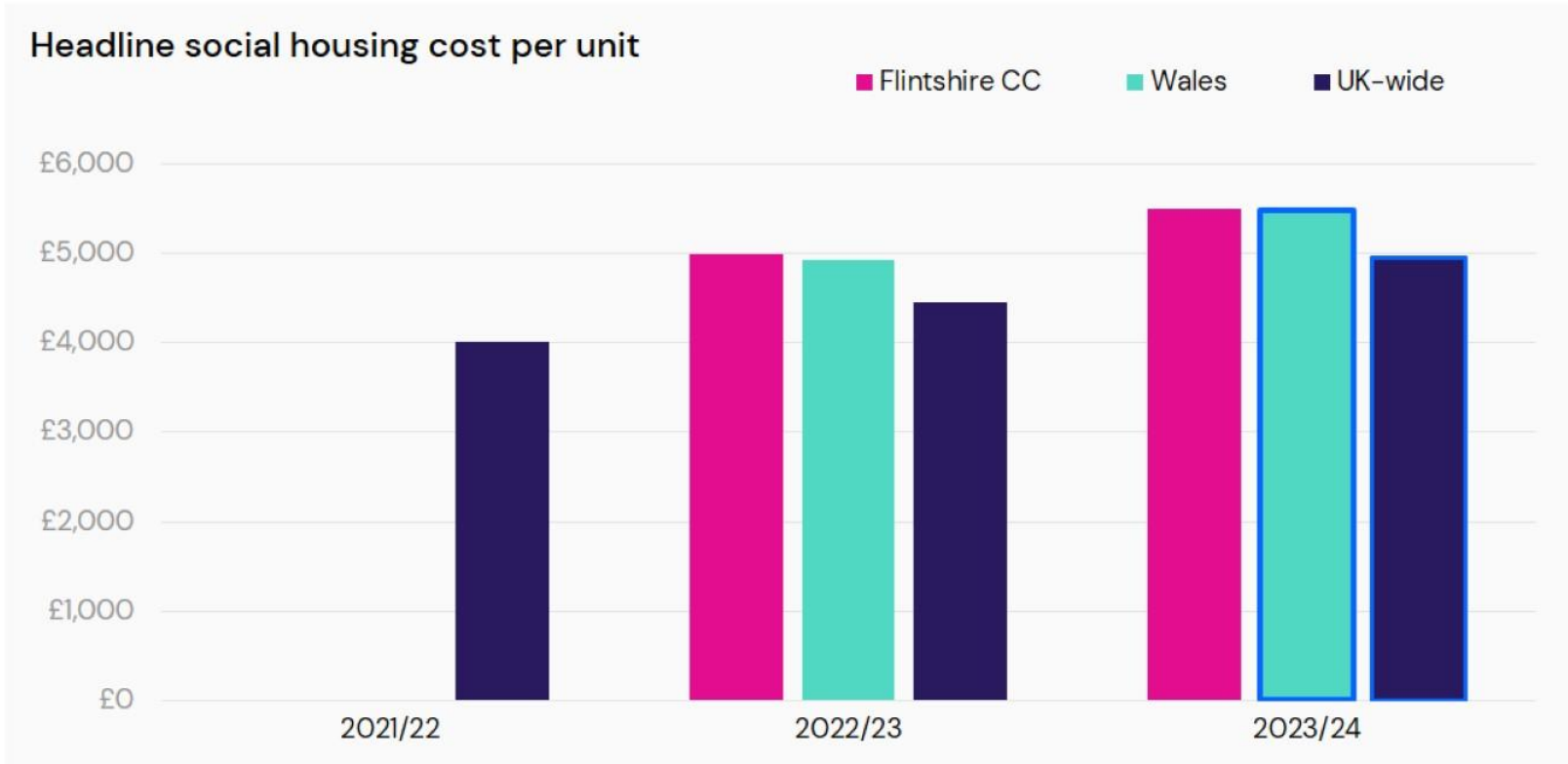


HRA Business Plan 2025/26

Housing Revenue Account Performance Housemark

Unit costs increasing



Source: Financial statements

Housemark unit cost breakdown

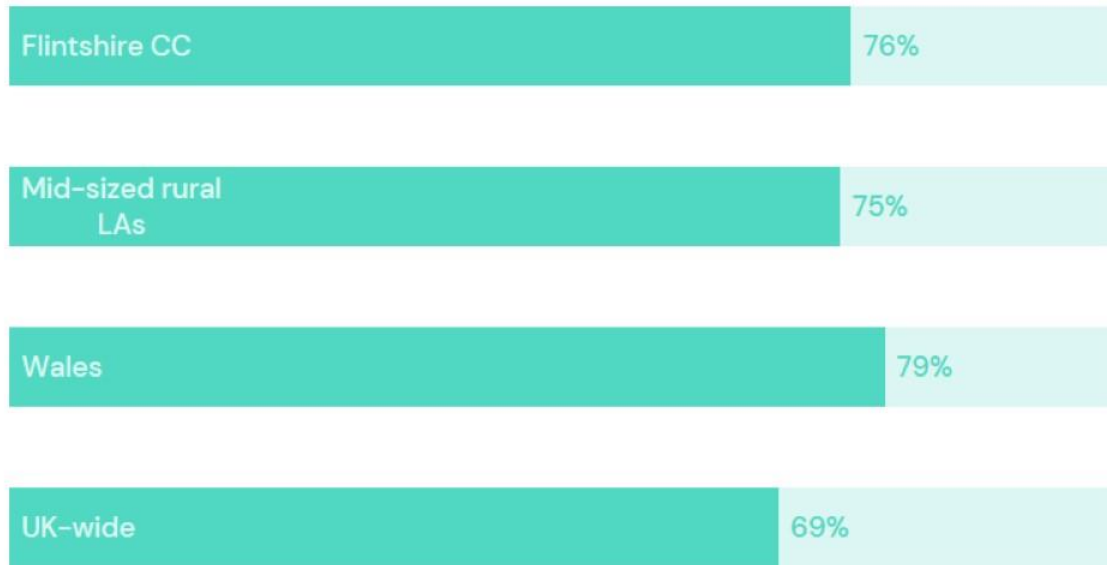
Cost per property (£) – revenue expenditure



Source: Housemark benchmarking

Overall satisfaction

Satisfaction with the landlords services overall (%)



Gap analysis!
Satisfaction with repairs and resident engagement seem to compare unfavourably

Source: 2023/24 satisfaction survey results

Cost summary

Activity area	Summary
Overheads	Primarily made up of recharges to the general fund, overheads are broadly in line with mid-sized rural LA averages (slightly higher)
Housing management	Housing management costs are relatively lean (similar to many LAs). Whilst salaries are comparable to Welsh averages, employee numbers are relatively lean (6.3 per 1,000 units compared to a Welsh average of 7.5)
Maintenance management	Leaner than Welsh averages but more in line with similar English LAs. Team relatively well resourced but partially capitalised.
Responsive repairs	Responsive repairs expenditure is around 15% lower than Welsh averages, although this is in part driven by lower volumes. A larger proportion of total staff are operatives, but more work is completed in house. Operative pay is broadly in line with Welsh averages.
Void works	Significantly higher expenditure in this area – largely driven by outsourced work. Tenancy turnover is 'normal', so could be linked to contractor fees, voids standard, or capitalisation policy. Capital spend however is already relatively high (ratio now 2.0 compared to Welsh average of 2.2)

Source: Housemark benchmarking

Housing Revenue Account Proposed Capital Budget 25/26

WG net zero carbon target for social housing

- In support of the target to have Wales Net Zero Carbon emissions WG had previously set an aspirational target of 2034, however this has now been paused and Landlords have been asked to advise on how and when they will meet net zero carbon.
- WG have requested that we assess the condition of our stock, this is to be completed by March 2025, they have contributed additional funding of £0.516m. WG have also requested target energy pathways for all stock to establish what works are required to achieve an EPC 'A' rating and these are to be completed by 2027.

HRA Capital Programme 25/26

HRA Capital Programme	£'m
WHQS	
Internal Works	3.744
Envelope Works	6.808
Externals	0.970
Renewables / Alternative Technology	5.241
Total WHQS	16.763
Non WHQS	
Disabled Facility Grants (DFG) - Mandatory/ Minor Adaps	1.100
Fire Risk Assessments Work	1.108
	2.208
Fees	
Capitalised salaries	1.117

HRA Capital Programme 25/26 (cont.)

Regeneration of stock	
Estate remodelling/ Support homeless strategy	4.000
SHARP Programme	
New Build Programme Spend	
Acquisitions Programme Spend	3.932
	0.662
Total SHARP Programme	4.594
Total Capital Spend	28.683

Funded via	£'000
CERA	£ 14,811
MRA Grant	£ 4,978
Borrowing	£ 8,594
Feed in tariff	£ 300
Total	£ 28,683

Voids

- The HRA budget approved by Council for 24/25 agreed that any surplus reserves should be used to reduce the backlog in voids.
- On average we have a turnover of 430 voids in a year. The works are carried out either by our own DLO or subcontractors with a budget of £4.4m
- The voids service have been utilising subcontractors in year to reduce the backlog of voids and as at period 9 393 voids had been completed via subcontractors at an average cost of £19,632 per void.
- The total projected additional spend on voids for 24/25 is £6.8m which is to be funded through capital and the remaining available reserves.

Voids

- Alongside maintaining normal void turnover levels the additional spend has enabled the backlog to be reduced to an acceptable level, although this has utilised all remaining available funding in the HRA.
- The subcontractor budget for 25/26 has been set at £3.23m which based on an average cost of £19,632 per void the budget would allow 164 voids to be completed by subcontractors over 25/26.
- The HRA has no further available reserves to fund additional voids and if additional budget is recommended for voids then budget reductions will need to be found in advance from elsewhere in the HRA to fund this.

HRA BP - Pressures and Efficiencies

- Pressures and efficiencies have been identified and are detailed in Appendix A.
- An additional budget requirement of £0.377m has been identified for 2025/26. Of this, £0.179m relates to uncontrollable pressures such as pay and general inflationary increases and the remaining £0.198m are service pressures.
- We have also identified £1.062m of efficiencies to offset the pressures, which leaves a net saving to the HRA of £0.685m in 2025/26.

Rents

- Welsh Government announced a social housing rent cap in 2025/26 of 2.7%
- The Minister has considered the impact on tenants and landlords when deciding the maximum rent uplift for 2025/26
- WG have also sought commitments from landlords around the quality of the housing provision and tenant support services
- Setting the rent at the allowable cap of 2.7% would bring in additional income of £0.507m to the HRA

Service Charges

- The rent and service charges policy expects all Local Housing Associations (LHA's) to be achieving full cost recovery for service charges, and a clear transition plan should be identified to achieve this.
- To achieve full cost recovery, we would be required to increase service charges as follows:
- Last year we agreed to freeze aerial charges at current rates until the new contract is agreed, this freeze is still in place.

Service Charge	Current charge p.w	Full recovery charge p. w.	Increase p.w.	Impact p.w with partial HB
Aerials	£1.55	£1.55	£0.00	£0.00
Laundry	£1.13	£1.20	£0.07	£0.05
Cleaning	£5.23	£5.75	£0.52	£0.34
Window Cleaning	£1.05	£1.05	£0.00	£0.00
Alarms	£3.18	£3.53	£0.35	£0.23
Total	£12.14	£13.08	£0.94	£0.62

Service Charges

- Not all properties are subject to all service charges. Of all our contract holders, 2.4% are charged for five service charges, 2.5% are charged for four service charges and 9.6% for three.
- Moving existing service charges to full cost recovery will bring in additional income of £0.014m and has been assumed in the draft business plan

Affordability

- We have identified that 64% of all contract holders are eligible for Housing Benefit (HB) or Universal Credit (UC) support toward their rent and service charges. The table below shows the impact on those in receipt of HB.

HB Eligibility	Av % of Rent Paid by HB	Av Impact on Tenants p.w.
Full	100%	£0.00
Partial	34%	£2.47
None	0%	£3.72

- We have also consulted with the tenant's federation who are fully supportive of the proposals for the HRA business plan for 25/26.

Affordability – STAR Survey

How concerned are you about being able to afford to pay your rent?

	No. of respondents	Percentage
Extremely concerned	43	6
Concerned	105	16
Slightly concerned	192	29
Not at all concerned	253	38
Don't know	44	7
Not answered /left blank	25	4
Ticked all / ticked more than one	2	0

Total: 664 respondents

Reserves

There is a requirement to hold a minimum level of reserves of 3% of expenditure (circa £160 per unit)

Reserves should not be used to fund recurring pressures to the Business Plan and levels should be reviewed annually in line with the HRA's proposed borrowing commitments and budgetary risk factors.

In the current climate it would be prudent to maintain reserve levels at 7% of expenditure (£2.922m) as we have ongoing risks to the Business Plan which would have to be funded from reserves if they materialised:

- Pay award could be higher than budgeted
- Inflation could be higher than the provision in the Business Plan
- Arrears could increase due to the cost-of-living crisis
- Interest rates increasing due to the economic climate

Summary

- Tenant affordability can also be improved by reducing household energy bills and WHQS.2 capital investment will support this through energy efficiency measures
- However, it will require substantial capital investment from the HRA over the next ten years and Welsh Government have not committed to any long-term funding options to support this strategy
- Every 1% reduction in rents will result in circa £12m of lost income to the HRA over the 30-year plan
- This highlights the critical balance between tenant affordability and ensuring we have enough funds for the key investment required in HRA services and our housing stock
- The HRA can increase borrowing levels, but every £1m of prudential borrowing costs the HRA circa £2m in total. We need to balance borrowing levels alongside rental income generation to ensure we do not create revenue pressures for tenants in the future.