informs part of the review process. If there are concerns, the probationary period will be extended or, if appropriate, tenancy termination procedures will be initiated.
- **The Redesignation Programme** – will be relaunched in 2024 with the intention to rebalance supply against reduced demand for our independent living accommodation with particular focus on independent living schemes that do not have lifts and scooter storage facilities. The Council's independent living stock is currently around 36% of total stock whereas in the average for equivalent local authorities is around 11%.
- **The Incentive Scheme** - is promoted by Housing Officers to encourage tenants who are under occupying larger general needs properties that they might find difficult to maintain, to smaller independent living homes.
- **The Disposals Procedure** – is used to consider sale of properties where it is appropriate to do so such as those which are deemed hard to let.
- **Pre termination inspections** - have been introduced for tenancies where notice is received to proactively ensure that outgoing tenants understand what they are obliged to put right, and the condition they are required to leave the property in when the keys are returned, to avoid potentially costly recharges. Where repairs are required because of damage outside of fair wear and tear these will be arranged, and the tenant recharged.

- **Post tenancy start works** – where it is safe and appropriate to do so, some works to properties and external areas will be completed around the tenant after they have moved in in order to reduce the time properties are void.
 - **Decorating Vouchers** – rather than carrying out a full or partial decoration of a void property, which is expensive and time consuming, decorating vouchers are issued to new tenants who are able to carry out the works themselves. This is assessed by the Void Surveyor inspecting the properties.
 - **External Contractor** – due to the significant increase in the amount of major voids being returned to the Council, currently at approximately 50% of total voids, an external contractor is being used to support the service and increase turnaround times.
 - **Prioritisation of Properties** - As a responsive local landlord, with teams working closely together, our Property Repairs Service give priority to property types most in demand as highlighted by our Housing Advice and Benefits and Housing Services Team.
 - **Stock Condition Survey** – Preparation will begin in early 2024 with the work on the survey commencing in 2024/25. Initially this will cover 60% of stock and will then facilitate a rolling programme of 20% per annum.
- 11.4.** In addition to this, consideration is being given within the Assets Team around resources for property inspections and stock conditions surveys being conducted as a rolling programme in order to inform future iterations of the Housing Revenue Account Business Plan.

Name of Meeting: Cabinet

Date of Meeting: 5 February 2024

Subject Matter: Draft Housing Revenue Account Capital & Revenue Budgets 2024/25 and Medium Term Financial Plan 2024-28

Originating Department: Communities and Homes

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

DRAFT REVENUE BUDGETS 2024/25 SUMMARY**HOUSING REVENUE ACCOUNT**

	2023/24 Revised Budget £000s	2023/24 Forecast £000s	2024/25 Draft Budget £000s	
INCOME :-				
Rent Income From Dwellings	(16,966)	(16,720)	(18,340)	Rent estimates based on rent increase of 7.7% and estimated 20 Right to Buy sales, 15 purchases in year and voids at 2.4%.
Rent Income From Non - Dwellings	(118)	(115)	(132)	Garage rents have increased based upon current usage and a 7.7% increase.
Charges For Services	(1,236)	(1,163)	(1,180)	The net change in service charge income reflects any changes noted within the report and includes a void allowance of 2.40%.
Contributions Towards Expenditure	(133)	(143)	(135)	
	(18,452)	(18,142)	(19,787)	
EXPENDITURE :-				
Transfer To Housing Repairs Account	4,304	5,481	4,779	Includes increases for salaries (incremental and pay award costs), changes for planned repairs and maintenance and capital charges.
Supervision & Management	5,818	5,652	6,825	Includes increases for salaries (incremental and pay award costs) and agency staffing, changes for electricity and gas charges and a stock condition surveys.
Rents, Rates, Taxes & Other Charges	125	125	125	
Depreciation and Impairment	3,120	3,120	3,324	MHCLG and CIPFA have produced guidelines regarding council dwelling depreciation to co-incide with the introduction of HRA self-financing. Estimates for 2024/25 have been prepared on this basis.
Debt Management Cost	24	24	0	There will be no borrowing within the HRA so no broker fees are due.
Provision For Bad or Doubtful Debt	66	50	66	
	13,457	14,451	15,120	
HRA Share of Corporate & Democratic Core Costs	318	318	283	
NET COST OF HRA SERVICES	(4,677)	(3,373)	(4,384)	
HRA SHARE OF OPERATING INCOME & EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME & EXPENDITURE ACCOUNT				
Interest Payable & Similar Charges	1,104	1,104	1,104	
Interest & Investment Income	(191)	(1,353)	(1,115)	
NET OPERATING EXPENDITURE	(3,764)	(3,621)	(4,394)	
Revenue Contributions to Capital Expenditure	3,817	3,817	4,345	Overall net changes for income and expenditure detailed above are reflected in the amount contributed to capital expenditure.
Contributions to (+) / from (-) Reserves	(53)	49	49	
Surplus(-)/Deficit for year	0	245	0	

Proposed Housing Revenue Account (HRA) Capital Programme 2024/25 and onwards

	Revised 2023/24 Capital Programme	Proposed 2024/25 Capital Programme	Proposed 2025/26 Capital Programme	Proposed 2026/27 Capital Programme	Proposed 2027/28 Capital Programme
	£000s	£000s	£000s	£000s	£000s
Improvements & Capitalised Repairs per Capital Strategy					
Bathrooms	358	358	65	65	65
Bathrooms - Voids	100	100	100	100	100
Bathrooms - Unplanned Renewals	60	50	50	50	50
Fire Risk Prevention Works	149	100	100	100	100
Fire Risk Prevention Works Voids	70	70	70	70	70
Fire Risk Prevention Works - Unplanned Renewals	90	60	60	60	60
Heating Upgrades	155	60	20	20	20
Kitchen Improvements	1,171	655	1,510	1,510	1,510
Kitchen Improvements - Voids	200	200	200	200	200
Kitchen Improvements Unplanned Renewals	56	52	52	52	52
Driveways	50	25	25	25	25
Rewiring	275	160	160	160	160
Rewiring Unplanned Renewals	100	100	100	100	100
Soffit / Gutter Improvements	100	100	100	100	100
Roofing Unplanned Renewals	100	50	50	50	50
Replacement Footpaths	100	100	100	100	100
External Walls	80	50	50	50	50
Housing Window Replacement	10	0	0	0	0
Housing Management System	110	60	60	60	60
Carbon Management Plan	872	1,308	0	0	0
Disabled Adaptations	250	250	250	250	250
Lifeline Renewal Programme	83	60	60	60	60
Property Repairs Vehicle Replacement	86	0	0	0	0
Automated Repairs Scheduling System	74	0	0	0	0
Purchase of Council Homes	8,093	7,142	1,685	1,685	1,685
Rounds Gardens Capital	500	1,236	0	0	0
Rounds Gardens Demolition	3,314	261	0	0	0
Biart Place	3,000	9,548	8,947	1,103	0
TOTAL	19,606	22,155	13,814	5,970	4,867
Draft Financing: -					
HRA Capital Balances	5,710	4,662	1,131	1,131	1,131
RTB receipts	1,950	2,600	674	674	674
Climate change reserve	400	576	0	0	0
Grants	4,172	2,804	1,700	0	0
Major Repairs Reserve	3,560	2,568	3,062	3,062	3,062
Borrowing	3,814	8,945	7,247	1,103	0
TOTAL	19,606	22,155	13,814	5,970	4,867

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2024/25 - 2027/28

	2024/25	2025/26	2026/27	2027/28
	£000s	£000s	£000s	£000s
INCOME				
Dwelling Rent	(18,340)	(19,399)	(20,245)	(21,426)
Non Dwelling Rent	(132)	(133)	(133)	(131)
Service Charges	(1,180)	(1,234)	(1,271)	(1,309)
Contributions towards expenditure	(135)	(141)	(145)	(150)
TOTAL	(19,787)	(20,907)	(21,794)	(23,016)
EXPENDITURE				
Repairs & Maintenance	4,779	4,731	4,822	4,915
Supervision & Management	6,825	6,605	6,710	6,818
Rents, Rates, Taxes	125	125	125	125
Charges for Capital	3,324	3,474	3,578	3,685
Debt Management	0	0	0	0
Provision for Bad Debts	66	70	73	77
HRA Share of Corporate & Democratic Core Costs	283	293	299	305
Net Interest Payments	(11)	(11)	(11)	(11)
Revenue Contributions to Capital Expenditure	4,345	5,569	6,145	7,047
Contribution to/from(-) reserves	49	51	53	55
Total	19,787	20,907	21,794	23,016

Impact on Average Rent (48 week basis):	£	£	£	£
Prior Year	105.21	113.31	118.41	121.96
Current Year	113.31	118.41	121.96	125.62
Increase £'s	8.10	5.10	3.55	3.66
Increase %	7.70	4.50	3.00	3.00

Impact on Average Rent (52 week basis):	£	£	£	£
Prior Year	97.12	104.60	109.31	112.59
Current Year	104.60	109.31	112.59	115.97
Increase £'s	7.48	4.71	3.28	3.38
Increase %	7.70	4.50	3.00	3.00

**2025/26 - 20227/28 increase % is based on government target inflation of 2% + 1%*

HRA - Summary of Reserve Balances

	2023/24 £000s	Contributions to/(from)	2024/25 £000s	Contributions to/(from)	2025/26 £000s
Housing Revenue Account	3,840	0	3,840	0	3,840
Major Repairs Reserve	4,621	756	5,377	412	5,789
Housing Capital Reserve	14,442	-781	13,661	3,953	17,614
Climate Change Reserve	1,000	0	1,000	0	1,000
Transformation Reserve	0	100	100	0	100
Sheltered Accommodation Reserve	407	49	456	51	507
Total	24,310	124	24,434	4,416	28,850

EQUALITY IMPACT ASSESSMENT (EqIA)

Context

1. The Public Sector Equality Duty as set out under section 149 of the Equality Act 2010 requires Rugby Borough Council when making decisions to have due regard to the following:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sex/gender
 - sexual orientation
3. In addition to the above-protected characteristics, you should consider the crosscutting elements of the proposed policy, such as impact on social inequalities and impact on carers who look after older people or people with disabilities as part of this assessment.
4. The Equality Impact Assessment (EqIA) document is a tool that enables RBC to test and analyse the nature and impact of what it is currently doing or is planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. The questions will enable you to record your findings.
6. Where the EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. Once completed and signed off the EqIA will be published online.
8. An EqIA must accompany all **Key Decisions** and **Cabinet Reports**.
9. For further information, refer to the EqIA guidance for staff.
10. For advice and support, contact:

The Corporate Equality and Diversity Team

Equality Impact Assessment

Service Area	Communities and Homes Corporate Resources
Policy/Service being assessed	HRA – Rent Setting 2024/25
Is this a new or existing policy/service? If existing policy/service please state date of last assessment	Existing January 2023
EqIA Review team – List of members	Michelle Dickson Jon Illingworth Mary Jane Gunn
Date of this assessment	26 January 2024
Signature of responsible officer (to be signed after the EqIA has been completed)	Michelle Dickson

A copy of this Equality Impact Assessment report, including relevant data and information to be forwarded to the Corporate Equality and Diversity Advisor.

If you require help, advice and support to complete the forms, please contact the Corporate Equality and Diversity Team.

Details of Strategy/ Service/ Policy to be analysed

<u>Stage 1 – Scoping and Defining</u>	
(1) Describe the main aims, objectives and purpose of the Strategy/Service/Policy (or decision)?	<p>Communities and Homes / Corporate Resources: The Housing Revenue Account (HRA) is the source of funding for landlord services to council tenants. The aims of the council are to deliver high quality services which are customer focused and cost effective. Council has been asked to approve the following for financial year 2024/25:</p> <ul style="list-style-type: none"> • An increase of 7.7% in rents for all properties in line with government cap announced in the autumn statement. <p>This increase will enable us to effectively manage resources and reserves to pay for additional works that will help tenants with broader affordability issues – for example affordable warmth works and continuing to meet the requirements of the Decent Homes Standard and the Consumer Standards of the Regulator for Social Housing.</p>
(2) How does it fit with Rugby Borough Council's Corporate priorities and your service area priorities?	<p>Corporate Priorities: Enable our residents to live healthy, independent lives; to provide excellent value for money services and sustainable growth.</p> <p>Communities and Homes: Ensure residents have a home that works for them and is affordable; understand our communities and enable people to take an active part in them.</p> <p>Corporate Resources: Prioritise use of resources to meet changing customer needs and demands.</p> <p>The Council has a statutory duty to set annual HRA capital and revenue budgets, along with the level of increase/decrease for council house rents. Central Government has in place a social housing rent policy which provides guidance about the level of rents that local authorities should set. The draft HRA Revenue Budget report for 2024/25 asks council to decide upon a rent setting option taking into consideration legislation, social housing policy, prior policy, and local capital investment priorities.</p>

<p>(3) What are the expected outcomes you are hoping to achieve?</p>	<p>The services provided with funding from the HRA are designed to meet the needs of council tenants and leaseholders which vary according to the groups displaying protected characteristics as defined by the Equality Act 2010.</p> <p>The services provided are of benefit to a large proportion of lower income families and others whose social and economic status may disadvantage them.</p>
<p>(4) Does or will the policy or decision affect:</p> <ul style="list-style-type: none"> • Customers • Employees • Wider community or groups 	<p>The aims of the council are to deliver high quality services which are customer focused and cost effective. Council has been asked to approve the following for financial year 2024/25:</p> <ul style="list-style-type: none"> • An increase of 7.7% in rents for all properties in line with government cap.
<p><u>Stage 2 - Information Gathering</u></p>	<p>As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, e.g. service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).</p>
<p>(1) What does the information tell you about those groups identified?</p>	<p>The Housing Service maintains regular contact with its customers and pro-actively identifies those most financially vulnerable. This is enabled through the monitoring of rent accounts and the application of algorithm-based technology (RentSense). In addition, the work of the team is predicated on tenancy sustainment, and where needed, the provision of more intensive tenancy coaching. Officers work with tenants includes signposting to additional support, for example liaison with Bedworth, Rugby and Nuneaton Citizens Advice Bureau (Brancab), utility companies and charities.</p>
<p>(2) Have you consulted or involved those groups that are likely to be affected by the strategy/ service/policy you want to implement? If yes, what were their views and how have their views influenced your decision?</p>	<p>Yes, in addition to consulting with internal stakeholders within the housing service, we have consulted with Members through a members conversation on 3 October 2023 and a members workshop on 14 November 2023.</p> <p>We have consulted tenants through our Tenants Panel on 8 November 2023. The Tenants Panels is our mechanism for enabling tenants to scrutinise our services, processes, and policies. Tenants supported our proposals and appreciated the investment into our homes and services.</p>

<p>(3) If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary.</p>	<p>There is no requirement to consult with HRA tenants on their annual rent increase.</p> <p>However, the rent increase proposals include the Gypsy and Traveller Pitches at Woodside Park. These pitches sit outside of the HRA and are governed by different legislation in terms of management (Mobile Homes Act 1983). There is a statutory requirement to consult with them 28 days ahead of the rent increase being applied.</p> <p>By applying the same rent increase to the whole tenant base there is increased transparency and fairness.</p>		
<p>Stage 3 – Analysis of impact</p>			
<p><u>(1) Protected Characteristics</u> From your data and consultations is there any positive, adverse or negative impact identified for any particular group, which could amount to discrimination? If yes, identify the groups and how they are affected.</p>	<p>RACE N/A</p>	<p>DISABILITY N/A</p>	<p>GENDER N/A</p>
	<p>MARRIAGE/CIVIL PARTNERSHIP N/A</p>	<p>AGE N/A</p>	<p>GENDER REASSIGNMENT N/A</p>
<p><u>(2) Cross cutting themes</u> (a) Are your proposals likely to impact on social inequalities e.g. child poverty, geographically disadvantaged communities? If yes, please explain how? (b) Are your proposals likely to impact on a carer who looks after older people or people with disabilities? If yes, please explain how?</p>	<p>The application of the rent increase will still ensure that council rents are the lowest in the borough – substantially below that of a private rented or housing association property.</p> <p>Tenants will continue to be supported by tenancy sustainment officers as outlined earlier in this document.</p>		

(3) If there is an adverse impact, can this be justified?	N/A
(4) What actions are going to be taken to reduce or eliminate negative or adverse impact? (this should form part of your action plan under Stage 4.)	Effective tenancy management is a business as usual function of the service.
(5) How does the strategy/service/policy contribute to the promotion of equality? If not what can be done?	Money to provide financing for new capital works, to carry out work on dwellings to ensure they meet the decent homes standard, approving money to facilitate borrowing to finance the council's housing capital programme for housing revenue account dwellings.
(6) How does the strategy/service/policy promote good relations between groups? If not what can be done?	N/A
(7) Are there any obvious barriers to accessing the service? If yes how can they be overcome?	Access to social housing is managed via the Council's housing lettings/allocation policy, the policy addresses, and prioritises those who are the most vulnerable and have a housing need that cannot be satisfied through the exploration of a range of housing options therefore there are no barriers to applicants who have a need for assistance.

Stage 4 – Action Planning, Review and Monitoring	
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If No Further Action is required then go to – Review & Monitoring

(1) Action Planning – Specify any changes or improvements that can be made to the service or policy to mitigate or eradicate negative or adverse impact on specific groups, including resource implications.

EqIA Action Plan

Action	Lead Officer	Date for completion	Resource requirements	Comments

(2) Review and Monitoring
State how and when you will monitor policy and Action Plan

Carry out a further equality impact assessment in January 2025.

Please annotate your policy with the following statement:

‘An Equality Impact Assessment on this policy was undertaken on 26 January 2024 and will be reviewed before February 2025.’

