

Housing Revenue Account Budget 2025/26 and Business Plan 2024- 2054



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|-------------------------------|---|
| Report to: | Cabinet |
| Date: | 13 February 2025 |
| Portfolio Holders: | Councillor Dan Swords, Leader of the Council Councillor David Carter, Deputy Leader and Portfolio Holder for Housing Councillor James Leppard, Portfolio Holder for Finance |
| Lead Officer: | Jacqueline Van Mellaerts, Assistant Director – Finance and Section 151 Officer (01279) 446251 |
| Contributing Officers: | Cara Stevens, Assistant Director Housing Operations (People) (01279) 446490 Wendy Makepeace, Interim Assistant Director Housing Operations (Property) (01279) 446422 Richard Criddle, Service Finance Manager and Deputy Section 151 Officer (01279) 446223 |
| Key Decision: | Yes |
| Forward Plan: | Forward Plan number I017557 |
| Call In: | This item is not subject to call in procedures because the decision stands as a recommendation to Full Council |
| Corporate Priority: | Transform Harlow's Housing |
| Wards Affected: | No ward specifically |

Executive Summary

A The council is required to set a 2025/26 Housing Revenue Account (HRA) budget, a sustainable 30-year HRA Business Plan, tenant rent levels, garage rent levels, tenant service charges, leasehold service charges and all other tenant and leaseholder charges to have effect from 1 April 2025. This report meets all requirements required and further invests significantly into delivering the council's corporate mission to Transform Harlow's Housing with increased investment, measures to improve the

provision of housing services, full funding to meet regulatory requirements, all whilst keeping council rents and all service charges low.

Recommended that Cabinet recommends to Full Council to:

- A** Note and comment on the balanced HRA budget proposals for 2025/26 which include a sustainable 30-year HRA Business Plan, increased investment to meet fully the requirements of the regulatory landscape and improve service provision, and significant investment to deliver the council's corporate mission to Transform Harlow's Housing.
- B** Approve the HRA estimates as set out in Appendix A to the report.
- C** Approve that tenant rents are increased by 2.7 percent with effect from 1 April 2025. This equates to an average weekly rent of £115.23 an increase of £3.03 as set out in paragraph 13 to 16 of the report.
- D** Approve that the rents and personal charges for temporary accommodation are increased with effect from 1 April 2025 as set out in paragraph 17 to 19 of the report.
- E** Approve that garage rents within the 'Retain and Invest' category and related charges are increased by 5 percent with effect from 1 April 2025 as set out in paragraph 20 to 23 of the report. This equates to an average weekly rent of £13.62, an increase of £0.65.
- F** Approve the small and proportionate increases in tenant service charges to recover full cost with effect from 1 April 2025 as set out in paragraphs 24 to 28 of the report and Appendix C to the report.
- G** Approve the small and proportionate increases in leasehold service charges with effect from 1 April 2025 to ensure that all leaseholder costs are recovered as set out in paragraphs 29 to 33 of the report and Appendix C of the report.
- H** Approve the small and proportionate increases in all other tenant charges with effect from 1 April 2025 in order to recover cost as set out in Appendix C of the report.
- I** Approve the Housing Revenue Account Business Plan 2024-54, as set out in Appendix B to the report.
- J** Delegate to the Section 151 Officer, in consultation with the Leader of the Council, to make minor amendments as required.

Reason for decision

- A** The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government & Housing Act 1989 to account separately for local authority housing services. It is a ring-fenced account containing the costs of managing the council's housing stock which is offset by tenants' rents, tenants' and leaseholders' service charges and other contributions. The council has a statutory responsibility to set a balanced HRA budget and avoid any deficits. The council also has a corporate mission to Transform Harlow's Housing and these decisions are required to fund that mission.

Other Options

- A Considerations of other options do not apply; the agreement of the budget policy framework for the council is laid out in the council's constitution and by relevant legislation and is a matter for determination by Full Council.

Background

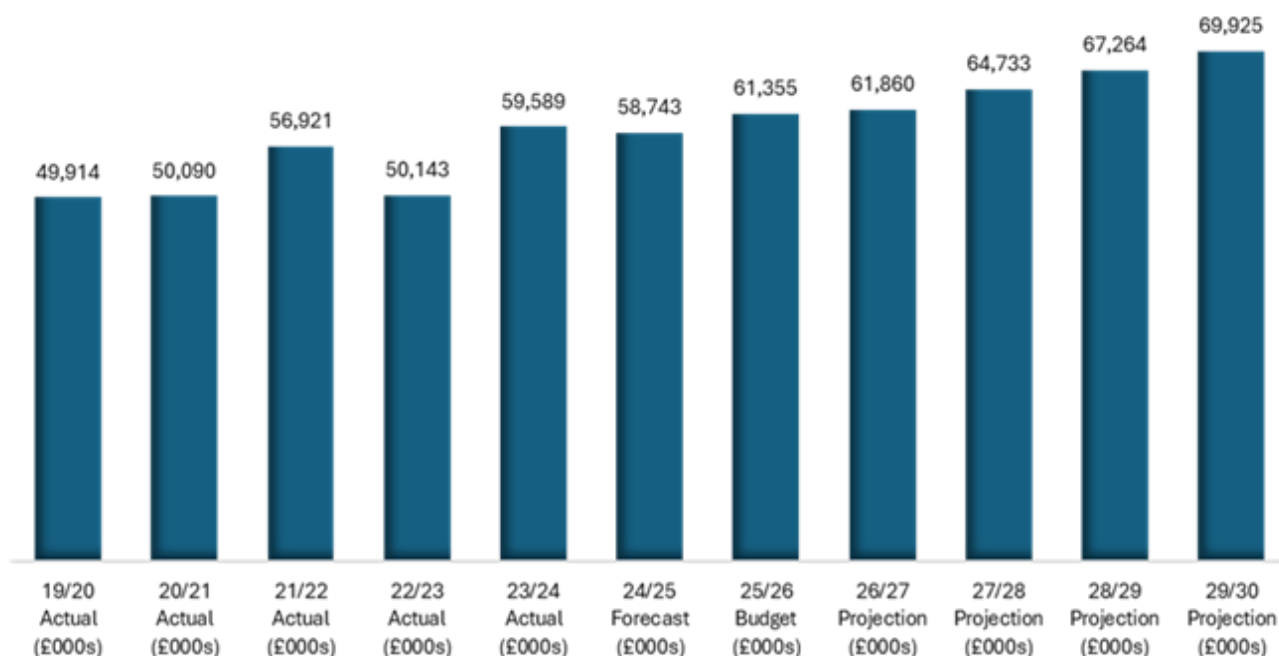
1. In line with the 2024/25 corporate priorities, the council continues to drive improvements in performance in housing services and HRA. There have been a number of improved outcomes in this financial year, including but not limited to:
 - The restructuring of the housing services into a new Housing Operations (People) directorate and a new Housing Operations (Property) directorate to ensure better management and improved service provision.
 - A significant fall in the average turnaround time of a void property from 60 days to 23 days;
 - The introduction of a new automated system to manage Housing Needs Register applications which have dramatically reduced the wait time on an application;
 - The implementation of an overhauled Housing Allocations Policy to ensure local homes are for local people and that those most in need are able to access council housing;
 - The acceleration of our 100% internal and external specialist stock condition survey to better inform ongoing repairs and maintenance of our housing stock which will be 50% complete by the end of March 2025;
 - The introduction of a Tenancy Audit programme to proactively inspect council homes and ensure both tenants are fully supported and are not in breach of their tenancy agreement.
 - More investment and efficiencies in the repairs and maintenance services.
 - Improvements to the services funded by tenant and leaseholder service charges.
 - A focussed response to the Regulator for Social Housing C3 judgement and other regulatory requirements to ensure the council is fully compliant both to the letter and the spirit of such regulation.
 - The acceleration of Fire Risk Assessments meaning that by the end of March 2025 the council will have completed 100% of Fire Risk Assessments on all required properties and will be dealing with the remedial actions through reformed processes.
 - The creation of over 500 new neighbourhood car parking spaces.
 - The major investment into upgrading council properties with capital investments totally tens of millions.
 - The funding to deliver Phase 1 of the Council House Building Programme.
2. In the 2024/25 financial year, the HRA and capital programmes have been well managed to ensure corporate priorities are delivered and well financed. This has been done through a particularly challenging time with high inflation impacting the cost-of-service service provision, particularly those impacted by construction and material costs. At period 9 reporting (December 2024) it was projected that the HRA would achieve a £1.052 million surplus, reporting a favourable variance of £389,000 with a revised working balance of £11.833 million.

3. However, the council recognises the changes to the regulatory landscape which mean more must be done to continue to improve the council's performance as a landlord. Moreover, the council has ambitious plans to deliver its corporate mission to Transform Harlow's Housing. This budget will ensure the council meets its statutory requirements and regulatory commitments, improves housing services and fully funds its corporate priorities and mission to Transform Harlow's Housing.

Financial summary of the HRA 2025/26 budget

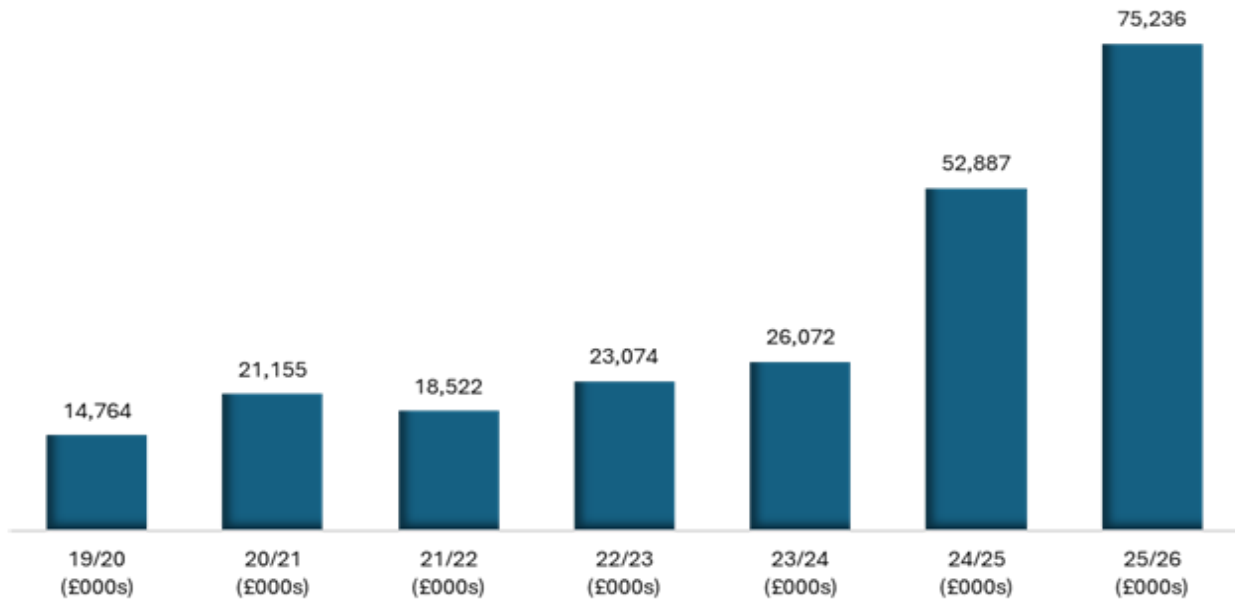
4. The proposed overall HRA expenditure for 2025/26 is £61.355 million. The HRA expenditure has grown significantly since 2022/23, demonstrating the council's commitment to its housing services as can be seen below.

HRA budget expenditure £



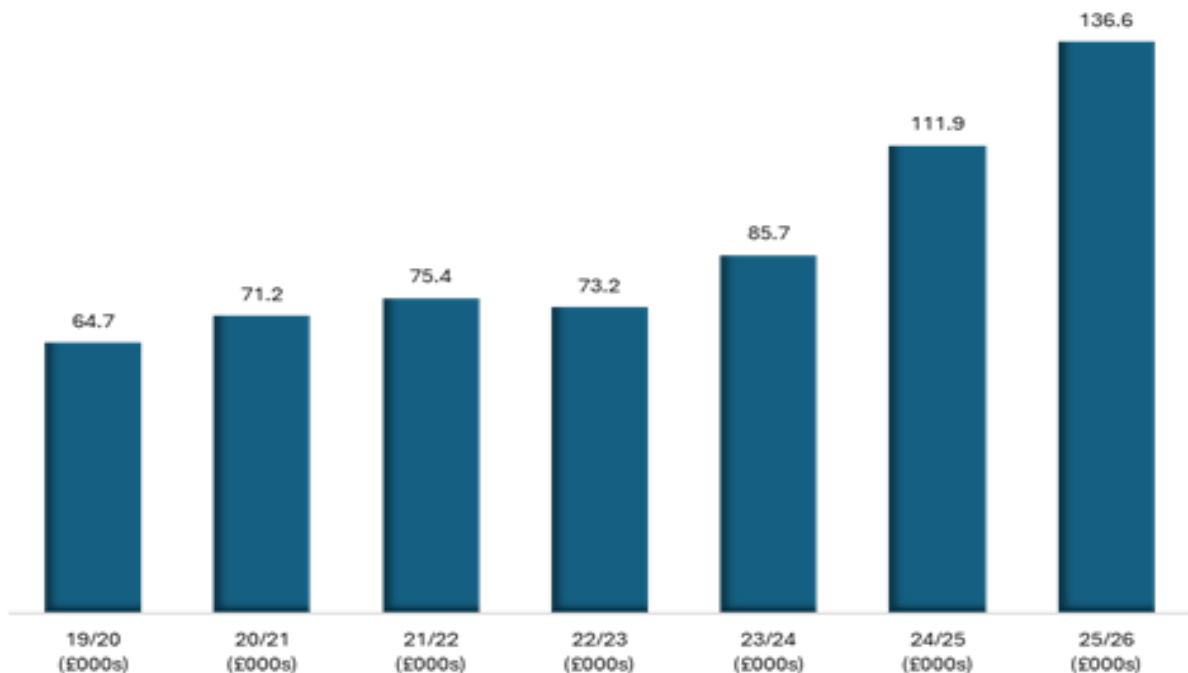
5. This also includes the financing required to support the long-term funding of the Housing Capital Programme. The proposed overall HRA Capital Programme expenditure for 2025/26 is £75.236 million. As can be seen in the Capital Programme report on this agenda, this programme has also significantly grown in size over recent years. With the exception of the funding for the Council House Building Programme, the investment through the capital programme for existing housing stock has effectively doubled which further demonstrates the council's commitment to building new council homes and improving existing homes.

Housing Capital Programme totals £



6. Taking the total Housing Revenue Account revenue budget and the total Housing Capital Programme budget together (i.e. total spending on council housing each year), it is clear the increase in investment to deliver the council's mission to Transform Harlow's Housing is dramatic as can be seen in the graph below which shows total investment into council housing has more than doubled since 2019/19/20, whilst by comparison, by comparison, there has only been a 24.7 percent increase in average weekly rents paid by tenants in the same period.

Combined HRA and HCP investment £



7. The forecast working balance for the HRA as at the end of March 2025 is £11.585 million as set out in paragraph 39 and the forecast HRA earmarked reserves for the end of March 2025 are £9.839.

HRA Business Plan Assumptions 2025/26

8. The council is required to set a new HRA Business Plan for 2024-2054 demonstrating a sustainable 30-year HRA budget with key assumptions factored in. These key assumptions are robust and well evidenced to ensure a realistic and sustainable Business Plan is proposed.
9. The key assumptions in the Business Plan 2024-2054 include:
 - a) Implementation of the Rent Standard, increasing dwelling rents by a maximum of 2.7 percent from April 2025 as detailed in this report.
 - b) The rental income estimates assume that in 2025/26 there will be 82 right-to-buy sales, and that the percentage number of voids will be 1.27 percent of total stock.
 - c) Inflation in line with all other assumptions of budget setting reports.
 - d) Increases in garage rents in the 'Retain and Invest' programme by 5 percent annually as detailed in this report.
 - e) Sustainable financing of the service provision by HTS (Property and Environment) Ltd for repairs and maintenance as detailed in this report.
 - f) Full recovery of all utility and other premises costs from tenants and leaseholders through service charges as detailed in this report.
 - g) Implementation of the staff pay award in accordance with current Government policy with effect from 1 April 2025.
 - h) Depreciation continues to be calculated based on the Existing Use Value for Social Housing (EUVSH) spread over the estimated life of the asset.
 - i) Renewal of the Public Works Loan Board (PWLB) debt of £208.837 million when it becomes due and additional borrowing taken when necessary, as reflected in the current capital programme.
 - j) A HRA working balance at 31 March 2026 of £11.585 million, complying with the "industry average" of £389 per property.
 - k) Retaining and enhancing the housing asset management plans as outlined below:
 - i) Maintain compliance of the council's housing stock with the housing regulatory requirements. Continue with the replacement regime (based on the new stock condition survey) for internal and external property

components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes. Undertake catch-up works.

- ii) Prioritise resources to safeguard the well-being and safety of the council's tenants in their homes with regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, damp/mould, gas, asbestos management, water hygiene and lift maintenance.
- iii) Prioritise energy efficiency initiatives that alleviate fuel poverty and improve EPC ratings.
- iv) Prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually.
- v) Target resources to the 'Retain and Invest' and 'Open Parking' programmes within budget.
- vi) Realise further efficiencies and continued improvement from responsive repairs programmes and scopes of works.
- vii) Continue to deliver the Council House Building Programme in accordance with housing need, local plan priorities, regeneration priorities, and affordability/viability.
- viii) Significantly increased investment through the Housing Investment Programme.

Issues/Proposals

Increased investment

10. As set out in paragraph 4, the council is committed to increasing its investment into housing services and, alongside the key assumptions set out above in the report, the proposed new investments worth £1.138m are included within the budget:

| Proposed new investment within the HRA revenue base budget for 2025/26 | Additional investment to the HRA £000s |
|---|---|
| 2 new posts to allow delivery of tenancy audits to all council properties on an annual basis following a successful pilot | 108 |
| 2 new posts to meet increased responsibilities under fire safety and building safety regulations | 108 |
| 2 new apprentices to provide support within housing services | 69 |
| Additional funding to assist in carrying out urgent works identified through tenancy audits | 50 |
| Flat blocks building safety and outcomes of new fire risk assessments | 254 |
| Water hygiene – monitoring/inspections | 140 |

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|--|--------------|
| Additional funding for accelerated stock condition surveys and EPCs | 250 |
| Costs of funding training for Managers to meet new qualification requirements under Social Housing (Regulation) Act 2023 | 15 |
| Housing Regulator fee | 45 |
| Housing Ombudsmen fee | 19 |
| Tenant Satisfaction Measures landlord survey | 14 |
| Legal costs | 66 |
| Total | 1,138 |

11. By including these additional investments, the council has fully met each and every additional investment requested by the housing services. This is the first time that every increase has ever been met. This again demonstrates the council's commitment to this corporate mission.
12. Work is ongoing to continuously improve the council's repairs and maintenance services and as set out in the key assumptions above a 2 percent increase in the Annual Service Charge to HTS is proposed. This figure has been determined in line with the increased investment required into the repairs and maintenance service, but in recognition that much of the cost of required investment will be met through implementing efficiencies within HTS which have been identified following several months of specialist work as is being reported to Cabinet in a separate report on this agenda and has been reported to the Shareholder Sub Committee in recent months. A deferred further 3 percent uplift for HTS has been earmarked which will be released in year dependent on improved performance and the efficiencies that have been identified being met.

Rents – Tenants

13. The Regulator of Social Housing, which regulates local authority social rented provision, publishes a Rent Standard, which all regulated bodies must adhere to when setting rents for their properties. The standard states that for socially rented properties the rent for any given property must not be increased by more than:
 - (a) Consumer Prices Index (CPI) +1% in any year; or
 - (b) If the dwelling rent exceeds the rent flexibility level, CPI in any year. The flexibility level is 5% of formula rent.
14. The measure of CPI to be used is that as at the end of the September preceding the year. In 2024 this was 1.7 percent, which would produce a rent increase of 2.7 percent after applying the additional 1 percent as per the Rent Standard.
15. A 2.7 percent rent increase is proposed from 1 April 2025 will mean that the average rent for council housing in Harlow will increase by £3.03 per week from £112.20 to £115.23 per week.
16. The proposed 2.7 percent increase is significantly lower than the comparable increase in costs meaning that tenants are being protected from the increased costs. This small

increase also allows for significant new investment to come forward into the housing stock to further deliver improvements in the services provided for tenants. If a lower increase in rents were to be proposed, then proposed investments would need to be identified to cease as these could not sustainably be funded.

Rents - Temporary Accommodation

17. The council continues to manage temporary accommodation pressures well at a time when most councils are facing extraordinary pressures. However, the pressure in Harlow is continuing to grow significantly and additional financial resources are being made available within the General Fund budget, alongside extra grant funding, to support the work to meet these challenges.
18. The council continues to explore ways in which these pressures can be alleviated particularly through prevention. A new Homelessness and Rough Sleeper Strategy 2025-2030 is due to be agreed by Cabinet shortly which sets out the council's approach to these challenges.
19. In order to ensure that temporary accommodation provision can continue to be made available, it is proposed that the following rents in respect of Homelessness Services will be increased with effect from 1 April 2025 which will still fall within the local house allowance and benefit levels.
 - a) The rent charged for temporary accommodation in the HRA for a single room is proposed to increase from £44.31 to £45.06 per week and from £63.31 to £64.39 for a double room. In addition, the weekly personal charge and recharge for council tax is proposed to decrease from £24.29 to £24.28 per room.
 - b) The rent charged for nightly lets is proposed to increase from £155.84 to £160.06 per week for a one bed studio/property, from £175.34 to £180.07 for a two bed property and from £224.18 to £230.23 for a three bed property.
 - c) The rent charged for bed and breakfast accommodation is proposed to increase from £145.55 to £149.48 per week.
 - d) The rent charged for non HRA temporary accommodation is proposed to increase from £155.85 to £160.06 per week for a one bed studio/property, £175.34 to £180.07 for a two-bed property and from £224.18 to £230.23 for a three-bed property.

Rents – Garages

20. As part of the 2024/25 corporate missions, the council has determined two programmes in respect of garages, namely the:
 - (a) 'Retain and Invest' programme – This programme applies for garages that are being retained and therefore, investment is required to bring the garage stock up to standard.

(b) 'Open Parking' programme – This programme represents demolition of redundant, disused and non-lettable garages to create additional neighbourhood parking.

21. The Open Parking programme has created over 500 additional new neighbourhood parking spaces in 2024/25. This budget proposes an additional £2 million to fund that programme in 2025/26 to create an additional 1,000 new neighbourhood parking spaces as can be seen in the Capital Programme report.
22. However, for those garages being retained further investment is required to bring them up to standard. Therefore, it is proposed to increase the rent on garages within the "Retain and Invest" programme and related charges by 5 percent. The rent of a standard garage would rise by £0.65 per week from £12.97 to £13.62.
23. If a lower rent increase were proposed, the investment required to improve garage provision could not be met and the Retain and Invest programme would either need to cease or be significantly reduced.

Service Charges – Tenants

24. Service charges are made in addition to rents to cover the cost of services that tenants benefit from such as grounds maintenance, cleaning, landlord lighting and other such services. A full list of the services and proposed charges is set out in Appendix C.
25. The council has published a range of service standards to support the implementation of service charges. These are reviewed in consultation with tenants to ensure the principles of service charges in terms of transparency, improved service delivery and greater accountability are delivered in practice.
26. As part of the 2024/25 corporate missions, there has been improvements to the standards of services that are provided such as communal cleaning and grounds maintenance, and that work is proposed to continue in 2025/26 to ensure the services that are funded from service charges are as good as they can possibly be.
27. The key features to the calculation of service charges are:
 - a) Actual, not estimated, costs of service charges are recovered from both tenants and leaseholders, subject to the availability of reasonable data. This means that any difference between the actual cost and estimated cost will be collected or refunded two years after the closure of accounts, for example, any difference in 2023/24 charges will be collected/refunded in 2025/26.
 - b) Charges should be consistent to tenants and leaseholders and be fully recovered wherever possible.
28. In order to fully fund the increased cost of these services and particularly the improvement in these services, some small increases are proposed as set out in Appendix C.

Service Charges - Leaseholders

29. Leaseholder service charges are made to cover the cost of services that leaseholders benefit from such as grounds maintenance, cleaning, landlord lighting, lifts and other such services. A full list of the services and proposed charges is set out in Appendix C.
30. The council has published a range of service standards to support the implementation of service charges. These are reviewed in consultation with tenants to ensure the principles of service charges in terms of transparency, improved service delivery and greater accountability are delivered in practice.
31. As part of the 2024/25 corporate missions, there has been improvements to the standards of services that are provided such as communal cleaning and grounds maintenance, and that work is proposed to continue in 2025/26 to ensure the services that are funded from service charges are as good as they can possibly be.
32. All leaseholders are provided with details of their weekly services charges at the beginning of the financial year. Changes to leaseholder consultation was approved last year which has resulted in further enhanced leaseholder consultation.
33. In order to fully fund the increased cost of these services and particularly the improvement in these services, some small increases are proposed as set out in Appendix C.

Efficiencies and savings proposed within the HRA

34. As can be seen throughout the budget papers, a drive for value for money and greater efficiency has been at the centre of this budget setting. The total efficiencies proposed within the HRA revenue budget are £57,000.
35. This has been made up from a realignment of actual budget requirement against forecasted budgets on items such as car allowances, postage, IT and subscriptions.
36. There are no reductions in service provisions, or jobs within the HRA budget, but to the contrary and increase in investment and jobs to ensure service standards improve in line with corporate missions.

HRA Estimates 2025/26

37. The draft HRA estimates 2025/26 are set out in Appendix A to the report and they have been prepared on the same basis as the Business Plan assumptions which have been set out earlier in this report.

Working Balances

38. Section 25 of the Local Government Act 2003 requires the Section 151 to report on the adequacy of reserves. In February 2023, Cabinet approved the recommendation to set a minimum HRA working balance £3.5 million for the HRA.

39. Based on the budget figures set out at Appendix A to the report, the movements in HRA working balances are shown below.

| Operating Account | 2023/24 Actual £'000s | 2024/25 Original £'000s | 2024/25 Revised £'000s | 2025/26 Estimates £'000s |
|----------------------------|-----------------------------|-------------------------------|------------------------------|--------------------------------|
| Balance as at 1 April | 13,809 | 10,781 | 10,781 | 11,833 |
| Surplus/(Deficit) for Year | (3,028) | 664 | 1,052 | (248) |
| Balance as at 31 March | 10,781 | 11,445 | 11,833 | 11,585 |

40. It can be seen from this table that the estimated HRA working balance as at 31 March 2026 will be well above the £3.5 million agreed in February 2024. The level of working balance will be kept under review to ensure that the HRA is sustainable.

Conclusion

41. The proposed HRA 2025/26 budget and 2024-54 HRA Business Plan meets all statutory requirements for such budget setting by demonstrating a sustainable 30-year HRA Business Plan.
42. These proposals will fully fund the commitments the council has made the tenants and leaseholders by continuing the improvements in service provision, meeting all regulatory requirements and implementing in full the priorities detailed within the council's corporate mission to Transform Harlow's Housing.

Implications

Equalities and Diversity

This report is to note the financial position of Harlow Council and does not require an Equalities and Diversity Assessment as the recommendations will not have a disproportionate adverse impact on anybody with a protected characteristic.

Climate Change

This report has no direct impact on climate change, however individual projects and service will have an impact and would have been considered within the commentary of the report.

Finance

As contained within the report.

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Governance

The report meets and demonstrates compliance with statutory requirements

Author: Julie Galvin, Legal Services Manager and Monitoring Officer

Appendices

Appendix A – HRA Estimates 2024/25
Appendix B – HRA Business Plan 2023/53
Appendix C – Service Charges 2024/25

Background Papers

None.

Glossary of terms/abbreviations used

CPI – Consumer Price Index
EUVSH – Existing Use Value for Social Housing
HCP – Housing Capital Programme
HIP – Housing Investment Programme
HRA – Housing Revenue Account
HRS – Housing Related Support
HTS – Harlow Trading Services (Property and Environment) Ltd
MRR – Major Repairs Reserve
PWLB – Public Works Loan Board
RTB – Right to Buy