Public Report
Cabinet

Committee Name and Date of Committee Meeting
Cabinet – 16 December 2024

Report Title
HRA Business Plan, Rent Setting and Service Charges 2025-26

Is this a Key Decision and has it been included on the Forward Plan?
Yes

Strategic Director Approving Submission of the report
Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

Report Author(s)
Lindsay Wynn, HRA Business Planning Manager
Paul Elliott, Head of Housing Income and Support Services
Kath Andrews, Finance Manager

Ward(s) Affected
Borough-Wide – all wards

Report Summary

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of Council housing and related services, and the Council is required to produce an HRA Business Plan setting out its investment priorities over a 30-year period.

The proposed 2025/26 HRA Business Plan incorporates the Council's commitments to continue and extend the Council's Housing Delivery Programme, alongside significant new investment to support decency and thermal efficiency in existing council homes. The Plan includes provision for £979m investment in the housing stock over 30 years, including approximately £35m additional investment over the next five years compared to last year's position. This is alongside continuing to fund day-to-day housing management and repairs and maintenance costs. At the same time the Housing Delivery Programme will continue beyond 1,000 homes. The existing funding provision of £113m for hundreds more Council homes by 2027 will be supplemented with an additional £37m to begin to build the pipeline of schemes beyond 2027.

Borrowing is required in years 3 to 6 in order to support necessary investment and provision for servicing this level of debt is built into the 30 year Plan. The Business Plan has been modelled to ensure healthy balances are maintained in all years.

Alongside providing the draft HRA budget for 2025/26, the report recommends increases in housing rents, non-dwelling rents, District Heating charges and other service charges for 2025/26. It is recommended that Council dwelling rents are increased by 2.7%, equivalent to CPI+1%, in line with Government policy. There are 12,668 tenancies in receipt of full Housing Benefit or full Universal Credit (UC) who would not be directly affected by an increase in rent. 2,276 tenancies receive part Housing Benefit and any increase in rent would be part covered by benefit payments.

Recommendations

That Cabinet recommends to Council to: -

1. Approve the proposed 2025/26 Base Case Option 2 for the HRA Business Plan.

2. Note that the Business Plan will be reviewed annually to provide an updated financial position.

3. Agree that Council dwelling rents are increased by 2.7% in 2025/26 (Option 2).

4. Agree that the Council should retain the policy of realigning rents on properties at below formula rent to the formula rent level when the property is re-let to a new tenant.

5. Agree that shared ownership rents are increased by 3.2% in 2025/26.

6. Agree that charges for communal facilities, parking spaces, cooking gas and use of laundry facilities are increased by 2% in 2025/26.

7. Agree that charges for garages are increased by 10% in 2025/26.

8. Agree that the District Heating unit charge per Kwh is set at 13.09 pence per kwh.

9. Agree that the decision to reduce the price of District Heating Charges further during 2025/26 be delegated to the Assistant Director of Housing in conjunction with the Assistant Director of Financial Services following consultation with the Cabinet Member for Housing. The delegation would only be used to respond to a change in Government policy or a significant change in the Ofgem price cap that has the effect of necessitating a lower unit price.

10. Approve the draft Housing Revenue Account budget for 2025/26 as shown in Appendix 6.

List of Appendices Included

Appendix 1 HRA Operating Statement
Appendix 2 Social Rent payable by number of bedrooms
Appendix 3 HRA Business Planning assumptions
Appendix 4 Percentage of Rent Income Used to Fund Interest
Appendix 5 Non-dwelling rent, service charges and Furnished Homes Charges 2025/26
Appendix 6 Housing Revenue Account Budget 2025/26
Appendix 7 Affordability Analysis
Appendix 8 Support for Tenants with Financial Pressures
Appendix 9 Equalities Assessment
Appendix 10 Carbon Impact Assessment

Background Papers
HRA Business Plan 2024/25
Rent Setting and Service Charges 2024/25
DCLG Guidance on Rents for Social Housing
Annual Housing Delivery Report to Cabinet

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required
Yes

Exempt from the Press and Public
No

HRA Business Plan, Rent Setting and Service Charges 2025-26

1. Background

1.1 This report sets out the proposals for the HRA Business Plan alongside proposed rents, service charges and fees for 2025/26 and presents the draft HRA budget for 2025/26. The HRA is a self-financing, ring-fenced account which retains and uses housing rental income to fund landlord services, deliver the capital programme and invest in new housing.

1.2 The HRA Business Plan is updated annually to ensure it reflects the current operating environment. This year's Business Plan prioritises investment in three core areas:

- Ensuring tenant's homes are safe, decent and thermally efficient.
- Extending the benefits of council housing to more residents by expanding the Housing Delivery Programme.
- Modernising the housing service to enhance customer experience, improve productivity and achieve full regulatory compliance.

1.3 This year the HRA Business Plan incorporates emerging proposals to direct additional investment into the Council's existing homes, while continuing to deliver hundreds of new homes. Stock condition data will begin to be refreshed during 2025/26 which will clarify the full investment needs, and the Council is committed to ensuring all council homes achieve Energy Performance Certificate (EPC) Band C by 2030. The Council has submitted a grant funding bid to the Warm Homes scheme, which is the Government's main funding for supporting retrofit of social housing. If successful, the Council will be required to provide 50 per cent match funding, taken from existing capital investment earmarked in the Business Plan. The outcome of bids will be confirmed during 2025.

1.4 The Plan continues to ensure Council homes are safe, good quality and well-managed, while protecting surpluses to ensure the HRA is well-placed to respond to ongoing inflationary and future cost pressures as they arise.

1.5 Alongside these priority areas, the Business Plan protects day to day expenditure on front line services, includes provision to respond to growing demand in areas like damp and mould and planned repairs, and protects minimum balances and the reserves position so the HRA can respond to future changes.

1.6 There have been a number of government policy changes in 2024/25 that will impact on the 2025/26 HRA Business Plan. These include:

- Plans to revise the current **rent policy** to give local authorities longer term stability to support borrowing and investment in new and existing homes. The Government is consulting on a five-year rent settlement (2026/27 to 2030/31) that would give local authorities certainty of a maximum rent increase of Consumer Price Index (CPI) + 1% each year. The Government is considering extending rent certainty for a further five years beyond 2030/31.

- From the 21st November 2024 the maximum discount allowed through **Right to Buy** was reduced. In the Yorkshire and Humber region the maximum allowed discount is now £24,000 and the level of discount will not increase by CPI. This policy change led to a significant increase in applications up to 21st November but it is anticipated that over the longer term, sales will be significantly lower than in recent years. This will result in increased rental income over the life of the Plan, offset by a reduction in income from sales. Alongside this change, the retention of 100% of Right to Buy receipts by local authorities has been extended indefinitely.

- There continues to be a strong focus on **regulation of the social housing sector** with the first rounds of proactive inspections under consumer regulations taking place during 2024/25. During 2025/26 it is anticipated that the Government will confirm its plans for Awaab's Law, 'Decent Homes 2', the Conduct and Competence Standard, and requirements to achieve EPC C by 2030. New regulations for District Heating are also due to come into effect. Taken together, these add significant burdens to the HRA across both day-to-day expenditure and capital investment requirements.

- The Government target to achieve **1.5 million new homes** over five years has been backed by an initial £500m investment to continue the national Affordable Homes Programme. However, changes to Right to Buy, while welcome overall, will mean less Right to Buy applications and therefore less receipt income for the Council to fund its Housing Delivery Programme, and there is currently no confirmed national funding for affordable housing beyond 2025/26. This has led the Council to assume it will need to contribute more of its own resources to the Housing Delivery Programme in the short term.

1.7 Capital expenditure on existing homes has doubled over the last 5 years and the greater share of this increase can be characterised as reactive, rather than planned, expenditure. Drivers include increased damp and mould works, more responsive repairs that require major works, and higher costs associated with properties becoming vacant. The commitment to carry out a comprehensive stock condition survey and increased planned capital expenditure will support the Council to shift the focus towards a more proactive capital programme in future.

1.8 Day to day financial performance remains strong in key areas of the business, resulting in high income collection rates and value for money services for Council tenants. This is supported by positive benchmarking data from Housemark and Tenant Satisfaction Measure (TSM) survey results. Tenancy sustainment outcomes remain extremely positive, with very few evictions. This performance allows the Council to invest HRA resources in maintaining existing housing stock and in housing growth so that more residents can enjoy the benefits of a well-managed, affordable, good quality home.

2. Key Issues

2.1 As at 31 March 2024 the Council owned 19,879 homes, 617 leasehold homes, 123 shared ownership homes and 3,385 garages with a turnover from rents and other sources approaching £96m per annum (excluding the sale of new properties).

2.2 A full review of the HRA Business Plan took place during 2024/25. The review confirmed that while the current plan is viable and underpinned by robust assumptions, there needs to be provision for higher rates of investment in existing council homes to reflect growing demands, cost inflation, improvements in stock condition and likely new regulatory requirements. Alongside this, the Plan needs to incorporate provision for extending the Housing Delivery Programme to ensure new homes continue to be added to the stock, mitigating some of the impact of Right to Buy and generating additional rental income.

2.3 The review also identified the need for additional borrowing over the short term to fund this investment. Further work will take place during 2025/26 to develop operating principles for additional HRA debt and to strengthen the Council's risk-based approach to reserves to ensure future unforeseen cost pressures can be managed effectively.

2.4 Capital Investment

2.4.1 A three-year Housing Capital Programme will be taken to Cabinet in March 2025. To support the Programme, the 2025/26 Business Plan makes provision in the following areas.

<u>Improving homes and estates</u>

2.4.2 Investing in existing homes and estates means that the repairs and maintenance service can remain affordable and focused on day-to-day minor repairs and cyclical servicing. It is also required to ensure the Council's housing stock is decent, energy efficient and safe to live in.

2.4.3 Capital expenditure on existing homes has doubled over the last 5 years and more recently reactive capital expenditure has been higher than planned capital expenditure. This appears to be driven by increased volumes of major repairs and high-cost voids which have required increased damp and mould works and kitchen replacements. The Council currently plans to spend approximately £43k per home over the 30-year plan period. Benchmarking with other landlords suggests this may need to rise to as much as £60k per home, requiring an additional £340m over the life of the plan.

2.4.4 Stock condition surveys will enable the Council to clarify the total amount and how it needs to be profiled across 30 years. Within the 2025/26 HRA Business Plan, an initial four-year tranche of additional investment worth approximately £33.5m has been earmarked to begin from 2026/27. The additional funding will be used to maintain decency, improve thermal comfort and deliver works identified through the stock condition data.

2.4.5 In addition, the Plan includes investment of £650k in 2025/26 to complete a major electrical scheme at Wharncliffe, and £8m across 2025/26 and 2026/27 following capitalisation of major repairs such as ventilation works.

2.4.6 Additional funding has also been allocated to fund aids and adaptations within Council housing stock. The budget will increase by £1m per year in 2025/26 and 2026/27.

2.4.7 Total capital expenditure on existing council homes in 2025/26 is planned to be £36.3m. Across the 30 year Business Plan, £979m capital investment has been allocated to ensure the Councils housing stock is well maintained, an increase of £121m compared with the 2024/25 Business Plan.

Housing Delivery Programme

2.4.8 The Council has been very successful in using HRA land and finances to build and acquire new Council homes. The Council has recently added its 620th affordable home to the housing stock since 2018 and the Business Plan includes provision for £151m investment to deliver the existing pipeline of projects and to ensure the continuation of the Housing Delivery Programme into 2027/28 and 2028/29. This includes a commitment to continue the successful acquisitions programme for at least a further two years. Rising costs and uncertain grant funding remain major risks to the Programme and further work will take place during 2025/26 to model the most appropriate mix of acquisitions and new build homes to ensure continued affordability of the programme.

2.4.9 The precise mix of schemes, number and types of homes and levels of investments are all subject to separate Cabinet approvals or officer delegations where these are in place. For the purposes of the Business Plan, investment is assumed to support delivery of an additional 576 new homes from 2025/26 onwards.

2.4.10 The modelling makes assumptions about the level of grant income available from Homes England and other agencies, which in practice must be negotiated scheme by scheme. While it makes an allowance for the cost pressures facing the housing development industry, all costs remain projections as actual costs will be highly dependent on the nature of the sites, the construction method, specifications, and property types. Options to reduce costs may need to be explored and this could include switching tenure or rent type, delivering more smaller properties and amending specifications.

Digital transformation

2.4.11 An additional £2m has been allocated in 2026/27 and 2027/28 to support the digital transformation of the housing service to improve the customer experience and streamline back-office functions.

2.4.12 Improvements for tenants will include enhancements to Housing Online so more transactions can be done digitally and the roll out of an app. A review of back-office functions will also take place to ensure that wherever a transaction can be completed digitally this will be the default position. Examples of this will include the roll out of mobile working across the housing service which will reduce double keying and free up significant officer time to focus on customer priorities.

2.5 **Revenue Account**

Repairs and maintenance

2.5.1 Ensuring adequate investment in the repair and maintenance of the housing stock is essential to keep tenants safe, provide good quality homes, and mitigate against more substantial costs later. The Housing Property Service and its contractors complete approximately 90,000 repairs and servicing visits every year.

2.5.2 To reflect the importance of this service and increased demands, the Business Plan proposes an increase in spending by £3m to £27.6m in 2025/26. This reflects levels of demand in 2024/25 and includes an increase in the damp and mould revenue budget of £800k to £2.5m in total.

2.5.3 In 2025/26, the budget includes:

- £5m for day-to-day responsive repairs
- £4.8m for planned repairs, like replacements of doors and windows or kitchen and bathroom repairs
- £2.6m for minor works to properties that have become vacant
- £2.5m for damp and mould works
- £4.9m for gas servicing and other cyclical maintenance.

Supervision and management

2.5.4 A supervision and management budget of £34.9m is proposed for 2025/26. This is an increase of £2.972m from last year. £1.7m of this reflects accounting changes in the salaries budget and Furnished Homes service and is offset by additional rental income into the HRA.

2.5.5 Increased costs also reflect additional staffing requirements arising from increased focus on compliance and regulation. Costs include a new compliance team established during 2024/25, and ongoing recruitment for a new Housing Improvement and Governance service to support regulatory assurance, tenant engagement and business improvement. An assumed increase for employers national insurance contributions by 1.2% as per the 30th October 2024 Budget announcement has also been included. £250k has been earmarked in 2025/26 to support unforeseen regulatory costs.

2.5.6 Key areas of expenditure in 2025/26 include:

- £15.1m for contributions to other Council services required to operate the HRA, including central services like finance and HR; and services delivered by other directorates like grass cutting, the contact centre and community protection.

- £13m for staff salaries
- £1.7m for gas and electricity costs.

Estate caretaking

2.5.7 Estate caretaking is a service provided by the Council's repairs and maintenance contract partners. The service is delivered on a planned basis, to an agreed service standard and cyclical programme, across neighbourhoods. The service also responds reactively to issues as they arise, such as fly tipping, to maintain a safe and attractive estate environment. Additional resources of £135k is provided for from 2025/26 to support investment in this service following a review that took place in 2024/25.

2.6 Rents, Fees and Charges

2.6.1 There are three rent types within the HRA – Social Rent, Affordable Rent and Shared Ownership Rent.

Social Rent

2.6.2 The amount the Council can increase rents by is governed by the Rent Standard which is published by Government to ensure all social housing is affordable and follows the same rules and regulations. This formula allows social housing rent to be increased by a maximum of CPI (1.7% as at September 2024) plus 1% each year. Two rent increase options have been modelled for business planning purposes and are detailed below. A 2% increase in service charges is assumed. For the purposes of comparison, the proposed capital investments outlined in this report are consistent across all rent setting options.

Table 1 – Options for Social Rent increase

Social Rent Option 1 - 1.7% rent increase (CPI)	**Social Rent Option 2 – 2.7% rent increase (CPI+1%) - Recommended**
• Average rent increase of £1.56 per week from £92.01 to £93.57 per week (further details in Appendix 2). • This option is 1% lower than maximum allowable under the Government's rent policy. • It would generate £1.6m additional income in 2025/26 when compared to 2024/25. • This option would not cover the pressures identified in section	• This option would result in an average rent increase of £2.48 per week from £92.01 to £94.49 per week (further details in Appendix 2). • This increase is in line with the maximum allowed under the Government's rent policy. • It would generate £2.5m of additional income in 2025/26 when compared to 2024/25. • Assuming a rent increase of CPI +1% for 6 years in line with the

2.4 and the plan becomes unviable. • Any lowering of the base rent will have a permanent effect on the money available to support the HRA as future increases will be from the lower rent level.	proposed Government Policy generates an additional £337m of rental income over the life of the Plan. • This additional income is critical to enabling the Council to meet its priorities and 30-year HRA Business Plan requirements

Affordable Rent

2.6.3 Where the Council has been successful in securing grant income from Homes England to deliver Affordable Rent properties, the new properties will be managed in line with existing policies, for example mutual exchange, succession, subletting etc. The key difference for grant funded properties, compared to Social Rent properties, is the method of managing the rent values is prescribed by the Government. These are contained within the Capital Funding Guide for Homes England grant and the Rent Standard.

2.6.4 The Council is required to rebase (revalue) the Affordable Rent value on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let.

2.6.5 All Affordable Rent properties are revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let. The rebased Affordable Rent will only apply to new tenants or tenancies.

2.6.6 The actual rents for existing tenants in Affordable Rent properties will only be adjusted in April each year as per the existing annual rent and charges review process.

2.6.7 It is proposed that affordable rents increase in line with social rents. Two rent increase options have been modelled for business planning purposes and are detailed below.

Table 2 – Options for Affordable Rent increase

Affordable Rent Option 1 - 1.7% rent increase (CPI)	**Affordable Rent Option 2 – 2.7% rent increase (CPI+1%) - Recommended**
• The average Affordable Rent in 2024/25 is £117.73 when aggregated over 52 weeks. The 2025/26 average weekly rent based on an increase of 1.7% would be £119.73, an average increase of £2.00 per week.	• The average Affordable Rent in 2024/25 is £117.73 when aggregated over 52 weeks. The 2025/26 average weekly rent based on an increase of 2.7% would be £121.50, an average increase of £3.77 per week.

Formula Rent

2.6.8 Since 2015 the Council's policy has been when a property is re-let, or first let in the case of an acquisition or new build, rent is set at the formula rent. It is proposed this policy continues for 2025/26 given the additional income this generates over the life of the Business Plan. The amount raised through this policy depends on which rent increase option is selected:

- If rents for sitting tenants were increased by 1.7% in 2025/26 (Option 1 in 2.5.2), then continuing the policy to re-let at formula rent would generate £97m over 30 years
- If, as recommended, rents were increased by 2.7% in 2025/26 (Option 2 in 2.5.2), then the policy to re-let at formula rent would generate £82m over 30 years.

2.6.9 The average weekly rent for new lets at formula will be £100.06 per week.

2.6.10 It is proposed that guidance is prepared and issued for officers to ensure discretion is applied in exceptional circumstances, e.g. where a tenant is forced to move due to domestic abuse.

Shared Ownership Rent

2.6.11 The Council is the landlord for 115 Shared Ownership properties. Rent increases for shared ownership properties are subject to a different formula than Social Rents or Affordable Rents. The formula is Retail Price Index (RPI) (as at September 2024 = 2.7%) plus 0.5%, an increase of 3.2%. Applying this formula means rents would increase on average by £8.09 per month from £252.66 to £260.75. This is the recommended approach for Shared Ownership rents.

Furnished Tenancy Charges

2.6.12 The recommended option for dwelling rents will also apply to tenants with a Furnished Tenancy. As such, Furnished Homes charges are subject to the same inflationary increase as standard rents. If Option 2 in paragraph 2.6.2 is approved these charges will increase by 2.7%. This would generate additional income of £829k in 2025/26. A full list of Furnished Homes charges and proposed values for 2025/26 is included in Appendix 5.

District Heating

2.6.13 There are currently 18 different schemes and approximately 1,260 properties which receive heat through the Council's District Heating service.

2.6.14 Given the volatility of energy prices the Council took the decision in July 2023 to match the average District Heating bill to the Ofgem price cap for July – September 2023. This approach continued in 2024/25.

2.6.15 It is proposed to continue this approach into 2025/26 and match the forecast average District Heating bill to the forecast Ofgem price cap for April - June 2025 meaning an average bill will be £828 per year assuming the price cap remained unchanged. This will mean the HRA will be paying c£206k in 2025/26 towards the cost of District Heating. The forecast Ofgem price cap has been calculated using market data and is subject to change.

2.6.16 The annual cost to customers will depend on their actual usage, therefore the annual cost could be higher or lower than the Ofgem price cap. Customers will be advised of their usual annual usage so that they can consider their payment options. A series of options for District Heating pricing have been modelled in the tables below. The first table summarises the options. The second table summarises unit rates and Business Plan impacts.

Table 3 – District Heating pricing options

District Heating Option 1 – Existing unit rate based on Jul-Sep 2024 Ofgem Cap	**District Heating Option 2 – Unit rate based on forecast Apr-Jun 2025 Ofgem Cap**
• This option would see the unit rate remain unchanged at 12 pence per kwh and would mean an average annual cost per user of £759. There would be an average deficit of £230 per user as full cost recovery would not be achieved. This would result in a potential pressure on District Heating budgets of £291k.	• This option would see an increase in the unit rate to 13.09 pence per kwh and would mean an average annual cost per user of £828. There would be an average deficit of £164 per user as full cost recovery would not be achieved. This will mean the HRA will be paying c£206k in 2025/26 towards the cost of District Heating. This is c£11k lower than the contribution in 2024/25 (after the pricing was adjusted in line with the Ofgem price cap). • The proposed option maintains the link to the Ofgem price cap and means the average District Heating bill will be equivalent to that of a resident on mains gas.

Table 4 – District Heating pricing option 2025/26 – unit rates and impact on the Business Plan

			Budget 2025/26		
	Original 2024/25 Budget	May 2024 Review	Option 1	Option 2 (Recommended)	Breakeven
District Heating Options 2025/26	Ofgem Cap (Jan-Mar24)	Ofgem Cap (Jul-Sep 24)	Existing unit rate Ofgem Cap (Jul-Sep 24)	Forecast Ofgem Cap (Apr-Jun 25)	Full cost recovery (utilities only)
Unit rate (Inc VAT)	0.1527	0.1200	0.1200	0.1309	0.1576
Expenditure (Fuel only except full cost recovery)	1,701,105	1,293,531	1,355,073	1,355,073	1,355,073
Net Income	-1,348,466	-1,076,206	-1,064,403	-1,148,754	-1,355,073
Deficit	352,639	217,325	290,670	206,319	0
Pooled Schemes Weekly Prepayment Charge (inc VAT)					
Bedsit	9.50	7.00	7.00	8.50	10.00
1 Bed	16.50	12.00	12.00	13.50	17.00
2 Bed	20.50	16.00	16.00	17.50	21.00
3/4 Bed	26.50	20.00	20.00	21.50	27.00
Annual pre-payment charge (inc VAT)					
Bedsit	503.50	384.00	364.00	442.00	530.00
1 Bed	874.50	649.00	624.00	702.00	901.00
2 Bed	1,086.50	861.00	832.00	910.00	1,113.00
3/4 Bed	1,404.50	1,073.00	1,040.00	1,118.00	1,431.00
Annual average bill (inc VAT)	**960**	**754**	**759**	**828**	**997**

2.6.17 The prepayment charge is the amount a customer would pay to their rent account on an annual basis. Customers will be advised of their average annual usage. Customers who require assistance can access the Council's Energy Crisis scheme to seek further cash support and are able to access ongoing support through the financial inclusion team.

2.6.18 As in 2024/25 it is recommended that authority be delegated in 2025/26 to the Assistant Director for Housing in consultation with Cabinet Member for Housing and Assistant Director for Finance to amend District heating pricing should there be a significant movement in the Ofgem price cap.

Garage Rents

2.6.19 A 10% increase of garage rents is proposed and has been modelled within the HRA Business Plan with the aim of creating additional revenue to eventually facilitate more investment in the garage estate. Previously garage charges have been increased in line with service charges (proposed at 2% for 2025/26). A 2% increase is forecast to generate an additional income of £14,260 compared to 2024/25 charges. A 10% increase is forecast to generate £71,330, an increase of £57,070. The impact of a 10% increase and benchmarking data are detailed in the table below. The difference in pricing between tenants and non-tenants is due to VAT being payable by non-tenants.

Table 5 – Impact of Garage Rent Increase

	2024/25	2025/26 Proposed	Increase
RMBC average garage rent for tenants	£ 5.96	£ 6.56	£ 0.60
RMBC average garage rent for non-tenants	£ 7.15	£ 7.87	£ 0.72

South Yorkshire Benchmarked Average Garage Rent	2024/25	vs RMBC (Based on current rent level)	Difference with 10% increase
Tenants	£ 7.09	-£ 1.13	-£ 0.53
Non-tenants	£ 8.51	-£ 1.36	-£ 0.64

<u>Other Fees and Service Charges</u>

2.6.20 This report also considers the potential increase in HRA non dwelling rent fees and charges for 2025/26 and proposes a 2% increase. A full list of Fees and Service charges for the HRA for 2025/26 is included at Appendix 5.

2.6.21 The proposed increase of 2% would generate additional income of approximately £11.4k in 2025/26 compared with current charges.

2.6.22 There are a number of leasehold management charges that are based on the full recovery of actual costs. These are excluded from this report as they are not standard charges that are subject to an inflationary increase. These are included for information in Appendix 5.

2.7 Impact on tenants

2.7.1 There are 14,944 tenancies in receipt of Housing Benefit or Universal Credit (UC) who would not be directly affected by an increase in rent and approximately 4,712 tenancies that would be directly affected by a rent increase, as they would pay themselves from their household income. The tenants in receipt of benefits (Housing Benefit or UC) who would see their benefit entitlement adjusted to meet an increase in rent are:

- 8,961 households who are on Universal Credit
- 3,707 households who are on full Housing Benefit entitlement
- 2,276 households who are on part Housing Benefit entitlement

<u>Affordability</u>

2.7.2 An affordability analysis shows that based on a 1.7% or 2.7% rent increase, those aged under 25 and on benefits would struggle to meet housing affordability tests given working age benefits are lower for this age group. The affordability challenges are the same irrespective of the rent increase adopted. This is an issue which has existed for a number of years. Other age groups would meet affordability tests assuming they only spent on essential items.

2.7.3 Tenants in part time work (assumed 20 hours for modelling purposes) and in receipt of the National Living Wage would still be in receipt of Universal credit and so in all scenarios their rent would be covered in full by an increase in Universal Credit.

2.7.4 Affordability modelling has been undertaken using Policy in Practice software. This software is used to assess all new tenants' ability to afford properties they have been offered, prior to signing a tenancy agreement. A detailed analysis of affordability is attached at Appendix 7.

Supporting tenants with financial pressures

2.7.5 A key priority is the ongoing work to mitigate the effects of the cost-of-living crisis. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. Work will continue to support tenants to pay their rent, including offering additional support to vulnerable tenants to help with money, benefits and debt advice.

2.7.6 The Council and its partners provide a comprehensive package of support to tenants and residents facing crisis. Current support offered in Rotherham is outlined in Appendix 8.

Private Sector Rents

2.7.7 With the proposed rent increase of 2.7% Council rents will still offer far better value than those in the private sector. The table below illustrates the average Council rent compared to the average private sector rent in Rotherham.

Table 6 – Average Council rent vs private rent by bedroom size

	1 Bed	**2 Bed**	**3 Bed**	**4 Bed**
Average weekly Council rent £ (assuming 2.7% increase)	85.57	93.32	100.77	112.16
Average weekly private sector rent £	126	160	196	276

3. Options considered and recommended proposal

3.1 The options considered as part of scenario modelling are detailed at Appendix 3 of the report. Options for rent increases are outlined in the main body of the report.

3.2 The recommended option results in an Operating Surplus at Year 30 of £9.6m and ensures expenditure is affordable throughout the life of the Business Plan.

3.3 The recommended option increases investment in existing stock and enables delivery of an on-going Housing Delivery programme, ensures all statutory compliance functions are met alongside resources to meet requirements of the new social housing regulations.

4. Consultation on proposal

4.1 The Council has an active tenant engagement service supported by a Tenant Engagement Framework and a commissioned Tenant Federation contract. Consultation on housing services provided by the Council is undertaken throughout the year via the Housing Involvement Panel. The draft 2025/26 HRA Business Plan was tabled at the Panel on the 14th November 2024. The Housing Service also hold numerous tenant consultation events throughout the year, for instance the Annual Tenants Conference. These provide an insight into tenant priorities and inform development of the Business Plan.

5. Timetable and Accountability for Implementing this Decision

5.1 The table below shows the approval timeline:

Date	Meeting
16/12/24	Cabinet decision making meeting
15/01/25	Council
7/03/25	Rent and service charge letters posted
7/04/25	New charges take effect

6. Financial and Procurement Advice and Implications

6.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self-financed housing revenue account; the Financial Viability principle has been considered which states that: -

- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability

6.2 The HRA Business Plan is reviewed and updated annually to take account of changes to all income streams and the revenue and capital costs of managing and maintaining HRA properties and tenancies. It also considers Capital investment in new build and housing acquisitions for affordability.

Financial Position of the Housing Revenue Account

6.3 The table below demonstrates the current financial position with a general revenue reserve balance forecast to be £19.381m, a forecast major repair reserve of £8.5m and a forecast 'One for One' Right to Buy receipt balance of £1.2m as at 1 April 2025. A summary of the proposed income and expenditure for 2025/26 is below:

6.4 Based on the recommended 2.7% increase in dwelling rent income and an increase in service charges of 2%, budgeted income of £107.2m is anticipated to be collected in 2025/26 and this is reduced by £104.6m of budgeted expenditure, which represents the net cost of delivering the service.

6.5 As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £2.6m to the service after interest received. This will be used to part-fund the Housing Delivery Programme. A capital contribution of £9.7m is also required to fund the Housing Delivery Programme, so a transfer from the HRA Revenue reserve of £7m is required to balance the HRA.

Housing Revenue Account	Current Budget 2024/25 £'000	Proposed Budget 2025/26 £'000	Difference
Expenditure	97,265	104,634	7,369
Income (including service charges)	-104,344	-107,163	-2,819
Net Cost of Service	-7,079	-2,529	4,550
Interest Received	-350	-105	245
Net Operating Expenditure	-7,429	-2,634	4,795
Revenue Contribution to Capital Outlay	6,000	9,658	3,658
Transfer to (+) or from (-) Reserves	1,429	-7,024	-8,453
Surplus/Deficit for the Year	0	0	0
HRA Reserve Balance	19,831	12,807	-7,024

6.6 A copy of the proposed draft detailed HRA budget 2025/26 is attached at Appendix 6.

6.7 The HRA operating balance is forecast to be at a fairly low level for Years 4-7 in the Business Plan and at the minimum sustainable level from year 29 onwards. The minimum balance is £5.3m in Year 1 and uplifted by CPI annually and is the minimum level required to manage financial risk.

6.8 To maintain adequate operating balance levels Housing Delivery projects will need to breakeven. This will support the overarching strategy for the Business Plan to promote growth rather than manage decline. This will be managed via existing capital governance routes.

Capital Borrowing Requirement

6.9 The plan makes provision for additional borrowing of approximately £100m in years 3 to 6 of the plan period to fund the additional investment in existing stock and the on-going Housing Delivery Programme. The graph at Appendix 4 shows the interest ratio cover over the life of the plan. This ratio looks at the cost of servicing any debt (interest payments) over the life of the plan as a percentage of forecast rental income. The additional borrowing requirement increases the interest payable to a high of 15.5% of forecast rental income in year 2 of the Plan. This is within viable limits.

6.10 The BP model assumes funding will be available from existing capital receipts and from new capital grants, Right-to-Buy (RTB)one-for-one receipts and existing RTB Receipts.

6.11 The income available from RTB one-for-one receipts is subject to change following recent Government changes to the Right-to-Buy scheme which significantly limits the discounts that tenants receive under the new scheme. The new scheme also allows the Council to retain the “Treasury share” of the RTB receipts. It is too early to accurately assess the impact on one-for-one receipts but may result in lower one-for-one income to the Council over the long term if the number of RTB sales falls.

6.12 The HRA BP model has been balanced by the inclusion of borrowing of £5m in year 30, which could alternatively be mitigated by potential savings.

6.13 There are no direct procurement implications arising from this report. All procurement activity to support the delivery of the HRA Business Plan must be conducted in compliance with relevant procurement legislation (Public Contracts Regulations 2015 or the Procurement Act, whichever is applicable) and the Council’s own Financial and Procurement Procedure Rules.

7. Legal Advice and Implications

7.1 It is vital that the Council has and maintains a robust HRA Business Plan, which is subject to regular review and scrutiny to enable the Council to comply with the duties placed upon it. The HRA provisions are contained within the Local Government and Housing Act 1989 and include the duty in January or February each year to formulate proposals relating to HRA income and expenditure which satisfy the requirements set out within s.76(3) of the Act. Those proposals are contained in this report.

7.2 The HRA specifically accounts for revenue expenditure and income relating to the Council’s own housing stock and is ring-fenced from the Council’s General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council’s landlord role. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

7.3 Under Section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine, and the Council must from time-to-time review rents and make such changes as circumstances may require.

7.4 The duty to review rents and make changes is itself subject to the requirements for a notice of variation and the prescribed process as set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

7.5 Local authorities must set rents from 1 April 2020 in accordance with the Governance Policy Statement on Rents for Social Housing 2019. For rents set from 1 April 2024 onwards the 2020 Rent Standard applies in full and it sets out requirements around the increase of rents in line with the Government Policy Statement on Rents for Social Housing. The Council must comply with all of the requirements and expectations set out in the Rent Standard and the Government's Rent Policy Statement. A failure to do so will leave the Council open to legal challenge from both the Regulator and tenants.

8. **Human Resources Advice and Implications**

8.1 There are no immediate human resource implications.

9. **Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications for CYPS or Vulnerable Adults.

10. **Equalities and Human Rights Advice and Implications**

10.1 The Council is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration and has ensured that the HRA Business Plan is compliant with that duty. An initial equalities screening has been carried out to assess the impact of these proposals and due to the scale of investment and nature of households affected the Council has completed an Equality Impact Assessment for this plan. This will ensure the Council continues to promote positive impact and reduce or remove negative impact as a result of the proposed investments. An Equalities Analysis is attached at Appendix 9.

11. **Implications for CO2 Emissions and Climate Change**

11.1 The HRA Business Plan sets out the proposed value of investment in the housing service for the next 30 years. Given the Government's commitment for the UK to achieve net zero carbon by 2050 and the Council's target for Net Zero greenhouse gas emission in the Borough of Rotherham is 2040, 10 years sooner than the UK target, this will require substantial investment in the Council's housing stock over the life of the Business Plan. Initial estimates put the cost of this at circa £600m which represents a formidable challenge to the HRA. As a result, this means that drawing in external funding to progress net zero commitments becomes even more significant. Participation in national grant funding schemes will be prioritised.

11.2 A copy of Carbon impact assessment is attached at Appendix 10.

12. **Implications for Partners**

12.1 This proposal is about making effective use of Council assets and managing them to best effect. It contributes to the sustainable neighbourhoods agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

13. **Risks and Mitigation**

13.1 Self-financing involved a significant transfer of risk from Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the Council.

13.2 Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right to Buy sales) must be managed locally.

13.3 The risk management plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and information on when the risk will be reviewed.

13.4 Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated as necessary.

13.5 The Council has risk-based reserves to ensure that HRA reserves are maintained at the appropriate level. Work will be done during 2025/26 to further develop the risk-based reserves strategy within the HRA. Stress testing of the business plan will also be embedded and reviewed regularly to ensure the HRA Business Plan can adapt to future cost pressures and issues. The reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

14. Accountable Officers

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	**Date**
Chief Executive	Sharon Kemp OBE	02/12/24
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	28/11/24
Head of Legal Services (Monitoring Officer)	Bal Nahal	27/11/24

Report Authors:
Lindsay Wynn, HRA Business Planning Manager 07342718601
Paul Elliott, Head of Housing Income and Support Services
Kath Andrews, Finance Manager (Housing)
01709 255987

This report is published on the Council's website.