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CABINET

20 DECEMBER 2024

JOINT REPORT OF THE HOUSING AND PLANNING PORTFOLIO HOLDER AND FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.11 UPDATED HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET PROPOSALS 2025/26

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To set out and seek approval of an updated HRA Business Plan, which includes proposed changes in 2024/25 along with budget proposals for 2025/26.

EXECUTIVE SUMMARY

- Similarly, to the General Fund's long-term forecast, a 'live' HRA Business Plan is maintained on an on-going basis, with the most up to date position in December each year being 'translated' into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- A number of changes have been made to the business plan for 2025/26 onwards that largely reflect increased costs / inflationary pressures. Some of these pressures are also being experienced in 2024/25, with corresponding adjustments set out accordingly.
- Based on associated guidance from the Regulator for Social Housing, it is proposed to increase rents by CPI+1% in 2025/26. Based on the relevant reference CPI rate of 1.7%, the proposed increase in 2025/26 is 2.7%.
- As the case in previous years, it is acknowledged that although Councils can set lower increases, this would be a very difficult approach to adopt in terms of the future sustainability of the HRA business plan, given the 'telescopic' impact this would have and more of an imbalance it would create, as expenditure would be increasing significantly more than the level of rental income increases. Such an impact was experienced when the Government required Councils to reduce rents by 1% over the 4 year period from 2016/17 to 2019/20 that continues to have an impact over the long-term life of the business plan.
- Based on the above, the average weekly rent proposed for 2025/26 is **£103.49** (£100.89 in 2024/25)
- After taking into account the various adjustments set out in **Appendix A** and discussed in more detail later on in this report, there continues to be an estimated budget surplus of **£0.418m** in 2024/25**,** albeit this is slightly behind the original estimated position of **£0.493m**. In terms of 2025/26, there is currently an estimated deficit of **£1.170m**.
- The estimated deficit in 2025/26 is broadly due to the increase in costs associated with the repair and maintenance of the Council's stock of social housing, with further details set out later on in this report.

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- It is proposed to fund the estimated deficit for 2025/26 by calling money from HRA balances as an alternative to reducing expenditure. This is partly offset by the transfer of the estimated surplus in 2024/25 to the same reserve.
- As has been the case in previous years, the use of reserves forms part of a wider managed approach that strikes the necessary balance of 'protecting' the investment in tenants' homes whilst recognising the need to use reserves to respond to the on-going financial challenges that the Council continues to face. It is however recognised that this is not a sustainable long-term solution, but it enables the Council to meet its key priorities in the immediate term, which can be revisited as part of the HRA Business Plan in future years. It will be important that the Council explores opportunities to balance the various competing issues during 2025/26, to inform the business plan and budget from 2026/27.
- HRA General Balances are currently estimated to total **£2.556m** at the end of 2025/26 (after taking account of the use of balances highlighted above) that remains available to support the 30 year Business Plan and associated risks to the forecast.
- The proposed HRA Capital Programme for 2025/26 reflects the commitment to maintain the necessary investment in the existing homes of tenants.
- HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2025/26 forecast to be **£31.120m,** which also takes into account the refinancing of an historic loan via an internal borrowing approach.
- There will undoubtedly be further changes required to the forecast before the detailed estimates are finalised for reporting to Cabinet in January 2025, which will provide the opportunity to revisit the above proposals accordingly.
- In addition to requesting comments from the Resources and Services Overview and Scrutiny Committee, it is also proposed to consult with the Tenants' panel during January, with the outcome reported to Cabinet later that month, where the final HRA budget proposals will be considered for recommending onto Full Council in February 2025.

RECOMMENDATION(S)

That Cabinet:

a) approves the updated HRA 30 year Business Plan, which includes the proposed revised position for 2024/25 along with budget proposals for 2025/26; and

b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast.

REASON(S) FOR THE RECOMMENDATION(S)

To enable Cabinet to consider the most up to date HRA Business Plan which sets out a revised position for 2024/25 along with the proposed HRA budget for 2025/26 for consultation with the Resources and Services Overview and Scrutiny Committee.

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ALTERNATIVE OPTIONS CONSIDERED
This is broadly covered in the main body of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Pride in our Area and Services to Residents, with a commitment to providing decent housing that everyone deserves. The HRA budget and Business Plan plays a significant role in the delivery of affordable and decent housing in the district and the Council's responsibilities as a landlord has direct implications for the Council's ability to deliver on its objectives and priorities.

OUTCOME OF CONSULTATION AND ENGAGEMENT
Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the business plan / budget, and is carried out early in the year with the budget proposals presented to the Tenants' Panel for discussion / feedback.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	**Yes**	**If Yes, indicate which by which criteria it is a Key Decision**	◻ **Significant effect on two or more wards** X **Involves £100,000 expenditure/income** ◻ **Is otherwise significant for the service budget**
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.

It is a statutory requirement on a local authority to determine its Housing Revenue Account budget before the upcoming financial year and to ensure that its implementation will not result in an overall debit balance on the Account.

The self-financing regime for the Housing Revenue Account that came into effect from April 2012 was enabled by the Localism Act 2011.

The Regulator of Social Housing and its predecessor bodies have, at the Direction of Government, issued requirements and guidance to registered providers of social housing (which includes Local Authorities) in respect of rents. This has included the maximum levels of rent they can charge and annual increases in rents.

In 2016, Parliament passed the Welfare Reform and Work Act, which, together with Regulations made under it, created a legislation-based regime of rent reduction across the sector by 1% per year until 2020. Therefore, over this 4-year period, providers were required to reduce rents by 1% per year across its housing stock.

In October 2017, the Government announced that at the end of the 4 year rent reduction period it intended to return to annual rent increases of up to CPI + 1%, implemented through the regulator's Rent Standard rather than through legislation.

The Secretary of State for Housing, Communities and Local Government published on 26 February 2019 a 'Direction to the Regulator' to set a Rent Standard that will apply from 1 April 2020. That Direction was published alongside the Government's Policy Statement on Rents (the Policy Statement) and the regulator was required to have regard to this when setting its Rent Standard.

The regulator may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent).

Under the above direction, the Regulator of Social Housing confirmed rents could increase by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. The Government did intervene in 2023/24, as based on this formula, rents would have increased by amounts in excess of 10% in that year given the high level of CPI at the time. Therefore to 'protect' existing tenants, whilst balancing the financial impact on Local Authorities, the Government set a rent increase 'cap' of 7% for 2023/24. The Government made it clear that this rent 'cap' would be set for only 2023/24 rather than for any longer period.

The Government are consulting on the introduction of a new rent policy from 1 April 2026 and in the interim period have issued a direction to the Regulator for Social Housing applicable to rents in 2025/26 only. Although the potential impact of the emerging rent policy will be considered as part of developing the HRA Business Plan in future years, for 2025/26 the direction issued allows for the continuation of the previous policy of applying CPI+1% to rent increases for existing tenants.

The rent standard does not apply to properties let to high-income social tenants, so rather than this being a mandatory requirement it remains a voluntary decision taken at a local level. In continuing with the approach agreed last year, given the very challenging administrative issues associated with charging higher rents to high-income tenants, it is not proposed to introduce this in 2025. However, it is acknowledged that this flexibility may be subject to review in future years, for example, as part of developing future policy decisions within the HRA and is subject to the Government's development of the proposed new rent policy from April 2026.

The Housing and Planning Act 2016 introduced a number of changes that had an impact on social housing, which via associated regulations, continue to be reflected in the HRA estimates as necessary.

The Social Housing (Regulation) Act 2023 sees the introduction of a new era of regulation for the social housing sector, which the Council has responded to in 2024/25. Work remains on-going to respond to the ongoing activities associated with the new regulatory regime, which includes reflecting the expected impact within the development of the HRA Business Plan.

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The original HRA 30 Year Business Plan was agreed as part of the self-financing reforms and associated borrowing agreed by Full Council in February 2012 and the budget proposed for 2025/26 reflects the latest / updated forecast position set out in **Appendix A.**	
Yes	**The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:**
Although there are no additional comments above those set out in this report, it is important to highlight that further decisions may be necessary to take actions forward that are reflected in the business plan. It is also necessary to highlight the key elements of the Best Value Duty that is set out within the General Fund Budget report presented earlier in the agenda. These equally apply to the HRA with financial management and sustainability a reoccurring expectation of a well-functioning local authority.	
FINANCE AND OTHER RESOURCE IMPLICATIONS	
The financial implications are set out in this report and its appendices. Although the availability of financial resources is a key component in the delivery of HRA services, there will also be a need for appropriate input of other resources such as staffing, assets, IT etc.	
YES	**The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**
The S151 Officer is the author of this report.	

USE OF RESOURCES AND VALUE FOR MONEY	
The following are submitted in respect of the indicated use of resources and value for money indicators:	
A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report. In terms of an independent view, the Council's previous External Auditor has recently submitted their Annual Report that includes their commentary on the Council's use of resources. The report was considered by the Council's Audit Committee on 9 December with the Auditor's headline statement as follows: *"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements".*
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	
MILESTONES AND DELIVERY	
This reports forms part of the Council's wider budget setting processes and sets out the most up to date HRA Business Plan and proposed budget for 2025/26 for consultation with the Resources and Services Overview and Scrutiny Committee (RSOSC) in January.	

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Final budget proposals, taking into account the comments of the RSOSC, will be considered by Cabinet at the end of January 2025, which will include their associated recommendations to Full Council.

In February 2025, Full Council will be asked to consider the detailed HRA Budget proposals for 2025/26 as recommended by Cabinet.

ASSOCIATED RISKS AND MITIGATION

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. These have been brought into even sharper relief given the current challenging economic environment and new era of social housing regulation mentioned earlier. The Council's initial / short-term response is set out in the body of this report and will continue to be addressed as part of the future financial update reports.

The inherent risks associated with the 30 year business plan forecast include:

- Changes in income achieved and future rent setting policy
- Emergence of additional areas of spend
- Emergence of new or revised guidance
- New legislation / burdens / regulation
- Changing stock condition requirements
- Adverse changes in interest rates
- National welfare reforms

In view of the above, it is important that a sufficient level of balances / reserves is available to support the HRA. HRA General Balances are currently forecast to be **£2.556m** at the end of 2025/26. This is after taking account of the proposal to draw down money in 2025/26 that has been partly offset by the additional estimated contribution to balances of **£0.418m** in 2024/25. The remaining balance continues to be available to support the delivery of the HRA business plan in the medium to longer term.

A 30 year HRA Business Plan is maintained on an on-going basis that continues to demonstrate the sustainability and resilience of the HRA within a self-financing environment and the ability to provide opportunities for housing investment and associated housing services in the future, although it is acknowledged that the longer-term view always remains subject to the Government's housing policies and changes to the regulatory regime.

EQUALITY IMPLICATIONS

See comments below within the *'Other Relevant Considerations or Implications'* section.

SOCIAL VALUE CONSIDERATIONS

See comments below within the *'Other Relevant Considerations or Implications'* section.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050

See comments below within the *'Other Relevant Considerations or Implications'* section.

OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

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In carrying out its functions as a social landlord, the Council has regard to the need to reduce the potential for criminal activity by improving the security of dwellings as part of maintenance and repair programmes and for combating anti-social behaviour through effective management procedures. Although there are no direct equality and diversity issues, the overall HRA and associated financial planning and decision making processes will recognise and include such issues where appropriate and relevant. Work undertaken within the HRA and associated capital programme will take into account any opportunities to contribute to this key priority where possible. The on-going / cyclical stock condition survey work will also support this approach.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND
The HRA is the Council's landlord account and it is 'ring fenced' for this purpose. Comprehensive rules and requirements surround the HRA such as specific accounting treatment and what items can or cannot be charged to the account. Authorities are required to set a balanced HRA budget each year and agree the level of rents it wishes to charge. From April 2012, the Housing Revenue Account has operated under the self-financing approach introduced as part of the Localism Act 2011, which required the Council to 'buy' itself out of the previous subsidy arrangements via a debt settlement process. As mentioned earlier, an interim direction has been provided to the Regulator of Social Housing that provides for rent increases of up to CPI+1% for 2025/26 for existing tenants. The rate of CPI used is the figure for September of the preceding year that the increase will apply to. For 2025/26, the figure for September 2024 was 1.7%, that therefore results in maximum permitted rent increases of 2.7%. As highlighted within earlier reports one of the biggest impacts on the overall financial position of the HRA in future years is the current regulatory regime for social housing. This is in addition to the national trend of continuing increases in housing disrepair claims made against local authorities. The Council remains committed to providing good quality housing in terms of both its current stock of housing and in its ambition of building / acquiring new homes for local people. Given the financial issues set out in this report, the balance between the two remains challenging in the short term to medium term. The Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary, with further commentary set out below. Within the Financial Performance Report that was considered by Cabinet on 21 October

2024, a number of changes relating to the Right to Buy regime were set out, which included the following increased flexibilities in 2024/25 and 2025/26:

- The maximum permitted contribution from RTB receipts to replacement affordable housing has increased from 50% to 100%.
- RTB receipts will be permitted to be used alongside section 106 contributions which was previously prohibited.
- The cap on the percentage of replacements delivered as acquisitions each year (currently 50%) has been lifted.

As part of its recent Autumn Budget Statement, the Government made further announcements on a number of key HRA issues, which included the following:

- The Government will make 100% retention of Right to Buy (RTB) receipts permanent from 1 November 2024.
- RTB discounts will return to their pre-2012 levels from 21 November 2024.
- The Government will consult on a five-year rent settlement of CPI+1% for social landlords, with potential for this to be extended to 10 years.
- Preferential Public Works Loan Board borrowing rates for local authorities to build social housing will be extended to March 2026.

The impact and flexibilities that all of the above may bring to Local Authorities will be reviewed and considered as part of the on-going development of the HRA Business Plan, and Capital Programme.

It is proposed to review the Council's current Housing Strategy in light of the above and information discussed elsewhere in this report to ensure it continues to support the Council in responding to the various challenges that lie ahead.

HOUSING REVENUE ACCOUNT UPDATED BUSINESS PLAN, PROPOSED IN-YEAR BUDGET CHANGES FOR 2024/25 ALONG WITH THE PROPOSED BUDGET FOR 2025/26

The latest iteration of the 30 year HRA Business Plan is set out within **Appendix A.**

A number of issues that will have an impact in 2024/25 will also have an impact in 2025/26 and future years. Columns (3) and (6) of **Appendix A** highlight the changes against the previously reported figures for 2024/25 and 2025/26 respectively. **Appendix A** also includes a RAG risk rating against each line of the forecast.

The table below sets out the changes proposed in 2024/25 and 2025/26 along with additional commentary (excludes lines of the business plan where there are no proposed changes):

The relevant line of the 30 year Business Plan	Change / Impact in 2024/25	Change / Impact in 2025/26	Comments

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Line 1 - Maintenance	Increase of £347,840	Increase of £615,830	The proposed increases are a result of a number of factors including increases in costs being experienced by suppliers / contractors, underlying inflationary pressures, and meeting regulatory and asset management plan requirements.	
Lines 2 & 3 - Depreciation and the Revenue Contribution to the Major Repairs Allowance	No Change	Net Increase of £241,720	This adjustment primarily involves an underlying technical accounting adjustment, which in effect notionally reflects the cost of capital investment in the housing stock, via the Major Repairs Reserve. For similar reasons to line 1 above, the increase reflects estimated cost increases to maintain the homes of the Council's tenants. This is supported by the proposed increased revenue contribution to the capital programme set out below.	
Line 4 - Management Costs	Increase of £241,590	Increase of £218,720	These primarily reflect the increase in employee costs resulting from the recent Officer pay award along with the addition of a number of general budgetary items (and their on-going impact) including an on-going contribution to the ECC in respect of the corporate approach to securing the necessary procurement capacity	

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			under the terms of an SLA.
Line 5 - Utilities	No change	Decrease of £184,380	The decrease proposed in 2025/26 reflects the current prices and usage across the relevant estate.
Line 7 – Council Tax on Empty Properties	Increase of £70,000	Increase of £70,690	This reflects the cost of paying council tax during periods where the properties are untenanted during the year e.g. void periods. There is also now an impact where properties may have been empty for more than one year, which attract a council tax premium. It is proposed to review any long term empty properties during 2025, to identify options to reduce this on-going liability.
Line 9 – Revenue Contribution to the Capital Programme	Increase of £850,000	Increase of £936,640	The change in 2024/25 reflects the earlier decision associated with the Spendells House Capital Project where money was called down from reserves to fund the completion of the project. In respect of 2025/26, the proposed change reflects the earlier comments above, where additional costs are expected in terms of the maintenance and investment in tenants' homes.
Line 12 - Recharges	Increase of £75,190	Decrease of £92,400	The figures include underlying estimated

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			changes to recharges between the General Fund and HRA. These remain subject to change as the work to finalise these figure remains in progress and will need to reflect the final General fund budget proposals that Cabinet will consider in January 2025.
Total Change / Impact on Expenditure	**Increase of £1,584,620**	**Increase of £1,806,820**	
Line 13 - Dwelling Rents	Increase of £300,000	Increase of £348,040,	In terms of 2024/25, the increase reflects the on-going improved position in respect of general void periods. In respect of 2025/26 this reflects the proposed 2.7% rent increase and the current general void periods highlighted above.
Line 16 – Non Dwelling Rents	No Change	Increase of £5,000	This primarily continues to reflect the income for the Sunspot units in Jaywick Sands that are accounted for within the HRA.
Line 18 - Investment Income	Increase of £130,000	Increase of £140,650	Similarly to the General Fund, income from treasury activities is higher than earlier forecasts due to current higher interest rates available.
Total Change / Impact on Income	**Increase of £430,000**	**Increase of £493,690**	
Line 20 – Planned Use of Reserves	**Increase of £1,079,690**	**No Change**	The adjustments in 2024/25 relate to separate earlier decisions including the

			use of reserves to complete the Spendells House capital project mentioned earlier.
Net Change - Impact	**Decreased surplus of £74,930**	**Change of £1,313,130 that results in a Deficit of £1,170,190 (compared to originally estimated surplus of £142,940)**	

** Although the table above reflects the changes for 2024/25 and 2025/26, the 30 year Business Plan set out in **Appendix A** reflects the knock-on impact of the above where appropriate along with inflationary uplifts where necessary from 2026/27 onwards along with known changes such as those relating to the repayment of debt and interest charges as they represent fixed costs over the life of the respective loans.*

Some additional commentary against the major items highlighted (including those with a red RAG rating where necessary) within **Appendix A** are set out below.

- ***Line 1* – Maintenance**
- ***Lines 2 and 3* - Depreciation and the Revenue Contribution to the Major Repairs Allowance**
- **Line 9 - Revenue Contribution to the Capital Programme**

Due to the pressures highlighted within the table above, the proposal is to increase these lines of the budget accordingly. The cost of maintaining the housing stock is expected to increase for a mix of reasons over the life of the business plan. These areas of the budget / plan will therefore remain under review during 2025/26 as part of further developing the HRA business plan alongside actions and activities required to balance such costs with the financial sustainability of the HRA in the longer term.

***Line 13* - Dwelling Rents**

As highlighted earlier, the Government are consulting on the introduction of a new rent policy from 1 April 2026 and in the interim period have issued a direction to the Regulator for Social Housing applicable to rents in 2025/26 only. This direction confirms the expected maximum increase for existing tenants of CPI+1% for 2025/26.

Councils have the ability to set rents at below this level but lower increases in rents will add risk to the future sustainability of the HRA given the ‘telescopic’ impact over the remaining years of the business plan along with the fact that many HRA expenditure lines of the budget are likely to see increases in-line with CPI or even above.

Based on the resulting 2.7% increase, this results in an average rent of **£103.49** (an increase from £100.89 in 2024/25). After taking account of other adjustments such as estimated void periods and the level of right to buy sales, this will raise additional income of **£0.348m** compared to the figure originally included in year 14 of the business plan (or **£0.740m** over and above the original budget for 2024/25).

In conclusion, the business plan from 2025/26 onwards continues to react to changes in costs / prices, demands on the service, loan refinancing and other timely changes to the forecast.

The following table sets out a summary of the overall HRA position for 2024/25 and 2025/26 after taking into account the adjustments set out above:

	2024/25 £	**2025/26 £**
Estimated Expenditure	17,964,250	18,719,380
Estimated Income	(17,150,040)	(17,513,330)
Planned Use of Reserves	**(1,232,150)**	**(35,860)**
Net (Surplus) / Deficit Position	**(417,940)**	**1,170,190**

In terms of 2025/26, it is proposed to meet the above deficit from HRA balances rather than reduce other lines of the budget which could be an alternative approach. Many of the other lines of the forecast are effectively 'fixed' or largely unavoidable, for example the financing of loan repayments, with the only viable option therefore relating to potentially reducing officer capacity or expenditure on tenants' homes etc. These options would be a significant risk given the new era of social housing regulation and it would see a potentially significant reduction in the investment in the housing stock, which would be challenging ahead of the revised decent homes standard that is expected next year.

As has been the case in previous years, the use of reserves strikes a necessary balance of 'protecting' the investment in tenants' homes whilst recognising the need to use reserves to respond to the on-going financial challenges that the Council continues to face. It is however recognised that this is not a sustainable long-term solution, but it enables the Council to meet its key priorities in the immediate term, which can be revisited as part of the HRA Business Plan in future years.

Not withstanding the above, based on later years of the forecast, the use of reserves expected over the next few years would deplete the general HRA balance. It will therefore be important that the Council explores opportunities to balance the various competing issues during 2025/26, to inform the business plan and budget from 2026/27.

The forecast will undoubtedly change as part of finalising the budget that will be presented to Cabinet in January 2025, so there may be opportunities to revisit various lines of the forecast as necessary before budget proposals are finalised for reporting to Full Council in February.

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HRA Capital Programme

Although a more detailed schedule will be included in the report to Cabinet in January as part of finalising the budget for presenting to Full Council in February, as discussed earlier, the necessary increases in the associated budgets will be reflected in the Capital Programme via increased contributions via the major repairs allowance alongside the proposed increase in the revenue contribution.

HRA BALANCES / RESERVES

The forecast position for HRA balances at 31 March 2025 and 31 March 2026 will vary over time depending on the outturn positions for 2024/25 and 2025/26 as well as the emergence of other unexpected or unplanned matters that could occur in or across these years.

Based on the updated Business Plan attached, the total HRA reserves are forecast to total **£7.003m** by the end of 2025/26, with the general balances element within this amount being **£2.556m**.

The above figures reflect the proposed transfers to and from reserves in 2024/25 and 2025/26 that were set out earlier in this report.

HRA DEBT

The total HRA debt at the end of 2024/25 is estimated to be **£32.535m.**

With forecast repayments of principal along with the proposed refinancing of an historic loan highlighted below, the level of HRA debt at the end of 2025/26 is forecast to be **£31.120m** (including the internal borrowing referred to below).

It is possible to use the Major Repairs Reserve that currently supports the capital programme to pay down historic debt where it is financially advantageous to do so. The total of this reserve is estimated to be **£4.442m** at the end of 2025/26, but a balance needs to be struck between investing in capital projects and tenants’ homes and reducing / managing debt repayment costs. Although no adjustments are included within the proposed budget for 2025/26, this option can be revisited in future years of the business plan.

HRA Interest Payments on Debt and Principal Repayments on Debt

Loans taken out to support the self-financing reforms back in 2012 continue to be repaid each year, with individual loans being completely paid off on a five year cycle that reflects the loan structure agreed at the time. This approach results in lower debt and interest payments on an on-going basis over the 30 years of the business plan.

As part of previous business plan reviews it was agreed that more historic debt would be considered in future years, especially as it became repayable. Historic debt was traditionally based on ‘interest only’ type loans, which were ‘replaced’ as they matured. With this in mind, an historic loan of **£1.000m** matures in 2025/26. As was the case in 2022/23 and 2024/25, rather than simply refinance the loan with a further external loan, it is instead proposed to be refinanced via internal borrowing that takes advantage of the current positive cash flow position of the Council, whilst avoiding the current high interest rates at the present time. This therefore reduces net interest costs, which will be reflected in the attached business plan. It is important to highlight that even though the money has been 'borrowed' internally, it is still included within the total outstanding HRA debt, which will need to be repaid at some time in the future either directly via revenue contributions / major repairs allowance or via 'replacement' external loans.

Although no provision has been made to repay the loan off at the present time, the position will be considered in future years along with the other historic HRA loans that were in place before the self-financing reforms to provide a prudent / sustainable approach to managing this debt in the longer term.

OTHER HRA RELATED MATTERS

Although there are no underlying / significant issues to raise at this stage of the budget setting process, it is always acknowledged that the Government may revisit / consider further housing policy changes that could have an impact on the 30 Year HRA Business Plan. Such issues will be considered as they arise and will be reported to members at the earliest opportunity along with the impact of the business plan where necessary.

PREVIOUS RELEVANT DECISIONS

The last iteration of the HRA 30 Year Business Plan was report to Cabinet on 15 December 2023 with further general updates included in subsequent budget reports and regular financial performance reports as follows:

Financial Performance Report 2024/25 – General Update at the end of July 2024 - Item A.2 Cabinet 21 October 2024.

Financial Performance Report 2024/25 – General Update at the end of September 2024 - Item A.8 Cabinet 15 November 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A – Updated HRA 30 Year Business Plan

REPORT CONTACT OFFICER(S)	
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HRA 30 Year Business Plan (revised Year 13 to Year 30)

									Medium Term			Longer Term			
Line		RAG Rating	Year 13 Original	Year 13 Revised	Year 13 Change	Year 14 As Last Reported (Dec 23)	Year 14 Revised	Change	Year 15	Year 16	Year 17	Years 18 To 20	Years 21 to 25	Years 26 to 30	Totals
			2024/25 (1)	2024/25 (2)	2024/25 (3)	2025/26 (4)	2025/26 (5)	2025/26 (6)	2026/27	2027/28	2028/29				
	Expenditure		£	£	£	£	£	£	£	£	£	£	£	£	£
1	Maintenance incl. stock reduction factor		3,622,530	3,970,370	347,840	3,731,270	4,347,100	615,830	4,477,580	4,611,970	4,750,330	15,123,290	28,385,520	32,906,600	98,572,760
2	Depreciation - Capital Programme		2,906,670	2,906,670	0	2,906,670	3,555,960	649,290	3,555,960	3,555,960	3,555,960	10,667,880	17,779,800	17,779,800	63,357,990
3	Revenue Contribution to MRA		407,570	407,570	0	407,570	0	(407,570)	0	0	0	0	0	0	407,570
4	Management Costs (incl Sweeping and RTB Admin)		2,777,600	3,019,190	241,590	2,800,910	3,019,630	218,720	3,082,590	3,146,800	3,212,100	10,047,940	18,247,280	20,835,300	64,610,830
5	Utilities		537,600	537,600	0	721,980	537,600	(184,380)	564,480	592,700	622,340	2,060,030	4,179,890	5,334,670	14,429,310
6	Provision for Bad Debts		55,440	55,440	0	55,440	55,440	0	55,440	55,440	55,440	166,320	277,200	277,200	997,920
7	Council Tax On Empty Properties		77,830	147,830	70,000	78,600	149,290	70,690	150,770	152,260	153,770	470,500	815,720	856,890	2,897,030
8	Debt Management Expenses		75,390	75,390	0	77,650	77,650	0	79,980	82,380	84,850	270,140	507,040	587,760	1,765,190
9	Revenue Contribution to the Capital Programme		613,630	1,463,630	850,000	613,630	1,550,270	936,640	1,550,270	1,550,270	1,550,270	4,650,810	7,751,350	7,751,350	27,818,220
10	HRA Interest Repayments on Debt		1,153,530	1,153,530	0	1,062,330	1,062,330	0	977,610	919,510	889,790	2,491,010	3,660,080	3,252,470	14,406,330
11	Principal Payments on Debt - MRP		1,414,300	1,414,300	0	1,414,300	1,414,300	0	1,414,300	1,080,970	1,080,970	3,242,910	3,529,850	1,829,850	15,007,450
12	Recharges (Including Insurance and Pension Costs)		2,737,540	2,812,730	75,190	3,042,210	2,949,810	(92,400)	3,153,920	3,219,770	3,283,410	10244790	18,470,040	20,369,510	64,503,980
			16,379,630	**17,964,250**	**1,584,620**	**16,912,560**	**18,719,380**	**1,806,820**	**19,062,900**	**18,968,030**	**19,239,230**	**59,435,620**	**103,603,770**	**111,781,400**	**368,774,580**
	Income														
13	Dwelling Rents (incl.stock reduction factor)		(15,389,030)	(15,689,030)	(300,000)	(15,781,450)	(16,129,490)	(348,040)	(16,540,790)	(16,962,580)	(17,395,130)	(54,892,400)	(101,224,860)	(114,806,260)	(353,640,540)
14	Service Charges (incl.stock reduction factor)		(584,260)	(584,260)	0	(600,040)	(600,040)	0	(616,240)	(632,880)	(649,970)	(2,057,110)	(3,815,860)	(4,359,600)	(13,315,960)
15	Garage Rents (incl. stock reduction factor)		(179,250)	(179,250)	0	(184,090)	(184,090)	0	(189,060)	(194,160)	(199,400)	(631,080)	(1,170,640)	(1,337,450)	(4,085,130)
16	Non Dwelling Rents		(185,370)	(185,370)	0	(212,580)	(217,580)	(5,000)	(228,870)	(233,270)	(233,270)	(699,810)	(1,166,350)	(407,850)	(3,372,370)
17	Misc. Income		(32,910)	(32,910)	0	(32,910)	(32,910)	0	(32,910)	(32,910)	(32,910)	(98,730)	(164,550)	(164,550)	(592,380)
18	Investment Income		(329,720)	(459,720)	(130,000)	(189,070)	(329,720)	(140,650)	(329,720)	(329,720)	(329,720)	(989,160)	(1,648,600)	(1,648,600)	(6,064,960)
19	Capital Receipts (to cover Admin Costs of RTB's)		(19,500)	(19,500)	0	(19,500)	(19,500)	0	(19,500)	(19,500)	(19,500)	(58,500)	(97,500)	(97,500)	(351,000)
			(16,720,040)	**(17,150,040)**	**(430,000)**	**(17,019,640)**	**(17,513,330)**	**(493,690)**	**(17,957,090)**	**(18,405,020)**	**(18,859,900)**	**(59,426,790)**	**(109,288,360)**	**(122,821,810)**	**(381,422,340)**
20	Estimated Planned Use of Reserves*		**(152,460)**	**(1,232,150)**	**(1,079,690)**	**(35,860)**	**(35,860)**	**0**	**(5,920)**	**0**	**0**	**0**	**0**	**0**	**(1,273,930)**
	Surplus (-)/Deficit (+) on HRA Balance		**(492,870)**	**(417,940)**	**74,930**	**(142,940)**	**1,170,190**	**1,313,130**	**1,099,890**	**563,010**	**379,330**	**8,830**	**(5,684,590)**	**(11,040,410)**	**(13,921,690)**

** This adjustments is in relation to other decisions*