Report to: Housing Review Board

Date of Meeting 30th January 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Draft Revenue and Capital Budgets 2025/26 & Monitoring to End Dec 2024

Report summary:

This report presents the draft revenue and capital budgets for 2025/26 relating to the Housing Revenue Account and the financial monitoring and outturn forecasting versus budget of the current financial year to the end of December 2024.

Recommendations from this meeting will be presented back to Cabinet on 5th February 2025 to finalise the 2025/26 budget proposals to recommend to Council.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the draft revenue and capital estimates are approved and recommended back to Cabinet to finalise and the Financial Monitoring element presented is noted.

Reason for recommendation:

There is a requirement to set a balanced budget for 2025/26

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Portfolio(s) (check which apply):
☐ Climate Action and Emergency Response
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Communications and Democracy
☐ Economy
☒ Finance and Assets
☐ Strategic Planning
☒ Sustainable Homes and Communities
☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting. There are no changes proposed from the current service provisions because of the draft budget that will affect individuals. Assessment attached.

Climate change Medium Impact

The budget approval gives the Council the resources necessary to undertake its business which will contribute to the carbon footprint of the Council. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority including key actions identified in the Directorate Service Plans.

Risk: Medium Risk; Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered to prepare robust budget proposals. Other specific areas of risk have been highlighted where appropriate within the report.

Links to background information 2025/26 Budget Book; Fees & Charges Schedule with proposed charges for 2025/26

Link to Council Plan

Priorities (check which apply)

☒ A supported and engaged community
☒ Carbon neutrality and ecological recovery
☒ Resilient economy that supports local business
☒ Financially secure and improving quality of services

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1 Housing Revenue Account Budget 2025/26

1.1 Housing Revenue Account (HRA) Overview & Introduction

Below is an overview of the Housing Revenue Account (HRA) with prescribed categories of expenditure and income giving the proposed budgetary implications for 20256/26. There is also a Q&A section in Appendix 2 included to assist.

The HRA records expenditure and income on running the council's own housing stock and related services or facilities, which are provided primarily for the benefit of the council's own tenants. The HRA is a ringfenced account within the General Fund with strict legal and accounting rules to maintain separation from the General Fund. The HRA Account must always remain in surplus, and this must be considered when setting each year's budget and when planning for the future.

The HRA consists of capital and revenue elements. Capital is typically asset enhancing items such as kitchens, bathrooms, windows etc or a project of more minor works to multiple properties. Revenue is typically low-level repairs and maintenance with regards to spend on assets plus staff and service costs, overheads etc. The Council is allowed to borrow to fund capital expenditure, but not revenue without specifically required central government permission.

1.2 2024/25 HRA Budget Evolution

The initial budget presented to members in this same paper a year ago was in effect a “roll over” budget from the previous year, with few changes other than known inflationary uplifts from that presented for 2023/24.

As members will be aware, the 2023/24 HRA outturn and capital spend far exceeded the expectations that were included within that year’s budget, requiring the contribution of all HRA earmarked revenue reserves and adding an additional £2.5m to the HRA’s borrowing requirement in order to maintain the £3.1m adopted level of the HRA balance.

Therefore, shortly after the start of the current financial year, it was established that the proposed 2024/25 budget would be insufficient to meet the needs and demands of the housing service and provide the investment required to ensure regulatory compliant homes. A revised budget was approved by Council in July 2024.

During the 2024/25 financial year there have been numerous significant budget movements within the HRA (virements) which in effect have transferred significant sums from revenue to capital. This has been the result of the underlying works included within the revised budget being scrutinised in detail within the regular collaborative financial management framework which has been established. This has been presented and where necessary approval given through HRA financial monitoring reports to Committees. The 2024/25 budget figures presented for comparison are those which are currently being reported, and monitored against in 2024/25.

1.3 **Revenue Budget**

The following outlines the key budget areas, headline figures and comparatives for the HRA in 2025/26 v 2024/25. The general spending categories below are set by the Chartered Institute for Public Financial Accountancy (CIPFA) with a brief summary of what is included in each.

1.4 **Income**

The primary sources of income for the HRA are rents on dwellings, garage income and other income including service charges. Rent on dwellings has been increased by the central government recommendation of September CPI +1% (1.7%+1% = 2.7%) with the remaining income streams also appropriately inflated. The forecast income is expected to be:

- £21.66m for dwellings, an increase of £0.57m year on year
- £0.26m for garages, an increase of £0.1m year on year
- £0.74m for other income, an increase of £0.05m

1.5 **Repairs and Maintenance (R&M)**

This includes all major expenditure which falls into the revenue category and is segregated into general or responsive R&M and planned R&M, the vast majority of which is covered by our Integrated Asset Management contract (IAMC) with Ian Williams Ltd.

- General or responsive R&M generally results from issues that have been raised by tenants for resolution and can vary from incredibly simple jobs such as fixing a tap to much more complicated involved issues to address. These more complex issues, upon surveying, may well become asset enhancing and therefore would be moved to the Capitalised responsive repairs and maintenance budget.
- Planned R&M includes the more routine or cyclical in nature works such as decoration, planned minor works and compliance related testing and servicing.
- The budgeted spend on Repairs and Maintenance as a whole is approximately £7.13m an increase of £0.05m v 2024/25, which can be attributed to the inflationary increase on the Price Per Property payment under the IAMC.

1.6 **Supervision & Management (S&M)**

The S&M section of the HRA covers a wide variety of costs related to the management and administration of council-owned housing. Key types of expenditure include;

- All HRA direct staffing costs including training, development etc with regards to the day to day activities, management and administration of the service.
- Property Management costs – supervision of repairs, managing of empty properties and development of strategic property decisions.
- External Services & Overheads – including consultants' costs and recharges from the general fund for shared services such as IT, Legal Services, Accountancy etc
- The budget for Supervision & Management as a whole in 2025/26 is £9.1m a decrease of £0.29m v 2024/25, the most notable of which being;
  - **£0.12m decrease in Employment costs**

    The 2024/25 budget stated that the structure of the service was under review and included a significant contingency balance to address this. As stated in the recent Housing Review board meetings, housing senior management are now confident that we have roles in the right places, therefore the 2025/26 staffing budget has been based upon this structure. A 2% inflationary uplift has been applied to all roles and an additional 1% contingency, with the 15% change in National Insurance included but assumed to be refunded by central government as per the General Fund.
  - **£0.20m decrease in Overheads/Recharges**

    Recharges have been reviewed within the year through the collaborative financial management framework and despite increases due to Strata inflationary uplifts for external IT costs for example, savings have still been made year on year.

1.7 **Other expenditure/Special Services**

This section mainly includes the budgets for tenant engagement related activities such as the Tenant Participation and Community Development teams as well as special services that the Council must provide with regards to tenants. The most notable of this latter category is the decanting of tenants to temporary accommodation when major works are being undertaken and their Council dwelling is uninhabitable. The forecast expenditure is expected to be £1.15m an increase of £0.06m on the prior year.

1.8 **Capital Charges**

The two entries within this section of HRA expenditure are;

- Changes to the bad debt provision – this is difficult to predict and in the past when reviewing the actual movements has not been material therefore no entry has been made.
- Depreciation/Major Repairs Reserve/Revenue Contribution to Capital – the HRA guidelines require the council to make in effect what is a revenue contribution to capital which is equivalent to the amount of depreciation calculated on the council dwellings in that financial year. A £2m contribution has been included for 2025/26 a very marginal change to the budget of 2024/25 (the value of depreciation within the 2023/24 financial accounts was £1.8m).

1.9 **HRA Financing**

The HRA financing section can be split into 3 specific areas which are addressed below;

- **Debt Financing**

        - As at 31st March 2024, the principal amount of debt the HRA owed was £84.6m, with £78.5m owed to the Public Works Loan Board and the remaining £6.1m owed to the General Fund.
        - The 2025/26 financing charges have been increased by £0.47m. This reflects both the cost of additional borrowing based upon the 2024/25 Capital Financing requirement of £9.1m @ 4.5% plus a marginal outturn variation adjustment v the 2024/25 budget. This is addressed further in the Q&A section as there has been change in the assumptions made and stated in the final 2024/25 July budget report.
    - **Interest Income**
        - The 2024/25 budget did not contain an amount for interest income and the current treasury forecast is that the HRA will receive £0.43m based upon the balance of useable HRA reserves held (the HRA balance plus the right to buy receipts reserve).
        - In 2025/26 an income amount has been included, however, due to the agreed reduction in the HRA balance in 2024/25 and capital expenditure in year on affordable homes, under the right to buy replacement program, this has been reduced to a conservative estimate of £0.24m.
    - **Movement in Reserves**
        - The current 2024/25 budget contains a revenue contribution to capital of £0.9m which finances the capital program and achieves the in year capital financing requirement as stated in the 2024/25 budget papers. The introduction of this has resulted from the in year virements previously mentioned. This will not be continued in 2025/26 as all revenue and capital spend has been correctly allocated.
        - As stated in the 2024/25 budget, the agreed annual contribution to the HRA balance to be made each year of £0.25m, to reinstate the HRA balance to the adopted level of £3.1m, has been included in the 2025/26 budget.

1.10 **Table of Movements**

The following table shows the movements described above and the overall impact they have upon the 2025/26 budget in comparison with 2024/25.

INCOME	BUDGET		
	24/25	25/26	Diff
Dwelling Income	-21,088,320	-21,659,900	-571,580
Garage Income	-155,292	-262,800	-107,508
Other Income	-692,628	-738,826	-46,198
	-21,936,240	-22,661,526	-725,286

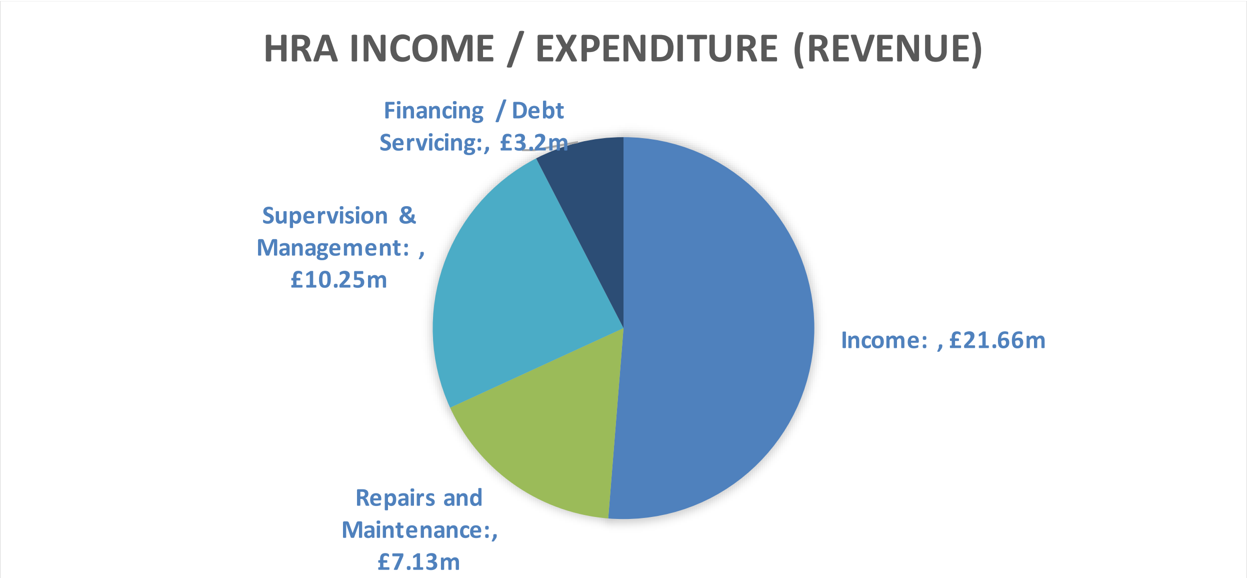
EXPENDITURE	BUDGET		
	24/25	25/26	Diff
REPAIRS & MAINTENANCE	7,083,504	7,133,867	50,363
SUPERVISION & MANAGEMENT	9,388,046	9,101,700	-286,346
OTHER EXPENDITURE	1,091,844	1,154,351	62,507
CAPITAL CHARGES	2,028,300	2,000,000	-28,300
	19,591,694	19,389,918	-201,776

FINANCING	BUDGET		
	24/25	25/26	Diff
Debt Financing	2,787,276	3,256,608	469,332
Interest Income	0	-235,000	-235,000
Reserve/Capital Contribution	893,270	250,000	-643,270
	3,680,546	3,271,608	-408,938

HRA Account	BUDGET		
	24/25	25/26	Diff
Surplus/Deficit	1,336,000	0	-1,336,000

1.11 Graphical Split of HRA Budget Areas

The following table graphically highlights the four main categories that drive the makeup of the HRA budget for 25/26.

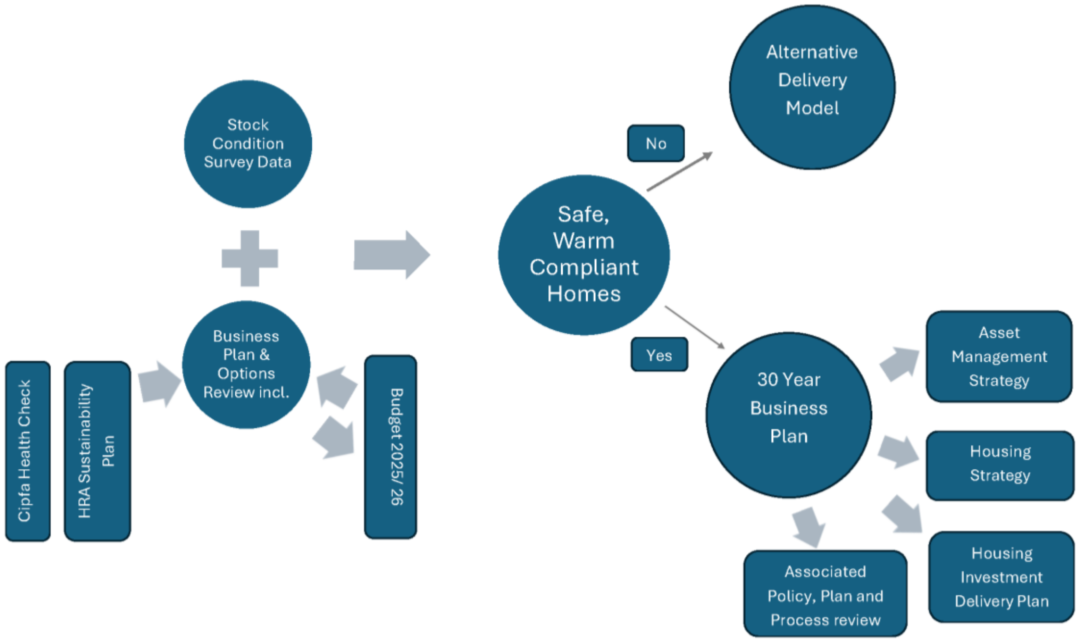


1.12 HRA Future Financial Pressures

The Housing Revenue Account has and continues to face, significant financial pressure in the immediate and longer term. These pressures arise from a range of factors including an historic underinvestment, increased consumer and regulatory standards, general inflation, restrictions in rent increases, net zero expectations, disrepair claims, complaint resolution, high void and decant costs and other issues. Similar cost pressures are being seen in other stock holding local authorities.

1.13 **Longer Term Financial Plan**

In recognition of the above, the Council has developed a strategic plan to address these immediate pressures and ensure a long-term sustainable business model is in place to ensure we can provide safe, warm and regulatory compliant homes. This plan includes a series of interlinked plans, workstreams and strategies as set out in the diagram below.



A Financial Sustainability Plan is in place to address and respond to the short-term financial pressures facing the HRA. This plan sets out a range of measures to increase income and deliver savings over the next 1 – 2 years and includes recommendations from the Chartered Institute of Public Finance & Accountancy (CIPFA), who have undertaken a Health Check of the HRA.

Savills, a market leading expert in Asset Management consultancy, are also assisting the Council with a Business Plan and Options review. This will enable the Council to produce a robust Asset Management Strategy whilst considering alternative delivery models if appropriate and create a 30-year Business Plan to ensure the HRA remains a going concern.

The objective of a business plan is to ensure sufficient annual budget is available to improve and maintain our homes whilst continuing to provide good quality services to our tenants. It's aim is to model income streams whilst also setting out and phasing the key objectives for maintaining the housing stock on an ongoing basis. Including within these objectives will be priorities such as decarbonisation, stock management (including plans to acquire or build new affordable homes) and required essential upgrades and enhancements throughout the plans lifecycle.

The results of the stock condition survey will interlink with the longer-term financial planning outlined above, ensuring investment is targeted and efficient.

1.14 **2025/26 Proposed Capital Budget Considerations**

Unfortunately, as has been discussed in previous committees, the Stock Condition data is not available to drive the 2025/26 budget preparation. There are, however, clear known priorities for capital investment in our stock which has influenced the creation of the 2025/26 capital programme. These include.

- Addressing Category 1 & 2 Hazards
- Tackling Damp & Mould
- Continuing to ensure Regulatory Compliance
- Increasing the number of Decent Homes
- Reduced responsive repairs through planned investment programmes.
- Addressing major repair works
- Reducing void turnover times

1.15 **Proposed Capital Programme 2025/26**

The following Table outlines the proposed capital programme for 2025/26, categorised by their appropriate programme areas, compared with the current 2024/25 position.

ımme Area	Project / Programme	24/25 Budget	25/26 Budget	Diff
Affordable Homes	RTB Acquisitions	3,320,000	750,000	-2,570,000
Housing Compliance	FRA Actions	800,000	500,000	-300,000
	Co2 & Detection	400,000	500,000	**100,000**
	Fire Doors	650,000	1,050,000	**400,000**
	RADON	0	150,000	**150,000**
	Sewerage Plants	500,000	500,000	0
General Housing Programmes	Disrepair And Complaints	1,810,000	1,500,000	-310,000
	Social Serv Adaptations	746,000	700,000	-46,000
	LAD Programme Completion	150,000	2,099,520	**1,949,520**
	Capital Major Works	710,000	3,242,900	**2,532,900**
Major Repairs	Windows	150,000	416,000	**266,000**
	Roofing Renewal	132,000	264,000	**132,000**
	Replacement Bathrooms	240,000	400,000	**160,000**
	Replacement Kitchens	550,000	1,300,000	**750,000**
	Pvcu Fascia Replacement	0	150,000	**150,000**
	Heating Upgrades	0	150,000	**150,000**
	Gas Boilers Replacement	500,000	750,000	**250,000**
	Electrical Updating	975,000	700,000	-275,000
	Capitalised Responsive Repairs	1,000,000	1,000,000	0
	Ppv Voids	2,500,000	2,250,000	-250,000
TOTAL		**15,133,000**	**18,372,420**	**3,239,420**

1.16 **HRA Capital Programme Overview**

<u>Affordable Homes Programme (AHP) (£0.75m)</u>

The AHP is expenditure allocated to the acquisition and development of new affordable housing. It is now funded entirely from Right to Buy receipts per the recent central Government guidance. The Council are currently developing a Housing Investment and Delivery plan which will set out our intentions for investment in future years. Whilst we have paused our acquisitions programme until this is completed, an amount of £0.75m has been included to account for operational or strategic acquisitions that may arise in 2025/26.

<u>Housing Compliance (£2.7m)</u>

The Council has a duty to ensure our homes meet the required legal and regulatory compliance standards. Our compliance work includes capital expenditure to remediate fire risks, undertake programmes of co2 and smoke detection installations and other similar capital expenditure. Areas such as servicing and testing of existing compliance equipment are non-capital works and accounted for within the Revenue budget.

HRA Capital Programme – General (£7.5m)

The Capital Programme – General, includes the following items

- Disrepair And Complaints
  Capital expenditure on disrepair and complaints is forecast to amount to £2.15m during 2024/25 and includes essential repairs work. Expenditure in this area is forecast to reduce in 2025/26 as planned programmes address issues with stock condition resulting in a reduction in disrepair and complaints.

- Social Services Adaptations
  This includes major adaptations including remodelling, accessible bathrooms, stairlifts etc to provide suitably adapted accommodation for our residents.

- LAD - Programme Completion
  The LAD is a programme of improvement works focused on energy efficiency to an identified number of properties for which the Council received partial government funding. The budget provides the necessary capital to complete the programme and meet our obligations under the grant funding award.

- Capital Major Works
  This programme includes specific Major Projects allocated to a specific property, group of properties or block of flats. These items range widely in nature and cover a multitude of issues from whole block refurbishments to items identified in specific properties which if left unresolved may result in health and safety issues for tenants.

Major Repairs £7.4m

The major repairs capital budget includes expenditure for our major repairs programme such as windows, doors, kitchens etc alongside repairs to void properties and some responsive repair costs.

1.17 **Additional Borrowing Implications**

The impact of the above capital programme will add an additional £15.15m borrowing requirement to the HRA after applying the following funding streams to the £18.37 Capital Expenditure figure;

- £0.75m RTB receipts for Affordable Housing
- £0.47m unringfenced RTB receipts
- £2m depreciation related/Major Repairs Contribution

1.18 **Potential In Year Variations/Virements**

The recent stock condition survey provides the necessary data to develop a robust Business Plan and Asset Management Strategy. This will enable future investment to be targeted efficiently and effectively to address the issues and maintenance requirements identified through the Stock Condition Survey. This process is ongoing and may result in a change in a change in capital investment priorities during the year. For example, this may include an increase in capital expenditure in one area and a reduction in another. Any changes will however be within the overall cost envelope of the approved capital programme budget.

1.19 **Risks & Future Implications of the Capital Programme**

It should be noted that the proposed capital programme amounts to a significant investment in the Councils housing stock. This investment will result in a substantial level of additional borrowing and an increase in the overall HRA Debt burden. The servicing of this debt will be met from within the HRA Revenue Budget and therefore create further pressure on revenue in future years. This additional interest expense burden will need to be offset by efficiencies, savings and income generation through strategic asset disposals. The longer-term revenue implications of capital investment will be modelled as part of the Business Plan review to ensure the HRA remains a going concern.

2 Housing Revenue Account & Capital Monitoring to Dec 2024

2.1 Opening Positions

Revenue Account

HRA Revenue Position	£m	F/A*
HRA balance @ start 24/25	**(3.100)**	**F**
Approved deficit for the 24/25 financial year	1.337	A
HRA balance @ end 24/25	**(1.763)**	**F**

Capital Programmes

HRA Capital Position	£m
HRA predicted capital expenditure 24/25	**15.1***

*includes the £0.975m electrical works and £0.89m transfer from revenue agreed in prior report

2.2 Housing Revenue Account

2.21 Income

Income and lost rent due to voids continues to be materially in line with expectations for dwellings and better than expected income for garages.

Year to Date				4Cast Outturn		
Actuals	Budget	Diff	INCOME	Actuals	Budget	Diff
-15,892,986	-15,816,240	-76,746	Gross Property Rents	-21,184,325	-21,088,320	-96,005
-151,985	-116,469	-35,516	Garage Rents	-202,768	-155,292	-47,476
-505,944	-519,471	13,527	Other Income	-672,046	-692,628	20,582
-16,550,914	-16,452,180	-98,734		-22,059,140	-21,936,240	-122,900

2.22 Revenue Expenditure

The below table shows variations in expenditure against the above budget within each HRA reporting line.

Year to Date				4Cast Outturn		
Actuals	Budget	Diff	EXPENDITURE	Actuals	Budget	Diff
3,882,415	4,207,941	-325,526	1 Repairs And Maintenance - General	5,549,900	5,610,504	-60,604
495,474	1,104,750	-609,276	2 Repairs And Maintenance - Special	1,317,039	1,473,000	-155,961
7,800,745	7,804,116	-3,372	3 Supervision And Management	9,039,474	9,388,046	-348,573
861,502	852,696	8,806	4 Other Expenditure	1,083,038	1,091,844	-8,806
1,521,225	1,521,225	0	5 Capital Charges & Bad Debt Total	2,028,300	2,028,300	0
14,561,361	15,490,728	-929,367		19,017,751	19,591,694	-573,943

Within Supervision & Management significant savings have been seen with regards to vacant permanent posts which has been partially offset by an increase in Agency costs and higher than anticipated insurance premiums.

2.23 Financing & Movement in Reserves

The below table shows the variations in Financing and the movement in reserves. There are two drivers to this variation.

- Net interest income is £0.4m higher than anticipated
- The contribution to capital is £1.1m higher than expected (which means additional funding for capital) due to the aforementioned favourable revenue variances leaving the HRA forecast as budgeted.

2.24 Housing Capital Programmes

The variations in each of the capital work streams can be seen within the below table.

Year to Date			INCOME	4Cast Outturn		
Actuals	Budget	Diff		Actuals	Budget	Diff
1,726,881	1,462,737	264,144	1 Affordable Housing	1,952,394	1,950,316	2,078
778,734	1,027,500	-248,766	1A Grant Subsidised Affordable Housing	779,390	1,370,000	-590,610
199,369	1,762,497	-1,563,128	2 HRA Capital Housing Compliance	1,522,831	2,349,996	-827,165
2,013,644	2,029,443	-15,799	3 HRA Capital Programme	3,096,732	2,705,924	390,808
5,070,335	5,067,860	2,476	4 Major Repairs Total	7,506,148	6,757,146	749,002
9,788,964	11,350,037	-1,561,073		14,857,495	15,133,382	-275,887

The one notable variation from the prior report is within compliance as the expected expenditure on CO2 monitoring is likely to slip into the following financial year.

2.25 Funding & Predicted Borrowing Requirement

The previously presented report had the forecast residual borrowing requirement significantly below the £9.2m prediction at £8m. The above movements do not contradict this and allows for headroom should any variable funding elements such as unringfenced right to buy receipts be at lower-than-expected levels.

Financial implications:

This report outlines in detail the financial implications and risks associated with the budgets proposed.

Legal implications:

No legal observations are required.

Appendix 1: Recharging of Costs

The recent restructure of the council, addition of new director and assistant director posts and their underlying reporting lines has meant that the recharges applied across the council required significant review and change. Upon doing this, the decision was made within Finance to redesign the recharge process in its entirety, as the existing historic spreadsheet model being used was no longer fit for purpose and didn't allow for efficient recalculation upon changes being made.

The recharge process now applied can be broken down into the following sections, with recharges applied down the structure or levels below and not back upwards, as this can cause an infinite loop of cost allocation. The recharge process begins once all other costs have been finalised and establishment has been confirmed.

A. **Level1: Strata IT costs and Corporate Buildings**
   This first section of recharges considers the above related cost centres and allocates then in their entirety across every cost centre on an FTE basis, from the Chief Exec level all the way down the structure of the council.

B. **Level2&3: ELT Level Recharges**
   Upon receiving the above costs into their cost centres, the total achieved for the Chief Exec initially is allocated down to the Director level, again based upon FTEs, then with the CEO recharge also included the Directors costs are then allocated similarly.

C. **Level4: Corporate Council Core Service Recharges**
   Those cost centres considered next are those which are core council services and which have previously been earmarked to be 100% reallocated, such as HR, Accountancy, Corporate Health & Safety & Medical fees as examples. The total on each cost centre for these areas, after the allocation of 1&2 above are then also reallocated across the council on an FTE basis.

D. **Level5: Intra Service Recharges**
   The total on each of the cost centres that have chosen to reallocate charges from Operational or Management cost centres, down to their underlying service lines are then considered after 1-3 have been applied. These are generally done on a specific percentage basis, examples of these being Licensing, Planning Admin and Street Scene Management.

E. **Level6: Specific Recharge Costs**
   The final level of recharges is where specific charges of specific amounts are made from one service/cost centre to the other. This generally occurs where it is either to complex to use overall percentages or a service is simply charging for a specific allocation of work/project costs that occurs within the year.

Appendix 2: HRA Q&A

Q: The statements made with regards to additional borrowing required within the 24/25 budget vary from those included within this report, why is that?

A: The 24/25 budget report included an amount referred to as a Voluntary Revenue Provision (VRP) that the HRA had made of £4.4m which would be used to reduce the borrowing requirement. The £4.4m referred to amounts that had been passed to the capital adjustment account (i.e. placed into a reserve between 2014-2017, although this reserve is unusable). The external advice we received from both an external HRA specialist consultant who was reviewing our accounts and then through CIPFA at the time was that we could spend against this £4.4m amount, contribute the expenditure element to the same reserve, netting to 0. Ultimately meaning for £4.4m of capital expenditure we would not require additional borrowing.

Unfortunately, these assumptions were incorrect as these amounts were not “available” VRP within the Capital Adjustment Account but contributions which paid down tranches of debt which became due in year (£0.6m in 2014, £1m in 2015, £1.5m in 2016 and £1.3m in 2017). The policy during these years was to pay down debt as it became due to reduce the interest burden on the HRA.

Q: The budget for Garage Income has increased significantly, whys is this considering the garage stock isn’t in a good state of order?

A: The 24/25 budgeted amount for garage income is £0.155m. All income has been reviewed against the period 6/week 26 actuals for 24/25, forecast to the year end (multiplied by 2) and inflated. This provides a net figure of £0.263m (Income of £0.525m less an adjustment for void garages of £0.262m). The garage void ratio of 50% has been compared for the last 3 years in terms of actuals and it has remained consistent. As any redevelopment of garage sites awaits the decisions made within the options appraisal/asset management strategy the assumption made is that this will continue.

Q: What are the Council doing to address Damp and Mould

A: Damp and mould is a serious issue and can contribute to poor health. The Council are undertaking a range of measures to address the issue, including providing advice to tenants on how to avoid damp, making it easier for tenants to report damp and mould and also tackling the causes of damp through repair works. Our approach will prioritise any identified major damp issues before focusing on improving lower-level damp issues.

Q: What are the Council doing to address Category 1 and 2 Hazards

A: The Housing Health and Safety Rating System (HHSRS) is used to determine whether a house is "fit for human habitation" There are 2 categories of hazards. Cat 1 and 2. Category 1 are serious and require urgent remediation. Category 2 hazards are less serious but can cause health issues for occupants. The stock condition survey identified that 1.2% (44 homes) had Cat 1 hazards compared to a national average of 5.1%. All identified Cat 1 hazards are addressed as a matter of urgency once identified.

Q: What are the Council doing to deliver more decent homes.

A: The Decent Homes Standard (DHS) sets the minimum standards for social housing in England and ensures a property is in a reasonable state of repair. This includes key building components like the roof, chimneys, and internal amenities such as kitchens and heating systems. 11.96% of homes in East Devon fail the DHS which is broadly in line with the national average of

11.3%. The proposed budget includes a significant investment in key components that will improve our stock and increase the number of decent homes.

Q: Is there a limit on how much the Council can borrow to invest in the stock?

A: Borrowing for investment in our stock is governed by the CIPFA Prudential Code. Essentially this means that borrowing is limited to a level that can reasonably be afforded from future rental income. Our business plan work will establish our future borrowing capacity.

Q: Does the budget allocate funds to develop new housing, such as on our garage sites

A: There is no capital provision for development in the budget for 2025/26. There is however an ambition to build and buy new homes. This ambition will be set out in a 5 year Housing Investment and Development Plan which will follow on from the business planning process.

Q: What impact has the Stock Condition Survey (SCS) had on the budget.

A: The headline results from the stock condition survey have confirmed our understanding of the works needed to upgrade our stock. These are reflected in our stated investment priorities for housing in 2025/26. A more detailed analysis of the SCS will assist with the business planning and longer term strategic investment plans.

Q. Are we selling any stock to fund capital investment.

A: There are no specific plans to sell houses to generate capital receipts. The Council will however dispose of a limited number of poor performing assets where the cost of repairs significantly exceeds the future rental income. This is good practice and in line with the recently adopted Acquisitions & Disposals Policy. Any receipts will be available to fund the capital programme.

Q: Does the budget address decarbonisation.

A: The budget includes resources to deliver major improvements and fabric upgrades which contribute to thermal efficiency. There is also specific funding to complete the LAD project which includes thermal improvements, heating upgrades and solar PV installations. A longer term strategic plan for decarbonisation will be considered through the business plan process currently underway.