

HRA MTFP Technical Adjustments

Portfolio Holder	Reference	Lead Officer	Description	Risk Level (RAG)	Budget		Change		
					2023/24	2024/25	2025/26	2026/27	2027/28
					£m	£m	£m	£m	£m
<b>CONTRACTUAL INFLATION</b>									
Emily Darlington	HC01	Steve Richardson	The cost of insurance premiums increases annually as a result of inflation but also an assessment of risk within the market(s). The increase for 24/25 is assumed at 15% based on initial review of our premium and future years are assumed linked to RPI. The Leaseholder premium for 24/25 has been confirmed and is an increase of £0.060m which will be covered through service charges (see saving HS04).	Medium	0.635	0.156	0.040	0.014	0.021
Emily Darlington	HC02	All Directors	Contractual inflation for utilities including electricity, gas, water. Gas and electricity assumed a 55% and 65% increase from October 2023 but at June the revised increase was estimated to be 12% and 8% respectively. Water increases by 5% each year.	Low	3.320	(0.288)	0.151	0.159	0.156
Emily Darlington	HC03	All Directors	Pay inflation for 2023/24 was originally assumed at 4% however the average is expected to be 6% (on average, including on-costs), now the pay award has been agreed. Future years assumes salary increments and pay inflation of 3%.	Low	7.453	0.528	0.242	0.252	0.260
Emily Darlington	HC04	Stuart Proffitt	Inflation on the responsive repairs contract for 2024/25 is based on RPI at 7.4% plus 3.7% to cover the 2023/24 inflation pressure. For 2025/25 the inflation reduces to 2.9%. The current contract uses a blend of indices from BCIS (Building Cost Information Services), RPI and actual costs (these will not be confirmed until January the date on which the contract uplifts are applied). This assumes the same volume of activity each year. This service is also subject to procurement from April 2025 and the budget will be reassessed as part of the procurement process.	High	13.937	1.543	0.453	0.384	0.211
						<b>1.939</b>	<b>0.885</b>	<b>0.809</b>	<b>0.648</b>

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<b>TECHNICAL ADJUSTMENTS</b>									
Emily Darlington	HT01	Steve Richardson	Social rent increases for 2024/25 are set out in the Rent Standard (Government Rent policy), and this allows for maximum increases of CPI (September, 6.7%) +1%, an increase of 7.7%. The business plan currently assumes the maximum increase in rents as a result of the wider financial position and impact of Government rent caps, which have substantially reduced investment in the HRA. The HRAs main source of income is from rents and any increase lower than this level, would require additional savings to be identified. Shared Owners will see an increase of 7% in 24/25 and 7.7% in 25/26, as per the lease terms, shared owner rent uplifts lag one year behind social rents. In 2025/26 we are expecting government to consult on the new rent standard so ongoing rent increases are assumed at CPI only.	Medium	(59.859)	(4.308)	(1.880)	(2.079)	(2.058)
Emily Darlington	HT02	Steve Richardson	Tenant service charges have increased by £0.5m to reflect full recovery and the expected higher utility prices due in Oct 23. Garage rent increases are in line with rent increases and the other income (miscellaneous income from commercial units/wayleaves, ad hoc units) have been increased by 6.8% (in line with the fees and charges policy).	Low	(2.900)	(0.751)	(0.054)	(0.060)	(0.111)
Emily Darlington	HT03	Steve Richardson	Service Charges for Leaseholders includes an increase of £0.5m to reflect full recovery of services provided and uplifted for inflationary increases in costs. This does not include any elements under consideration as part of the service charge consultation.	Low	(1.196)	(0.532)	(0.074)	(0.039)	(0.002)
Emily Darlington	HT04	Steve Richardson	Tenant bad debt provision has reduced due to the delay in the Universal Credit migration and ongoing high levels of collection. This migration is now expected in 2024/25 so we have anticipated an increase in later years, when funds will be paid directly to tenants. The profile of bad debt is also linked to overall changes in stock numbers.	Medium	0.951	(0.302)	(0.209)	0.038	0.080
Emily Darlington	HT05	Stuart Proffitt	The depreciation charge (our allowance for major repairs) for 2023/24 was reduced to reflect assets classed as out of management (£0.417m), offset by inflation increases for £0.338m linked to increases in stock valuations. The Business Plan increases depreciation by RPI capped at 2% for 2024/25 but the actual cost will be dependent on end of year asset valuations. This is a charge to the revenue budget, which is set aside to fund planned maintenance.	Low	17.036	(0.079)	0.492	0.419	0.447
Emily Darlington	HT06	Steve Richardson	The contingency level has been increased to £1.000m, to reflect ongoing risk and uncertainty regarding the HRA, including uncertainty over future rent increases, risks associated with the planned investment programme due to inflation, stock condition and new regulations like safety bill and changes in commissioning arrangements. Interest rates also remain high and we are subject to significant refinancing risk.	Low	0.747	0.253	0.000	0.000	0.000
Emily Darlington	HT07	Steve Richardson	Interest payable, includes loans which have been taken out at various fixed rates, some of which will be refinanced as they become due. New loans and revolver borrowing (like an overdraft) are assumed at a target rate of 3.5%. Given the current rates of borrowing are significantly higher, our investment strategy will require short term borrowing to be refinanced when rates reduced. Given the risk this presents to the overall business plan, an additional allowance of 1% has been included in the budget to allow for this volatility / uncertainty together with an additional 0.5% across the MTFP years.	Medium	10.891	1.268	2.768	2.083	1.097
Emily Darlington	HT08	Steve Richardson	While we receive interest on our cash balances at market rates, this reduces as the reserves and right to buy receipts are used to fund the Planned Investment Programme. The interest rate we receive on cash balances is also expected to reduce.	Medium	(1.304)	(0.124)	0.362	0.198	0.059
Emily Darlington	HT09	Steve Richardson	As the HRA is a ring-fenced account any funds left over in year are transferred to the Revenue Contribution to Capital (RCCO) and then used to fund capital expenditure.	Medium	3.174	1.049	(0.690)	(1.368)	(0.153)
Emily Darlington	HT10	Steve Richardson	The Prudent Minimum Balance is a statutory reserve to hold sufficient revenue funds to meet unexpected / unplanned expenditure or shortfalls to income. This level is set by assessing risk within the budget.	Medium	(7.859)	(0.157)	(0.160)	(0.164)	(0.167)
						<b>(3.682)</b>	<b>0.554</b>	<b>(0.972)</b>	<b>(0.808)</b>