

Agenda No 9

AGENDA MANAGEMENT SHEET

Report Title:	Draft Housing Revenue Account Capital & Revenue Budgets 2025/26 and Medium Term Financial Plan 2025-29
Name of Committee:	Cabinet
Date of Meeting:	3 February 2025
Report Director:	Chief Officers for Finance & Performance and Communities & Homes
Portfolio:	Communities, Homes, Digital and Communications and Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	Group Leaders, Leadership Team, Portfolio Holder for Community and Homes and the Liberal Democrat spokesperson on Housing Issues. All members were invited to the October workshop on rent setting.
Contact Officer:	Jon Illingworth, Chief Officer – Finance and Performance and Chief Financial Officer jon.illingworth@rugby.gov.uk Michelle Dickson, Chief Officer – Communities and Homes michelle.dickson@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	Yes
Corporate Priorities:	<p>This report relates to the following priority(ies):</p> <p><input type="checkbox"/> A Healthier Rugby – To support people to live healthier, longer, and more independent lives.</p> <p><input type="checkbox"/> A Thriving Rugby – To deliver a thriving economy which brings Borough-wide investment and regenerates Rugby Town Centre.</p> <p><input type="checkbox"/> A Greener Rugby – To protect the environment and ensure the Borough adapts to climate change.</p> <p>A Fairer Rugby – To reduce the inequalities and improve housing across the Borough.</p>

Corporate Strategy 2025-2035

This report does not specifically relate to any Council priorities but

Summary:	The primary purpose of this report is to present the proposed HRA rent increase, a draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2025/26, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C) which will then be recommended for adoption to Council on 4 February.
Financial Implications:	The financial implications are contained in the report.
Risk Management/Health and Safety Implications:	None as a direct result of this report
Environmental Implications:	Change and Environmental Impact Assessment is included as Appendix D
Legal Implications:	Rent increases are governed by the Housing Act 1985
Equality and Diversity:	Equality Impact Assessment is included as Appendix D
Options:	None as a direct result of this report
Recommendation:	IT BE RECOMMENDED TO COUNCIL THAT - <ol style="list-style-type: none">1) The draft revenue budgets for 2025/26 and the updated medium term financial plan in Appendices A and C be approved inclusive of 2.7% increase in rent and service charges based on estimated costs; and2) the approved capital budget in Appendix B be noted.
Reasons for Recommendation:	The rent and budget for 2025/26 is required to be approved by council to meet with statutory guidelines. The proposed rent increase is necessary to ensure that continued investment can be made into providing quality homes and housing services.

Agenda No 9

Cabinet - 3 February 2025

Draft Housing Revenue Account Capital & Revenue Budgets 2025/26 and Medium Term Financial Plan 2025-29

Public Report of the Chief Officer Finance & Performance and Chief Officer Communities & Homes

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT -

1. The draft revenue budgets for 2025/26 and the updated medium term financial plan in Appendices A and C be approved inclusive of 2.7% increase in rent and service charges based on estimated costs; and
2. the approved capital budget in Appendix B be noted.

EXECUTIVE SUMMARY

This report relates to the HRA dwellings owned by the Council. As at 13th December 2024, this was 3445 although the number fluctuates due to acquisitions and disposals.

The report sets out the Housing Revenue Accounts budgets, both capital and revenue for the financial year 2025/26. The main features of the report are:

- The HRA will set a balanced budget keeping the main reserve at £4.085m.
- A proposed annual rent increase off set at 2.7% on all dwellings.
- The annual HRA Capital Programme totals, for 2025/26, £15.977m.
- All HRA reserves (excluding capital receipts) will total £30.150m at the end of 2025/26.

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 final draft HRA revenue position and a capital position for 2025/26 based on budget submissions, plus a HRA Medium Term Financial Plan (MTFP) ahead of Special Council on 4 February 2025.
- 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 2025.

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. 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 2025/26 Summary – Housing Revenue Account
 - **Appendix B** – Proposed Housing Revenue Account Capital Programme 2025/26 and onwards
 - **Appendix C** – Medium Term Financial Plan – Housing Revenue Account 2025/26-2029/30
- 2.4.** Throughout the report savings on expenditure and income are shown in brackets

3. Summary

- 3.1.** The estimates contained within this report represent the latest information available to officers. Further changes may arise from the following operational and policy areas:
- Revisions to cost estimates, project timelines, and external funding in relation to the capital schemes
 - Staffing and other changes arising from a review of costs
 - Revisions to inflation estimates impacting construction industry materials and labour costs; and
 - Direct and indirect impact of efficiency measures arising from:
 - Digitalisation measures
 - Structure and delivery mechanisms of support service recharges
 - Updated requirements for the capital programme
- 3.2.** Significant activities within or impacting upon the Housing Revenue Account in 2024/25 to date include:
- 9 property acquisitions have been completed.
 - 10 properties sold under Right to Buy.
 - Recent changes to the Right to Buy regulations have seen a large increase in Right to Buy enquiries which may result in sales in Q4.

- The Navigation Way (formerly Biart Place) Capital Scheme has been progressing and will complete during 2025/26 adding 100 social rent properties to the stock.
 - In the first two quarters of the 2024/25 financial year the number of sales and acquisitions has balanced, keeping the Council Stock numbers steady.
 - During 2024/25 the level of voids has been reduced to around 1.9% from a 5.4% high in 2023/24. The proportion of voids which are now classed as major voids is 7.7%.
- 3.3.** In April, the Government announced that the current rent settlement would be rolled over for another year. Therefore for 2025/26 the indicative rise in rents is an increase of 2.7%, using prior years guidance of CPI (at September) +1%. For financial planning within the Medium-Term Financial Plan, rent uplifts are estimated at 3% from 2026/27 (Bank of England CPI target of 2% + 1%).
- 3.4.** The government is currently consulting on a new rent settlement covering the next five years along the same lines of CPI +1% to give Councils more certainty about the future.
- 3.5.** As part of the autumn statement 2024, the government announced changes to the Right to Buy Scheme. These changes will reduce, considerably, the amount of discount available to tenants who wish to buy their Council homes. The maximum discount for the West Midlands is now £26,000, which has reduced from £102,400. Tenants who have applied to purchase their home prior to 21 November 2024 will still be able to obtain the old discount. Between October and 21 November 2024, the Council received 57 new Right to Buy applications. Due to the short timeframe the sudden and unexpected increase in applications had an impact on resource within various teams across the Council, as applications were progressed within the mandatory time limits. The impact was relatively short-lived, with three applications received since the 22 November 2024. Alongside the Housing Services Department, there are resource implications for the Legal Services Team as well as the Assets and Transformation (Estate) Teams. Each Team is involved in processing the applications from initial receipt through to completion.

4. Revenue

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

	2024/25 £000s	2025/26 £000s	Difference £000s
Income	(19,806)	(20,728)	(922)
Expenditure	19,806	20,728	922
Net	0	0	0

- 4.2.** There are no significant variances from the January draft presented to Cabinet, except for a change in Central Recharges, amounting to £0.205m. The significant areas of movement are outlined below:

4.2.1 Employee costs - £0.147m At the end of October, the Chancellor of the Exchequer announced increases in Employer's National Insurance payments by 1.2% while lowering the starting threshold to £5,000. These changes have been built into the employee costs for next year as well as allowing for an estimated pay increase of 2.5% for 2025/26. This has impacted on both Supervision and Management (£0.062m) and the Repairs function (£0.085m). Although, as part of the Local Government Provisional Finance Settlement, a grant to local authorities to cover this cost was announced, it does not apply to the HRA.

4.2.2 Utility Costs - £0.075m The Q3 quarterly energy report from ESPO provides an update on forecasted energy cost changes for next year. It predicts a 38% decline in wholesale electricity prices (down to 7.663p/kWh), resulting in an overall 17% reduction in total electricity billing costs when factoring in third-party network, government, and fixed charges. For gas, the report expects a 20% decrease in total billing costs, driven by a projected 32% drop in wholesale prices (to 3.26p/kWh).

	2024/25 £000s	2025/26 £000s	Difference £000s
Electricity	275	228	(47)
Gas	138	110	(28)
Total	413	338	(75)

4.2.3 Central Recharges - £0.205m The estimated costs for 2025/26 total £3.199m and represent the HRA's allocated share of overheads for services such as Corporate Property, ICT, Legal, Human Resources, Payroll, and other associated costs. The overall change is primarily due to salary increases across the authority, as well as growth in service areas such as HR and IT.

4.2.4 Reduction in Contract Income - £0.266m The income target has been lowered from £1.126m to £0.860m. The previous target assumed the commercialising of PRS services, which has proven unfeasible due to the service's current capabilities and capacity.

4.2.5 Increase in External Contractor Costs - £0.495m Primarily to address the significant rise in roofing repair requests due to ageing stock and no capital programme for roofing. The PRS workforce does not have the specialist skills for tasks like roofing and scaffolding, which are in high demand, carry high safety risks and are therefore costly. Proposals are underway to establish a roofing capital programme and following the requirements of the capital strategy, a report will be presented to Cabinet in the spring. As a result of this, the roofing spend could be capitalised, potentially reducing the requirement for this budget.

4.2.6 Smoke Alarm Replacement - £0.140m New legislation requires the installation of interlinked smoke alarms on each floor of a property. Current costs indicate an average of £250 per two-storey property. With a property list of approximately 1,600 dwellings, the total estimated cost is £0.400m. A phased implementation is proposed over a three-year period, requiring an annual budget allocation of approximately £0.140m.

4.2.7 Charges for Capital - £0.100m Estimates for 2025/26 charges will be based around Chartered Institute for Public Finance and Accountancy (CIPFA) and Central Government 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.

4.2.8 Stock Condition Survey - £0.093m After completing 100% of the Stock Condition Survey in 2024/25, provision needs to be made to continue to inspect 20% of the Council's stock per annum on a rolling basis. This will give the Council ongoing assurance in terms of the known safety of its homes, whilst providing the most accurate information possible on which to plan its capital works and future investment programmes.

5. Capital

5.1. The current proposed capital programme is shown in Appendix B, however in summary:-

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
Expenditure	20,896	17,474	4,882	4,867	4,867	4,867
Funded by						
Revenue Contributions /RTB receipts	3,779	7,005	1,820	1,805	1,805	1,805
Grants	2,804	1,700	0	0	0	0
Major Repair Reserve	2,870	3,062	3,062	3,062	3,062	3,062
Borrowing	11,443	5,707	0	0	0	0
Total	20,896	17,474	4,882	4,867	4,867	4,867

5.2. The above table includes estimated re-profiling between 2024/25 and 2025/26 of the HRA's major schemes (£000s). The capital expenditure is significantly higher in the first two years (2024/25 and 2025/26) due to expenditure associated with major projects:

Navigation Way (Formerly named Biart Place)

- The profiling of the Biart Place/Navigation Way scheme has been reviewed based on latest programme information and £3.845m has been allocated into 2024/25 from the 2025/26 Budget.
- A total £13.521m in 2024/25 and £6.190m in 2025/26 is allocated for the development and construction of Navigation Way.
- The development is expected to be complete by the end of 2025/26, with a final allocation of £0.015m budget for 2026/27 for administration of the defects correction period and final account.

Rounds Gardens

- The demolition of the structures was completed in 2024/25 with the final account yet to be agreed, a saving against the £0.522m budget remaining for demolition is expected.

- £1.217m of the design budget is to be reprofiled from 2024/25 to 2025/26 as the project brief is being revisited and reviewed ahead of further detailed design work.

Purchase of Council Houses

- £5.200m to be reprofiled from 2024/25 to 2025/26 which will be used to fund several properties which have been arranged to be completed in 2025/26.
- There were 4x 2beds, 4x 3beds and 1x 4 bed acquired during 2024/25 to strategically align with meeting housing needs and demand. The acquisition of these properties contributes to the prevention of housing crises that could result in homelessness.
- The Housing Service and Project Management Team lead on the acquisition process with cross-departmental collaboration between housing advice, legal, insurance, property repairs and finance in helping to ensure that the property meets needs, is of a suitable quality, is financially viable and that the conveyancing process runs smoothly. Anticipated completions for 2025/26 currently stand at 16 properties for HRA.

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 in managing utility costs, through reduced energy consumption.

6.2 The Council has been carrying out a full stock condition survey during 2024/25 which will give the Council firm evidence bases to inform the HRA Business Plan and the Corporate Asset Management Strategy. Stock modelling software has been purchased, which will support the development of plans in a strategic way.

7. MEDIUM TERM FINANCIAL PLAN 2025/26-2029/30

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

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
Income	(20,728)	(21,681)	(22,384)	(23,110)	(23,860)
Expenditure	20,728	21,681	22,384	23,110	23,860
Net	0	0	0	0	0

8. Funding of the HRA

8.1. The funding for the HRA is generated through:

- Dwelling/Garage Rents
- Service charges
- Individual heating system charges

8.2. Rent

8.2.1 CPI in September 2024 was 1.7%. This means rents could rise by a maximum of 2.7%. 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.

8.2.2 Each 0.5% of rent increase up or down has an impact on the income budget of approximately £90,000. The table below shows the effect of an increase below the government guideline of 2.7% and its impact over the next 3 years.

Possible % rent increase 2025/26		Loss of income with subsequent 3% increase in future years				Total Accumulative Loss
	2024/25	2025/26	2026/27	2027/28		3 Years
	£000s	£000s	£000s	£000s		£000s
2.70%	495	0	0	0		0
2.20%	404	92	94	97		283
1.70%	312	183	189	195		567
1.20%	220	275	283	292		850
0.70%	128	367	378	389		1,134

8.2.3 Rent estimates for 2025/26 assume a stock level of 3,472 available to let HRA properties at the start of April 2025. It is estimated that sales and purchases will balance out in 2024/25. An average void rate of 2.40% is estimated for 2025/26. It is expected that Navigation Way development will come online during 2025/26 which will bring a further 100 properties into the stock.

9 Rent Calculation

- 9.1** 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.
- 9.2** The following calculations are based on stock numbers as of October 2024. 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. Currently, 52% of Council tenants receive help with the payment of their rent through Universal Credit or Housing Benefit. The financial support received will be adjusted to account for any changes in rent or eligible service charges.

	2024/25 £	2025/26 £	Average Increase %	Average Increase £
Average Weekly Rent 52 week basis	104.60	107.42	2.7%	2.82
Average Weekly Rent 48 week basis	113.31	116.36	2.7%	3.05
Total annual rent	18.324m	19.229m		

- 9.3** Estimated rental income from dwellings of £19.229m for 2025/26. The estimate is based on the central business case of:

- An average 2.40% void rate across the stock;
- 5 Right-to-Buy sales in 2025/26;
- Acquisition of 15 properties.
- 100 new properties coming into the rental through the Navigation Way scheme during the second half of the year

- 9.4** 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%	192	83	275
2%	384	168	552
3%	577	248	825

- 9.4** Each additional RTB sale produces an average rent loss of £5,586 in a full year. The average target rent in 2025/26 (52-week basis) will be £115.33 as compared to the average actual rent of £107.42.

10 Rent Collection/Bad Debt Provision

- 10.1** 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.
- 10.2** Arrears greater than 4 weeks amounted to £1.416m as at mid-September and 66% of this total (£0.939m) relates to current tenants. The Council's bad debt provision for HRA rents is currently £0.640m. This figure is reviewed as part of the year-end process and adjusted appropriately. Each year the Council includes a budget relating to the increase of this provision and for 2025/26 this budget will remain the same at £0.066m. The level of rent arrears will be reviewed in year and will be monitored until final budget setting in February. Arrears greater than 4 weeks amounted to £0.830m as at 01 January 2025 for current tenants or 42%. Current tenant arrears greater than 4 weeks has reduced from £0.925m as at 01 January 2024 or 47%. The overall debt owed to the Council has increased due to bad debt. The bad debt management will be moving to a debt collection agency in 2025.

11 Service Charges

- 11.1** 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 £1,212m in 2025/26 including a void allowance of 2.40%.
- 11.2** The average weekly impact upon utilities and cleaning service charges arising from the estimates of costs associated with that service in 2025/26 (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)	2.02	0.09
Communal Heating – Gas (Rebateable – eligible for Housing Benefit)	0.61	0.03
Communal Cleaning (Rebateable – eligible for Housing Benefit)	3.37	0.30
Independent Living Co-ordinator (to be increased in line with rent rise)	10.31	0.00
Water	7.33	0.00

12 Woodside Park Rents

- 12.1** It is proposed that Pitch fees for Woodside Park are to rise in line with HRA rents. The current pitch fee is £148.64 and will rise in 2025/26 to £152.70 - an increase of £211.12 per annum (2.7%). 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.

13 Individual Apartment Heating costs

- 13.1** The recovery of heating costs only relates to 3 Independent Living schemes (Albert Square, Tanser Court and Lesley Souter House).

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)	15.43	(0.64)

- 13.2** 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. According to the Housing Benefit guidance for supported housing claims (Section 184), heating, lighting, and hot water charges are considered ineligible for housing benefit.
- 13.3** This is also a fixed charge so the affected tenants will be insulated from any in year price fluctuations.

14 Reserves

- 14.1** 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.
- 14.2** It is anticipated that the Sheltered Accommodation Reserve may be used in part to fund the upgrading of facilities in key Independent Living Schemes.
- 14.3** It is proposed that a contribution to HRA transformation reserve of £0.300m be made for 2025/26, to be funded from the Housing Capital Investment balances. This funding will be used to carry out the proposed improvement plan, when it is drawn up, 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 began in 2024.

- 14.4** The availability of these reserves provides resilience to enable services to provide a positive and dynamic response to any shock events such as unexpected interventions from the Regulator, without compromising the service to our tenants.

- 14.5** A summary of total balances is shown below:

	1 April 2024	1 April 2025	1 April 2026
	£000s	£000s	£000s
Housing Revenue Account	4,085	4,085	4,085
Major Repairs Reserve	5,802	6,256	6,608
Housing Capital Reserve	15,513	18,179	18,030
Climate Change Reserve	1,512	0	0
Sheltered Accommodation Reserve	407	456	506
Transformation Reserve	77	227	527
Total	27,396	29,203	29,756

- 14.6 HRA Revenue Balance:** 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 2025 will be £4,085m. which equates to just over £1,000 per property. This level is considered prudent, similar to what a homeowner might set aside for domestic emergencies, and to ensure the Council is prepared to meet any unforeseen repairs and changes in revenue costs arising relating to the HRA Medium Term Financial Plan.
- 14.7 Major Repairs Reserve:** 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.
- 14.8 Housing Repairs Account:** 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 Zero. 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.
- 14.9 Climate Change Reserve:** The reserve has been established to support the Council's objective to move operations towards carbon neutrality by 2030. It is used to seek out matched funding schemes when external funding becomes available. It has been utilised to match fund a £2.2 million project through the Social Housing Decarbonisation Fund, which has been used to fund energy

efficiency improvements to 112 of the hardest-to-heat homes across Rokeby and Long Lawford. These two areas have been identified as having a high proportion of Wimpey No-Fines properties with solid concrete walls, amongst the poorest performing in our stock in terms of energy efficiency. Both areas also have higher than average levels of fuel poverty – Long Lawford Lower Super Output Area (LSOA) has a fuel poverty level of 19%, and Rokeby LSOA 20%, compared with a Borough-wide average of 14.4%, and a national average of 13.2%. The scheme is to be delivered over two years, with the final phase of the works expected to be completed by March 2025.

15 Right-to-Buy (RTB) Capital Receipts:

15.1 The Council has a 1-4-1 retention agreement with MHCLG 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%.

15.2 In July 2024 the Government announced changes to rules surrounding Right to Buy receipts to increase flexibility from previous system. This is currently applicable to the financial years 24/25 and 25/26 only.

- The maximum contribution of Right to Buy receipts for replacement affordable housing was increased from 50% to 100%.
- Right to Buy receipts can now be used alongside Section 106 contributions
- The cap on the number of replacement properties delivered as acquisitions (as opposed to built) has been removed.

15.3 Under the changes to the Right to Buy discount allowable from November 2024 it is likely that amount of capital receipts becoming available will reduce along with the balance on the reserve.

15.4 The total amount of capital receipts relating to HRA sales at the beginning of 2024/25 was £10.455m.

16 Void Management

16.1 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.

16.2 For 2025/26 the target for void property rent and service charge loss will be set at 2.40%, equating to £0.473m. 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 £0.108m.

- 16.3** During 2024/25, the voids performance has significantly improved. However, there are numerous activities underway or planned to potentially further improve performance:
- **Housing Allocations Policy** – the policy is currently being reviewed with the aim of making 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. This is a positive step for Rugby residents and will increase the number of applicants we can let our properties to, decreasing void losses. Proposals for a new allocation policy will be presented to Members for consideration in Spring 2025.
 - **Pilot Project** - to advertise harder to let properties with local private letting agents to reach a wider number of local residents who meet the criteria of the Allocations Policy and are in need of affordable housing. This approach has proved to be successful and has had a positive impact on performance.
 - **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** – there has been a positive and sustained move towards the pre-allocation of properties to new tenants as soon as notice is received from the previous tenant. This helps to minimise void times in cases where notice is received.
 - **Tenancy Health Checks** – Launched in Summer 2024, the programme aims to visit each household every year to assess how they are managing their tenancy. Approximately four hundred visits have already been completed. It enables the Housing Services Team to engage with tenants in areas such as financial and property management. The Team can identify properties of concern and tackle issues before properties become void. This complements 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** – are ongoing with a published list of inspection dates and areas. The inspections bring together several Council Departments, elected Members and Tenants. One of the aims of the programme is 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. Such properties are also prioritised for a follow up tenancy health check.
 - **Introductory 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 introductory period will be extended

or, if appropriate, tenancy termination procedures will be initiated.

- **The Incentive Scheme** – aims to encourage tenants to move from larger general needs properties that they might find difficult to maintain, to smaller independent living units.
- **The Disposals Procedure** – is used to consider sale of properties where it is appropriate to do so.
- **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, with the aim of reducing the time that properties are void, as well as reducing time spent in temporary accommodation, where this has been necessary.
- **Decorating Vouchers** – where appropriate, 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. This also gives tenants autonomy as they can carry out the works to their own taste.
- **External Contractor** – 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 gives priority to property types most in demand as highlighted by our Housing Advice and Benefits and Housing Services Team.
- **Stock Condition Survey** – The stock condition survey is now underway with all the stock being surveyed in 2024/25 and 1900 surveys already completed. The survey has resulted in a significant increase in the number of reported repairs.

17 Service Transformation

- 17.1** Significant work has taken place during 2024/25 to transform services for tenants, with further work planned for 2025/26.
- 17.2** The Property Repairs Service has moved from the Operation and Traded Services Portfolio to the Communities & Homes Portfolio with effect from 1 January 2025. This ensures that the housing, repairs and assets teams are working within a single service.

- 17.3** Consultancy support has been engaged to support future development of the service, aligned to the transfer of the property repairs service to within the portfolio. This is following two lines of enquiry – the customer journey (the focus being on telephony and the effective integration and harmonisation of IT systems) and commercial (supply chains, scheduling and procurement). This work will be ongoing until Spring 2025 and will result in a planned programme of service transformation.
- 17.4** Earlier in 2024, the Independent Living Service, previously centred in operating hubs at various Independent Living Schemes, co-located within the Housing Service – again, with the aim of integrating collaborative service delivery and enhancing the flow of communication and support between the teams, which is of particular benefit for the most vulnerable of tenants
- 17.5** Stock condition survey is progressing with the aim of securing validation of the known condition of 100% of the housing stock by the end of 2024/25, with a rolling programme of 20% per annum to be undertaken thereafter to ensure a continued understanding of both condition and future investment requirements.
- 17.6** A mock inspection of the service was undertaken in late 2024, to validate compliance with the requirements of the Regulator of Social Housing's Consumer Standards. A resulting action plan for further service development, utilising the findings, is in the progress of being agreed.
- 17.7** Digitalisation opportunities continue to be developed to improve the service offer for customers – including a new digital mutual exchange platform, enabling tenants to seek exchange opportunities across the country.
- 17.8** The rollout of tenancy health checks went live in September 2024, following a pilot program earlier in the year. By December, this had resulted in 300 additional home visits to support our most vulnerable households. These visits will continue all households on a rolling programme of visits.
- 17.9** By continuing to develop the housing management IT system to meet the requirements of the service, it has been possible to reduce spending on other licenses by £60,000 per annum.
- 18.0 Conclusion**
- 18.1** The proposed rent increase is necessary to ensure that continued investment can be made into providing quality homes and housing services.
- 18.2** The aspiration for continued improvement to homes and housing services is evident within the report, with clear plans in place to ensure delivery.

Name of Meeting: Cabinet

Date of Meeting: 3 February 2025

Subject Matter: Draft Housing Revenue Account Capital & Revenue
Budgets 2025/26 and Medium Term Financial Plan 2025-29

Originating Department: Finance and Performance

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 2025/26 SUMMARY**HOUSING REVENUE ACCOUNT**

	2024/25 Draft Budget £000s	2024/25 Revised Budget £000s	2024/25 Forecast £000s	2025/26 Draft Budget £000s	
INCOME :-					
Rent Income From Dwellings	(18,342)	(18,342)	(18,318)	(19,229)	Rent estimates based on rent increase of 2.7% and estimated 20 Right to Buy sales, 15 purchases, 50 New Builds coming on line in year and voids at 2.4%.
Rent Income From Non - Dwellings	(129)	(129)	(124)	(129)	Garage rents have increased based upon current usage and a 2.7% increase.
Charges For Services	(1,180)	(1,180)	(1,180)	(1,212)	
Contributions Towards Expenditure	(154)	(154)	(170)	(158)	Currently based on an average increase of 2.7% and a void allowance of 2.40%
Total Income	(19,806)	(19,806)	(19,793)	(20,728)	
EXPENDITURE :-					
Transfer To Housing Repairs Account	4,779	4,779	5,416	5,881	Includes increases for salaries (incremental and pay award costs), changes for planned repairs and maintenance and capital charges, and an increase in external contractors and maintenance costs, and a reduction in internal contractual income
Supervision & Management	6,810	6,810	6,637	6,864	Includes increases for salaries (incremental and pay award costs)
Rents, Rates, Taxes & Other Charges	125	125	140	150	
Depreciation and Impairment	3,324	3,324	3,324	3,424	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	0	0	0	0	There will be no borrowing within the HRA so no broker fees are due.
Provision For Bad or Doubtful Debt	66	66	66	69	
		0			
Total Expenditure	15,105	15,105	15,583	16,388	
HRA Share of Corporate & Democratic					
Core Costs	318	318	318	329	
NET COST OF HRA SERVICES	(4,384)	(4,384)	(3,892)	(4,011)	
HRA SHARE OF OPERATING INCOME & EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME & EXPENDITURE ACCOUNT					
Interest Payable & Similar Charges	1,104	1,104	1,113	1,104	Borrowing to remain consistent with previous years fixed-term estimate
Interest & Investment Income	(1,115)	(1,115)	(1,234)	(1,063)	
NET OPERATING EXPENDITURE	(4,394)	(4,394)	(4,013)	(3,969)	
Contributions to (+) / from (-) Reserves	49	49	49	350	Overall net changes for income and expenditure detailed above are reflected in the amount contributed to capital expenditure.
Revenue Contributions to Capital Expenditure	4,345	4,345	3,964	3,619	Overall net changes for income and expenditure detailed above are reflected in the amount contributed to capital expenditure.
Surplus(-)/Deficit for year	0	0	0	0	

Proposed Housing Revenue Account (HRA) Capital Programme 2025/26 and onwards						
	Revised 2024/25 Capital Programme	Proposed 2025/26 Capital Programme	Proposed 2026/27 Capital Programme	Proposed 2027/28 Capital Programme	Proposed 2028/29 Capital Programme	Proposed 2029/30 Capital Programme
	£000s	£000s	£000s	£000s	£000s	£000s
Improvements & Capitalised Repairs per Capital Strategy						
Bathrooms	358	65	65	65	65	65
Bathrooms - Voids	100	100	100	100	100	100
Bathrooms - Unplanned Renewals	50	50	50	50	50	50
Fire Risk Prevention Works	100	100	100	100	100	100
Fire Risk Prevention Works Voids	70	70	70	70	70	70
Fire Risk Prevention Works - Unplanned Renewals	60	60	60	60	60	60
Heating Upgrades	60	20	20	20	20	20
Kitchen Improvements	859	1,510	1,510	1,510	1,510	1,510
Kitchen Improvements - Voids	200	200	200	200	200	200
Kitchen Improvements Unplanned Renewals	52	52	52	52	52	52
Driveways	40	25	25	25	25	25
Rewiring	160	160	160	160	160	160
Rewiring Unplanned Renewals	100	100	100	100	100	100
Finlock Gutter Improvements	100	100	100	100	100	100
Roofing Unplanned Renewals	62	50	50	50	50	50
Replacement Footpaths	119	100	100	100	100	100
Rebuilding Retaining Walls	102	50	50	50	50	50
Lesley Souter house new boiler and building management system	68	0				
Housing Management System	82	60	60	60	60	60
Carbon Management Plan	1,315	0	0	0	0	0
Disabled Adaptations	250	250	250	250	250	250
Lifeline Renewal Programme	46	60	60	60	60	60
Property Repairs Vehicle Replacement	86	0	0	0	0	0
Purchase of Council Homes	2,250	6,885	1,685	1,685	1,685	1,685
Rounds Gardens Capital	164	1,217	0	0	0	0
Rounds Gardens Demolition	522	0	0	0	0	0
Biart Place	13,521	6,190	15	0	0	0
TOTAL	20,896	17,474	4,882	4,867	4,867	4,867
Draft Financing: -						
HRA Capital Balances	(136)	4,251	1,146	1,131	1,131	1,131
RTB receipts	2,600	2,754	674	674	674	674
Climate change reserve	1,315	0	0	0	0	0
Grants	2,804	1,700	0	0	0	0
Major Repairs Reserve	2,870	3,062	3,062	3,062	3,062	3,062
Borrowing	11,443	5,707	0	0	0	0
TOTAL	20,896	17,474	4,882	4,867	4,867	4,867

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2025/26 - 2029/30

		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Notes
		£000s	£000s	£000s	£000s	£000s	£000s	
INCOME								
Dwelling Rent		(18,342)	(19,229)	(20,142)	(20,804)	(21,488)	(22,194)	*1 / *2
Non Dwelling Rent (Garages)		(130)	(129)	(128)	(127)	(126)	(124)	*3
Service Charges		(1,180)	(1,212)	(1,248)	(1,286)	(1,324)	(1,364)	*2
Contributions towards expenditure		(154)	(158)	(163)	(168)	(173)	(178)	*2
TOTAL		(19,806)	(20,728)	(21,681)	(22,384)	(23,110)	(23,860)	
EXPENDITURE								
Repairs & Maintenance		4,779	5,881	5,993	6,108	6,225	6,344	*4
Supervision & Management		6,810	7,069	7,116	7,248	7,382	7,519	*5
Rents, Rates, Taxes		125	150	150	150	150	150	
Charges for Capital		3,324	3,424	3,527	3,633	3,742	3,854	
Debt Management		0	0	0	0	0	0	
Provision for Bad Debts		66	69	72	74	76	78	*6
HRA Share of Corporate & Democratic Core Costs		318	329	336	343	350	357	
Net Interest Payments		(11)	42	3	3	3	3	
Revenue Contributions to Capital Expenditure		4,195	3,413	4,430	4,769	5,124	5,495	
Contribution to/from(-) reserves		199	351	54	56	58	60	
Total		19,806	20,728	21,681	22,384	23,110	23,860	
Data								
Stock	Stock at 1st April	3,472	3,467	3,527	3,587	3,597	3,607	
	Purchases	15	15	15	15	15	15	
	Sales	(20)	(5)	(5)	(5)	(5)	(5)	
	Additional new builds	-	50	50	0	0	0	
	Total before voids	3,467	3,527	3,587	3,597	3,607	3,617	
	Voids	(84)	(85)	(86)	(86)	(87)	(87)	
	Chargeable housing stock	3,383	3,442	3,501	3,511	3,520	3,530	*1
Rents	Prior year rent £ (52 week basis)	97.12	104.60	107.42	110.64	113.96	117.38	
	Current year rent £ (52 week basis)	104.60	107.42	110.64	113.96	117.38	120.90	
	Increase £	7.48	2.82	3.22	3.32	3.42	3.52	
	Rent Increase % (CPI + 1%)	7.70	2.70	3.00	3.00	3.00	3.00	*2
	Prior year rent £ (48 week basis)	105.21	113.31	118.41	121.96	125.62	129.39	
	Current year rent £ (48 week basis)	113.31	118.41	121.96	125.62	129.39	133.27	
	Increase £	8.10	5.10	3.55	3.66	3.77	3.88	
	Rent Increase % (CPI + 1%)	6.70	4.50	3.00	3.00	3.00	3.00	
Other	Salaries/Cleaning/Contractors/Internal recharges †	6.65	3.50	2.00	2.00	2.00	2.00	
Increases	Inflation	6.70	3.50	2.00	2.00	2.00	2.00	*2
	Electricity	(20.00)	3.50	2.00	2.00	2.00	2.00	*5
	Gas	(15.00)	3.50	2.00	2.00	2.00	2.00	*5
	Other Supervision and Management %	1.00	1.00	1.00	1.00	1.00	1.00	

Notes

- *1 Based upon current projections (as at August 2023) of 15 purchases and 20 sales and 84 voids for each financial year. For 2024/25 this includes an additional 21 properties for Platinum Court and Mill House, for 2025/26 and 2026/27 an additional 100 properties for Biart Place and 2027/28 an additional 100 properties for the Rounds Gardens redevelopment.
- *2 Projections from the Bank of England are that inflation will rise above the target of 2% by the end of 2024 before Falling back to 2% by early 2025. Average inflation for each year after 2024/25.
- | | | | | | | |
|------------------------------------|------|------|------|------|------|------|
| | % | % | % | % | % | % |
| Inflation as at September 2024 % | | 1.70 | 2.00 | 2.00 | 2.00 | 2.00 |
| Including 1% for rent calculations | 6.70 | 2.70 | 3.00 | 3.00 | 3.00 | 3.00 |
- *3 Decreased garage rental as usage is in decline
- *4 Increases for Repairs and Maintenance:-
- | | | | | | | |
|-------------------------|------|------|------|------|------|------|
| | % | % | % | % | % | % |
| Salaries | 6.65 | 3.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Repairs and Maintenance | 6.70 | 3.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Materials | 6.70 | 3.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| External contractor | 6.70 | 3.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Contract Income | 6.70 | 3.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Other costs | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
- | | | | | | | |
|---|---------|-------|-------|-------|-------|-------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Salaries | 2,041 | 2,154 | 2,197 | 2,241 | 2,286 | 2,332 |
| Repairs and Maintenance (MOS00, UMR01-29) | 2,515 | 2,515 | 2,565 | 2,617 | 2,669 | 2,722 |
| Materials | 690 | 690 | 704 | 718 | 732 | 747 |
| External contractor | 370 | 865 | 882 | 900 | 918 | 936 |
| Contract Income | (1,126) | (860) | (877) | (895) | (913) | (931) |
| Other costs | 289 | 517 | 522 | 527 | 533 | 538 |
| Total before change in stock | 4,779 | 5,881 | 5,993 | 6,108 | 6,225 | 6,344 |
- *5 Increases for Supervision and Management
Gas/Electricity increase have been based utility price estimates from ESPO

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2025/26 - 2029/30

	%	%	%	%	%	%
Salaries/Cleaning/Internal recharges	6.65	3.50	2.00	2.00	2.00	2.00
Electricity	(20.00)	3.50	2.00	2.00	2.00	2.00
Gas	(15.00)	(20.00)	2.00	2.00	2.00	2.00
Other Supervision and Management	1.00	1.00	1.00	1.00	1.00	1.00
	£000s	£000s	£000s	£000s	£000s	£000s
Salaries/Cleaning/Internal recharges	5,835	6,119	6,241	6,366	6,494	6,623
Electricity	234	228	233	237	242	247
Gas	112	110	112	114	117	119
Stock Condition Survey	150	150	57	57	57	57
Other Supervision and Management	479	473	473	473	473	473
	<u>6,810</u>	<u>7,080</u>	<u>7,116</u>	<u>7,248</u>	<u>7,382</u>	<u>7,519</u>

*6 Provision for bad debt based upon rent debit