

COUNCIL, THURSDAY 20 FEBRUARY 2025

AMENDMENT TO THE HOUSING REVENUE ACCOUNT (HRA) BUDGET SUBMITTED BY COUNCILLOR D BIGBY

I move the amendments to recommendations to Item 13 Housing Revenue Account (HRA) Budget and Rent Setting 2025/26 with amended areas highlighted in red.

Should these changes be agreed, members will need to be mindful of the consequential changes to Item 11 – Capital Strategy, Treasury Management Strategy and Prudential Indicators.

AGENDA ITEM 13: HOUSING REVENUE ACCOUNT (HRA) BUDGET AND RENT SETTING 2024/25

Recommendations	THAT COUNCIL:
	<ol style="list-style-type: none"><li data-bbox="667 768 1342 994">1. APPROVES THE HOUSING REVENUE ACCOUNT (HRA BUDGET FOR 2025/26 (APPENDIX 1) AS SUMMARISED IN SECTION 2 OF THIS REPORT, INCLUDING THE INCREASING OF RENTS BY 2.7% SUBJECT TO THE CHANGES SHOWN IN THE ALTERNATIVE BUDGET.<li data-bbox="667 1032 1310 1128">2. NOTES THE FEES AND CHARGES APPROVED BY CABINET ON 28 JANUARY 2025 (APPENDIX 3).<li data-bbox="667 1167 1321 1290">3. NOTES THE HRA BUDGET FOR 2026/27 TO 2029/30 (APPENDIX 1) SUBJECT TO THE CHANGES SHOWN IN THE ALTERNATIVE BUDGET.<li data-bbox="667 1328 1331 1525">4. APPROVES THE PROPOSED HRA CAPITAL PROGRAMME FOR 2025/26 (APPENDIX 4) AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT SUBJECT TO THE CHANGES SHOWN IN THE ALTERNATIVE BUDGET.<li data-bbox="667 1563 1350 1693">5. NOTES THE HRA CAPITAL PROGRAMME FOR 2026/27 TO 2029/30 (APPENDIX 4) SUBJECT TO THE CHANGES SHOWN IN THE ALTERNATIVE BUDGET.

1. PROPOSED CHANGES TO THE HOUSING REVENUE ACCOUNT BUDGETS

1.1 The Labour Group proposes to make one change to the capital budget to increase the capital budget for the supply of 70 additional homes over a five-year period to rent at affordable rent levels. This is designed to set the council's housing stock on a gradually increasing trajectory rather than the year-on-year reductions that would result from the Alliance's New Supply proposals.

- 1.2 The capital cost of supplying an additional 70 homes over a five-year period would be £15.5m. This would be funded from revenue contribution to capital (RCCO) (£14.1m), use of the major repairs reserve (MRR) (0.2m) and borrowing (£1.2m). Due to additional income from rent, this would reduce the overall borrowing from £31.9m to £29m as the RCCO can be increased.
- 1.3 Labour welcomes the restoration of a £4m per annum Net Zero budget over the full Medium Term Financial Plan (MTFP) period, which is close to matching their previous proposal for the 2024/25 budget.
- 1.4 The following appendices have been updated to reflect the proposal and are attached; all changes are highlighted in red:
- Appendix 1 – HRA Revenue Summary Budget 2025/26 to 2029/20
 - Appendix 2 – HRA Budget Amendments 2025/26 to 2029/30
 - Appendix 4 – HRA Capital Programme 2025/26 to 2029/30
 - Appendix 5 – Draft to Final Budget Reconciliation
- 1.5 In 2025/26, the revenue implications are an increased net operating surplus of £38k, which is due to £31k additional rental income and a reduction in debt management costs of £6k.
- 1.6 At present, the Council is putting aside funds each year into a Debt Repayment Reserve (DRR) to repay outstanding debt as they mature. The capital proposals within this budget are a change in direction and will be using the DRR to fund the capital programme and instead new loans will be taken out when the existing ones mature. The Council's treasury advisors have been consulted, and they are comfortable with this approach.
- 1.7 The consequential impact of this proposed change on the Capital Strategy, Treasury Management Strategy and Prudential Indicators report at Agenda Item 11 will be actioned under the delegation provided to the Section 151 Officer.

2.0 CHIEF FINANCE OFFICER ASSESSMENT OF ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

- 2.1 Section 25(1) of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to provide their professional assessment of the robustness of budget estimates and the adequacy of reserves prior to the Budget and Council tax being considered by Council. Agenda Item 10 provides Council with the CFO's assessment on the Administration's proposed budget.
- 2.2 The CFO has undertaken an initial review of the alternative budget proposals contained in this report. The alternative budget suggests one amendment to the Cabinet's proposed budget.
- 2.3 The Section 151 Officer reviewed the proposal to build 70 additional homes in the Housing Revenue Account (HRA) capital programme, focusing on the financial implications. The change in financing proposed would reduce cash reserves in the short term, leading to lost investment income and higher borrowing costs. However, refinancing HRA loans is a standard approach for local authorities, and the associated risks can be managed through effective treasury management.

2.4 He has also considered the inherent risks and costs of building new housing, such as inflation in building materials, labour shortages, and maintenance costs. Additionally, the right to buy scheme poses financial risks by reducing the housing stock and affecting rental income. Despite these challenges, the S151 Officer has concluded that the proposal is feasible but requires careful financial management and risk mitigation.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL HRA SUMMARY BUDGET 2025/26 to 2029/30

2024/25 Revised Budget	HOUSING REVENUE ACCOUNT SUMMARY	2025/26 Requested Budget	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	2029/30 Indicative
£		£	£	£	£	£
	Expenditure					
9,749,113	Repairs & Maintenance	8,492,780	8,773,042	8,957,276	9,100,593	9,282,604
4,314,095	Supervision & Management	4,385,000	4,528,610	4,622,619	4,695,483	4,789,393
100,000	Provision for Doubtful Debts	100,000	100,000	100,000	100,000	100,000
4,161,536	Depreciation	4,161,536	4,428,758	4,584,702	4,780,149	4,972,833
1,843,184	Capital Financing & Debt Manageme	1,855,916	2,091,301	2,439,771	2,694,203	2,992,376
20,167,928	Total Expenditure	18,995,232	19,921,711	20,704,368	21,370,428	22,137,206
	Income					
(21,004,680)	Rent & Service Charges	(21,514,422)	(22,520,692)	(23,441,646)	(24,429,056)	(25,461,817)
(38,900)	Non-Dwelling Rents	(40,200)	(40,200)	(40,200)	(40,200)	(40,200)
(283,252)	Other Income	(13,235)	(13,235)	(13,235)	(13,235)	(13,235)
(286,000)	Investment Income	(293,722)	(336,000)	(321,600)	(409,600)	(409,600)
(21,612,832)	Total Income	(21,861,579)	(22,910,127)	(23,816,681)	(24,892,091)	(25,924,852)
(1,444,904)	Net Operating Expenditure/(Surplus)	(2,866,347)	(2,988,416)	(3,112,313)	(3,521,663)	(3,787,646)
	Appropriations					
0	Debt repayment	1,290,145	1,319,347	569,205	583,927	599,031
2,492,444	Transfer to/(from) reserves	(1,997,800)	(1,997,800)	(1,997,800)	(1,997,800)	(1,997,800)
1,570,668	Revenue Contribution to Capital	3,511,996	3,666,869	4,540,908	4,935,536	5,186,416
4,063,112	Total Appropriations	2,804,341	2,988,416	3,112,313	3,521,663	3,787,646
2,618,208	NET (SURPLUS)/DEFICIT	(62,005)	0	0	0	(0)
(3,618,209)	Balance brought Forward	(937,995)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
2,618,208	(Surplus)/Deficit In Year	(62,005)	0	0	0	(0)
(1,000,001)	Balance Carried Forward	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)

North West Leicestershire District Council

Housing Revenue Account- Proposed Amendments to Budgets 2025/26 to 2029/30

Proposal Title	Proposal Description & Service Impact	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Pay Changes	Salary pressures (including pay award + budget proposals)	213,727	220,780	225,417	229,023	233,604
Total Pay Related Costs		213,727	220,780	225,417	229,023	233,604
Heating contract	Inflation on heating maintenance contract	47,334	48,896	49,923	50,722	51,737
Recharges from the General Fund	Inflation on services provided to the General Fund	(145,469)	(150,270)	(153,425)	(155,880)	(158,998)
General inflation	Through Capital Charges and inflationary pressures	97,087	804,217	659,690	623,233	891,453
Total Inflation Increases		(1,048)	702,844	556,188	518,075	784,192
Other	Management Recharge to GF	(1,020)	(1,054)	(1,088)	(1,124)	(1,161)
Other Budget Adjustments		(1,020)	(1,054)	(1,088)	(1,124)	(1,161)
Repairs Backlog	Savings in Repairs and Maintenance costs	(1,250,000)	0	0	0	0
Change Consultant	Change Consultant to advise and assist with service transformation in 24/25 (Expenditure in 24/25, income 25/26)	(50,000)	0	0	0	0
Cost Pressures		(1,300,000)	0	0	0	0
Investment Income	Investment income on HRA balances	(7,722)	38,423	84,560	31,488	78,407
Loan interest	Changes in loan interest due to capital financing requirements	69,865	402,081	645,474	362,354	194,658
Total Other Corporate Amendments		62,143	440,504	730,034	393,842	273,065
Dwellings Rents	Dwellings Rent (decrease)/increase	(490,998)	(871,215)	(1,035,557)	(1,207,784)	(1,354,738)
Service Charges	Recharge to General Fund for services delivered by HRA	(18,649)	(22,793)	(14,505)	(11,051)	(13,814)
Income	Two de minimus proposals	(1,394)	(1,704)	(1,084)	(826)	(1,033)
Total Changes In Income		(511,042)	(895,713)	(1,051,146)	(1,219,662)	(1,369,585)

North West Leicestershire District Council

Housing Revenue Account- Proposed Amendments to Budgets 2025/26 to 2029/30

Proposal Title	Proposal Description & Service Impact	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
	<u>Total Budget Amendments</u>	<u>(1,537,239)</u>	<u>467,362</u>	<u>459,404</u>	<u>(79,846)</u>	<u>(79,885)</u>

PROJECT	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	For Approval	Indicative	Indicative	Indicative	Indicative	
	£	£	£	£	£	

Stock Investment

Home Improvement Programme	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000
Asbestos	400,000	400,000	400,000	400,000	400,000	2,000,000
Roofs	500,000	500,000	250,000	250,000	250,000	1,750,000
Commercial Boilers	250,000	250,000	250,000	250,000	-	1,000,000
Stock Condition Surveys	65,000	65,000	65,000	65,000	65,000	325,000
Zero Carbon	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
Total Stock Investments	9,715,000	9,715,000	9,465,000	9,465,000	9,215,000	47,575,000

Estate Improvements

Off-Street Parking	300,000	300,000	300,000	300,000	300,000	1,500,000
Estate Projects	100,000	100,000	100,000	100,000	100,000	500,000
Garage Demolition	50,000	50,000	50,000	50,000	50,000	250,000
Footpaths and Unadopted Roads	50,000	50,000	50,000	50,000	50,000	250,000
Total Estate Improvement	500,000	500,000	500,000	500,000	500,000	2,500,000

Fleet Replacement

Vehicles	100,000	300,000	-	-	-	400,000
Total Fleet Replacement	100,000	300,000	-	-	-	400,000

Other Capital

Sheltered Scheme Improvements	700,000	700,000	700,000	100,000	100,000	2,300,000
Passive Fire Safety	800,000	100,000	100,000	100,000	100,000	1,200,000
Scheme Lighting	350,000	350,000	200,000	200,000	200,000	1,300,000
Tunstall System	-	-	-	-	-	-
Major Aids and Adaptations	400,000	400,000	400,000	400,000	400,000	2,000,000
Housing Management IT System	-	-	-	-	-	-
Total Other Capital	2,250,000	1,550,000	1,400,000	800,000	800,000	6,800,000
Total Active Projects	12,565,000	12,065,000	11,365,000	10,765,000	10,515,000	57,275,000

DEVELOPMENT POOL

New Supply	5,010,405	7,061,007	6,209,213	5,169,861	8,184,583	31,635,069
Total Development Pool	5,010,405	7,061,007	6,209,213	5,169,861	8,184,583	31,635,069
TOTAL HRA CAPITAL PROGRAMME	17,575,405	19,126,007	17,574,213	15,934,861	18,699,583	88,910,069

Major Repairs Reserve	Capital Receipts	RTB Receipts	RCCO	Grant	Prudential Borrowing	Total
£	£	£	£	£	£	£

19,070,019	-	-	2,790,152	-	639,829	22,500,000
-	400,000	-	-	-	1,600,000	2,000,000
-	500,000	-	-	-	1,250,000	1,750,000
-	250,000	-	-	-	750,000	1,000,000
-	65,000	-	-	-	260,000	325,000
-	6,000,000	-	2,858,270	4,000,000	7,141,730	20,000,000
19,070,019	7,215,000	-	5,648,422	4,000,000	11,641,559	47,575,000

-	300,000	-	-	-	1,200,000	1,500,000
-	100,000	-	-	-	400,000	500,000
-	50,000	-	-	-	200,000	250,000
-	50,000	-	-	-	200,000	250,000
-	500,000	-	-	-	2,000,000	2,500,000

-	-	-	-	-	400,000	400,000
-	-	-	-	-	400,000	400,000

-	700,000	-	-	-	1,600,000	2,300,000
-	800,000	-	-	-	400,000	1,200,000
-	350,000	-	-	-	950,000	1,300,000
-	-	-	-	-	-	-
-	400,000	-	-	-	1,600,000	2,000,000
-	-	-	-	-	-	-
-	2,250,000	-	-	-	4,550,000	6,800,000
19,070,019	9,965,000	-	5,648,422	4,000,000	18,591,559	57,275,000

213,724	-	4,823,310	16,193,303	-	10,404,732	31,635,069
213,724	-	4,823,310	16,193,303	-	10,404,732	31,635,069
19,283,743	9,965,000	4,823,310	21,841,725	4,000,000	28,996,291	88,910,069

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
HOUSING REVENUE ACCOUNT SUMMARY BUDGET RECONCILIATION
DRAFT AND FINAL BUDGET 2025/26 TO ALTERNATIVE BUDGET 2025/26**

	2025/26				Reason for Change
	Draft 1 £	Draft 3 FINAL	Alternative £	Variance £	
Expenditure					
Repairs & Maintenance	8,492,780	8,492,780	8,492,780	0	The Alternative Budget proposes to purchase additional houses to mitigate losses from RTB sales. The Alternative budget proposes to use reserves to fund this additional Capex as well as using the increased operating surplus to fund Capital expenditure (RCCO). This has resulted in a reduction of capital financing costs.
Supervision & Management	4,385,000	4,385,000	4,385,000	0	
Provision for Doubtful Debts	100,000	100,000	100,000	0	
Depreciation	4,161,536	4,161,536	4,161,536	0	
Capital Financing & Debt Management	1,913,336	1,862,408	1,855,916	(6,492)	
Total Expenditure	19,052,652	19,001,724	18,995,232	(6,492)	
Income					
Rent & Service Charges	(20,433,281)	(21,483,043)	(21,514,422)	(31,379)	The Alternative budget proposals will bring more affordable homes into stock which will result in an increase in income from Rent and Service Charges.
Non-Dwelling Rents	(40,200)	(40,200)	(40,200)	0	
Other Income	(253,252)	(13,235)	(13,235)	0	
Investment Income	(293,722)	(293,722)	(293,722)	0	
Total Income	(21,020,455)	(21,830,200)	(21,861,579)	(31,379)	
Net Operating Expenditure/ (Surplus)	(1,967,803)	(2,828,476)	(2,866,347)	(37,871)	An increased operating surplus
Appropriations					Money is still set aside to repay Interest only debt when it materialises. There is an annual transfer of funds from the reserves (DRR) to fund the additional Capital Expenditure. The reduction in Capital Financing costs together with the increased Rental income results in a higher surplus. This surplus is added to the reserves to fund the additional Capital Expenditure (RCCO).
Debt repayment	1,290,145	1,290,145	1,290,145	0	
Transfer to/(from) reserves	0	0	(1,997,800)	(1,997,800)	
Revenue Contribution to Capital	615,652	1,476,325	3,511,996	2,035,671	
Total Appropriations	1,905,797	2,766,470	2,804,341	37,871	
NET (SURPLUS) / DEFICIT	(62,006)	(62,006)	(62,006)	0	
Balance brought Forward	(937,995)	(937,995)	(937,995)	0	Kept the same as the Original budget
(Surplus)/Deficit In Year	(62,006)	(62,005)	(62,005)	(0)	Kept the same as the Original budget
Balance Carried Forward	(1,000,000)	(1,000,000)	(1,000,000)	(0)	Kept the same as the Original budget