



## Report of the Section 151 Officer

Council – 6 March 2025

# Housing Revenue Account (HRA) Revenue Budget 2025/26

<b>Purpose:</b>	This report proposes a Revenue Budget for 2025/26 for the Housing Revenue Account
<b>Policy Framework:</b>	More Homes Delivery Programme 2021-31 Local Housing Strategy 2020
<b>Consultation:</b>	Cabinet Members, Finance, & Legal
<b>Recommendation(s):</b>	It is recommended that:  1) the budget proposals detailed in section 4 be approved.
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## 1. Introduction

- 1.1 The setting of the revenue budget has to take account of the following issues and factors:-
- the requirement to maintain the Welsh Housing Quality Standard (WHQS);
  - the requirements of the Renting Homes (Wales) Act 2016
  - the funding requirements of the More Homes Programme;
  - future income and expenditure trends;
  - the Welsh Governments rents policy;
  - cost efficiencies and value for money
- 1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to meet Council priorities including maintaining the Welsh Housing Quality Standard

(WHQS), building affordable housing in line with the More Homes Programme and to reduce carbon emissions. These investment priorities have been carefully balanced against consideration of affordability of rents and other service charges for tenants.

## **2. Projected Revenue Outturn 2024/25**

- 2.1 The HRA continues to face significant inflationary pressures with the revenue repairs budget seeing significant additional demands and cost increases. The day-to-day repairs budget in particular has seen an increase in demand/calls and is being closely monitored. Good progress has been made reducing the significant backlog of repairs that stemmed from the Covid pandemic which is near completion, but this work has further pressurised the budget. In addition, there is an overspend on the electrical maintenance budget due to changes to the testing regime which should plateau in this last quarter. The projected overspend is now around £6m.
- 2.2 The continued increases in costs are not sustainable and will require mitigating actions to contain. A working group has been established with officers from Housing and Building Services to undertake a comprehensive review of how the revenue repairs housing service is being delivered. Specialist advice has also been engaged to assist in this review to ensure efficiency and help plan for the future needs and demands on the service. Disrepair claims are also a cause for concern with an influx of claims received in the first half of the year. This has now settled by the third quarter but there will be an overspend on the budget.
- 2.3 Measures are being taken to try and alleviate these overspends with robust management of in-year spending restrictions, vacancy management and identification of one-off savings. In addition, the budget assumed a pay award of 5% and now it has settled much less than this there is likely to be an underspend of around £1.5m.
- 2.4 Whilst inflation has previously slowly decreased and stabilised there is a risk of it starting to rise once again in the coming months, and in any case the impact of high inflation over the last couple of years has meant there are now significant and rising pressures and potential future risks on the HRA Business Plan. As a result of this, capital programmes have once again been reviewed and it is projected at present there will be slippage of £4m on the revised budget of £53m. This will result in reduced borrowing costs however impact on the future capital programme with schemes deferred to ensure it is all affordable.

## **3. Rent Income**

- 3.1 In December 2024, Council approved an average rent increase of 2.7% rents. The report also proposed an increase in general fees, charges and allowances of 2.7% in line with the agreed rent increase. The approved rent

increase was lower than projected and this will also have a negative impact on future revenue budgets.

#### 4. Revenue Budget Proposals 2025/26

##### 4.1 Overview

4.1.1 In line with the requirements of the Welsh Government's Rents Policy, budgets have been examined and where possible savings have been identified.

4.1.2 The main budget changes from 2024/25 are an increase in the revenue repair budget of £2m. This includes £900k allocated for provision of floor coverings in empty properties prior to letting which is a new requirement of WHQS23 and £1m for Day to Day repairs which has seen an increase in demand and as a result of the inflationary pressures set out in 4.2 below. There are other inflationary and demand led pressures resulting in an increase of £350k in Housing Management costs and an increase in the finance cost of borrowing of £406k.

4.1.3 Whilst a 2.5% pay award and change in employers NI contribution have been factored in, after a detailed review of employee budgets and vacant posts, this has resulted in an overall reduction of £747k.

4.1.4 The main changes to funding/income are an increase in rent income of £2.3m arising from the approved rent increase and £370k from increases in other charges including charges for furnished tenancies and some sheltered service charges. In addition, there is an increase in HRA investment income due to an increase in interest rates.

4.1.5 The main changes from the 2024/25 budget are shown in the following table:-

Item	£000
Increase in Revenue Repairs	2,017
Decrease in Employee Costs	-747
Increase in Other Housing Mgt Costs	350
Decrease in Revenue Contribution to Capital	-9,160
Increase in HRA Investment Income	-445
Increase in Finance Costs	406
Increase in Transfer to Reserves	10,258
Additional income including 2.7% rent increase and increases in other charges	-2,679

4.1.6 Income is expected to exceed expenditure next year making an operation surplus of £29m. After a transfer to reserves, most of this will be used to contribute towards the capital programme of £56m in 2025/26 in order to maintain prudent levels of borrowing whilst meeting the investment priorities

which are needed to maintain the existing stock and to deliver the More Homes Programme to increase the supply of affordable housing.

#### 4.2 *Inflation*

There continues to be significant inflationary pressures on the HRA budget for 2025/26, which was compounded with a lower than anticipated rent uplift. Next year's budget includes a 2.5% for pay awards and also an uplift to cover the increase in employers NI contributions. Revenue Repairs budgets have also been increased as a result of high building industry inflation and increased demand. Some other budgets have also been amended to reflect an increase in prices.

#### 4.3 *Capital Financing Charges*

Capital financing charges will increase in 2025/26 which was anticipated in the current climate.

#### 4.4 *Contributions to the Capital Programme*

The budgeted contribution to the capital programme next year is £24.5m.

### **5. Risks and Uncertainties**

5.1 The main risks and uncertainties for next year are the ongoing impact of the economic crisis particularly regarding levels of rental income impacting arrears plus rising costs due to inflation. Whilst this is slowly decreasing and stabilising, the impact over the last couple of years has substantially reduced budgets. There is an obvious and growing conflict therefore between rising costs and improvements to properties in relation to overall condition and compliance with regulations and the amount of income the HRA can generate.

5.2 The introduction of the Welsh Housing Quality Standard 2023 has introduced additional statutory requirements which will require significant extra investment in the housing stock, without additional amounts of external subsidy being made available to the HRA. At the same time, the acute pressure on homelessness services and demand for housing means there is a need to increase the supply of affordable housing.

5.3 There are therefore competing priorities between maintaining the existing stock, increasing the supply of housing to alleviate the homelessness crisis and meeting the new requirements of WHQS 23. Unless more income from rent can be achieved or there is significant funding from Welsh Government these requirements are unaffordable and cannot be delivered in full.

### **6. Reserves**

6.1 The HRA predicted reserves balance at the start of the year will be £17m. As both capital and revenue HRA programme's increase, it is prudent to also ensure healthy reserves, which are budgeted to increase by £5.3m in 25/26. The reserves position is detailed in Table B.

## **7. Integrated Assessment Implications**

- 7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 7.4 An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA report is not required at this time. Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups.

## **8. Legal Implications**

- 8.1 There are no legal implications associated with this report.

**Background Papers:** None

### **Appendices:**

- Appendix 1 - Table A: Summarised HRA 2024/25 to 2025/26  
- Table B: Movement in Reserves 2024/25 to 2025/26  
Appendix 2 – Integrated Impact Assessment Screening Form

**Table A: Summarised HRA 2024/25 to 2025/26**

<b>Classification</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	44,493	46,113
Capital Charges	9,427	9,833
Revenue Funding for capital schemes	33,624	24,464
Increase in Balances	0	5,352
<b>Total Expenditure</b>	<b>87,544</b>	<b>85,762</b>
<u>Income</u>		
Rents and other income	82,292	85,416
Affordable Housing Grant	346	346
Contribution from in Balances	4,906	0
<b>Total Income</b>	<b>87,544</b>	<b>85,762</b>

**Table B: Movement in Reserves 2024/25 to 2025/26**

<b>Description</b>	<b>£000's</b>
Actual balance at 1 <sup>st</sup> April 2024	-16,298
Budgeted reduction 24/25	4,906
<b>Budgeted balance 31<sup>st</sup> March 2025</b>	<b>-11,392</b>
Forecast change 2024/25	-5,608
<b>Forecast balance 31<sup>st</sup> March 2025</b>	<b>-17,000</b>
Budgeted change 2025/26	-5,352
<b>Forecast balance 31<sup>st</sup> March 2026</b>	<b>22,352</b>

## Appendix 2

### Integrated Impact Assessment Screening Form

**Please ensure that you refer to the Screening Form Guidance while completing this form.**

#### Which service area and directorate are you from?

Service Area: Housing and Public Health

Directorate: Place

#### Q1 (a) What are you screening for relevance?

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

#### (b) Please name and fully describe initiative here:

This report proposes a HRA Revenue Budget for 2025/26

#### Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)

further	High Impact		Medium Impact		Low Impact		Needs investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches? Please provide details below – either of your activities or your reasons for not undertaking involvement**

The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to maintain the Welsh Housing Quality Standard (WHQS);
- the funding requirements of the More Homes Programme;
- future income and expenditure trends;
- increases in rent in line with the Welsh Government rent policy;
- cost efficiencies and value for money

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

a) Overall does the initiative support our Corporate Plan's Well-being Objectives when considered together?

Yes  No

b) Does the initiative consider maximising contribution to each of the seven national well-being goals?

Yes  No

c) Does the initiative apply each of the five ways of working?

Yes  No

d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?

Yes  No

**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk

**Q6 Will this initiative have an impact (however minor) on any other Council service?**

Yes  No If yes, please provide details below



## Building Services, Legal, Finance

### **Q7 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?**

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)*

Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups.

### **Outcome of Screening**

#### **Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
  - **Summary of involvement (Q3)**
  - **WFG considerations (Q4)**
  - **Any risks identified (Q5)**
  - **Cumulative impact (Q7)**

An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA report is not required at this time. Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups.

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

**Do not complete IIA – please ensure you have provided the relevant information above to support this outcome**

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email.

<b>Screening completed by:</b>
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<b>Name: Aimee Dyer</b>
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<b>Job title: HRA Business Plan and Housing Finance Manager</b>
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<b>Date: 23/1/25</b>
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<b>Approval by Head of Service:</b>
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<b>Name: Carol Morgan</b>
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<b>Position: Head of Housing and Public Health</b>
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<b>Date: 23/1/25</b>
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