

# Arun District Council

<b>REPORT TO:</b>	<b>Housing &amp; Wellbeing Committee – 4 February 2025</b>
<b>SUBJECT:</b>	<b>Housing Revenue Account Budgets 2025/26</b>
<b>LEAD OFFICER:</b>	<b>Antony Baden, Group Head of Finance and Section 151 Officer</b>
<b>LEAD MEMBER:</b>	Councillor Carol Birch – Chair of Housing and Wellbeing Committee
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</b> The Council's financial planning and budget promotes all of the Council's Corporate Priorities.	
<b>DIRECTORATE POLICY CONTEXT:</b> The Council's financial planning and budget supports all Directorates of the Council.	
<b>FINANCIAL SUMMARY:</b> The draft budgets for this Committee are shown in the appendices. The HRA is under significant financial pressure. Members have received reports outlining the financial position of the Housing Revenue Account at previous meetings. The recommendations from these reports are taken account of in the budgets.	

## 1. PURPOSE OF REPORT

- 1.1. This report is for the Committee to consider and recommend its Housing Revenue Account (HRA) revenue and capital budgets for inclusion in the Council's 2025/26 budget and rents and service charges for 2025/26. The agreed budgets will be submitted to the Policy and Finance Committee on 13 February 2025 when it considers the overall revenue and capital budgets for 2025/26 so recommendations can be made to Full Council on 26 February 2025 regarding the budgets to be set and the Housing Rents and Service Charges to be set for 2025/26.

## 2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee agrees and recommends to Policy and Finance Committee for inclusion in the overall Budget report on 13 February 2025:
  - (a) the 2025/26 HRA Revenue Budget set out in Appendix A;
  - (b) that HRA rents for 2025/26 are increased by 2.7%, to an average rent of £115.64 per week in accordance with the Regulator of Social Housing guidance (Rent Standard 2020 and Limit on annual rent increases 2025-26 publications);

- (c) that HRA garage rents are increased by 2.7% to an average rent of £16.04 per week (excluding VAT);
- (d) that existing HRA sheltered service charges for communal heating, lighting and water/sewerage charges be increased by 2.7% plus additional increases on a scheme-by-scheme basis to cover retrospective increases in utility costs, with the aim of balancing costs with income;
- (e) that new communal service charges are introduced from 1 April 2025 as agreed in the Service Charge Policy and De-pooling of Charges report to Housing and Wellbeing Committee on the 18 June 2024. The new de-pooled charges will include grounds maintenance, communal cleaning, window cleaning, door entry systems, fire alarm systems maintenance, lift maintenance, TV aerials, and emergency lighting tests; and
- (f) the 2025/26 HRA Capital Programme set out in Appendix B, including the re-provisioning of £2.2m of the HRA Housing improvement works to the Warm Homes programme should the 2025/26 bid for the Warm Homes Grant (Social Housing Funding Phase 3) be successful.

And is requested to note:

- (g) That the HRA 2025/26 Budget will provide a surplus of £0.66m which will increase HRA balances to £1.55m bringing them closer to the Council's set minimum level of HRA balances of £2 million.

### **3. EXECUTIVE SUMMARY**

- 3.1. This report sets out the 2025/26 revenue and capital budgets for this Committee to consider and recommend for submission to the Policy and Finance Committee on 13 February 2025 so recommendations can be made to Full Council on 26 February 2025.
- 3.2. This report also sets out the rents and services charges for 2025/26 which Committee must also consider and recommend for submission to the Policy and Finance Committee on 13 February 2025.

### **4. DETAIL**

#### **Background**

- 4.1. The HRA budget strategy for 2025/26 has focussed on the following key priorities:
  - Increase HRA Balances towards the required minimum recommended level of £2m. The minimum balance was initially breached during 2022/23 and has remained below the recommended level, so the 2025/26 budget is set to provide surpluses to replenish the reserves and includes the following:
    - De-pooling service charges to ensure eligible costs get recovered.

- Savings targets have been built into the 30 Year business plan which is being reported on this agenda. For 2025/26, this includes reduction in operating costs and increasing margins by 2% for Supervision and Management costs and delivering £1.4m savings through the insourcing of the repairs team.
- Provision of a contingency budget to cover unforeseen emergencies such as flooding or other environmental issues.
- Investment in the restructuring the Housing department to resolve agency and staffing pressures ensuring that resources are focused on key areas of risk and issues. This includes a focus on debt management and income recovery ensuring sufficient control and management of outstanding former and current tenant arrears.
- Delivery of a credible Capital Programme with a long term (30 years) sustainable overview and ensuring that the decarbonisation programme is delivered.
- Maximising the use of Right to Buy receipts only for investment in the HRA Capital programme.

### **Movements**

- 4.2. The revenue budget shows a net reduction in expenditure of £0.130 million between 2024/25 and 2025/26. The key changes are summarised in table 1 below with further information in the subsequent paragraphs:

Table 1: Change in Revenue Budget

<b>Changes</b>	<b>Amount £'000</b>
Gross Dwelling Rents (current stock)	(552)
Gross Non-Dwelling Rents (current stock)	49
Services Management Fees & Charges	(934)
Contribution to bad debt provision	111
Investment Income	(94)
Supervision and Management	763
Repairs & Maintenance	104
Depreciation Increases	137
Other Changes	(14)
Contingency	300
<b>Total</b>	<b>(130)</b>

- 4.3. **Gross Dwelling Rents:** Housing rent increase of 2.7% has been applied resulting in an average rent of £115.64 per week and increased rental income of £552k for 2025/26. The rent increase reflects September 2024 Consumer Price Index of 1.7% plus 1% in line with the Regulator of Social Housing limit on annual rent increases 2025-26 guidance.
- 4.4. **Non-Dwelling Rents:** Garage rent increase of 2.7% has been applied resulting in an average rent £16.04 per week (excluding VAT). However, the overall income has reduced due to an increase in voids.

- 4.5. **Service Charges.** As well as the 2.7% increase on general service charges, retrospective increases in utility costs will be recovered leading to 2025/26 increase in income of £449k.
- 4.6. **De-pooled Service Charges:** Several service costs will be de-pooled from the rents and separately charged for in 2025/26. These include Grounds Maintenance, Communal cleaning, Window cleaning, Door Entry Systems, Fire Alarm systems maintenance, Lift, TV Aerials, and Emergency Lighting Tests. This will generate £484k of additional income to offset the associated costs of these services.
- 4.7. **Contribution to Bad Debt Provision:** Consideration has been made to the impact on HRA debt levels given increased rents and de-pooling service charges resulting in an increase in the provision by £111k.
- 4.8. **Investment Income:** This has increased by £94k through a combination of increased HRA cash balances and higher than anticipated interest rates from the Public Works loan Board (PWLb).
- 4.9. **Supervision and Management:** The budget focuses on restructuring and investing in the Housing Team to improve service delivery and therefore the budget has increased by £763k as shown in Table 2 below.

Table 2: Change in Supervision and Management

<b>Changes</b>	<b>Amount £'000</b>
<b>Pay awards &amp; National Insurance increases</b>	223
<b>Removal of 2024/25 Unallocated Savings</b> - due to investment in staffing and other pressures.	350
<b>Utility cost increases</b> - impact of previous years utility cost increases.	220
<b>Insurance Premiums</b> - Following the first assessment for 10 years, the revaluation identified a 48% increase in premiums for 2025/26.	172
<b>Computer Software and licences</b> - Work is underway to integrate several systems into one unified system.	134
<b>Other (Legal, Subscription, and Claims, Grounds Maintenance)</b>	165
<b>Budget transfer to Repairs and Maintenance</b> - Accounting adjustment to record costs in correct categorisation.	(501)
<b>Total Supervision and Management Change</b>	<b>763</b>

- 4.10. **Repairs and Maintenance:** Through the in-sourcing of the repairs team in 2024/25 and zero basing all non pay costs the service is anticipated to make a net saving of £397k in 2025/26 as shown in Table 3 below. Further non-pay costs have been zero-based and added to the 25/26 budget.

Table 3 - Change in Repairs and Maintenance

	<b>Changes</b>	<b>Amount £'000</b>
Growth	Establishment	640
	Transport Costs	69
	Supplies and Services	285
	<b>Total Growth</b>	<b>994</b>
Savings	General Repairs & Maintenance	(1,202)
	Professional Fees	(190)
	<b>Total Savings</b>	<b>(1,392)</b>
	<b>Net Savings</b>	<b>(397)</b>
	Budget transfer from Supervision and Management	501
	<b>Total Repairs and Maintenance Change</b>	<b>104</b>

- 4.11. **Depreciation Charges:** These charges are based on the latest estimates using the Council's asset register and result in an increase of £137k.
- 4.12. **Contingency:** It is essential that the HRA has contingency to deal with any unforeseen changes in circumstances including climate change emergencies and wider scale problems such as pest control. Therefore, an additional £300k has been included in the budget and any unspent contingency at the year-end will be used to increase the HRA balances.

#### **Capital Budget 2025/26**

- 4.13. The level of funding for the capital programme will be determined at the Policy and Finance Committee on 13 February 2025. Existing schemes and new schemes will continue to be reviewed during 2025/26 for affordability and deliverability. The impact of any new borrowing will also be kept under review and reported to Members during the financial year.
- 4.14. The planned capital programme for this committee totals £13.52 million for 2025/26 and is detailed in Appendix B. This will be financed through Major Repairs Reserve, Capital Grant, and Prudential Borrowing.
- 4.15. In relation to Housing Capital improvements a programme of stock condition surveys will be completed by January 2025, and an Asset Investment Manager will be appointed to ensure the surveys are translated into a deliverable programme of Housing improvement works which will be submitted to Housing and Wellbeing Committee during 2025/26.

- 4.16. Arun has submitted a bid for the Warm Homes Grant (Social Housing Funding Phase 3) for 2025/26. The total cost of the programme will be £10.4m and project managed at risk by EON Ltd. If successful, the council will receive grant funding of £5.2m over 3 years. This will be matched funded by the Council through borrowing £3m and re-provisioning £2.2m of the Council's current programme of HRA Housing improvement works to this programme (as included in recommendation 2.1 (f) of this report). The Warm Homes Grant will be approved on the 17 January 2025 and any re-provisioning of the current Housing Improvement programme will be on the assumption that it is based on comparable like for like spend.

#### **Reserves and Balances 2025/26**

- 4.17. The HRA revenue 2025/26 budget will provide a surplus of £0.66m which will increase HRA balances to £1.55m bringing them closer to the Council's set minimum level of HRA balances of £2 million. The total balances carried forward as at 31 March 2026 are projected to be £3.2m (HRA Reserve £1.5m and Major Repairs Reserve £1.7m) as detailed in table 4.

Table 4: HRA Reserves & Balances:

	<b>2024/25 Opening Balance</b>	<b>2024/25 (Q3/P7 Forecast)</b>	<b>2024/25 Closing Balance</b>	<b>2025/26 Budget</b>	<b>2025/26 Closing Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HRA Balances</b>	(481)	(409)	(890)	(662)	(1,552)
<b>Major Repairs Reserve (MRR)</b>	(4,209)	1,335	(2,874)	1,216	(1,658)
<b>Total HRA Balances</b>	<b>(4,690)</b>	<b>926</b>	<b>(3,764)</b>	<b>554</b>	<b>(3,210)</b>

## **5. CONSULTATION**

- 5.1. No consultation has taken place with external organisations regarding this committee's budget, but a wider budget consultation process is taking place in respect of the Council's overall budget.

## **6. OPTIONS / ALTERNATIVES CONSIDERED**

- 6.1. Not applicable.

## **7. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER**

- 7.1. The financial implications are shown throughout the report. It is important that close monitoring of both revenue budgets, and the capital programme is in place. The HRA budget report includes the delivery of savings and the progress on these will be reported to CLT and members as part of the normal finance reporting cycle.

## **8. RISK ASSESSMENT CONSIDERATIONS**

- 8.1. The risks outlined in the Medium Term Financial Forecast 2025/26 to 2029/30 reported to Policy and Finance Committee 11 December 2024 remain relevant. Members may wish to review these alongside this report.

## **9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER**

- 9.1. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs while section 25 of the Local Government Act 2003 requires the Council to have due regard to a statement on the adequacy of reserves and the robustness of the budget, produced by the Chief Financial Officer, when making its budget decisions.
- 9.2. The Council is required to set a balanced budget and the Chief Financial Officer must report under s114 of the Local Government Finance Act 1988 if it appears to them that the expenditure of the authority incurred (or proposed to be incurred) in a financial year is likely to exceed the resources available to meet that expenditure.

## **10. HUMAN RESOURCES IMPACT**

- 10.1. There are no direct implications.

## **11. HEALTH & SAFETY IMPACT**

- 11.1. There are no direct implications.

## **12. PROPERTY & ESTATES IMPACT**

- 12.1. There are no direct implications.

## **13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE**

- 13.1. There are no direct implications.

## **14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE**

- 14.1. There are no direct implications.

## **15. CRIME AND DISORDER REDUCTION IMPACT**

- 15.1. There are no direct implications.

## **16. HUMAN RIGHTS IMPACT**

- 16.1. There are no direct implications.

## 17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no direct implications.

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### **CONTACT OFFICER:**

**Name:** Antony Baden

**Job Title:** Group Head of Finance and Section 151 Officer

**Contact Number:** 01903 737558

### **BACKGROUND DOCUMENTS:**

- [Arun District Council Budget 2024/25 - Special, Full Council 21 February 2024](#)
- [Medium Term Financial Forecast 2025/26 to 2029/30 –Policy & Finance Committee 11 December 2024](#)
- [Service charge policy and de-pooling of charges - Housing and Wellbeing Committee 18 June 2024](#)
- [Rent Standard 2020 - Regulator of Social Housing](#)
- [Limit on annual rent increases 2025-26 - Regulator of Social Housing](#)



## Appendix A

### Housing Revenue Account Revenue Budget Summary

Key Areas	Original 2024/25 Budget	Original 2025/26 Budget	Budget Variance
<b>Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rents	(20,796)	(21,300)	(504)
Voids	405	391	(14)
Service Charges	(829)	(1,762)	(934)
Other (Writes offs / Interest)	(195)	(177)	17
<b>Total Income</b>	<b>(21,414)</b>	<b>(22,848)</b>	<b>(1,434)</b>
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supervision & Management	6,009	6,772	763
Repairs & Maintenance	6,613	6,717	104
Depreciation & Loan Charges	8,074	8,210	136
Rents, rates, taxes & other charges	186	188	2
Contingency	0	300	300
<b>Total Expenditure</b>	<b>20,882</b>	<b>22,187</b>	<b>1,304</b>
Gain or Loss on sale of HRA Non current assets	0	0	0
<b>Net HRA (Surplus)/Deficit</b>	<b>(532)</b>	<b>(662)</b>	<b>(130)</b>
<b>HRA Reserve</b>			
HRA Reserve - Balance Brought Forward	(551)	(890)	(339)
In-Year Net HRA (Surplus)/Deficit	(532)	(662)	(130)
<b>HRA Reserve - Balance Carried Forward</b>	<b>(1,083)</b>	<b>(1,552)</b>	<b>(469)</b>

## Appendix B

### Housing Revenue Account Capital Budget Summary

<b>HRA CAPITAL BUDGET</b>	<b>2025/26 Budget</b>	<b>2026/27 Forecast</b>	<b>2027/28 Forecast</b>	<b>2028/29 Forecast</b>	<b>2029/20 Forecast</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Domestic Heating Installs	651	651	651	651	651
Boiler Room Improvements Commercial	180	180	180	180	180
Air Source Heat Pumps	200	200	200	200	200
Lift Replacement	100	100	100	100	100
Stores	200	200	200	200	200
Replacement roofs	2,000	2,000	2,000	2,000	2,000
Cavity wall/loft insulation programme	350	350	350	350	350
Kitchen & Bathroom Replacement Voids	125	125	125	125	125
Kitchen & Bathroom Replacement Programme	500	500	500	500	500
Rewiring	250	250	250	250	250
Structural	150	150	150	150	150
Windows and doors	750	750	750	750	750
Aids and Adaptations	500	500	500	500	500
Decarbonisation	2,730	2,730	2,730	0	0
Stock Development	0	0	0	0	0
Sheltered Accommodation	4,600	1,400	0	0	0
Civica	266	0	0	0	0
<b>Total HRA Capital Budget</b>	<b>13,552</b>	<b>10,086</b>	<b>8,686</b>	<b>5,956</b>	<b>5,956</b>

<b>FINANCING</b>	<b>2025/26 Budget</b>	<b>2026/27 Forecast</b>	<b>2027/28 Forecast</b>	<b>2028/29 Forecast</b>	<b>2029/20 Forecast</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Grants	1,730	1,730	1,730	0	0
S106	0	0	0	0	0
Charge to the HRA	0	0	0	0	0
Major Repairs Reserve	5,956	5,956	5,956	5,956	5,956
Capital Receipts	0	0	0	0	0
Prudential Borrowing	5,866	2,400	1,000	0	0
<b>Total HRA Capital Financing</b>	<b>13,552</b>	<b>10,086</b>	<b>8,686</b>	<b>5,956</b>	<b>5,956</b>