Agenda Item 7e

South
Cambridgeshire
District Council

Report to:	Council	25 February 2025
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 2024 Forward Plan.	

Housing Revenue Account Revenue & Capital Budget 2025/26

Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2025/2026 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 2025/2026 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 are increased by 2.7%, recognising that inflation measured by the Consumer Price Index (CPI) at September 2024, plus 1% results in an increase of 2.7%.

(c) Approve that affordable rents (inclusive of service charge) are also increased by 2.7% in line with the increase for social rents.

(d) Approve that rents for affordable shared ownership properties are increased by 4.0%, recognising that inflation measured by the Retail Price Index (RPI) at December 2024 plus 0.5% results in an increase of 4.0%.

(e) Approve that garage rents are increased by 2.7% in line with the increase for social rents.

(f) Approve that Council dwelling rents for properties with an EPC rating of A or B are increased to 105% of target rent on re-let.

(g) Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in <u>Appendix D</u>.

<u>HRA: Capital</u>

(h) Approve the required level of funding for new build investment between 2025/2026 and 2029/2030 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.

(i) Approve the HRA Medium Term Financial Strategy forecasts as shown in <u>Appendix B</u>.

(j) Approve the Housing Capital Programme as shown in <u>Appendix C</u>.

Details

- **<u>Background</u>**

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.

6. 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.

7. 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%.

8. The four-years of rent reductions of 1% per annum and the capped increase in 2023/24 have resulted in a loss of rental income to the HRA of over £30 million.

9. The annual rent increase from 1 April 2025 is limited to the September Consumer Prices Index (CPI) plus 1%. The September 2024 CPI rate was 1.7% and this will result in a rent increase of 2.7% from April 2025.

10. 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.

11. 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 2024, the authority supported a housing debt of £217 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

12. 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.

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

14. The proposed rent increase and budget for 2025/2026 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.

15. 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.

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

(B) National and Local Policy Context

17. 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 took effect from April 2024

18. Awaab's Law was introduced as part of the Social Housing (Regulation Act) 2023 and requires that hazards such as damp and mould are investigated and rectified within specified timeframes.

19. The Decent Homes Standard, which sets minimum standards for the condition of social homes, has been under review for several years. In October 2024, within its consultation on future social housing rent policy, the government said it will consult on a proposed new Decent Homes Standard in early 2025.

20. The rollout of Universal Credit continues to cause challenges both for residents and for the Council. 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.

21. 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**	**Estimated Stock Numbers as at**
	01/04/2024	**01/04/2025**
General Housing (Incl. use as Temporary Housing)	4,393	4,483
Sheltered Housing	1,073	1,074
Sheltered Housing – Equity Share	69	69
Miscellaneous Leased Dwellings	5	5
Shared Ownership / FTB Dwellings	165	184
Total Dwellings	**5,705**	**5,815**

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

Stock Category (Property Type)	Actual Stock Numbers as at 01/04/2024	Estimated Stock Numbers as at 01/04/2025
Bedsits	20	20
1 Bed	1,160	1,179
2 Bed	2,547	2,634
3 Bed	1,887	1,890
4 Bed	87	88
5 Bed	1	1
6 Bed	3	3
Total Dwellings	**5,705**	**5,815**

23. 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.

24. As at 31 March 2024, the Council held £1,693,673 of right to buy receipts under the retention agreement with the Ministry of Housing, Communities and Local Government (MHCLG). This compares to the balance of £4,380,103 as at 31 March 2023.

25. 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.

26. Changes to the Right-to-Buy (RTB) scheme were announced in the October 2024 budget. Effective from 21 November 2024, the maximum discount allowed in the region has been reduced from £102,400 to £34,000. A significant number of RTB applications were received before 21 November; however, it is now anticipated that fewer applications will be received in future years due to the lower discount offered.

27. This change benefits the Housing Revenue Account (HRA) business plan by enabling the retention of more properties, which are the primary source of revenue for the HRA. However, it also results in lower capital receipts from RTB sales, which could have been used to finance the new build program, thereby necessitating increased borrowing.

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

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

(i) Rent: Rent Arrears, Bad Debt Provision and Void Levels

29. At the end of December 2024, current tenant arrears stood at £741,219 and former tenant arrears at £293,567 compared with £725,986 and £276,108 respectively as at 31 March 2024. The position is being monitored, with staff working proactively with tenants in arrears.

30. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the contribution set at 0.28% from 2025/26. This assumption has been amended as part of this HRA budget setting report.

31. As at 31 March 2024, the provision for bad debt stood at £701,243, representing 70% of the total debt outstanding at the time.

32. The estimated value of rent that will be lost due to empty dwellings in 2024/25 is £1,032,800, representing 2.61% of rental income. In previous years this loss of income has been a consequence of changes in tenancy. However, for this year there has also been an additional pressure arising from the Government delays in identifying suitable refugee families for properties acquired under the Local Authority Housing Fund (LAHF) scheme. Empty LAHF dwellings are estimated to account for 31% of the total rent loss.

33. At the end of December 2024, 135 properties were unoccupied, including 12 shared-ownership properties awaiting sale. This represents 2.4% of the total housing stock.

34. 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

35. 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.

36. Property-specific restructured target social rents apply to the socially rented stock held in the HRA. Target rent refers to a rent level set by the government for social housing, calculated using a national formula that considers factors such as the property's market value and local earnings. The aim is to ensure that rents are affordable and consistent across similar properties.

37. From 1st April 2021, both the target rent and actual rent increased by CPI plus 1%. The convergence of actual and target rents, which was halted when the 1% rent reduction targets were introduced, will not occur unless a property becomes void and the rent is adjusted to the target rent upon re-letting.

38. At the time of writing this report, the average social rent for 2024/25 across the rented housing stock was £126.56. With an expected increase of 2.7%, this will rise to £129.98.

39. Currently, 9% of the social rented housing stock is being charged at target rent levels, up from 4% in the previous year. Although rent increases in April 2023 were capped at 7%, the government allowed the underlying target rent to increase in line with the rent standard (CPI + 1% = 11.1%). This explains the smaller percentage of social rented homes currently at target rent.

40. There are 546 new build or acquired properties charged at the higher “affordable rent” levels, with 123 of these being shared ownership homes.

(iii) Rent Setting

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

42. The Ministry of Housing, Communities and Local Government (MHCLG) 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 MHCLG's Policy Statement on Rents for Social Housing.

43. Each September, the annual CPI figure is announced which is used to determine the limit on annual rent increases for social housing. Rents can be increased by up to CPI plus 1%. The CPI figure for September 2024 was 1.7%, which leads to a rent increase of up to 2.7%.

44. In the Autumn Budget Statement, the government announced a consultation on a new social housing rent policy, proposing a five-year rent settlement of CPI+1%, with the potential for this to be extended to 10 years, starting from April 2026. The consultation ended in December 2024 and the Ministry of Housing, Communities and Local Government (MHCLG) is expected to publish the decision and outcome soon.

45. Affordable rents increases are also limited to a maximum increase of 2.7% from April 2025, with the ability to re-set the rent at up to 80% of market rent upon re-let. Council policy, however, 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 2024/25 at the time of writing this report was £187.26.

46. An historic error was 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 refunds were issued to those tenants during 2024/25.

47. 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 rent 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) Service Charges

48. 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.

49. The approach to setting service charge levels for 2025/2026 is detailed in the report at **Appendix D.**

(v) Other Sources of Income

50. The HRA had 933 residential garages as at 30 December 2024, which are outside the curtilage of the dwelling. Approximately 260 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.

51. 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.

52. 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. Extensive consultation will be carried out as part of this review to ensure that all local views are taken account of.

53. The HRA earns 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 from any internal lending to the General Fund. The interest rates available to the Council have decreased during 2024/2025 following reductions made to the Bank of England base rate.

(vi) Other External Funding

54. 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

55. 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**.

56. 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.

57. 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.

58. 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 first £5 million is due for repayment on 28 March 2037 (see paragraph 80).

(viii) Earmarked Funds: Capital Receipts

59. 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.

60. 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 2024/2025

61. 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.

62. 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.

2024/25 Revised Budget	Original Budget Feb-2024 £ 000's	Proposed Changes £ 000's	Revised Jan-2025 £ 000's
Rental Income	(38,649)	277	**(38,372)**
Other Income	(1,885)	(20)	**(1,905)**
Supervision and Management	7,525	82	**7,608**
Repairs	8,088	131	**8,220**
Depreciation	9,554	1,260	**10,814**
Other Expenditure	1,126	89	**1,215**
Revenue Funding of Capital Expenditure	6,594	7,319	**13,913**
Loan interest	8,193	(280)	**7,913**
Interest receivable	(477)	(232)	**(709)**
Transfer from Earmarked Reserves	0	(8,500)	**(8,500)**
Revised Net HRA Use of Reserves	**71**	**126**	**196**

63. Rental income will be lower than originally budgeted due to developer delays in handing over some new build schemes, (most of which will be 'caught up' by the end of the financial year). There have also been delays in Government identifying suitable refuges properties under the LAHF scheme, leading to rent loss while the properties remain empty

64. The cost of repairs and maintenance has risen more than anticipated in the original budget, driven by both inflation and demand. Notably, the survey program introduced in 2023/24 to address damp, mould, and condensation issues in our homes has required significant expenditure.

65. 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.

66. Delays to some new build schemes in Q4 of 2023/24 have resulted in the expenditure budgeted for 2023/24 being carried over into 2024/25. Consequently, the Revenue Funding of Capital Expenditure, which was lower than planned in 2023/24, has also been carried over to 2024/25. This means that the transfer from earmarked reserves originally planned for 2023/24 will now occur in 2024/25.

(E) HRA Revenue Account Budget: Budget 2025/2026

67. 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.

68. 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.

69. Rental income has increased by £2.5 million due to the rent increase of 2.7% and the additional homes being delivered through the New Homes Programme.

70. An increase in employer National Insurance contributions, as outlined in the Autumn Budget statement, will be introduced from April 2025, resulting in an additional £44,000 for the HRA in 2025/26. The government announced most of this funding would be delivered through a dedicated fund within the local government finance settlement, with allocations to the HRA as £25,740.

71. Two additional positions, an operations manager and a surveyor, have been added to the Property Services team due to a significant increase in workload from new legislative and compliance requirements. Additionally, there is increased scrutiny from the Regulator of Social Housing and the Housing Ombudsman. Starting in April 2024, regular regulatory inspections will be conducted, with expectations for data availability, evidence, and good record-keeping. Furthermore, the Property Services team has assumed responsibility for maintaining closed churchyards and district street lighting. These activities fall under the General Fund, which contributes to staffing costs.

72. The proposed budget is based on an HRA deficit of £0.2 million in 2024/25 and a deficit of £0.1 million in 2025/2026.

73. The overall revenue budget position for the HRA for 2025/2026 is presented in **Appendix A**. A balanced budget can be set for 2025/2026, with the account balance remaining above the desirable £2.5 million minimum level.

(F) Housing Capital Budget

(i) Stock Investment and Decent Homes

74. The Housing Management Information System, known as “MRI 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.

75. As of 31 March 2024, 17 properties were reported as non-decent, a significant decrease from the 144 properties reported as non-decent on 31 March 2023. In addition, access to properties considered to be non-decent was refused by 40 tenants in the year 2023/24, compared to 104 tenants in the previous year. This improvement is attributed to ongoing works and findings from the stock condition survey.

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

77. £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).

78. An application for funding from the Warm Homes: Social Housing Fund Wave 3 was submitted in November 2024. £22.5 million has been added to the capital improvement program in anticipation of grant funding of £11.8 million. If secured, the funding will be used to improve the energy performance of our housing stock. Successful applications should be notified by the end of January 2025.

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

(ii) New Build and Re-Development

80. 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 and acquisitions made under the LAHF scheme, 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
2023/2024	8	61	27	80	0	80
	220	**82**	**292**	**154**	**28**	**126**

81. 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
Phase 2B, Northstowe	On site	18 rented remaining
New Road, Over	On site	2 rented plus 1 shared ownership remaining
Rampton Road, Cottenham	On site	30 rented plus 11 shared ownership remaining
Barrington (Phase 3)	On site	32 rented plus 13 shared ownership
Cottenham Grove (Phase 3), Cottenham	On site	13 rented plus 4 shared ownership remaining
Teversham Road, Fulbourn	On site	17 rented plus 8 shared ownership remaining
Histon Road, Cottenham	Contracts to be exchanged	24 rented plus 10 shared ownership
Tudor Meadows, Sawston	On site	25 rented plus 14 shared ownership remaining
Boreham Yard, West Wratting	On site	2 rented plus 2 shared ownership
Cambourne (SCIP)	Contracts to be exchanged	72 rented plus 30 shared ownership
Fulbourn, Ida Darwin	Contracts to be exchanged	40 rented plus 13 shared ownership
Northstowe, Station Road	Contracts to be exchanged	30 rented plus 13 shared ownership
Total		**305 rented**
		119 shared ownership

82. 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.

83. 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 can be part funded using S106 commuted sums if available.

84. 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.

85. The Council has been awarded a total of £11.9 million from the Government's Local Authority Housing Fund (Rounds 1, 2 and 3). The funding has enabled the Council to acquire 81 additional homes including 15 designated for temporary accommodation. Initially, the plan was to fund 35 additional homes through LAHF Round 3 in 2024/25; however, the grant allocation received was for only 5 additional homes. To date, two homes have been acquired in 2024/25 under LAHF Round 3, with the remaining three scheduled for acquisition in 2025/26. In the longer term, these homes will revert to general needs when no longer required for refugees or homeless families.

86. The Capital programme shown in **Appendix C** has been updated to allow for the continued delivery of new affordable homes.

(iii) Section 106 Funding

87. 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.

88. The Council currently holds £0.8 million in commuted sums for affordable housing. The following table provides an update of when current sums held will be utilised for the provision of affordable homes on new build schemes:

Scheme	Fund	2024/25 £	2025/26 £	2026/27 £
Rampton Road, Cottenham – contribution to 17 shared ownership homes	HRA	0	450,000	
All Saints Gardens, Barrington – contribution to 2 shared ownership homes	HRA	100,000	0	
Cottenham Grove, Cottenham – contribution to 2 shared ownership homes	HRA	100,000	150,000	
	HRA	**200,000**	**600,000**	**0**

89. 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) Asset Acquisitions and Disposals

90. The Right to Buy Retention Agreement with MHCLG 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.

91. 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

92. 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

93. 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

94. As at 1 April 2024, the HRA was supporting external borrowing of £217 million, comprising:
- **£205 million in HRA Self-Financing Debt**, consisting of 41 maturity loans with the Public Works Loans Board (PWLB), with interest rates ranging between 3.44% and 3.53%. These loans have varying maturity dates, with the first £5 million due for repayment on 28 March 2037 and the last on 28 March 2057.
- **£12 million PWLB loan** for financing new build expenditure

95. The HRA Capital Financing Requirement (HRA CFR) stood at £216 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.

96. The HRA borrowing cap was abolished in October 2018. The authority can now borrow within its HRA, provided it can demonstrate that the HRA can support the borrowing and that the funds are being used for the provision of social or affordable housing. As of 1 April 2023, a local debt cap of £329 million has been calculated. This calculation is currently being updated and reviewed with the 2025/26 budget assumptions.

97. The Council is borrowing to finance the delivery of additional affordable housing through both the LAHF scheme and the new homes programme. The Capital Programme anticipates the need for borrowing from 2024/25 to 2029/30, with some debt repayment also forecasted. By the end of 2029/30, the assumed additional borrowing is £92 million, in addition to the existing £205 million Self-Financing Debt.

98. The additional borrowing is assumed to be sourced from the Public Loans Work Board (PWLB). In June 2023, the government announced a preferential rate for HRA borrowing at 40 basis points above gilts, effectively a 60 basis points reduction from standard PWLB lending rates. This preferential HRA rate, initially announced for one year, was extended until June 2025 and has now been further extended to March 2026, as confirmed in the Autumn 2024 Budget.

(iii) Debt Repayment/Re-Investment

99. 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.

100. The potential debt repayment or re-investment reserve stood at £8.5 million as at 1 April 2024 but will be used to finance spend in 2024/25.

Reasons for Recommendations

101. To enable the Council to consider and approve the 2025/26 Housing Revenue Account (HRA) Revenue Budget and Capital Programme.

Options

102. 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

103. 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 Impact

104. These are outlined in the report and its supporting appendices.

Risks/Opportunities

105. 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.

106. 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.

107. 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 2024 /Council: 25 February 2023

- Capital Programme Update – Report to Cabinet: 03 December 2024

Appendices

Appendix A: HRA Summary Budgets 2025/2026

Appendix B: HRA Medium Term Financial Strategy: Financial Forecast 2025/2026 to 2029/2030

Appendix C: HRA Capital Programme 2025/2026 to 2029/2030

Appendix D: Proposed HRA Service Charges 2025/2026

Appendix E: HRA Earmarked and Specific Funds

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