

REPORT TITLE: HRA BUDGET-SETTING REPORT (BSR) 2025/26

To:

Cllr Gerri Bird, Executive Councillor for Housing

Housing Scrutiny Committee (04/02/2025)

Report by:

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Wards affected:

All

1.	Recommendations
1.1	<p>It is recommended that the Executive Councillor for Housing refers the recommendations below to the Executive to:</p> <p>Review of Rents and Charges</p> <p>a) Recommend that full Council approve that council dwellings rents for all social rented and social shared ownership properties be increased in line with government guidelines, with an increase of 2.7%, being inflation as measured by the Consumer Price Index (CPI) at September 2024 of 1.7%, plus 1%. Rent increases will take effect from 1 April 2025. This equates to an average rent increase of £3.37 per week.</p> <p>b) Recommend that full Council approve that affordable housing rents, inclusive of service charge, are also increased by 2.7% in line with the increase for social rents. This equates to an average rent increase of £5.06 per week.</p> <p>c) Recommend that full Council approve that rents for affordable shared ownership properties are increased by RPI as at September 2024, 2.7% plus 0.5%, as allowed for in the lease requirements for these properties.</p> <p>d) Recommend that full Council approve that garage and parking space charges for 2025/26 are increased by inflation at 2.7%, in line with dwelling rents, and approve</p>

changes in charges for parking permits, as set out at table 10 on page 28 of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

e) Recommend that full Council approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix D of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

f) Recommend that full Council approve the proposed leasehold administration charges for 2025/26, as detailed in Appendix D of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

g) Recommend that full Council approve that service charges continue to be recovered at full estimated cost, as detailed in Appendix D of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26, recognising that local authorities should endeavour to limit increases to inflation as measured by CPI at September 2024 (1.7%) plus 1%, wherever possible.

HRA Revenue

h) Recommend that full Council approve (with any amendments) the revenue savings, pressures and bids set out at Appendix F of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

i) Recommend that full Council approve the resulting Housing Revenue Account revenue budget as summarised at table 5 on page 20 of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

Housing Capital

j) Recommend that full Council approve the capital bid set out at Appendix F of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

k) Recommend that full Council approve the updated Housing Capital Investment

Plan as shown at Appendix E of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

l) Recommend that full Council approve the proposed approach to financing the Housing Capital Investment Plan as set out at table 11 on page 31 of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.

Treasury Management

m) Recommend that full Council approve the revised need to borrow over the life of the Business Plan, to sustain the proposed level of capital investment, which includes delivery of the 10 Year New Homes Programme.

n) Recommend that full Council recognise that the constitution delegates Treasury Management to the Chief Finance Officer (Part 3, para 5.11), with Part 4F, C16 stating; 'All executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities'.

o) Recommend that full Council recognise that the decision to borrow significantly to build new homes impacts the council's ability to set-aside resource to redeem the HRA Self-Financing debt at the point at which the loan portfolio matures, resulting in a need to re-finance debt at the point of maturity.

General

p) Recommend that full Council approve inclusion of a capital budget for Disabled Facilities Grant expenditure and associated grant income from 2025/26 onwards, based upon 2024/25 net grant awarded, with delegation to the Chief Finance Officer to approve an in year increase or decrease in this budget in any year, in direct relation to any increase or decrease in the capital grant funding available for this purpose, as received from Cambridgeshire County Council through the Better Care Fund.

q) Recommend that full Council approval of delegation to the Chief Finance Officer, as Section 151 Officer, to determine the most appropriate use of any additional

	<p>Disabled Facilities Grant funding, for the wider benefit of the Shared Home Improvement Agency.</p> <p>r) Recommend that full Council approve delegation to the Director of Communities to review and amend the level of fees charged by the Shared Home Improvement Agency for Disabled Facilities Grants and repair assistance grants, in line with any recommendations made by the Shared Home Improvement Agency Board.</p> <p>s) Recommend that full Council approve delegation to the relevant Director, in consultation with the Chief Finance Officer, to draw down resource from the earmarked revenue reserve or capital reserve for potential debt redemption or re-investment, for the purpose of open market land or property acquisition or new build housing development, should the need arise, in order to meet deadlines for the use of retained right to buy receipts or to facilitate future site redevelopment.</p> <p>t) Recommend that full Council approve delegation to the Chief Finance Officer to make any necessary technical amendments to detailed budgets in respect of recharges between the General Fund and the HRA.</p>
2.	Purpose and reason for the report
2.1	The council is required under statute to set a balanced budget for the Housing Revenue Account each year.
2.2	The HRA Budget Setting Report is presented to this meeting of the Housing Scrutiny Committee to allow consideration and scrutiny of proposals for the review of rents and service charges, revenue bids and savings, and the Housing Capital Investment Plan, which includes capital bids and all associated funding proposals. Comments made by the Housing Scrutiny Committee will be reported to the Executive meeting taking place on 10 February 2025. The Executive will then recommend the budget for Full Council approval at its meeting on 24 February 2024.

3.	Alternative options considered
3.1	The council is required by statute to prepare a balanced budget for the HRA. The key assumptions used are set out in Appendix B of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26, whilst Appendix C sets out alternative assumptions which could have been used, the HRA's sensitivity to these, and the financial impact should reality differ from the assumptions used.
4.	Background and key issues
4.1	The HRA budget is set in the context of the 30-year business plan, to ensure that sufficient income is forecast to allow the Councils housing stock can be managed effectively and maintained to a decent standard, whilst also maximising the number of new homes that can be delivered.
4.2	The HRA faces significant financial challenges, with a significant investment need identified in the housing stock in order to improve homes to an appropriate level of energy efficiency over the coming years.
4.3	The Business Plan factors in the best estimates and assumptions on cost inflation, pay award, voids rate, bad debt provision, borrowing rate, potential grants, receipts from market sales, continued investment in repairs, and legal disrepair/compensation costs. These have all been factored into this the proposed budget for next year and across the medium term.
4.4	The proposed budget and medium term forecasts demonstrate the ongoing financial sustainability of the HRA over the medium term.
4.5	However, it should be noted that delivery of the new homes in the current 10 Year New Homes Programme is wholly dependent upon securing significant additional grant funding from the government. If the council is unsuccessful in securing such funding, the programme will need to be reviewed. At best, this will mean a significant slowing of the pace of housing delivery in order to ensure that the Council does not take on

	unsustainable levels of debt. Other options may include identifying alternative sources of funding, increasing the amount of market sale housing provided, reducing build specifications or reducing the number of council's rented homes delivered overall.
5.	Corporate plan
5.1	The budget has been set with reference to the four key priorities in the Corporate Plan. Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council
6.	Consultation, engagement and communication
6.1	Tenant and leaseholder representatives are consulted on any changes in the HRA budget as an integral part of the scrutiny process associated with this committee. All tenants receive individual written communication in advance of any change in rent or service charge levels. Also, officers from within the Housing and Finance departments have been involved in the development of the HRA Business Plan.
7.	Anticipated outcomes, benefits or impact
7.1	Approval of the HRA Budget-Setting Report for 2025/26 will allow the council to meet its statutory responsibility to set a balanced budget. It will also ensure that quality services can continue to be provided to council tenants, and an appropriate level of capital investment in both existing and new council housing stock can be undertaken.
8.	Implications
8.1	Relevant risks
	The key financial risks to the HRA are set out in Appendix A of the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.
	Financial Implications

8.2	As set out in the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.
	Legal Implications
8.3	<p>The Housing Act 1985 under section 24 gives the council power to determine the level of rent it charges to tenants or occupants of its homes. The council is additionally required by the 1985 Act to review rents from time to time and make changes as circumstances requires. The council must set rents in accordance with the Rent Standard and the Rent Policy Statement. The council must act reasonably in relation to rent setting, and the decision maker should therefore be satisfied that the increase is reasonable and justified. The council must comply with the Regulator of Social Housing January 2025 guidance “Limit on annual rent increases 2025/26” which is relevant from April 2025.</p> <p>Part 2 of the Housing Act 1985 provides that the council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit. In exercising these duties, the council must comply with various legislative and administrative duties. The council is to produce and make available for public inspection an HRA annual budget and to review and revise the budget, if necessary, from time to time to avoid any deficit.</p> <p>The council is required by the 1985 Act to notify tenants of variations of rent and other charges at least 28 days before the change takes effect. The council must consult with the tenants before notifying them of variations to the terms of a secure tenancy.</p> <p>The government announced in October 2018 that the HRA borrowing cap has been abolished. The implication of this is that councils with housing stock are now able to borrow against their estimated rental income in line with the CIPFA Prudential Code.</p> <p>The Landlord and Tenant Act 1985 sets the basic rules for setting service charges, including the requirements for consultation with leaseholders.</p>

	Equalities and socio-economic Implications
8.4	An Equalities Impact Assessment has been undertaken in respect of new budget proposals where any impact (positive or negative) is anticipated.
	Net Zero Carbon, Climate Change and Environmental implications
8.5	Where relevant, officers have considered the climate change impact of budget proposals, with any impact highlighted in the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.
	Procurement Implications
8.6	Any procurement implications arising directly from revenue or capital bids will be considered and addressed as part of each individual project.
	Community Safety Implications
8.7	Any community safety implications are outlined in the attached Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26.
9.	Background documents Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
9.1	Housing Revenue Account Business Plan and Medium Term Financial Strategy 2024/25
10.	Appendices
10.1	Appendix 1 – Housing Revenue Account Business Plan Update and Budget Setting Report 2025/26 Appendix 2 – Equality Impact Assessment

<p>To inspect the background papers or if you have a query on the report please contact Godwin Ogbechie, HRA Accountant and Senior Finance Business Partner, tel: 01223 457767, email: godwin.ogbechie@cambridge.gov.uk</p>
