

## Appendix G: Housing Revenue Account Budget 2025/26

**Title:** Housing Revenue Account Budget 2025/26

**Portfolio Holder:** Cllr Hargreaves, Portfolio Holder for Finance

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### Summary

1. This report sets the revenue budget for the Housing Revenue Account (HRA) and service charges for 2025/26. This budget must be considered alongside the HRA Business Plan, and the report by the Strategic Director of Finance, Commercialisation and Corporate Services (Section 151 Officer) on the robustness of estimates and adequacy of reserves, made under section 25 of the Local Government Act 2003 (Appendix A).
2. The budget makes proposals of a rental increase of 2.7%, which is 1% above the September 2024 Consumer Price Index (CPI), as well as service charge increases in line with estimated costs. Rents have been consulted on via the Tenant and Leaseholder Panel and reviewed by the Housing Board.

### HRA Medium Term Financial Plan

3. A summary of the HRA medium term financial plan is shown in the table below:

	2024/25 £000	2025/26 £000	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Service income	(19,681)	(20,036)	(20,519)	(21,013)	(21,521)	(22,041)
Rents, rates and other property charges	185	224	230	237	244	251
Maintenance and repairs service expenditure	5,778	5,623	5,680	6,001	6,333	6,674
Management and homelessness expenditure	1,218	1,329	1,362	1,396	1,431	1,467
HRA Transformation & Contingency	750	306	106	108	111	114
Other operating income and expenditure	8,867	9,860	10,202	10,336	10,473	10,610
Capital financing	2,961	2,944	2,939	2,935	2,929	2,925
Transfers to/(from) earmarked reserves	(78)	(250)	-	-	-	-
<b>Deficit/(Surplus)</b>	-	-	-	-	-	-

4. The HRA is forecast to utilise £250,000 of reserves in 2025/26 to fund transformation. This is included in the 'transfers to/(from) earmarked reserves' line in the table above.

5. The HRA MTFP is balanced over its lifetime but ultimately, it is about choices. Whether capital financing increases or the repairs service cost increases, it is all about how best to maintain and increase the stock.
6. When the HRA Business Plan is presented, the council will be able to make recommendations on the level of borrowing affordable by the HRA and the expenditure required to maintain and improve the quality of the housing assets.
7. Over the MTFP, the position of the service income and the rents, rates and other property charges lines, should improve as voids are tackled. However, until the new contractor is embedded, it not considered prudent to project the voids coming back into use and a reduction of the council tax empty homes charge.
8. A contingency is maintained over the life of the MTFP to ensure that there is the ability to fund urgent items of expenditure, especially where there is an increasingly tight regulatory environment.

### Rental Levels & Service Charges

9. Average rents in the HRA will grow by £3.52 per week or 2.7% from £126.09 to £129.61. However, that is an average rent and individual rental figures depend on the number of beds and when the tenancy began.

# Beds	2024/25	2025/26
0	88.93	91.33
1	103.26	106.04
2	119.54	122.77
3	133.49	137.09
4	146.63	150.59
5	138.89	142.64

10. Service Charge Levels are being re-evaluated by Altair, external experts to guarantee that all of them are being set according to legislation. Service charges can only cover costs and the council has commissioned a review to ensure that tenants are treated fairly in all instances. Till the final position has been reviewed, the budgets are set and adjusted in accordance with inflation but the service charges are still being finalised.

### Reserves

11. A summary of the HRA reserves position is detailed below:

SUMMARY	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Reserve B/fwd	(1,390)	(1,312)	(1,062)	(1,062)	(1,062)	(1,062)
To Reserves	-674	0	0	0	0	0
From Reserves	752	250	0	0	0	0
<b>Reserve C/fwd</b>	<b>(1,312)</b>	<b>(1,062)</b>	<b>(1,062)</b>	<b>(1,062)</b>	<b>(1,062)</b>	<b>(1,062)</b>

### HRA Budget Changes 2024/25 to 2025/26

HRA Budget	2024/25 £000	Adjustments	2025/26 £000

		£000	
Service income	(19,681)	(355)	(20,036)
Rents, rates and other property charges	185	39	224
Maintenance and repairs service expenditure	5,778	(155)	5,623
Management and homelessness expenditure	1,218	111	1,329
HRA Transformation & Contingency	750	(444)	306
Other operating income and expenditure	8,867	993	9,860
Capital financing	2,961	(17)	2,944
Transfers to/(from) earmarked reserves	(78)	(172)	(250)
<b>Total</b>	-	-	-

### **Service Income (increase of £355k)**

12. The Cabinet is recommended to accept the maximum level of rental increases of 1% above CPI, which is an increase of 2.7%. This only leads to a £355k increase in income, which is about £170k less than would be expected. This is due to a high level of voids.
13. With the replacement of the UNSL contract taking place in 2025/26, it is realistic to expect it to take a significant amount of time to get the level of voids reduced.

### **Rents, Rates and other property charges (increase of £39k)**

14. The growth is driven by the aforementioned void rates as the HRA needs to refund the General Fund for council tax.

### **Maintenance and Repairs Service Expenditure (reduction of £155k)**

15. This is more of a technical adjustment as the reduction in the UNSL contract reflects that the staffing for the contract management element is now reflected elsewhere in the budget.

### **Management and homelessness expenditure (increase of £111k)**

16. This service cost has grown due to the need to ensure that the HRA staffing is adequate to support the Housing Revenue Account. There is a growth bid in this budget.

### **HRA Transformation & Contingency (reduction of £444k)**

17. The Council will still need to undertake significant transformation in 2025/26, in particular reference to the need to modernise the service, meet compliance requirements and also to put new controls in place over the replacement for the UNSL contract. However, much of these budgets have been regularised and 'mainlined' into core activity and therefore the budgetary requirement is significantly less than in 2024/25.
18. There is £100k of contingency contained within this figure. This is a high level (5%) estimate of the impact of the 2025/26 pay award increase on the HRA.

### **Other Operating Income and Expenditure (increase of £993k)**

19. After a complete overhaul of the internal recharges of the council, it became evident that the HRA was not fully absorbing the cost of the corporate overheads. However, the increase also reflects that some posts that were formerly interim and paid out of Transformation are now in the General Fund and are recharged to the Housing Revenue Account. Ultimately, these costs are almost entirely salary recharges.
20. The £30k reduction on Bad Debts reflects the expectation that the additional officer focusing on rental debtors should reduce the level of bad debts.
21. The £61k increase in depreciation is just an estimate of the increase in the value of the properties and the related depreciation recharge.
22. HRA Other refers to the government announcement about refunding the cost of the NI increase.

**Capital Financing (reduction of 17k)**

23. This reflects the reduced capacity to fund capital in the HRA.

**Transfers to/(from) earmarked reserves (increase of £250k)**

24. The drawdown of £250k from reserves is intended to ensure there is adequate resource to further modernise the service and put in place the financial and operational controls over the new repairs and maintenance contracts.

## Housing Revenue Account Medium Term Financial Plan

25. A summary of the HRA budget for 2025/26 is shown in the table below:

	2024/25 £000s	2025/26 £000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
<b>Service income</b>						
Dwelling rents	(18,067)	(18,452)	(18,914)	(19,386)	(19,871)	(20,368)
Garage rents	(254)	(253)	(253)	(253)	(253)	(253)
Other rents	(32)	(2)	(2)	(2)	(2)	(2)
Charges for services & facilities	(1,328)	(1,329)	(1,350)	(1,372)	(1,395)	(1,418)
<b>Sub-total - Service income</b>	<b>(19,681)</b>	<b>(20,036)</b>	<b>(20,519)</b>	<b>(21,013)</b>	<b>(21,521)</b>	<b>(22,041)</b>
<b>Rents, rates and other property charges</b>	<b>185</b>	<b>224</b>	<b>230</b>	<b>237</b>	<b>244</b>	<b>251</b>
<b>Maintenance and repairs service expenditure</b>						
Common service flats	488	488	500	513	526	539
Estate maintenance	5	5	5	5	5	5
Housing sewage	21	21	22	22	23	23
Newport Depot	3	3	3	3	3	3
Property services	1,043	1,032	1,058	1,084	1,111	1,139
Housing repairs (Norse)	4,218	4,074	4,092	4,374	4,665	4,965
<b>Sub-total - Maintenance and repairs service expenditure</b>	<b>5,778</b>	<b>5,623</b>	<b>5,680</b>	<b>6,001</b>	<b>6,333</b>	<b>6,674</b>
<b>Management and homelessness expenditure</b>						
Housing services	781	891	913	936	960	984
Sheltered housing services	437	438	449	460	471	483
<b>Sub-total - Management and homelessness expenditure</b>	<b>1,218</b>	<b>1,329</b>	<b>1,362</b>	<b>1,396</b>	<b>1,431</b>	<b>1,467</b>
<b>HRA Transformation &amp; Contingency</b>	<b>750</b>	<b>306</b>	<b>106</b>	<b>108</b>	<b>111</b>	<b>114</b>
<b>Sub-total - Service expenditure</b>	<b>7,931</b>	<b>7,482</b>	<b>7,378</b>	<b>7,742</b>	<b>8,119</b>	<b>8,506</b>
<b>Other operating income and expenditure</b>						
Bad debts	100	70	70	70	70	70
Depreciation	4,241	4,302	4,363	4,424	4,485	4,546
Borrowing costs	2,639	2,639	2,639	2,639	2,639	2,639
Treasury investment income	(126)	(126)	(126)	(126)	(126)	(126)
Corporate pension costs (added years and deficit repair)	18	18	18	18	19	19
Insurance	-	263	270	277	284	291
Share of corporate and democratic core costs	454	815	836	857	878	900
Other recharges from General Fund	1,557	1,913	2,166	2,211	2,258	2,305

Right to buy administration allowance	(16)	(16)	(16)	(16)	(16)	(16)
HRA Other	-	(18)	(18)	(18)	(18)	(18)
<b>Subtotal - Other operating income and expenditure</b>	<b>8,867</b>	<b>9,860</b>	<b>10,202</b>	<b>10,336</b>	<b>10,473</b>	<b>10,610</b>
<b>Subtotal - Operating (surplus)/deficit</b>	<b>(2,883)</b>	<b>(2,694)</b>	<b>(2,939)</b>	<b>(2,935)</b>	<b>(2,929)</b>	<b>(2,925)</b>
<b>Capital financing</b>	<b>2,961</b>	<b>2,944</b>	<b>2,939</b>	<b>2,935</b>	<b>2,929</b>	<b>2,925</b>
<b>Transfers to/(from) earmarked reserves</b>						
Revenue reserves	(78)	(250)	-	-	-	-
Earmarked for capital purposes	-	-	-	-	-	-
<b>Sub-total - Transfers to/(from) earmarked reserves</b>	<b>(78)</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Surplus)/deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>