Bury Council

Classification: Open	Decision Type: Key

		Date:
Report to:	Overview & Scrutiny Committee Cabinet Council	6 February 2025 12 February 2025 19 February 2025
Subject:	Annual HRA Budget 2025/26 & Rent Setting	
Report of	Cabinet Member for Finance and Transformation	

1. Summary

This report sets out the budget for the Housing Revenue Account (HRA) for 2025/26 and forms part of the Council's budget setting process for 2025/26.

It proposes the rent level and proposed increase for Council Housing, Dwelling and Garage rents, Sheltered Support, Management, Service and Heating charges and Furnished Tenancy charges.

2. Recommendation(s)

Overview and Scrutiny Committee is asked to note the report and consider whether they wish to make any recommendations to Cabinet on the content of this report.

Cabinet is asked to approve the following and commend to the Council:

- Approve the 2025/26 budget for the Housing Revenue Account
- Agree rents to be increased for 2025/26 by 2.7% which is the Government's maximum allowable increase being September CPI (Consumer Price Index) 1.7% plus 1% with effect from 7th April 2025.
- Shared ownership rents to be increased by 2.7% in line with the provision which is set out within shared ownership agreements with effect from 7th April 2025.
- Approve an increase in Garage rents by CPI as at September 2023 CPI + 1% 2.7%.
- Approve an increase in Sheltered Management and Support Charges by CPI + 1% 2.7%.
- Approve an increase in Service and Amenity Charges by CPI + 1% 2.7%
- Approve an increase in Support and Heating charges by CPI + 1% 2.7%
- Approve an increase in Furnished Tenancy charges by CPI+1%2.7%

Note that where a social rent property is re-let to a new or transferring tenant the rent level will be increased to the formula rent (target rent) for that property.

In accordance with the Rent Standard, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.

3.0 Reasons for recommendation(s)

3.1 The Housing Revenue Account (HRA) is the 'landlord account' recording the revenue expenditure and income relating to the authority's own housing stock. The HRA is a ring-fenced account which means the authority does not have any discretion to transfer sums out of the HRA, or to support the HRA with contributions from the General Fund, there are certain circumstances where transfers are permitted or prescribed but these are exceptions.

3.2 The government introduced a self-financing funding system in 2012 whereby the HRA now retains its rental income locally and uses this to provide for management, maintenance, and major works to the housing stock and to service the debt finance upon which the HRA is based.

3.3 In April 2022, following Cabinet approval, Springs became a Self-Financing Tenant Management Organisation, the first in the Northwest. Owing to loss of stock through the Right to Buy sales (1), Springs TMO are currently managing 284 properties. Springs Tenant Management Organisation was formed to manage council homes on a self-financing arrangement. This means that the TMO retains the rents collected from the homes and uses this to pay for the management and maintenance of their properties under local arrangements. The value of the rents collected and passed over to Springs TMO is shown as a management fee cost to the HRA (neutral effect on the HRA).

3.4 The financial year 2023/24 reported RTB sales at 34, significantly lower than original projections, impacted somewhat by the increase in mortgage rates over the period and the cost of living crisis in general. The current level of activity on Right to Buy (RTB) for the HRA for 2024/25 shows actual sales of 34 to the end of month 8 with the possibility of a further 20 sales to the end of the financial year, a total year estimate therefore revised to 54 (originally 60).

The new government's Autumn budget announced significant changes to the current Right to Buy legislation. The first change is to reduce the maximum discount for any sale to the level that it was pre-2012. For Bury Council this will be £26,000 – the 2024-25 maximum was previously £102,400 or up to 70% of the value of the property. Secondary legislation to make the change came from 21st November 2024, with anyone getting their application in prior to this protecting their right to the higher discount. This has resulted in a significant influx of applications during that window of opportunity and ahead of the deadline. The estimate for 2025/26 sales based on applications received is therefore anticipated to be in the region of 107.This is based on an expected completion rate of about 40% of the applications received in the final three weeks before the cut-off date of 21st November 2024.

A consultation on Right to Buy policy in general was also announced and closed on 15 January 2025. This will determine the basis for eligibility for future Right to Buys sales in terms of number of years of tenancy, percentages allowed as discount in addition to the cap and also the type of property that will be eligible for sale.

The changes suggested by the consultation do not remove the policy completely but are likely to make it more difficult for a tenant to achieve eligibility, or certainly it would be over a longer period of tenancy. The level of sales from 2026-27 is estimated to reduce to 10 per annum.

Additionally, whilst mortgage rates have increased during the year 2024, rates are expected to decline in 2025. The extent and pace of the reduction will, however, depend on several factors. Current projections indicate that the MPC will cut rates by 0.25% each quarter until mid-2025. However, forecasts suggest that rates may only drop to around 3.5% by early 2026. This serves to reinforce the expectation that the majority of applications received will convert to a sale during the forthcoming year/years.

Whilst maintaining social housing for local people and similarly maintaining rental income for the HRA, the reduction in sales will see a marked reduction in capital receipts. A proportion of the capital receipts from sales of houses can be used to fund the cost of maintaining the existing stock. The remainder must be used to provide for replacement homes for those sold. The government announced that Councils would be able to retain all of the receipts, rather than pay an amount back to the Treasury. As a result of the combination of changes, it is likely that the majority of the capital receipts received from sales will need to be used for replacement homes, or returned to the Treasury with interest at 4% above the base rate (currently 4.75%). This will put more pressure on the funding of the work to existing stock than in previous years.

3.5 The HRA is expected to have an average stock of 83 affordable rent dwellings plus 5 shared ownership dwellings in 2025/26.

3.6 This report is written based on the Council's existing housing stock. Due to the HRA being a ring-fenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is known as the working balance. Section 8 of this report assesses the minimum level of balances to be held.

3.7 Whilst this report relates to approving the annual budget for the HRA, a 30-year Housing Revenue Account Business Plan is being prepared to ensure a robust and balanced plan which addresses income, expenditure, and capital investment in the housing stock. The HRA Business Plan will be produced for adoption by the Council in Q1 of the 2025/26 financial year. The strategy will provide a comprehensive overview of the Council's housing stock, demand, levels of RTB sales, stock investment requirements including carbon reduction measures. It will plot costs and options for ensuring the Council's legal responsibilities as a landlord are met together with investment in future ambitions whilst ensuring that the HRA remains in credit, and hopefully above its desired minimum working balance and can service its loans over the life of the business plan.

4.0 Rent Levels 2025/26

4.1 The Government's National Social Rent Policy, which came into effect from 1st April 2020, set out that social and affordable rents may increase annually by up to a maximum of CPI plus 1%, until 1 April 2024. With an election during 2024, and a need for consultation to implement a change in rent policy, in April 2024, the previous Government announced an extension to the existing Rent Policy. This means that rents can rise by a maximum of CPI + 1% in 2025-26.

4.2 The Government and the Regulator of Social Housing (RSH) confirmed that this formula would be used for the 2025/26 financial year and that CPI is to be based on September 2024. This was confirmed by the Autumn Budget on 30 October 2024. The Council, as a Registered Provider of Social Housing, is regulated and must adhere to the Rent Standard, which includes the same stipulation on social rent increases. Shared Ownership rents are not covered by the Rent Standard and as such the rent increase that should be applied should be that set out in the terms of the lease agreement with the shared owners.

4.3 The basis for annual rent increases is the September Consumer Price Inflation (CPI) + 1%. In September 24 CPI was 1.7% meaning the maximum rent increase projected for April 2025 should be 2.7%. It was also announced that benefits to claimants would rise by the amount of inflation in April 2025.

4.4 At the Autumn Budget, the new Government also announced a consultation which would seek to set future rent increases for a minimum of 5 years from April 2026 at CPI + 1%. The consultation closed on 23 December 2024. The Government have asked for views on CPI+ 1% increases over a longer period, e.g. up to 10 years. It should be noted that the rent increase suggested sits alongside an expectation that landlords will achieve standards that meet the increased regulatory requirements for the Consumer Standard, adhere to the strict guidelines implemented as part of Awaab's Law, deliver up to 1.5 million new homes in 5 years, implement a new level of Decent Homes Standard (to be consulted upon in 2025), and to meet the energy efficiency targets for all homes within Government timescales. The original self-financing debt taken on in 2012 assumed that rents would always rise by CPI + 1% and did not assume the additional responsibilities that have been introduced. Rents will therefore be stretched further than expected putting pressure on the HRA.

4.5 At the time of writing, the Government have confirmed:

- the formula (or target) for social rents to rise by CPI + 1% for 2025/26 with CPI to be based upon the September 2024 CPI figure of 1.7%
- social rents can be re-let on change of tenancy at the new formula rent (or target rent).
- affordable rents to be tested against the constraint of 80% of market rent on re-let.
- rents for new development to be set at formula rent or up to 80% of market rent.
- rents are likely to be allowed to rise by a maximum of CPI + 1% from April 2026 for at least 5 years

The 2025/26 financial year reverts back to what is known as a "52 week rent year" this means that there will be 52 Mondays in the financial year. Monday is the day rent falls due each week. In 2024/25 there were 53 Mondays.

4.6 Whilst rents are chargeable over 52 weeks, for tenants in social housing (social and affordable), the Council allows two "non-collection weeks" per annum. This means that the total annual rent is collected over a lesser number of weeks per annum, so the 50-week rent is higher than the 52-week equivalent.in 2024/25, the 53 weeks of rent was collected over 50 weeks allowing three "non-collection weeks".

4.7 The table below sets out the 2024/25 average rent per tenure and property type based on stock on 20 January 2025, together with the indicative 2025/26 rent based on the increases proposed. This includes the Springs TMO stock. Please note that sales of stock via Right to Buy and rents moving to formula rent on re-let during the year can change the averages slightly in year.

Maximum Increase Rate Allowed 2025/26 – Recommended

Tenure Type	No/ of Units @ 20/01/2025	Average 50 wk. rent (53 weeks collected over 50 weeks 2024/25	Average 50 wk. rent (52 weeks collected over 50) 2024/25	Increease rate allowed	Average 50 wk. rent (52 weeks collected over 50) 2025/26
Social	7,596	£95.79	£93.98	2.7%	£96.52
Affordable (inc service charges)	83	£200.84	£197.05	2.7%	£202.37
Shared Ownership (monthly charges converted to 50 weeks)	5	£47.86	£47.86	2.7%	£49.15

4.8 The table above shows increases on a 50-week comparable basis of the proposed rent increase of 2.7% applied to the rents of all current HRA Social Rent Formula dwellings.

4.9 It should be noted that the formula rents for social rented properties will all automatically be increased by 2.7% for 2025/26. This will maintain the gap between formula rent and actual rent for any properties where there has not been a change in tenancy during the time period since the gap was established. The Council currently has a policy to re-let properties at formula rent as they become vacant. Affordable rent properties must be re-let at no more than 80% of the market rent including service charges at the date of re-let. Without this policy, the loss in rent will be permanent and cumulative over time.

5.0 Other charges

5.1 There are currently 252 HRA owned garages (of which 119 are currently let).

In 2024/25, a 53-week rent year, garages are being charged at the rate of £9.32 per week (50 weeks). The 52-week equivalent rent charged in 24/25 would have been £9.14.
It is proposed that the charge is increased by 2.7% from April in line with September CPI; this results in a weekly increase of £0.25 giving a rate of £9.39 per week (over 50 weeks for a 52-week year).

6.0. Sheltered and Other Tenancy Charges Sheltered Management and Support Charges

6.1 The management and provision of Sheltered support services are provided by Adult Care Services for which they receive payment from the Housing Revenue Account. The service has been reviewed and the decision to stop the Support element with effect from December 2023 was taken. A charge of £358k from Health & Adult Care Services is no longer payable by the HRA however, there is also a loss of income previously payable by the tenants using the service of £123k leading to a net saving of £235k in the HRA

6.2 Sheltered Management charges are set to ensure that the costs of the services provided are recovered from those receiving them. It is proposed that the weekly charges per unit (on a 50-

week basis) are increased for 2025/26 by 2.7% and the current and proposed charges are detailed below.

	Current Charge (50 weeks) £	Proposed Charge 2025/26 (50 weeks in a 52 week year) £
Sheltered schemes (other than Extra Care)	14.67	15.06
Extra Care schemes (Falcon House/Griffin House)	28.17	28.93

These charges will be eligible for Housing Benefit and Universal Credit purposes, and it is expected that benefits will be payable to accepted claimants.

6.3 The Extra Care Sheltered Scheme, covering the Falcon House and Griffin House schemes, has different support charges which reflect different levels of support offered dependent on the assessed needs of the individual tenants; this support is provided by the Health & Adult Care service within the Council.

Service and Amenity Charge

6.4 The Service and Amenity Charges were increased by 10.1% for 2023/24. It is proposed that the current charges are increased by 2.7% in line with CPI from the first rent week in April 2025. The true costs of delivering services should be passed onto tenants, therefore service charges should be increased to ensure services break even.

6.5 The current and proposed charges per unit per week (over 50 weeks) are shown in the table below:

	Current Charge (50 Weeks) £	Proposed Charge 2025/26 (50 weeks in a 52 week year) £
Clarks hill	22.77	23.39
Elms Close	2.67	2.74
Falcon House	13.29	13.65
Griffin House	12.90	13.25
Harwood House	26.89	27.62
Moorfield	29.55	30.35
Mosses House	23.46	24.09
Stanhope Court	11.90	12.22
Taylor House	26.37	27.08
Top O'th Fields 1	25.44	26.13
Waverley Place	27.95	28.71
Wellington House	37.81	38.83

6.6 Amenity charges are eligible for Housing Benefit and Universal Credit purposes, and it is expected that benefits will be payable to accepted claimants.

Net impact of changes in Sheltered Charges and rent reductions

6.7 Appendix 2 details the total Sheltered Management, and Amenity Charges for each scheme; this shows weekly increases ranging between £0.07 and £1.02.

Support Heating Charges

6.8 Heating charges are only levied at Sheltered schemes where there is a communal heating system with no separate metering of individual consumption; the aim of the charges is to recover the actual energy costs incurred at each scheme.

6.9 At the Council meeting in February 2024, charges were increased by CPI% only without the addition of the 1%. It is proposed that for the year 25/26 an increase of CPI + 1% is applied of 2.7%. The charges will increase by £0.38, £0.31, and £0.26 respectively by scheme.

The charges are based on expected contract prices and estimated levels of consumption. New boiler systems have been installed at both Clarks Hill and Harwood House., Heat metering systems have still not been installed, therefore a weekly heating charge will be required.

The current and proposed charges per unit per week, (exclusive of VAT), are:

	Current Charge (50 Weeks) £	**Proposed Charge (50 weeks in a 52 week year) £**	**Proposed Increase %**
Taylor House	13.95	14.33	2.7%
Harwood House	11.42	11.73	2.7%
Clarks Hill	9.80	10.06	2.7%

Heating Charges are not eligible for Housing Benefit, however, many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2024/25. This is an annual tax-free payment for households that include someone born on or before 23 September 1958 (for 2024-25) and, from 2024 onwards, receive Pension Credit, Universal Credit, Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance. The rate for this was between £200 and £300 per household and is assessed upon application

Furnished Tenancies Charges

6.10 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.

6.11 We currently have 233 live furnished tenancies. Of the live tenancies we have 153 x 1 bed, 60 x 2 bed, and 16 x 3 bed properties. We have a limited number of 235 furnished tenancies so there is currently capacity for a further 2.

6.12 There will be a review of the packages offered and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment; any proposed changes to the current scheme will be subject to appropriate consultation and approval.

6.13 Furnished Tenancy charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants. The introduction of Universal Credit and direct payments means that there is an increased risk of non-payment of these charges.

6.14 Increases in charges to cover inflation in the costs of the scheme e.g., costs of replacement furniture and fittings are normally implemented from the first rent week in April of each year.

6.15 The current and proposed charges per unit per week are:

	Current Charge (50 Weeks) £	**Proposed Charge £ (50 weeks in a 52 week year)**	**Proposed Increase %**
1 Bed Property	17.09	17.55	2.7%
2 Bed Property	20.12	20.67	2.7%
3 Bed Property	23.16	23.79	2.7%

Fernhill Caravan Site Pitch Fees

6.16 The Fernhill Caravan Site has been managed by Six Town Housing since 2014/15 for which they receive a separately determined Management Fee. This management service has been provided by the Council with effect from February 2024. Whilst income from residents and payment of the Management Fee are accounted for in the General Fund not the Housing Revenue Account, it is felt appropriate to consider increases in the charges under these agreements alongside those of HRA rents and charges.

6.17 The site is now fully operational and rents will be increased in line with other housing rents at 2.7%.

6.18 Residents at the site are currently charged a weekly pitch fee. The weekly charge for water was removed after refurbishment of the site on the basis that these charges are payable directly by the tenant to the provider. The charges are levied on a 52-week basis with no non-collection weeks.

	Current Charge	Proposed Charge	Increase %
Double Plot – pitch fee	95.20	97.77	2.7%

7.0 Housing Revenue Account Performance Voids

7.1 The latest figures for rent lost on empty properties over the period to date 24/25 is 1.09%. This is slightly higher than the budgeted level of 1% meaning an increased loss of approx. ££37,160

7.2 The level of void loss for 2025/26 has been assumed at 1%. Recent performance will need to be improved slightly if this target is to be met. If the target is not achieved, then there would be a reduction in rental income to the HRA.

Rent Arrears

7.3 The opening arrears and current levels for 2024/25 are shown in the following table.

The figures reflect the fact that there have been no write-offs during 2024/25; however, this position could change before the end of March 2025. All write offs are in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

Provision Position – As of December 2024			
	Opening Balance 2024/25	Current Balance December 2024	Increase/ (Reduction)
	£m	£m	£m
Current Arrears	1.627	1.653	0.026
Former Tenant Arrears	0.589	.720	0.131
Write Offs	0.000	0.000	0.000
Total	**2.216**	**2.373**	**0.157**

7.4 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

7.5 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £2.216m at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrears and the amount outstanding on each individual case.

7.6 The estimated increase required in 2024/25 for additional contributions to the provision is £524,900 (1.41% of gross rent)., Rent arrears are volatile and with increasing numbers of Universal Credit cases it can be difficult to determine what the position at the end of the financial year will be.

7.7 The 2025/26 estimates allow for additional contributions to the provision, totalling £583,600 which is 1.57% of the gross rent. It should be noted that a bad debt provision is simply the assumption that a proportion of the rent may not eventually be collected. The debt will remain collectable and not written off until every avenue to collect has been exhausted. However, as far as the balance in the HRA reserve is concerned the amount forecast as a provision is assumed to be a loss of revenue. This is a prudent approach and is required by CIPFA.

7.8 Accounts raised are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received, or instalment arrangements agreed. Billing and recovery arrangements will be continually reviewed to ensure effective recovery.

Rechargeable Repairs

7.9 The amount due from tenants for rechargeable repairs currently stands at £151,540 of which £149,952 is debt over 1 year old. No accounts have been written to date in the current year, however £17,506 of accounts have been identified as potential write-offs which should be actioned prior to the year end.

7.10 Accounts raised are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received, or instalment arrangements agreed. Billing and recovery arrangements will be continually reviewed to ensure effective recovery.

8.0. 2025/26 Housing Revenue Account (HRA), HRA Capital Resources and the HRA Working Balance

2025/26 Housing Revenue Account

8.1 The Housing Revenue Account Estimates are set out in Appendix 1.

8.2 Significant impacts on the HRA for the coming year will include the increased number of RTB sales arising from the change in Government policy, the cost of achieving and reporting upon the Consumer Standard, meeting Government targets on energy efficiency and a new Decent Homes Standard, whilst aiming to deliver development and replacement homes for Bury.

8.3 Interest rates on new loans remain above those rates seen before the cost-of-living crisis and treasury advisers expect these to stay higher for longer to control inflation. Interest rates affect the HRA if there is a requirement to borrow for investment, development or refinancing of existing loans.

8.4 From a regulatory perspective, the Regulator of Social Housing now has powers to regulate Councils under the Consumer Standard. Councils are required to have staff with relevant housing qualifications, have a mechanism by which tenants can report issues with their homes, and this needs to be monitored and reported upon. Councils are also going to be measured on how they perform in terms of responding to tenant communication in a timely manner and to resolve the issues. On 9th January 2024, DLUHC launched a consultation which looks at proposals for the implementation of Awaab's Law, as introduced by the Social Housing (Regulation) Act 2023 (Clause 42 'Social housing leases: remedying hazards'). It proposes new legal requirements for social landlords to investigate hazards within 14 days, start fixing within a further seven days, and make emergency repairs within 24 hours. Those landlords who fail can be taken to court where they may be ordered to pay compensation for tenants consultation completed on 5 March 2024.

https://www.gov.uk/government/consultations/awaabs-law-consultation-on-timescales-for-repairs-in-the-social-rented-sector/awaabs-law-consultation-on-timescales-for-repairs-in-the-social-rented-sector

These regulatory requirements may require investment in systems and/or resources in order to ensure that the Council meets its obligations and avoids penalties.

Whilst the consultation was undertaken by the previous government, the new government has committed to introduce Awaab's Law in the social rented sector and to extend it to the private rented sector. It has not yet confirmed how or when the requirements will be introduced. While we wait for the government to issue a response to the consultation, we're still engaging with officials to push for an effective and workable implementation of Awaab's Law that is focused on delivering improved outcomes for residents.

8.5 The detailed Housing Revenue Account shown in Appendix 1 assumes that the proposals within this report for increases/decreases to rents and other charges are approved.

HRA Capital Resources

8.6 Self-financing within the HRA means that major works to the housing stock are now funded primarily from rental income, capital grants, capital receipts and/or borrowing. The identification and timing of future major works are key factors in the development of the 30 Year HRA Business Plan.

8.7 Investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.

8.8 There is an ongoing piece of work being undertaken to fully understand the stock condition and advise a 5-year Capital Programme profiled on stock condition which is affordable within existing resources to cover:

- Compliance
- Elemental Repairs
- Planned and Programmed Work
- Refurbishment / renewal of existing stock
- Environmental Improvements
- New Homes

8.9 Opening balances of capital reserves at 1 April 2024 for use to fund the HRA capital programme were:

Non 1-4-1 RTB Capital Receipts	£1.016m
RTB receipts for replacement homes (1-4-1)	£3.020m

Note that the receipts for replacement homes can only be spent on developing or acquiring new housing stock in the HRA and must be returned to the Government if not used within 5 years. Non 1-4-1 RTB receipts may be used for any capital purpose and are used to fund the capital programme ahead of using HRA revenue contributions or borrowing.

8.10 The capital programme for 2024-25 is expected to outturn at £16.705m for the works to existing properties and £952,000 for purchases of properties available on the market which have been funded by a combination of grant, S106 commuted sums and HRA reserves.

8.11 The total capital programme for 2024/25 including acquisitions of properties is proposed at £17.657m. This will be funded as follows:

Housing Grant	£785,000
Retained RTB receipts	£0
Other useable RTB receipts	£3,123,000
Wave 3 Grant for Carbon Reduction	£2,500,000
Major Repairs Reserve	£7,330,000
Borrowing	£3,919,000
Total	**£17,657,000**

8.12 Capital works to existing properties that were planned to be carried out in 2024-25 have been delayed, and therefore the budgets need to be carried forwards into 2025-26. The slippage required is £9.219m.

8.13 The proposed new capital requirements for existing stock maintenance are £17.21m and covers a range of projects including internal components such as bathrooms, kitchens and heating; external components such as windows, doors, pointing, roofing and rainwater goods; communal areas; garages; carbon reduction; asbestos and fire remedial works and major adaptations.

8.14 Retained Right to Buy Receipts can be used in 2025/26 to purchase properties that are available from developers. The receipts can fund the purchases at 100% of the cost. It is proposed to spend £3.02m on purchasing a number of properties for rent in the HRA. The number will be determined by the cost from developers and subject to options appraisals and Cabinet approval.

8.15 The total capital programme for 2025/26 including acquisitions of properties is proposed at £29.522m. This will be funded as follows:

Housing Grant	£72,000
Retained RTB receipts	£3,020,000
Other useable RTB receipts	£4,828,000
Wave 3 Grant for Carbon Reduction	£3,020,000
Major Repairs Reserve	£7,330,000
Borrowing	£11,252,000
Total	**£29,522,000**

Given the uncertainties surrounding the various consultations on rent, Right to Buy sales and the Decent Homes Standard, it is proposed that the HRA revenue balance should not be used to contribute to the capital programme in 2024/25 and 2025/26. This will mean that borrowing is required as shown above, but the risk of taking the HRA below its minimum balances is minimised during this time.

The HRA Working Balance

8.16 The HRA needs to maintain a certain level of balances in order to finance occurrences that cannot be predicted and to mitigate material inaccuracies in the assumptions underlying the budget.

8.17 There is no statutory definition of the minimum level however as part of a longer-term approach to HRA finances the Council established a Golden Rule regarding the minimum level of HRA balances and it was agreed that the HRA balances should not be allowed to fall below £100 per property, recognising that the actual minimum level of balances to be retained still needs to be reviewed each year based on a risk assessment of the major issues that could affect the financial position of the HRA.

8.18 The level of recommended minimum balances for the HRA for 2024/25, was £1.591m. Housing Authorities use several benchmarks to determine the correct level. For Bury's HRA the calculations would be:

	£m
£200 per property (Housing Finance Act 1989 based on 7,687 properties)	1.537
5% of dwelling rental income	1.859
5% of gross expenditure (excl. transfers to MRR)	1.292
Average of the 3 options	1.563

8.19 As the results of the three options are wide ranging, it would be prudent to keep the minimum working balance under review each year. For 2025/26, it is recommended that the council increases the minimum working balance to £1.623m being just above the average of the options and a 2% increase on 2024/25.

8.20 The working balance brought forward at 01 April 2024 was £10.511m. The forecast opening balance as at 01 April 2025 is £16.545m. The movement during the 2025/26 financial year is expected to be £3.79m resulting in a closing balance at 31 March 2026 of £20.335m. This is still comfortably above the minimum working balance as calculated above but as noted is being maintained to cover a range of as yet unknown outcomes of consultation which could significantly affect the HRA.

Housing Management Fee

8.21 The current Management Agreement between Six Town Housing and the Council ended in February 2024 and there has therefore been no management fee payable 2024/25 and no management fee payable for future years. All STH employees transferred to Bury Council, and the council will incur the costs directly and charge them into the HRA. The cost of the staff and other associated non-staffing budgets, together with central support costs have been included in a new housing service structure within the HRA budget.

Links with the Corporate Priorities:

Provision of social housing is a core function and a key corporate priority to support the provision of affordable housing for residents in the Borough.

Equality Impact and Considerations:

A full Equality Impact assessment has been completed. The analysis has highlighted likely negative impacts for residents with specific characteristics and circumstances. These impacts have been reduced through a number of factors including a favourable economic outlook in some circumstances, current and ongoing support and commitments to addressing housing needs for specific characteristics through wider initiatives and covenants.
No statutory service provision will be affected by these proposals.
EIA is to be kept under review as the budget proposals are progressed

Environmental Impact and Considerations:

The Council is working towards becoming a carbon neutral organisation by 2038. Six Town Housing are working on a number of decarbonisation programmes across the housing estate to reduce the carbon footprint. This is an ongoing project.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The capped rents do not recover the costs if they rise at a higher level of inflation which will put pressure on the Housing Revenue Account. Increased risk of non-payment of rents, escalating bad debts.	The budgets will be monitored closely throughout the year, action may be required to reduce costs and limit expenditure. Close monitoring of outstanding debt, ensure tenancy and welfare support offered to Tenants at the appropriate time.

Legal Implications:

Housing Revenue Account and Rents

The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council must formulate proposals in respect of HRA income and expenditure for the financial year which on the best assumptions and estimates that the Council is able to make at the time to ensure that the HRA does not show a debit balance.

The Council is required to keep the HRA in accordance with proper practice. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description.

The review of the rents is a Cabinet function and is undertaken with regard to the provisions of Part VI of the 1989 Act which governs housing finance and housing subsidy. Rents for council houses are a credit to the HRA and outgoings a debit. The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is balanced.

Financial Implications:
The financial implications are included within the report.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
HRA	Housing Revenue Account
STH	Six Town Housing
TMO	Tenants Management Organisation
RTB	Right to buy

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Appendix 1

HRA Income and Expenditure Statement	Forecast 2024/25 £000's	Budget 2025/26 £000's
Income		
Dwelling Rents (gross)	(37,189)	(37,102)
Void Losses	430	371
Non-Dwelling Rents	(204)	(209)
Charges for Services and Facilities	(1,242)	(1,276)
Contributions towards expenditure	(208)	(160)
Total Income	**(38,413)**	**(38,376)**
Expenditure		
Repairs and Maintenance	8,073	8,705
Supervision and Management	12,063	13,369
Rents, Rates, taxes & other charges	38	200
Depreciation and Impairment of Property, Plant & Equipment	7,330	7,330
Revaluation (gains) / losses on non-current assets	-	
Debt management costs	45	45
Increased Provision for Bad & Doubtful Debts	525	584
Total Expenditure	**28,074**	**30,233**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**(10,339)**	**(8,143)**
HRA services share of Corporate and Democratic Core	400	400
Net Cost of HRA Services	**(9,939)**	**(7,743)**
Interest Charges	4,500	4,695
(Surplus)/Deficit in Year on HRA Services	**(5,439)**	**(3,048)**
Repayment of Arranged Loans	204	209
RCCO		
(Surplus) / Deficit for the Year	**(5,235)**	**(2,839)**

Movement on the HRA Statement	2024/25 £000's	2025/26 £000's
Opening Balance	(10,510)	(16,546)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(5,235)	(2,839)
RTB Receipts for Replacement Homes Interest	(187)	(232)
Other RTB Receipts Interest	(23)	-
Operating Account Interest	(591)	(719)
Adjustments between accounting basis and funding basis under statute		
Increase before transfers to/from reserves	**(16,546)**	**(20,336)**
Transfers to/(from) Earmarked Reserves	-	
Closing Balance	**(16,546)**	**(20,336)**

Sheltered Support and Amenity Charges
Current charges 2024/25 and proposed charges 2025/26

Scheme	Management Charge 2024/25 £		Amenity Charge 2024/25 £	Total Charges 2023/24 £	Proposed Management Charge 2025/26 £		Proposed Amenity Charge 2025/26 £	Total Proposed Charges 2025/26 £
Increase (%)	**7.7%**		**7.7%**		**2.7%**		**2.7%**	
Beech Close	14.67			14.67	15.06			15.06
Chelsea Avenue	14.67			14.67	15.06			15.06
Clarks Hill	14.67		22.77	37.44	15.06		23.39	38.45
Elms Close	14.67		2.67	17.34	15.06		2.74	17.80
Falcon House	28.17		13.29	41.46	28.93		13.65	42.58
Griffin Close	14.67			14.67	15.06			15.06
Griffin House	28.17		12.90	41.07	28.93		13.25	42.18
Hampson Fold	14.67			14.67	15.06			15.06
Harwood House	14.67		26.89	41.56	15.06		27.62	42.68
Limegrove	14.67			14.67	15.06			15.06
Maple Grove	14.67			14.67	15.06			15.06
Moorfield	14.67		29.55	44.22	15.06		30.35	45.41
Mosses House	14.67		23.46	38.13	15.06		24.09	39.15
Stanhope Court	14.67		11.90	26.57	15.06		12.22	27.28
Taylor House	14.67		26.37	41.04	15.06		27.08	42.14
Top o'the Fields 1	14.67		25.44	40.11	15.06		26.13	41.19
Top o'the Fields 2 (Welcomb Walk)	14.67			14.67	15.06			15.06
Waverley Place	14.67		27.95	42.62	15.06		38.71	53.77
Wellington House	14.67		37.81	52.48	15.06		38.83	53.89

APPENDIX 3

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact	Min. Provision
				£m	£m
Increased stock loss - level exceeds the provision made in the estimates	The loss of a property costs the HRA approx. £4,.5k in lost rental income in a full year. A loss of 107 properties in the year would cost around £480kk	M 50%	Budget 2025/26 assumes 107 sales. Provisions are made for 107 and due to the housing market conditions i.e., interest rates on mortgages and the cost of living, 23/24 has seen a downturn in applications for RtB and the budget for 24/25 has been reduced to reflect this.	0.480	0.480
Higher level of void (empty) properties - increase loss of rental income	A 1.0% increase in void loss costs the HRA c£300k in a full year.	M 50%	Budget 2025/26 assumes 1% void rental loss. The expectation with the slowdown of the housing market is void rates will remain steady. The current rate of void at the time of writing is 1.09% (Dec 2024)	0.300	0.300
Increase in arrears level	Rental income is accounted for in the HRA on a rents receivable basis rather than the actual rents received. An increase in arrears could impact on the level of contribution required to the bad debt provision.	H 80%	Budget 2025/26 This allows for contributions of £584k to the Bad Debt Provision. This is based on 1.457% of the gross rent. This level reflects the current economic climate.	0.584	0.584
				1.364	1.364