South Cambridgeshire District Council

Report to:	Council 27 February 2024
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance
Lead Officer:	Peter Maddock, Head of Finance
Key Decision:	Yes The key decision was first published in the April 2023 Forward Plan.

Housing Revenue Account Revenue & Capital Budget 2024/2025

Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2024/2025 and if satisfied to approve the HRA Budget.

Recommendations

2. That Council is requested to consider the report and, if satisfied, to:

Housing Revenue Account (HRA): Revenue

(a) approve the HRA revenue budget for 2024/2025 as shown in the HRA Budget Summary as presented at Appendix A.

HRA: Review of Rents and Charges

(b) Approve that council dwelling rents for all social rented properties be increased by 7.7%, recognising that inflation measured by the Consumer Price Index (CPI) at September 2023, plus 1% results in an increase of 7.7%.

(c) Approve that affordable rents (inclusive of service charge) are also increased by 7.7% in line with the increase for social rents.

(d) Approve that rents for affordable shared ownership properties are increased by 5.4%, recognising that inflation measured by the Retail Price Index (RPI) at January 2024 plus 0.5% results in an increase of 5.4%.

(e) **Approve that garage rents be increased by 7.7% in line with the increase for social rents.**

(f) **Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in Appendix D.**

HRA: Capital

(g) **Approve the required level of funding for new build investment between 2024/2025 and 2028/2029 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained or anticipated to be received by the authority for this period. This expenditure will take the form of HRA new build, with the 60% top up met by other HRA resources.**

(h) **Approve the HRA Medium Term Financial Strategy forecasts as shown in Appendix B.**

(i) **Approve the Housing Capital Programme as shown in Appendix C.**

Details

- **Background**

3. The HRA is a ring-fenced area of the Council's activity and represents the landlord activity which the authority carries out as a stock retaining authority.

4. HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed each year. The HRA budget setting report covers both HRA revenue and capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

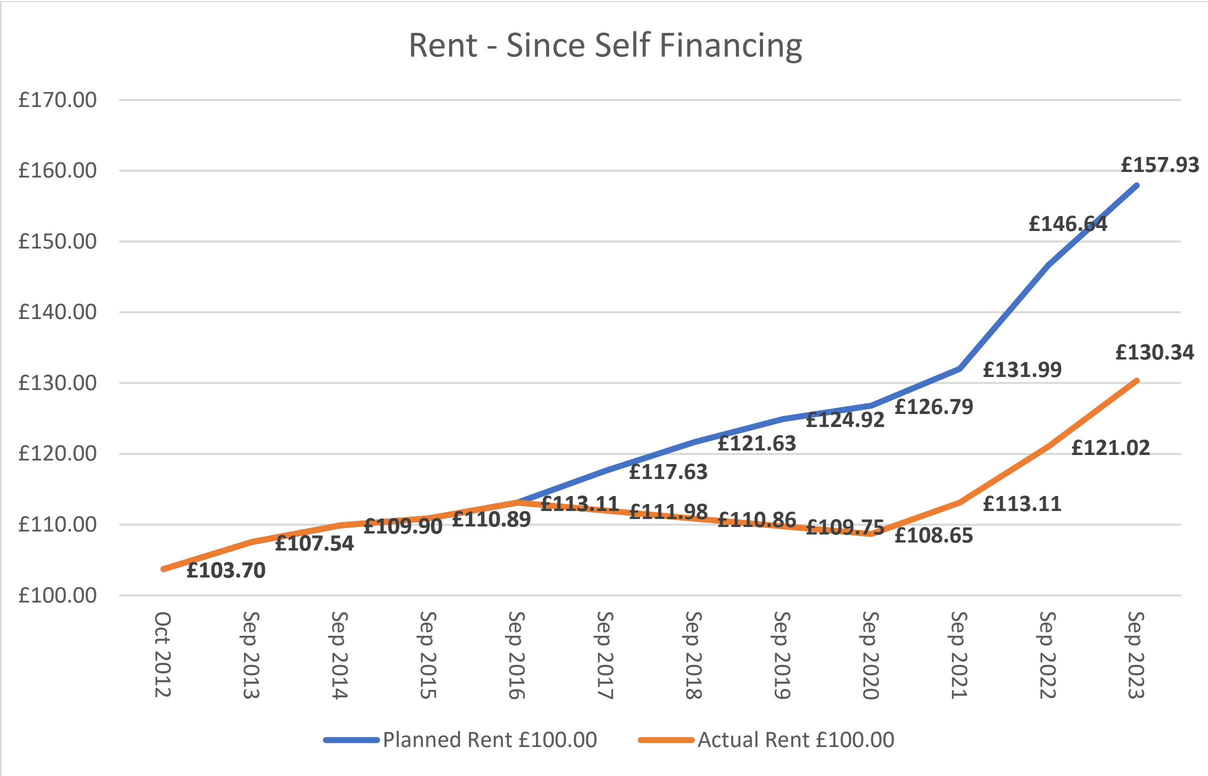
5. The total resource available to invest in housing is dependent upon the income streams for the HRA, the most significant of these being the rental income for the housing stock.

For the four-year period ending 31 March 2020, the Council was required to reduce rents by 1% per annum to comply with a national approach to rent setting. From 1 April 2020 rents were permitted to be increased by the total of the September Consumer Prices Index (CPI) plus 1%. This was intended to be for a period of 5 years, but the high levels of inflation in 2022 prompted the government to cap rent increases for 2023/24 at 7%.

The September 2023 CPI rate was 6.7% and this will result in a rent increase of 7.7% from April 2024.

The graph below demonstrates the gap between the rent to be charged in 2024/25 against the potential rent charge if the rent policy of permitting annual increases of up to CPI inflation plus 1% had been retained.

Starting with a weekly rent figure of £100.00 in 2012 as an example, the rent in 2024/25 will now be £130.34 compared to a charge of £157.93 if annual increases of CPI inflation + 1% had been applied across the whole period.



Properties below target rent levels are moved directly to target rent only when they become void. Target rents continue to be set with reference to January 1999 property values. Affordable rent increases are subject to the same constraints as social rents, but with the ability to re-set the rent at up to 80% of market rent upon re-let, dependent on local policy.

6. There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2023, the authority continued to support a housing debt of £205 million. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, to ensure sustainability of the HRA.

(A) Budget Formulation

7. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for the HRA, particularly in relation to the impact of changes in national housing policy.

8. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

9. The proposed rent increase and budget for 2024/25 has been constructed in the wider context of the national position for social housing. To maintain delivery of the service priorities, the Council will need to increase rents by the maximum allowed under current national rent policy.

   The Council seeks to provide good quality, sustainable homes that are affordable to live in and where people choose to live. This means achieving a balance in investment against key housing priorities as follows:

   - Meeting the rising compliance and regulation requirements.
   - Investment in the existing housing stock with a commitment to increase energy efficiency, reduce the carbon footprint and increase the sustainability of the Council's properties.
   - Investment in the delivery of new affordable homes.
   - Spend on landlord services (providing management and support to tenants, responsive and void repairs).
   - Investment in new initiatives
   - Support for, and potential repayment of, housing debt.

10. The draft revenue and capital estimates for the HRA are outlined in detail in **Appendices A to C** of the report.

11. There are significant changes to the budget process, one change relates to Support Service Allocations. The allocation of general fund support service costs to the HRA will now be reported on the HRA Summary account rather than allocating out to the individual services. This will mean some significant movements in some areas as support services have no longer been allocated there.

12. The second change relates to non-operational budgets whereby pension related accounting adjustments are not included within the budget primarily because these are reversed out below the net cost of services line as they are an accounting adjustment and should not impact on the HRA balance. It is felt that these changes improve the clarity of the budget.

(B) National and Local Policy Context

13. The Social Housing ((Regulation Act) 2023 was introduced to improve the standards, safety and operation of social housing. The act was passed on 20

July 2023 and significantly enhances the Regulator of Social Housing's (RSH) role in regulating the consumer standards. The RSH's new proactive role will be supported by new consumer standards and an inspections regime, which are expected to take effect from April 2024

14. The rollout of Universal Credit continues to cause challenges both for residents and for the Council, with the full impact of direct payment on rent collection and rent arrears yet to be realised. The Council has resources in the budget to support and advise tenants who need financial support and will signpost to options to increase their incomes.

15. The Council's HRA owns and/or manages the following properties, broken down by category of housing provided:

Housing Category	**Actual Stock Numbers as at 01/04/2023**	**Estimated Stock Numbers as at 01/04/2024**
General Housing (Incl. use as Temporary Housing)	4,316	4,391
Sheltered Housing	1,069	1,069
Sheltered Housing – Equity Share	69	69
Miscellaneous Leased Dwellings	5	5
Shared Ownership / FTB Dwellings	145	162
Total Dwellings	**5,604**	**5,696**

16. A breakdown of the housing stock by property type is outlined in the table below:

Stock Category (Property Type)	**Actual Stock Numbers as at 01/04/2023**	**Estimated Stock Numbers as at 01/04/2024**
Bedsits	20	20
1 Bed	1,145	1,161
2 Bed	2,503	2,541
3 Bed	1,857	1,886
4 Bed	75	84
5 Bed	1	1
6 Bed	3	3
Total Dwellings	**5,604**	**5,696**

17. The HRA maintains the freehold in respect of flats sold under the right to buy process on long leases. Services continue to be provided to these properties in respect of repairs and improvements to communal areas and services for common facilities.

18. As at 31 March 2023, the Council held £4,380,103 of right to buy receipts under the retention agreement with the Department for Levelling Up, Housing and Communities (DLUHC). This compares to the balance of £4,892,023 as at 31 March 2022.

19. Capital receipts arising from the sale of Right to Buy properties are accounted for annually and the Council can fund up to 40% of new property costs from the receipts. The receipts must be spent within 5 years. Whilst up to 40% of the cost of a development can be financed from this source, the balance must be funded from the Council's own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

(C) <u>HRA Resources</u>

20. HRA resources comprise rent, service charges, income from garages/other property, investment income, external funding and earmarked funds. These are each considered below:

(i) <u>Rent: Rent Arrears, Bad Debt Provision and Void Levels</u>

21. At the end of December 2023, current tenant arrears stood at £782,700 and former tenant arrears at £315,191 compared with £651,113 and £315,700 respectively as at 31 March 2023. The position is being monitored, with staff working proactively with tenants in arrears.

22. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the contribution set at 0.26% from 2024/25. This assumption has been amended as part of this HRA budget setting report.

23. As at 31 March 2023, the provision for bad debt stood at £714,422, representing 74% of the total debt outstanding at the time.

24. The estimated value of rent not collected as a direct result of void dwellings in 2023/24 is £713,652, representing a void loss of 2.66%. This is higher than reported in previous years and is driven by the number of properties acquired under the Local Authority Housing Fund (LAHF) scheme currently empty, whilst waiting for suitable refugee families to be housed.

25. At the end of December 2023, 110 properties were unoccupied, representative of 1.99% of the housing stock.

26. The current assumption of 1.7% voids in general housing has been retained for the purposes of this budget setting report in expectation that all the LAHF properties will be occupied.

(ii) Rent: Restructuring and Rent Levels

27. The authority still lets property on two differing rent levels, social rent and affordable rent, with the latter capped locally at the level of the Local Housing Allowance.

28. Property specific rent restructured target social rents apply for the socially rented stock held in the HRA. From 1st April 2021 both the target rent and actual rent increased by CPI plus 1% so the convergence of the actual and target rents, which was abandoned when the 1% rent reduction targets were brought in, will still not happen unless a property becomes void and the rent is moved to target on re-let.

29. The average social rent in 2023/2024, at the time of writing this report, across the socially rented housing stock was £116.99, and after applying the expected increase of 7.7% will become £126.00. At the time of writing this report, 4% of the social rented housing stock was being charged at target rent levels, compared with 47% in the previous year. Whilst rent increases in April 2023 were at capped at 7%, the government did allow the underlying target rent to increase in line with the rent standard (CPI +1% = 11.1%), which explains the smaller percentage of social rented homes currently at target rent.

30. There are 438 new build or acquired properties charged at the higher “affordable rent” levels, with 97 of these being shared ownership homes.

(iii) Rent Setting

31. Rent levels continue to be set by Council in February of each year, following consideration at Cabinet.

32. The Department for Levelling Up, Housing and Communities (DLUHC) publishes the Rent Standard guidance that registered providers of social housing must comply with. The Rent Standard sets the requirements around how registered providers set and increase rents for social housing in line with government policy as set out in DLUHC's Policy Statement on Rents for Social Housing.

33. In September each year the annual CPI figure is announced which is used to establish the limit on annual rent increases for social housing. Rents can be increased by up to CPI plus 1%. This applies from April 2024, but future year increases are currently uncertain as a new rent standard will be introduced from April 2025.The CPI figure for September 2023 was 6.7%, which leads to a rent increase of up to 7.7%.

34. Affordable rents increases are also limited to a maximum increase of 7.7% from April 2024, but with the ability to re-set the rent at up to 80% of market rent upon re-let. Council policy is to cap affordable rents (inclusive of all service charges) at the Local Housing Allowance level and that they do not exceed 70% of the gross median market rent. The average affordable rent in 2023/24, at the time of writing this report, was £169.74.

35. An historic error has been identified in the annual rent review process carried out for affordable rented homes between the years 2017 and 2019. This error was communicated to all affected tenants in January 2024 and work is underway to correct the error and refund those tenants affected.

36. The Rent Standard published by the Regulator of Social Housing does allow for some “Rent Flexibility “, when setting the rent for a new tenant to a property. An upwards tolerance of 5% of the target rent is permitted. We will use this provision within the Rent Standard to increase the rent on re-let to 105% of target tent for those properties with an EPC rating of A or B. The increased rental income will help to finance the cost of improving thermal efficiency and reducing carbon emissions across our whole stock.

(iv) <u>Service Charges</u>

37. Service charges continue to be levied for services that are not true landlord functions, and are provided to some tenants and not others, depending upon the type, nature, and location of the property. Some service charges are eligible for housing benefit, depending upon the nature of the service.

38. The approach to setting service charge levels for 2023/2024 is detailed in the report at **<u>Appendix D</u>.**

(v) <u>Other Sources of Income</u>

39. The HRA had 908 residential garages as at 1 April 2023, which are outside the curtilage of the dwelling. Approximately 271 garages were vacant at the time of compiling this report. A number of the vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or redevelopment.

40. A two-tier charging structure is applied for garages, with one rate for garages rented to tenants, and another for rental of garages by others, with the latter subject to VAT at the prevailing rate. If a tenant holds more than two garages, VAT is also payable.

41. In addition to dwellings held for rent, the HRA has several communal rooms in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to sheltered residents. A review of these assets continues to ensure that they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

42. The HRA receives interest on general and ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve, any unapplied capital balances and in respect of any internal lending

to the General Fund. The interest rates available to the Council have risen during 2023/24 following the increases made to the Bank of England base rate.

(vi) Other External Funding

43. In addition to income direct from service users, the HRA does receive some external funding from Section 106 Funding. The Council has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the HRA. The assumption that this funding is utilised to deliver new affordable homes is identified into the Housing Capital Investment Plan.

(vii) Earmarked & Specific Funds: Revenue

44. In addition to General Reserves, the HRA Account still maintains a number of earmarked or specific funds. Details of the current level of funding in these reserves is shown at **Appendix E**.

45. A Self-Insurance Fund is maintained to mitigate the risks associated with the authority self-insuring its housing stock. Costs in lieu of insurance claims are charged to the HRA in year, with the reserve available to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

46. A statutory Major Repairs Reserve is credited with depreciation in respect of the housing stock each year, which is used to fund the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt.

47. The continued desire to invest resource in new build to replace lost stock and appropriately spend retained right to buy receipts, impacts the ability to set-aside resource to repay debt. This means the Council will have no alternative but to refinance a significant proportion of the self-financing loan portfolio as each loan matures. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision, allows the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

(viii) Earmarked Funds: Capital Receipts

48. The HRA retains an element from all right to buy receipts over and above those assumed in the self-financing settlement, in recognition of the debt held in respect of the asset. These sums are held in a separate ear-marked capital reserve, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

49. With the Right to Buy Receipt Retention Agreement in force, this reserve ensures that resource is identified for re-investment and, if necessary, repayment purposes.

(D) HRA Revenue Account Budget: Revised Budget 2023/2024

50. Service budgets for the current financial year were reviewed as part of the budget setting process for the coming year to ascertain what the likely balance would be on the Housing Revenue Account at the end of the financial year. The changes are summarised in the table below:

2023/24 Revised Budget	Original Budget Feb-2023 £ 000's	Proposed Changes £ 000's	Revised Jan-2024 £ 000's
Rental Income	(34,182)	44	(34,138)
Other Income	(2,204)	(113)	(2,317)
Supervision and Management	7,304	(544)	6,760
Repairs	6,314	1,696	8,010
Depreciation	7,436	1,449	8,885
Other Expenditure	1,328	(46)	1,282
Revenue Funding of Capital Expenditure	14,914	(881)	14,033
Loan interest	7,193	41	7,234
Interest receivable	(1,082)	171	(911)
IAS 19 (Pension Cost) Reversals	(537)	537	0
Transfer from Earmarked Reserves	(6,000)	(2,500)	(8,500)
Revised Net HRA Use of Reserves	**484**	**(146)**	**338**

51. The resulting change in the use of reserves is also identified for the current year. The middle column shows the difference between the original and revised budgets.

52. The additional properties acquired under the LAHF scheme have led to a higher number of rented homes and income for 2023/24. However, the reported income will be reduced by the correction of the historic affordable rent error and so the overall reported rental income for 2023/24 will be slightly below the original budget.

53. The cost of repairs and maintenance, driven both by inflation and demand, has increased higher than anticipated in the original budget. A new program of surveys has been introduced in 2023/24 to check and respond to damp, mould and condensation issues in the homes we provide.

54. Depreciation charges have increased with higher stock numbers and appreciation of property values. The amount of depreciation charged credits the major repairs reserve, which is used to fund the capital expenditure on existing homes.

(E) HRA Revenue Account Budget: Budget 2024/25

55. The HRA balance at the start of the financial year was just below £3 million. It is considered that this balance is adequate for HRA purposes and above the minimum level of £2.5 million considered prudent.

56. The Council has a transformation programme which will deliver savings across the authority and some of these savings will fall on the HRA services. It is necessary to ensure that efficiency savings are sought within the HRA to ensure that the account remains viable.

57. Rental income has been increased by £4 million because of the rent increase of 7.7% and the additional homes being delivered through the New Homes Programme and the anticipated Round 3 of LAHF acquisition funding.

58. The proposed budget is based on an HRA deficit of £0.339 million in 2023/2024 and a deficit of £0.07 million in 2024/2025.

59. The overall revenue budget position for the HRA for 2024/2025 is presented in **Appendix A**. A balanced budget can be set for 2024/2025, with the account balance on the account balance remaining above the desirable £2.5 million minimum level.

(F) Housing Capital Budget

(i) Stock Investment and Decent Homes

60. The Housing Management Information System, known as “Orchard”, allows for better use of asset management data, more efficient planning of future works, and better integration between revenue (day to day repairs) and capital (investment) for council housing. A full stock condition survey of all tenanted properties was conducted during 2023/24 to update the asset management data held. Analysis of this data will enable improved long-term planning for the stock improvement program, including the implementation of decarbonisation measures.

61. As at 31 March 2023, 97.39% of the housing stock was reported as decent, compared with 95.13% at 31 March 2022; with 144 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works). In the year to 31 March 2023, access to properties considered to be non-decent was refused by 104 tenants.

62. The Council aims to be carbon neutral by 2050 which includes the housing stock. The data collected from the stock condition surveys will be analysed and used in 2024-25 to begin work on the long-term plan for the retrofit and planned decarbonisation programmes for the next 5, 10 and 15 years.

63. £1.7m of Gov funding was secured through the SHDF (Social Housing Decarbonisation Fund) This is being used to deliver energy efficiency works to our lower performing properties (those with a current EPC rating below C) over the next 2 years.

64. The Capital programme has been updated and is reproduced at **Appendix C**.

(ii) New Build and Re-Development

65. At the time of writing this report 295 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 97 shared ownership homes also completed.
The table below shows the movement in the rented stock numbers over recent years, with the increased number of properties delivered through the New Homes Programme giving rise to a net gain in stock numbers over the period:

Year	Right to Buy Sales	Acquisitions	New Build Rented	Net Gain / Net Loss	Demolitions / Disposals	Total Net Gain / Net Loss
2013/2014	28	0	0	-28	0	-28
2014/2015	29	0	0	-29	0	-29
2015/2016	23	0	0	-23	0	-23
2016/2017	33	12	37	16	0	16
2017/2018	20	3	6	-11	24	-35
2018/2019	15	6	24	15	0	15
2019/2020	19	0	22	3	4	-1
2020/2021	10	0	46	36	0	36
2021/2022	14	0	72	58	0	58
2022/2023	21	0	58	37	0	37
	212	**21**	**265**	**74**	**28**	**46**

66. The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member approval, with the budgeted expenditure included at **Appendix C**.

Scheme	Status	Estimated Affordable Units
Meadowcroft Way, Orwell	On site	4 rented
Phase 2B, Northstowe	On site	60 rented
Downing Gardens, Gamlingay	On site - near completion	7 shared ownership remaining
New Road, Over	On site	13 rented plus 5 shared ownership
Rampton Road, Cottenham	On site	39 rented plus 17 shared ownership
Barrington	On site	11 rented plus 2 shared ownership
Cottenham Grove, Cottenham	Contracts to be exchanged	5 rented plus 5 shared ownership
Teversham Road, Fulbourn	Contracts to be exchanged	16 rented plus 17 shared ownership
Histon Road, Cottenham	Contracts to be exchanged	24 rented plus 10 shared ownership
Tudor Meadows, Sawston	Contracts to be exchanged	25 rented plus 22 shared ownership
Boreham Yard, West Wratting	Contracts to be exchanged	2 rented plus 1 shared ownership
Total		**199 rented** **86 shared ownership**

67. There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval and, as such, have not yet been built into the Housing Capital Investment Plan on a scheme specific basis. Instead, an unallocated new build budget is included, which when a scheme receives Head of Housing and Lead Cabinet Member approval, allows resource to be transferred from this unallocated new build/acquisition budget to the scheme specifically to allow monitoring of progress.

68. Allowance has been made in the unallocated new build budget for the acquisition of 102 new affordable homes through the South Cambridgeshire Investment Partnership (SCIP) development in Cambourne. Planning approval was given in January 2024 with work now underway on the development agreement and formal approval.

69. Some schemes deliver only new provision of affordable rented housing and, as such, will be eligible for 40% of the scheme to be funded using retained right to buy receipts. Many of these schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are not currently eligible for use of retained right to buy resource, but instead can be part funded using S106 commuted sums if available.

70. The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released because of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received, to fund building new homes. This is anticipated to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts.

71. In total the Council has been awarded £11 million as part of the Governments Local Authority Housing Fund (Rounds 1 and 2). The funding has been used to by the Council to acquire 66 additional homes. 60 of these homes will initially be used to accommodate refugees from Ukraine and Afghanistan, but when they are no longer needed for this purpose, the home will be available through the housing waiting list. 6 of the homes will be used for temporary accommodation.

72. The Department for Levelling Up, Housing & Communities (DLUHC) has made more funding available from LAHF Rounds 1 and 2. The Council has submitted a bid for funding for 10 more homes (9 temporary accommodation and 1 to house refugees) but at this time has not received confirmation if the bid was successful.

73. In anticipation of a possible Round 3 of LAHF funding in 2024/25, £15.3 million and the associated funding has been added to the capital programme for the acquisition of 35 homes.

The Capital programme shown in **Appendix C** has been updated to increase the unallocated new build budget allocation for the SCIP development in Cambourne and to allow for the continued delivery of new affordable homes.

(iii) Section 106 Funding

74. Commuted sum payments received through the planning process, in lieu of the delivery of affordable housing, are made available in the first instance to the HRA to invest in affordable homes.

75. The Council currently holds £1.3 million in commuted sums for affordable housing. The following table provides an update of when current sums held must be spent (year-end prior to deadline date), against the resource committed to date.

Year	Section 106 sum to be spent	Cumulative Section 106 sum to be spent	Resource committed / spent General Fund	Resource committed HRA	Cumulative resource still to be committed
	£	**£**	**£**	**£**	**£**
2026/27	156,419	156,419	0	156,419	0
2027/28	0	156,419	0	156,419	0
2028/29	494,614	651,033	0	651,033	0
2029/30	339,654	990,687	0	990,687	0
2030/31	44,517	1,035,204	0	1,035,204	0
2031/32	127,500	1,162,704	0	1,162,704	0
2032/33	172,377	1,335,081	0	1,335,081	0
	1,335,081			**1,335,081**	

Commitments to date include:

Scheme	Fund	2023/24 £	2024/25 £	2025/26 £
Gamlingay, Downing Gardens – contribution to 10 shared ownership homes	HRA	300,000		
Rampton Road, Cottenham – contribution to 17 shared ownership homes	HRA	400,000	450,000	
All Saints Gardens, Barrington – contribution to 2 shared ownership homes	HRA		100,000	
Cottenham Grove, Cottenham – contribution to 2 shared ownership homes	HRA		85,081	
	HRA	**700,000**	**635,081**	**0**

76. Changes to planning conditions mean fewer commuted sums are being received now, but when received the funds will be utilised predominantly to deliver other forms of affordable and intermediate housing, such as shared ownership or shared equity.

(iv) <u>Asset Acquisitions and Disposals</u>

77. The Right to Buy Retention Agreement with DHUHC allows the acquisition of existing dwellings, as an alternative to building new homes, although new supply remains the priority. Acquisition is a valid option when new build is not possible within a deadline for the use of retained receipts. This risk has, however, been reduced under the new retention agreement, which allows 5 years from the original receipt for right to buy receipts to be spent.

78. Receipts from individual asset disposals and the sale of shared ownership homes are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for.

(v) Capital Spend and Phasing

79. The updated Capital programme is presented to Council and includes re-profiling and updating the capitalised repairs budgets, new house building budgets and transferring resources from the unallocated sum to schemes that have now been identified.

(G) HRA Treasury Management

(i) Background

80. Statutorily, the HRA is required to set a balanced budget, including recognition of the revenue implications that arise from capital financing decisions.

(ii) HRA Borrowing

81. As at 1 April 2023, the HRA was supporting external borrowing of £205 million in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5 million due to be repaid on 28 March 2037 and the last on 28 March 2057.

82. The HRA Capital Financing Requirement (HRA CFR) stood at £204 million due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority but must be deemed reasonable and stand up to external scrutiny from auditors.

83. Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing. A local debt cap has been calculated at £329 million as of 1st April 2023. This calculation will be updated and reviewed with the 2024/25 budget assumptions and stock condition survey data gathered during 2023/24.

84. The Council will need to borrow before the end of 2023/24 to finance the delivery of the additional affordable housing through both the LAHF scheme and new homes programme. The Capital Programme assumes the need to borrow throughout the years 2023/24 to 2028/29 but forecasts for some debt repayment too. The assumed additional borrowing as at the end of 2028/29 is £67 million.

85. The borrowing is assumed to be met through the Public Loans Work Board (PWLB). In June 2023, government announced a preferential rate for HRA

borrowing at 40 basis points above gilts, which is effectively a 60 basis points reduction to standard PWLB lending rates. This preferential HRA rate was initially announced for one year but has been extended until June 2025.

(iii) Debt Repayment/Re-Investment

86. The current debt repayment strategy for the HRA, not to set-aside resource to repay the self-financing housing debt, but to instead invest resource in new build housing, assumes the need to re-finance the borrowing when loans mature.

87. The potential debt repayment or re-investment reserve stood at £8.5 million as at 1 April 2023 but will be used to finance spend in 2023/24.

88. Regular consideration will need to be given, in the context of the current financial climate, whether the authority wants to retain the current re-investment strategy or re-consider some element of set-aside if resources allow.

Reasons for Recommendations

88. To enable the Council to consider and approve the 2024/2025 Housing Revenue Account (HRA) Revenue Budget and Capital Programme.

Options

89. There are a number of other options regarding budget setting, but the budget as presented represents the best use of resources within the constraints that exist.

Implications

90. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered: -

Financial and Fraud Risk

These are outlined in the report and its supporting appendices.

Risks/Opportunities

91. The authority maintains a risk register, incorporating specific risks affecting the Housing Revenue Account, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these. The risk register is regularly reviewed and updated.

92. General reserves are held to help manage risks inherent in financial forecasting. Risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service needs, rent and other income shortfalls and emergencies. The reserve allows the authority time to respond to unanticipated events, without an immediate and unplanned impact on service delivery.

93. For the HRA, the minimum level of reserves of £2.5 million is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

Consultation responses

Leadership Team, Budget Holders and Lead Cabinet Members.

Background Papers

- Budget Report – Report to Cabinet: 06 February 2023/Council: 22 February 2023
- Medium Term Financial Strategy – Report to Cabinet: 07 November 2023
- Capital Programme Update and New Bids – Report to Cabinet: 05 December 2023
- 2023/24 Revenue & Capital Budget Monitoring – Report to Cabinet: 05 December 2023

Appendices

Appendix A: HRA Summary Budgets 2024/2025

Appendix B: HRA Medium Term Financial Strategy: Financial Forecast 2024/2025 to 2028/2029

Appendix C: HRA Capital Programme 2024/2025 to 2028/2029

Appendix D: Proposed HRA Service Charges 2024/2025

Appendix E: HRA Earmarked and Specific Funds

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