

Title: Housing Revenue Account (HRA) Budget 2025/26

Information/Discussion Report: Discussion Item

Recommendations: The DMC is asked to note the report and provide comment.

Report Summary: This report provides an update on Housing Revenue Account (HRA) 2025/26 Budget Setting progress ahead of the January Joint DMC meeting at which DMC representatives will be asked to provide feedback on proposals.

1. INTRODUCTION

- 1.1. This report provides an update on Housing Revenue Account (HRA) 2025/26 Budget Setting progress ahead of the January Joint DMC meeting at which DMC representatives will be asked to provide feedback on proposals being taken to January Cabinet for approval by members regarding rents, service charges, the heating pool and the budget. An example of the template to be completed as part of the individual DMC meetings (part of the Joint DMC meeting) is shown in Appendix B.
- 1.2. The mid-year forecast in 24/25 predicts an overspend in the HRA of £3.5m as shown in Appendix C. The main pressures relate to:
 - **Repairs**, including compensation and legal fees relating to disrepair cases.
 - **Insurance** these costs have been increasing over the past few years beyond budgeted levels.
 - **Higher depreciation cost** for HRA assets, this means that a higher contribution must be made to the Major Repairs Reserve (MRR) and used for capital investment in the stock.
 - **High interest rates** (variable average 4.9%) which affects the borrowing budget. It is projected that interest rates should fall in 25/26 so this should not be a pressure next year.
- 1.3. The overwhelming financial pressures, caused by the previous government's austerity-driven policies, has jeopardised the funding of social housing across the country. The self-financing regime has been completely undermined with the funding system for social housing fundamentally broken - its foundations require fixing. Residents may be interested to read in more detail about the [Future of Social Housing report](#) that was presented and signed by many Councils which asks Government to step in and make the financial model sustainable again. The original settlement deal has been deviated from in many ways- not just the assumed income streams which were originally RPI + 0.5% + £2/week and are now subject to Rent Standards (recent years CPI + 1%) or in the case of the Welfare Reform (16/17-19/20)

1% annual cuts for 4 years. It has been calculated that the HRA has lost £168m of rental income since 2016 vs what it would have received if the policy had been kept consistent at CPI + 1%, this is all money that could have been reinvested into the HRA stock and services. Other assumptions have changed since the settlement from level of investment needed to the running costs of the services and repairs. Added to which there has been multiple years of new regulatory pressures to absorb- Fire Safety, Building Safety, Social Housing, with no burdens funding and new costs to pay to regulator and to be compliant with the new rules. The new regulations also impact Capital budgets, which has a knock-on effect to the wider better homes programme in terms of prioritising works. Camden officers always bid for available grants but the funding available compared with the scale of the capital need is minimal.

- 1.4. The main source of income for HRA is from social rents and the increases in rents are limited to the Rent Standard, which for 2025/26 has been confirmed as Consumer Price Index (CPI) + 1%. CPI was 1.7% for September 2024, meaning increases are limited to a maximum of 2.7%. Income from tenants' service charges and leaseholders are based on the actual cost of those services provided. The government has announced at the autumn budget that it is launching a consultation about another 5 year Rent Standard of CPI + 1%, with a possibility to set a 10 year agreement. Camden will be drafting a reply over the next couple of months and will reiterate the wider financial support that the HRA requires as part of the response.
- 1.5. The 2025/26 budget must focus on the financial sustainability of the HRA, eradicating overspends, delivering on MTFs (medium term financial strategy) savings and replenishing the reserves. In absence of any external funding interventions, for the Housing Revenue Account to remain financially stable the Council will need to continue to take difficult decisions. This will include the delivery of savings already agreed as part of the current MTFs and will require further budget savings to allow the Council to set a balanced HRA budget for next year.

2. 2024/25 BUDGET PRESSURES

- 2.1. **Inflation and Corporate** – CPI inflation has fallen significantly since its peak of 10.7% in November 2022, to 1.7% in September 2024. However, this is not the only cost inflation the HRA is impacted by. The HRA has many types of cost inflation:
 - Staff inflation is determined following national negotiations and is therefore not a controllable factor. For the past few years, the negotiations have been slow and the result higher than assumed budget.
 - Some external contracts are index-linked, and these fluctuate month on month and run at different rates to CPI (e.g. RPI was 2.7% vs CPI of 1.7% for September 2024). The construction industry costs are often linked to BCIS indices, which are currently higher than CPI (around 3.4%) and therefore impacting the Repairs budgets.
 - Energy costs have fallen since their peak in mid-2022 but remain high by historical standards.
 - Insurance premiums have significantly grown in recent years beyond CPI levels.
- 2.2. In the recent Autumn Budget, it was also announced that **Employers' National Insurance** contributions will increase from April 2025. The secondary Class 1 National Insurance (employer) threshold will decrease from £9,100 to £5,000 per

annum, and the main rate of secondary Class 1 National Insurance (employer) contributions will increase from 13.8% to 15%.

- 2.3. **Depreciation** has increased significantly. The HRA must transfer the full cost equivalent of its depreciation to the Major Repairs Reserve every year. This is then used to fund capital investment of HRA stock.
- 2.4. **Further regulation** has been introduced through the Social Housing (Regulation) Act 2023 which gained Royal Assent last year, to add to the Fire Safety Act 2021 and the Building Safety Act 2022. The Social Housing (Regulation) Act 2023 will introduce Ofsted and CQC-style inspections for social housing providers against the Regulator for Social Housing's consumer standards. As a landlord, Camden is making informed investment decisions to be able to improve the quality of its' housing stock, as well as have a deeper understanding of the needs of tenants which will inform the way the Council communicates and engages with tenants. In order to ensure regulatory compliance, the Council has increased staffing costs to work on the Housing Transformation Programme, which is a cross-Council corporate effort aligning housing and repairs services.
- 2.5. **Transfer to HRA reserve-** The HRA reserve has provided protection at times of need but has been depleted in recent years and it is critically important that it is replenished as quickly as possible to ensure it is financially stable over the medium term.
- 2.6. Offsetting some of these pressures are the **MTFS savings for 25/26 totalling £1.48m**, as approved by Cabinet in January 2023. It is important that the savings continue to be achieved otherwise it would result in an overspend to the balanced HRA budget. See section 5 below.
- 2.7. Due to the scale of the pressures compared to the income available, the HRA budget is currently out of balance for 2025/26. New savings options are being reviewed with directors. These will be tabled at the December DMC meeting as they are not yet confirmed.

3. RENTS

- 3.1. Under the current rent standard, the Council can increase rents up to a maximum of inflation (Sept CPI 1.7%) plus 1%. The rent standard recognises that the HRA needs to be able to fund more than inflation each year to operate due to being ringfenced and without external funding for items as referenced in the pressures section above.
- 3.2. **The maximum permitted rent increase for 2025/26 would be 2.7%**, which would generate £3.7m in income for the HRA, costing an average 2 bed property £3.84 extra per week. Average rents for Camden if increased by 2.7% next year would still be c.£12 per week lower than they would be if increased just by CPI since 2015/16 (due to four years of 1% reductions and fixed cap at 7% vs CPI 10.1% for 23/24).
- 3.3. The impact on average rents is shown in Table One below.

Table One - Rent 2025/26

| Bed size | Average Rent 24/25 | Increase 2.7% | Average Rent 25/26 2.7% |
|----------|--------------------|---------------|-------------------------|
| 0 | £105.12 | £2.84 | £107.95 |
| 1 | £125.28 | £3.38 | £128.67 |
| 2 | £142.11 | £3.84 | £145.94 |
| 3 | £158.96 | £4.29 | £163.26 |
| 4 | £176.93 | £4.78 | £181.71 |
| 5+ | £194.26 | £5.25 | £199.51 |

3.4. Rent is eligible under housing benefit and universal credit. Information on Camden's website on support for residents is available here: <https://www.camden.gov.uk/cost-of-living-support> .

3.5. DMC members will be asked for their views on the Council's strategy to consider rent increases from April 2025 at the joint DMC meeting in January.

4. SERVICE CHARGES

4.1. Tenants pay fixed service charges for caretaking, grounds maintenance, CCTV, mobile security, concierge, maintenance of mechanical and electrical equipment in communal areas and block and estate lighting, if they receive that service.

4.2. If service charges are raised by underlying inflationary pressures for each service, this would mean increases to charges as shown in **Table two** below, generating c. £0.9m. It is proposed to freeze Communal Lighting charges and not increase to reflect a forecasted reduction in the cost of electricity. These service charges are all eligible under housing benefit and universal credit.

Table two- tenant service charges

| Tenant weekly service charges | 2024/25 weekly charge | 2025/26 weekly increase | 2025/26 weekly charge | % change |
|-------------------------------|-----------------------|-------------------------|-----------------------|----------|
| Caretaking | £11.83 | £0.59 | £12.43 | 5% |
| Communal Lighting | £3.09 | £0.00 | £3.09 | 0% |
| CCTV | £1.14 | £0.08 | £1.22 | 7% |
| Communal M&E Maintenance | £1.45 | £0.07 | £1.53 | 5% |
| Ground Maintenance | £2.26 | £0.27 | £2.53 | 12% |
| Responsive Housing Patrol | £0.75 | £0.05 | £0.80 | 7% |
| | £20.52 | £1.07 | £21.58 | |

4.3. Additionally, some tenants pay for the enhanced CCTV service (as agreed at January 2019 Cabinet) once the new cameras are installed. The charge is £1.12 per week (on top of the CCTV maintenance charge) for 7 years. The original approved amount was £2.10 per week including CCTV maintenance which was then 98p. Therefore, the incremental charge for enhanced CCTV service was agreed to be £1.12 per week.

4.4. DMC members will be asked for their views on the Council’s strategy to consider service charge increases from April 2025 at the joint DMC meeting in January. As the charges fund the inflated cost of the current services, any reduction in funding would mean that the service would have to be scaled back in the medium term.

5. SAVINGS

5.1. Savings for 2025/26 of £1.48m have been adjusted to the budgets as these were approved in Cabinet for the period 2023/24-2025/26. Directors have confirmed their ongoing commitment to deliver these. The only change is that the budget from Chalcots project cannot yet be released to add to Spring Clean budgets. This is because the Chalcots project is due to finish Summer 2025, work is underway to all five towers and a new A1 fire rated cladding and curtain wall system is being installed.

| Savings | 25/26 |
|--------------------------------------------------------------------------------|-------------|
| Rental income from reletting properties in the commercial properties portfolio | 0.05 |
| Garage Rents | 0.13 |
| Reviewing Our Services to Leaseholders | 0.35 |
| Rent Collection - Bad Debt Provision | 0.25 |
| Housing Transformation | 0.30 |
| Family Friendly Strategy | 0.40 |
| Re-allocation of Spring Clean Budget 2023/24 and 2024/25 | -1.00 |
| Re-allocation of Chalcots funding from 2025/26 upon completion of Works | 1.00 |
| Total savings | 1.48 |

6. HEATING POOL

6.1. At January Cabinet 2023, in recognition of a significant spike in gas and electricity prices, heat scales for 23/24 were increased by 175% and credits totalling £3.5m were applied to accounts to limit the increase to residents on scales to 125%. It was also agreed that the heating pool deficit (created by heating charges being less than actual costs to the HRA of gas and electricity during 2022/23) would be carried forward and

recovered in later years. At January Cabinet 2024, 24/25 heat charges were effectively frozen to repay the HRA for the deficit incurred.

- 6.2. Work is underway to refresh the heating pool using the latest updates from LASER on next year's price forecasts. As at March 2024, the heating pool was still in deficit as predicted but it is forecast that the deficit will be much smaller by March 2025 (based on forecasts from earlier in the year). The Q2 forecast shows that costs are lower than budgeted but as prices remain volatile, it is too early to confirm in this report how this will impact the scales for next year.
- 6.3. DMC members will be asked to consider the recommendation on heating charges for 2025/26 at January DMC meeting.

7. FORMAL CONSULTATION

- 7.1. The joint DMC meeting will take place on 8th January 2025. The January report will contain details of all proposals being taken to Cabinet as well as considerations around affordability.
- 7.2. A list of the consultation questions that will be put before DMCs is in **Appendix B**.

Report Ends

Appendix A – Tenant Service Description

| Service Charge | Purpose |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Caretaking | <p>This charge is for the cost of cleaning the communal and external areas of Camden’s blocks and estates including the 23 street properties that receive a caretaking service.</p> <p>The enhanced service focuses on improved quality and achieving the standards and targets developed in partnership with residents. To ensure not only continuous improvement but</p> <ul style="list-style-type: none"> • Cleaner estates – inside and outside areas that are now cleaned by our inhouse caretaking team • More caretakers – you'll see them out and about in their new blue uniforms • Faster response times <p>The caretaking service is provided by caretakers, caretaking managers and principal caretaking managers.</p> <p>The cost of cleaning communal windows is included in the charge. Our window cleaning team managed by the caretaking support and response team manager clean the communal windows inside and out every six months.</p> <p>Camden has a huge variety of property types and the service has to adapt to suit the needs of the different blocks and estates. Duties undertaken by the service include:</p> <ul style="list-style-type: none"> • Resident safety – health and safety and fire safety checks undertaken daily to all communal areas • Supporting vulnerable residents • Cleaning service to lobbies and lifts every day • Check lights to communal areas and replace bulb s dependent upon fittings below 3m • liaise and support contractors working on the blocks • Signpost rough sleepers to support them to move on • External sweeping on estates. • Refuse and bulk item management - by cleaning bin rooms and rotating bins to avoid overflow and spillage, clear chute blockages, clean up dangerous items and move bulk waste to the correct pace of storage • Identify and report essential and emergency repairs • Reporting of ASB, missed refuse collections, monitor grounds maintenance contractor etc. • Assisting Police and LFB on site when necessary. • Provide the emergency out of hour’s service via residential Caretakers that runs between 5pm until 11pm on weekdays and 9am until 11pm at weekends • Seasonal work such as gritting during the winter maintenance process |

| | |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Project work including deep cleaning, painting to communal areas etc. |
| CCTV | The charge for this service covers the cost of Planned Preventative Maintenance and repairs to CCTV systems in Camden's housing premises. It also covers the cost of the CCTV hub which is a monitoring system. In addition to fixed/permanent CCTV cameras, mobile units can be deployed (where available) in conjunction with information received from the mobile patrol team and the police. Images can be shared with the Police, partners and Council officers. |
| Communal lighting | This covers the cost of communal electricity and the carrying out of the Planned Preventative Maintenance of and repairs to communal block and/or estate lighting. The contract includes repairs to all lighting to communal areas and electrical installations. There may also be additional repairs not covered by the contract. Generally Camden's caretakers replace bulbs where they are below 3m. |
| Grounds maintenance | This charge is your share of the costs incurred by Camden for maintaining the communal green spaces and trees on estates and communal gardens. Works to trees are carried out on a 3-5 year cycle although some work is undertaken on an ad-hoc basis where the need arises. |
| Responsive Housing Patrol | <p>This charge covers the provision of the responsive mobile security patrol to Camden's housing estates. The team helps to ensure there are reduced instances of anti-social behaviour around Camden's housing estates, improving security with targeted patrols and providing reassurance for residents.</p> <p>The mobile patrol team operates between the hours of 4pm and 4am Monday to Sunday every day of the year. Between the hours of 4pm and 4am you should telephone Contact Camden on 020 7974 4444 to request the assistance of the mobile patrol team.</p> |
| Communal M&E maintenance | This charge covers the repair and maintenance of Mechanical and Electrical equipment in the communal areas of dwellings. |

Appendix B – Rent and Service Charge Setting consultation questions

District Management Committee Feedback

DMC.....

| Recommendation | Yes | No/Other |
|-------------------------------------------------------------------------|-----|----------|
| Rent Increase: CPI + 1% (2.7%) | | |
| Increase Tenant Service Charge- Caretaking: 5% (59p) | | |
| Increase Tenant Service Charge- CCTV: 7% (8p) | | |
| Freeze Tenant Service Charge- Communal Lighting: 0% (0p) | | |
| Increase Tenant Service Charge- Communal M&E Maintenance: 5% (7p) | | |
| Increase Tenant Service Charge- Grounds Maintenance: 12% (27p) | | |
| Increase Tenant Service Charge- Responsive Housing Patrol: 7% (5p) | | |
| Heating Pool Charges: TBC | | |
| Any other feedback/Views | | |

Appendix C – 24/25 Forecast as at Q2

| Expenditure: | 23/24 Actuals £'000 | Current Budget £'000 | 2024/25 Forecast £'000 | Variance £'000 |
|--------------------------------------|------------------------------------|-------------------------------------|---------------------------------------|---------------------------|
| Repairs and Fire Safety | 73,931 | 69,040 | 71,047 | 2,007 |
| Housing Management Services | 29,772 | 29,861 | 32,250 | 2,389 |
| Commercial Properties | 1,673 | 1,797 | 1,797 | - |
| Housing Needs | 1,117 | 1,375 | 1,375 | (1) |
| Supported Accommodation | 1,498 | 2,511 | 1,771 | (739) |
| Estate Management | 19,714 | 19,439 | 20,069 | 630 |
| Power | 28,788 | 29,192 | 24,430 | (4,762) |
| Rent and Rates | 5,019 | 5,170 | 5,849 | 679 |
| Tenant Mgmt Organisations | 2,359 | 2,610 | 2,617 | 8 |
| Debt/Capital Outlay/Contingency | 64,244 | 74,355 | 77,714 | 3,359 |
| Bad Debts Provision | 2,224 | 2,248 | 2,683 | 435 |
| Corporate & Democratic Core | 4,092 | 4,617 | 4,648 | 31 |
| Total Expenditure | 234,431 | 242,215 | 246,250 | 4,035 |
| Income: | | | | |
| Dwelling Rents | (150,128) | (160,460) | (161,530) | (1,071) |
| Shops, Garages, Sheds and Parking | (14,147) | (13,509) | (14,263) | (754) |
| Charges for Services | (66,844) | (67,246) | (64,456) | 2,789 |
| HRA Investment Income | (3,721) | (1,000) | (2,490) | (1,490) |
| Total Income | (234,840) | (242,215) | (242,741) | (526) |
| Actual/forecast funding from reserve | (1,622) | | (3,509) | (3,509) |