
Housing Revenue Account Research Update

Local Government Association
Association of Retained Council Housing
National Federation of ALMOs

Final Report
October 2024

Contents

Headline Summary	1
1. Introduction	5
1.1. Background	5
1.2. Summary of previous research	5
1.3. 2024 update: focus of research.....	6
1.4. Methodology.....	7
2. Research outputs	9
2.1. Capital investment requirements.....	9
2.2. Operating income and expenditure	15
2.3. Awaab's Law and Repairs.....	17
2.4. Professionalisation and Regulation.....	19
2.5. Development, New Build and Acquisitions.....	20
3. Rents and income	22
3.1. Introduction	22
3.2. Revised national rents projection	22
3.3. Possible implications of changes to rent policy.....	25
3.4. Possible benefits of predictability in rent policy.....	29

Headline Summary

This research by Savills Affordable Housing Consultancy into financial pressures on the Housing Revenue Account (HRA) has been undertaken for the Local Government Association, National Federation of ALMOs and Association of Retained Council Housing. The work updates previous research published in late 2022 and early 2023.

Research summary

Work to understand the financial issues and challenges affecting HRA authorities is an essential component in building a wider view around the overall position for the future funding of council housing. Local authority finances are under significant pressure with a series of section 114 notices issued around the country in the last two years, and whilst all of these have been as a result of pressures on the General Fund, authorities are increasingly reporting HRA financial pressures that may significantly hamper their ability to set budgets.

The financial challenges do not arise from one single driver alone and are instead the result of a variety of pressures which are all combining to add up to the sort of challenges which pre-dated the self-financing settlement of 2012.

This report explores the pressures as they are being experienced 'on the ground' and the link to how the implied funding within the current financial settlement for the HRA is now extremely out of date. Whilst there are, of course, challenges brought on by the recent turbulence in the economy and markets with high inflation and interest rates, the impact of policy interventions made since 2012 have had a material impact and have significantly reduced the capacity and resilience that authorities have to address short-term financial challenges.

There is evidence to suggest that the costs of capital investment for HRA authorities have risen well above industry standard experiences, have done so rapidly in the last 12 to 18 months, and are extremely unlikely to return to a pre-inflationary norm. Put another way, costs have risen once and for all and this is reflected in the experiences of authorities locally.

The pressures articulated in this report are significant and in our experience, affect every single authority's HRA to a greater or lesser extent. There are few, if any, that are not experiencing some or all of the challenges set out in this report.

The table below aims to capture in a single summary the changes in the pressures on HRAs since the previous report, covering:

- Capital investment needs, previously expressed across a number of headings, brought together in this report into an overall total set out over 30 years (at today's prices).
- Revenue funding pressures particularly for day to day and responsive repairs, with a key driver from proposed changes arising from Awaab's Law.
- Revenue pressures arising from enhanced regulation and proposed requirements for professional qualifications for housing staff.

Research into Housing Revenue Account (HRA) Expenditure and Rents



- Costs of developing and delivering new homes.

Summary table of research findings

The table below highlights the differences between the findings under the main expenditure headings explored in this report as set out above (summer 2024 compared to the previous report in January 2023) and shows how, in all cases, the pressures are greater now than just over 18 months ago, in some cases very significantly.

Expenditure area	Jan 2023	Summer 2024	Comments
Life cycle and elemental replacements	£35,000+ per unit over 30 years	£62,000 per unit over 30 years – est. £96.1 billion for the whole HRA stock (Compares to the equivalent of £41,500 per unit implied within the self-financing settlement of 2012 - £64.3 billion)	Range from £58,000 to £90,000 per unit – inclusive of building safety and EPC C – some survey totals include decarbonisation but this is a small minority
Decent Homes Standard (2)	-		Est 10 per cent for Decent Homes Standard update expected 2024/2025 - now rolled into overall stock survey totals
Fire & Building Safety	£7.7 billion to 2030		Work ongoing - £6.5 billion to complete
Energy Efficiency (EPC C)	£3.5 billion to 2030		35 per cent to go – average £9,000 per property to complete
Net Zero Carbon 2050	£23 billion	£25 billion	Authorities request flexible funding, not the complexity within the SHDF programme (for example the flexibility within the LAHF is a much better model); opportunity for engagement with DES-NEZ
Repairs & Awaab's Law	Inflation 15.7 per cent cumulative 2023-2025	12 per cent plus average inflation pressure in one year to 2024.25	Significant overspends for 2023.24 and 2024.25 – est. up to £300 million per annum to be covered; immediate and short-term deficits require coverage (which may not be addressed through a longer-term rent increase policy)
Enhanced regulation	-	Up to £35 million	Authorities now identifying costs driven by Social Housing (Regulation) Act requirements, the Regulator of Social Housing and the Housing Ombudsman
Professionalisation	£50million	Up to £65 million	Based on a mid-point assessment of which posts require to be qualified, also includes an assessment for backfilling time for course attendees
Development delivery	Grant increases £25,000 to £45,000/unit and/or up to 50 per cent 141 RTB matching	Stabilised at higher costs nationally but higher grant rates	Some regions still have high inflation pressures – higher grant rates prevailing to March 2024 imply pressure on next AHP up to £13.5 billion (from current £11.5 billion) to deliver similar supply numbers as envisaged in 2021 to 2026 programme (weighted average grant rates for HA/LA sector: £132,500, £81,500, £62,000 for social affordable and shared ownership respectively).

Possible implications of future rent policy on the national Housing Revenue Account position

We have updated our projection of the national HRA position based on a range of scenarios for future rent increase policy and policy towards rent convergence.

The projections are based on the following assumptions:

- HRAs are assumed to be currently in overall in-year deficit (estimated £100million) and as highlighted above, there are expenditure inflationary pressures which exceed CPI in the next few years.
- Additional capital expenditure needs identified within the expenditure research summarised in the table above, and which are over and above revenue allocations for depreciation, are financed via borrowing.

The three future rent policy scenarios considered are:

- baseline of CPI-only rent increases with rent convergence at relet only (effectively over 30 years)
- scenario with CPI+1 per cent rent increases for 10 years
- scenario with CPI+1 per cent rent increases and rent convergence over 10 years.

The baseline projection for the national HRA is substantially and progressively in deficit; growing early-year deficits are further exacerbated by rent increases at CPI-only with catch up to formula rents via relets only; the outcome overall is in the region of cumulative deficits of over £50 billion.

Whilst CPI+1 per cent rent increases may result in a return to in-year surpluses during a 30 year business planning term, with income and expenditure broadly aligned annually over the longer-term, there is a net shortfall of £6 to 7 billion during the middle part of the period.

In summary terms, therefore, rent increases of CPI+1 per cent for 10 years are insufficient in two critical respects:

- A move to further and deeper deficit in the next 5-10 years is not avoided due to the immediate and likely short-term pressures driven by repairs and the need to provide for increased capital expenditure.
- Whilst there is an element of financial recovery after this short-term period, the overall cumulative balance of resources over 30 years remains in deficit.

The capability to achieve convergence with formula rents over 10 years (as opposed to via relet only) with CPI+1 per cent rent increases over the same period materially improves the financial position for HRAs in the medium and long term, with a return to overall cumulative surplus over 30 years (albeit with deficits in the middle period).

In overall terms, whilst a combination of CPI+1 per cent rent increases and accelerated convergence to formula rents, both over 10 years, has the potential to align HRA income resources with expenditure liabilities over the long term, early-year deficits remain likely.

Research into Housing Revenue Account (HRA) Expenditure and Rents



Put simply, even with CPI+1 per cent and convergence, there is likely to be a requirement for additional resources to be deployed into HRAs in the short-term in order to maintain viability, whether via revenue or capital subsidy, or through any other mechanism.

Additional benefits are likely to apply if there is a rent increase policy which is predictable and stable, allowing (for example) better planning and increased value for money in procurement of programmes.

By way of illustration, we have worked with private finance institutions to identify the potential reduction in funding costs if a longer-term stable rent policy were to be introduced. Funders have indicated that they could reduce the costs of funds by the equivalent of 0.4 per cent to 0.5 per cent for the investments they make into affordable housing, an increase in capacity of some 12 per cent. A corollary to this is that banks and other lenders could reduce debt funding rates by around 0.8 per cent given stable guaranteed rent increase policies.

In turn, therefore for local authorities, by mitigating risk in the lending of PWLB funds to HRAs, a predictable rent increase policy might also suggest the government consider offering further discounts on PWLB rates for HRA borrowing.

1. Introduction

1.1. Background

Savills Affordable Housing Consultancy has been commissioned by the Local Government Association (LGA), the Association of Retained Council Housing (ARCH) and the National Federation of ALMOs (NFA) to update research published in early 2023 relating to expenditure and income pressures in Housing Revenue Accounts (HRAs) in England.

The update work was undertaken during the summer of 2024 drawing upon a series of engagements, round tables, interviews and an update to our national HRA forecasting model.

This report sets out a summary of the findings, principally in relation to expenditure pressures, and also includes a summary of the potential implications of changes in rent policy, some of which have been trailed in the period before and since the 2024 General Election.

Work to understand the financial issues and challenges affecting HRA authorities is an essential component in building a wider view around the overall position for the future funding of council housing. Local authority finances are under significant pressure with a series of section 114 notices issued around the country in the last two years, and whilst all of these have been as a result of pressures on the General Fund, authorities are increasingly reporting HRA financial pressures that may significantly hamper their ability to set budgets.

The financial challenges do not arise from one single driver alone and are instead the result of a variety of pressures which are all combining to add up to the sort of challenges which pre-dated the self-financing settlement of 2012.

This report explores the pressures as they are being experienced 'on the ground' and the link to how the implied funding within the current financial settlement for the HRA is now extremely out of date. Whilst there are, of course, challenges brought on by the recent turbulence in the economy and markets with high inflation and interest rates, the impact of policy interventions made since 2012 have had a material impact, and have significantly reduced the capacity and resilience that authorities have to address short-term financial challenges.

The pressures articulated in this report are significant and in our experience, affect every single authority's HRA to a greater or lesser extent. There are few, if any, that are not experiencing some or all of the challenges set out below.

1.2. Summary of previous research

Savills worked with the LGA, ARCH and NFA to undertake wide ranging research on the financial position of HRAs and three reports were published in late 2022 and early 2023.

Research into Housing Revenue Account (HRA) Expenditure and Rents



1. [HRH rents and income](#) – the outputs fed into the consultation on the rent cap in November 2022
2. [HRA expenditure](#) – this was published early 2023
3. [Right to Buy](#) – this was a backward and forward projection, and provided recommendations in relation to use of receipts and the operation of discounts – this was published early 2023.

This update is focused on expenditure pressures so as to feed into the new government's plans to deliver a comprehensive Spending Review in the autumn of 2024. Inevitably, the work has also extended to consider the implications of possible changes to rent policy, particularly how a more stable and long-term rent policy would support increased investment via certainty and predictability in planning.

The previous research highlighted the following key expenditure headlines:

- Inflationary pressures on capital and day to day repairs and maintenance were widespread, with headline inflation greater than both core CPI and BCIS maintenance and development inflation.
- Fire, building safety – our estimate was for an additional £7.7 billion cost from 2023 to 2030.
- EPC C and Net Zero Carbon – our estimate was circa £23 billion cost from 2023 to 2050 (with around 40 per cent of these costs front-loaded into the period before 2035).
- Revenue pressures via professionalisation – an initial estimate is circa £150 million, although it was acknowledged that further work was required in this area as the research was undertaken at a time when only initial announcements around professionalisation has been made.
- The costs of development and its financing had increased alongside interest rates for borrowing to part-finance new build delivery, implying grant increases of £25,000 to 45,000/unit and/or an increase to 50 per cent matching for the deployment of Right to Buy receipts under Retention Agreements (141 RTB receipts) to maintain viability.

At the time, other regulatory pressures arising from the then draft regulatory framework subsequently introduced in the Social Housing (Regulation) Act 2023 tended to be downplayed by authorities that participated in the research. Perhaps the implications of the forthcoming legislation had not been fully understood. For this update, feedback has been much more extensive and additional cost pressures have been identified.

1.3. 2024 update: focus of research

In overall terms, there is a strong feeling that the 'dia' has moved significantly further in the last 12 to 18 months, hence the timing of this research update.

Research into Housing Revenue Account (HRA) Expenditure and Rents



The following areas have been identified as areas where information relating to pressures on HRAs are felt to be most acutely needed:

- general stock condition survey investment profile needs for life cycle replacements
- additional future costs arising from a revised Decent Homes Standard
- remaining costs re Fire and Building Safety and full implementation of Building Safety Cases
- investment requirements to achieve EPC C by 2030
- investment requirements to achieve Net Zero Carbon by 2050
- pressures arising from increased repairs including arising from Awaab's Law:
- issues of damp, mould and condensation, and associated health and safety related costs
- revenue pressures arising from enhanced regulation and professionalisation
- review of development delivery costs.

This report aims to quantify these pressures where possible at the national level.

It should be noted that some authorities have pointed to other pressures which have not been quantified within this report. These include:

- the changing role of housing officers, with a focus on more input needed for more vulnerable tenants and residents, particularly in the context of pressures on the cost of living
- pressures arising from income and arrears collection following the Covid pandemic.

Whilst these have not been quantified in this research, it is highlighted that there continues to be a strong sense that the work of housing management is becoming harder, with an increasing focus on supporting vulnerable households as well as the core housing elements of the role. Whilst the focus of macro policy initiatives might well be on delivering the right investment for the stock in the context of a stable income and rents policy, the expanding role of the housing management function will no doubt continue to be an ongoing theme.

1.4. Methodology

This research has been undertaken with a series of engagements with local authorities selected as a representative cross-section of experiences across the country.

Engagement was undertaken with a series of local authorities via round tables and direct interviews:

- North East Derbyshire District Council
- Birmingham City Council
- Stevenage Borough Council
- Babergh/Mid Suffolk District Councils
- Central Bedfordshire Council
- London Borough of Camden
- Sandwell Metropolitan Borough Council
- Cornwall Council
- Colchester City Council.

Research into Housing Revenue Account (HRA) Expenditure and Rents



A series of workshops was also undertaken with the following:

- councils with ALMOs Group (involving 18 authority representatives)
- NFA Finance Directors workshop (including representatives from the NFA, Derby, Doncaster, South Tyneside, Stockport).

We have also undertaken initial presentations and received feedback to earlier summary drafts of this report with ARCH, the NFA and LGA sounding boards.

Savills supports a growing number of local authorities in the preparation and delivery of their HRA business plans. We have been able to collate and anonymise around 25 business plan models representing some 25 per cent of the housing stock nationally.

In total, therefore, we have heard from, received and/or been able to collate data from up to 40 authorities; this represents one quarter of all HRA authorities, with approximate coverage of 45 per cent of the housing stock of 1.55 million properties.

The findings are therefore rooted in a very large sample which is likely to be reflective of the experiences of the entire HRA sector.

It is noted that this review and research is one of a series of initiatives around assessing options for the future funding of council housing, with others being developed by Southwark Council, the Chartered Institute of Housing, as well as parallel research work undertaken by the National Housing Federation on behalf of housing associations, with many of the key themes in common across all of these pieces of work.

2. Research outputs

Each of the nine subject areas set out above are addressed in turn below.

2.1. Capital investment requirements

Introduction

These elements of cost focus on what is felt to be a major contributor to pressures within HRA business plans.

These pressures have begun to be articulated in a more direct and visible way during 2024 generally as a result of supply chain and logistics pressures within the housing industry, but also partly as a result of a focus on updating stock condition surveys which has been driven (also in part) by enhanced regulatory scrutiny.

The Regulator of Social Housing has adopted an approach within initial inspections under the revised Consumer Standards introduced in 2024 in which it has exemplified '100 per cent surveys' as good practice. This has in turn highlighted challenges in the condition of stock, and a sense of increased future demand for stock investment.

The focus here is on:

- Life cycle replacements, and a prospective revision to the Decent Homes Standard which was trailed by the previous government alongside proposal to introduce the standard for the private rented sector.
- Remaining costs relating to the delivery of Fire and Building Safety upgrades in line with the Fire Safety Act 2021 and the Building Safety Act 2022.
- Delivering energy efficiency articulated as 'achievement of EPC C by 2030' (this is applied as there is a general understanding that households living in social housing are likely to be in some degree of fuel poverty).
- Decarbonisation of the housing stock (Net Zero Carbon) by 2050.

Summary findings from authorities

We received feedback from all participants that suggests that stock investment profiles are significantly increased compared to business plans of even just two years ago (and before).

The average investment profiles quoted by authorities was between **£58,000/unit** over 30 years up to **£90,000+/unit** over 30 years (figures are quoted at 2024 prices in real terms).

These incorporate necessary works to the stock to achieve energy efficiency standards by 2030 but exclude Net Zero Carbon other than in cases where pilot schemes and other small-scale Social Housing Decarbonisation Fund (SHDF) programmes are in place; these sorts of pilot programmes are in place at most authorities but are not addressing decarbonisation on any significant scale.

Research into Housing Revenue Account (HRA) Expenditure and Rents



These totals also incorporate a de facto approach to delivering what might be expected to be an upgraded Decent Homes Standard (DHS). Consultation on a revised DHS was deferred in the run up to the General Election having been the subject of a 'pre-consultation' paper which was trailed with a small number of stakeholders in the summer of 2023. This 'pre-consultation' set out some key elements of change, most notably that there would be reduced tolerance for elemental failures (the current version of the standard allows some elements to be old or in poor condition whilst still meeting the theoretical minimum DHS) but more flexibility in life cycle and measures in relation to the expected useful life of components.

In practice, outputs from the extensive range of stock surveys which are now being undertaken are delivering investment profiles that incorporate all elemental replacements according to set life cycles; in other words, they are set to deliver at what is widely expected to be an updated Decent Homes Standard (or DHS2 as it has become known).

There are two pressures within these enhanced profiles:

- Increased demand and need from the setting of higher standards
- Inflationary pressures for individual elements themselves.

Both are in play within these totals but it is difficult to disaggregate the impact of each given that survey profiles tend to be 'all in'. Some examples of elemental cost pressures are set out below. It is worth highlighting that improvements (of any type) were never provided for in the current financial framework i.e. the self-financing settlement of 2012 was predicated on maintenance of the minimum Decent Homes Standard only.

Summary findings from business plan samples

We have collated business plan financial models for the 2023.24 and 2024.25 financial years arising from our client base and returns received from authorities participating in this research.

The findings are summarised below.

- In terms of business plan capital investment profiles, there have been significant increases against previous totals, even against plans from as little as 2 to 3 years ago.
- There are parallel experiences within the housing association sector – as set out in the [Regulator's Global Accounts](#) analyses in which key financial metrics such as interest cover and costs of repairs and maintenance are experiencing their greatest pressure for over 15 years.
- The rapid and large scale increase in surveys being undertaken appears to be resulting in assumptions of increased profiles.
- Whilst there is some anecdotal evidence that surveyors may be pricing in additional risk, particularly around the inclusion of damp, mould, condensation and other health and safety related work requirements, the overall story is certainly one of increased costs across the board.

Research into Housing Revenue Account (HRA) Expenditure and Rents



- There is an 'up front' element also arising from survey work in that there is a significant number of properties that have remained un-surveyed for many years where immediate rectification work is required (for example on smoke alarms or electrical wiring issues).
- The definition of the Decent Homes Standard may, in many cases, have been assumed to be the minimum – whereas reporting of decent homes failures within survey outputs now tend to focus on expectations of what is expected to be the revised DHS (covering all elements and not allowing individual component failures while still being classified as 'decent').

The total number of authorities' business plans collated for this exercise was 33 (including ones shared as part this research), covering some 400,000 properties circa 25 per cent of the stock, and incorporating a full range of authority types, from large metropolitan councils, London Boroughs, unitary authorities and small districts.

The lowest capital expenditure total was £32,900 per unit over 30 years at today's prices.

The highest capital expenditure total was £101,300 per unit over 30 years at today's prices.

The weighted average for this stock was £62,000 per unit over 30 years at today's prices.

The outputs from this element of the analysis suggests consistency with the experiences reported verbally by authorities during the round table discussions.

Comparing costs to implied funding within the HRA financial framework

We have compared these updated totals to what is implied within the HRA financial framework. For ease of illustration, we take this to mean the 2012 self-financing settlement which set the level of supportable debt taken on by authorities at that time.

Authorities are still having to cover the levels of HRA debt that were taken on in 2012. For example, therefore, if the implied costs of capital investment and replacement were lower in the settlement than is the case now, HRAs would be carrying more debt than would be implied if the settlement were recast – in other words, debt financing costs are higher than they should be and do not leave headroom to cover increased costs.

The original self-financing settlement of March 2012 averaged £30,701/unit over 30 years for life cycle replacements – the underlying assumption was the maintenance of the DHS, and the figure quoted is at 2012.13 prices.

With general CPI inflation – which has been circa 35 per cent from 2012 to 2024 - this would now be the equivalent of **£41,500/unit** over 30 years.

Using the BCIS maintenance (tender price) inflation index – which has been c56 per cent from 2012-2024 - this would now be the equivalent of **£48,100/unit** over 30 years.

Both are substantially below where costs and prices currently are and projected to be. It is stressed that whilst the BCIS measure is a useful reference, the funding within the system is for the CPI-only related level.

Research into Housing Revenue Account (HRA) Expenditure and Rents



Reference to the BCIS measure does provide convincing evidence that inflation for HRA capital expenditure has been significantly higher over this 12-year period than across the construction and maintenance industry as a whole. This is consistent with experiences reported at the round tables where, in many cases, costs had risen very significantly above what might usually be expected to be the case through an inflationary cycle.

There is therefore evidence to suggest that the costs of capital investment for HRA authorities have risen well above industry standard experiences, have done so rapidly in the last 12 to 18 months, and are extremely unlikely to return to a pre-inflationary norm. Put another way, costs have risen once and for all and this is reflected in the experiences of authorities locally.

By way of example, we asked authorities to share their experiences of individual elements and components, as a further means of demonstrating the push to higher costs.

Evidence provided by authorities at the round tables highlighted that, whilst experiences and standards vary around the country, replacement kitchen provision is currently averaging £5,500-£8,000; this compares to what was provided for in the self-financing settlement – which was £3,000 (on average), which with CPI would now be just over £4,000 (in 2024).

Fire and Building Safety

Unlike in previous iterations of this research, total investment needed to bring tall and vulnerable buildings to higher building safety standards the following the Fire Safety Act 2021 and Building Safety Act 2022, have not been separately articulated. The previous estimate of £7.7 billion from 2023-2030 is likely to have been superseded by work undertaken in the period from 2022-2024.

Nevertheless, we come across programmes on fire and building safety that are in place to 2030 and therefore are an integral component of the stock investment totals quoted above.

Some inroads have been made but a substantial amount of investment – we have estimated that **£6.5billion** remains to be delivered from 2025 to 2030.

Energy efficiency

Utilising data from the English Housing Condition Survey, cross referenced with Savills' own database of stock condition in relation to energy efficiency (SAP and EPC ratings), our estimate of properties continuing to be below the 'EPC C' standard is 35 per cent of the local authority housing stock. This is slightly reduced from 39 per cent articulated in the previous research.

As before, some of these will be 'just below' EPC C and therefore we can assume may be remediated as part of the general stock survey investment programme; we have continued to estimate this to be in the region of 25 per cent of those properties below EPC C.

The number 'far below' EPC C is estimated therefore to be 75 per cent of the 35 per cent, or just over 400,000 properties.

Research into Housing Revenue Account (HRA) Expenditure and Rents



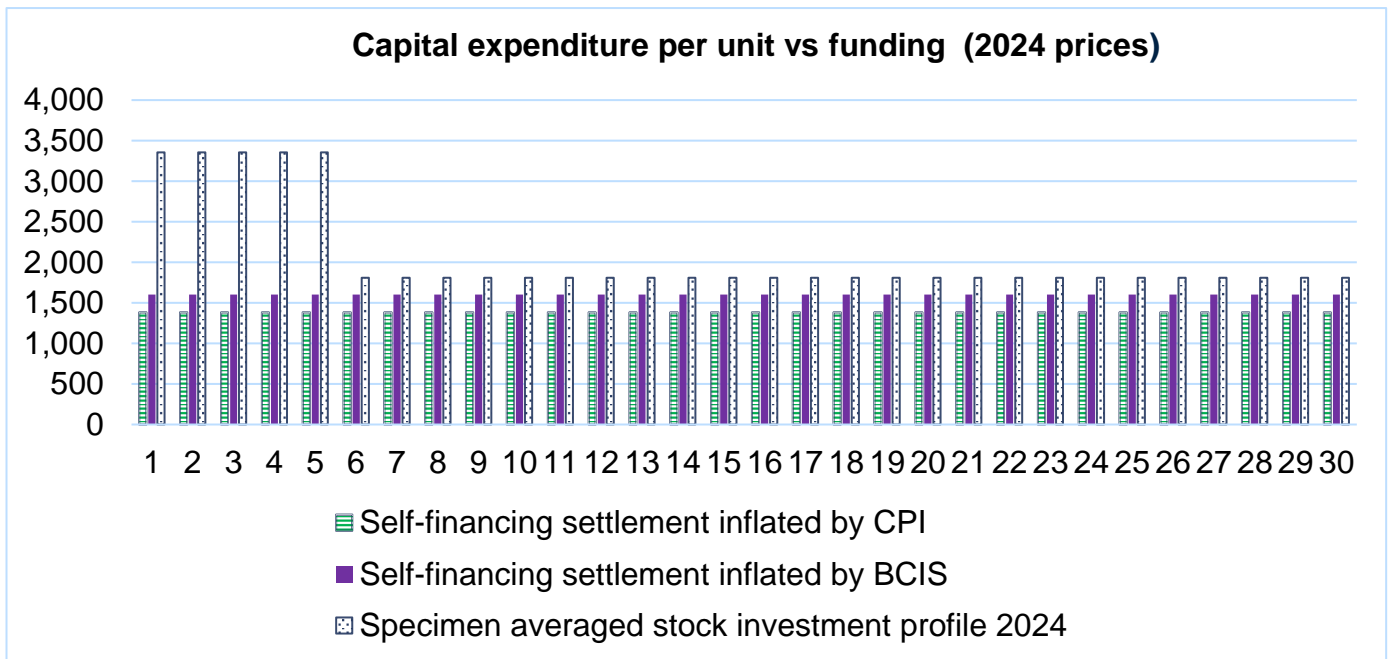
Average improvement works required, driven by inflation, are now averaging up to £9,000/unit – and substantially more in London due to stock types and supply costs - therefore a national total which continues to be in the region of **£3.5 billion**.

Summary: comparing investment totals

The chart below summarises the ‘unit cost’ of stock capital needs over 30 years (at today’s prices) under three scenarios: the original self-financing settlement funding implied, inflated by both CPI and BCIS, compared to the total collated within this research.

Both the energy efficiency and building safety elements provide for an ‘up front’ element to the revised investment totals quoted above (a total of circa £10 billion nationally) and whilst these will vary significantly between authorities (particularly on building safety), this highlights also how the ‘steady maintenance’ nature of the settlement assumption does not match the needs of the stock.

Chart 1: comparing stock survey totals



The chart shows that the average provided for in the self-financing settlement is now £1,383 per property per year for 30 years at 2024 prices.

The equivalent, even if we assume BCIS inflation applying to the settlement totals (for comparative purposes only, as CPI is the standard measure), is £1,603 per property per year.

Research into Housing Revenue Account (HRA) Expenditure and Rents



The chart highlights the 'up front' need to address building safety and energy efficiency requirements, estimated at £3,357 per property per year (as averaged across the entire stock) and a long-term life cycle renewal implication of £1,809 per property per year at 2024 prices.

The up-front programme elements are therefore £1,974 per property per year greater than the settlement total or £3.06 billion per year for each of the first five years; the long-term life cycle cost differential applying against the settlement total is £426 per property per year or £660 million per year across the entire stock.

The total investment needs implied as funded within the self-financing settlement, applied to 1.55 million properties at current prices, are £64.3 billion over 30 years.

The total investment needs from this research are £96.1 billion over 30 years, a difference of £31.8 billion, of which some £15.3 billion applies to the up-front period to 2030.

Decarbonisation – Net Zero Carbon

Given the pressures in delivering core decent homes programmes and as HRA finances are under such pressure in 2024, this research has focused less on the longer-term ambition for Net Zero Carbon.

Whilst the vast majority of investment to decarbonise the stock would be additional to that already planned within asset management strategies, some investment which goes towards decarbonisation is assumed to be provided for within existing programmes (for example window replacements, wall insulation). The previous iteration of this research suggested that the additional investment need for the delivery of decarbonisation to the housing stock by 2052 of £23 billion. This is consistent with [sector estimates](#) made for both HRA stock and the housing association stock in England.

Key elements of the feedback received from participants in this iteration are summarised below:

- There was significant adverse feedback on the operation of the Social Housing Decarbonisation Fund (SHDF) programme both from a fund-matching and a reporting/complexity perspective.
- Participants had in some cases faced 'matching' £20 million of SHDF grant with up to £70 million of borrowing/resources within their business plans as the grant rates are inflexible in responding to actual market costs.
- The bureaucracy associated with the SHDF programme was cited as a major overhead on time, effort and resources locally with many authorities involved in receiving funds on the basis that they felt they ought to, rather than the programme leading to meaningful learning around decarbonisation delivery – all authorities look forward to a more straightforward approach to securing additional funding for programmes towards net zero carbon.

Research into Housing Revenue Account (HRA) Expenditure and Rents



- The typical allocation of £25,000/property on top of energy efficiency investment to 'EPC C' which was adopted in the previous research iteration now (in the words of most participants) 'feels low', although with so many authorities focusing on core decent homes and compliance, pricing and supply remain under-developed.
- Not one authority participating in this research has included Net Zero Carbon within its business plan, but it is acknowledged that some of the higher costs per property over 30 years do incorporate more elements of decarbonisation than others.

Our updated estimate is therefore for **£25 billion** to apply from 2025 to 2050, effectively the addition of £1 billion annually to investment programmes, noting that this 'extra over' amount already provides for some decarbonisation to be included within the standard stock investment profiles.

Delivering decarbonisation

Whilst there is inevitably a focus on the basics of safety and the quality or core components in a period when it is not clear that even these basics are able to be funded within business plans over the short-term, there has perhaps been less of a focus recently on the long-term delivery of net zero carbon.

Nevertheless, local authorities remain as committed to decarbonisation of the stock as they were and many retain objectives to do so well before 2050.

With the renewed central government focus on reaching net zero through policy initiatives being led by the Department of Energy Security and Net Zero (DESNEZ), there is the opportunity for local authorities to engage with government on options and opportunities to bring forward future programmes. Notwithstanding the generally negative views of the SHDF programme for the reasons set out above, all participants reported that their commitment to net zero remains high.

Given the age and energy ratings of large proportions of the local authority housing stock, all participants reported a willingness therefore to engage proactively with DESNEZ to bring forward funding solutions, whether this is access to any direct grant funding – where there is a high capability for local government to deploy resources quickly and to optimum effect, working on options for new sources of income (such as green rents) and/or working with institutional investors to find solutions to bring in new sources of funding.

2.2. Operating income and expenditure

We have collated information from a representative sample of 13 HRA business plans where we have clear evidence of the budgets set for 2024.25 (as compared to 2023.24) representing circa 25 per cent of the HRA stock nationally. This allows us to test 2024.25 budgets compared to 2023.24 budgets where there has been a clear trend towards increased day to day costs, primarily focused on revenue financed repairs and maintenance.

The table below summarises increases for key income and expenditure headings within the revenue account.

Research into Housing Revenue Account (HRA) Expenditure and Rents



Table 2: comparing 2023.24 budgets to 2024.25 across income and expenditure headings

	Rents	Service charges	Other income	Repairs	Management	Interest rate
LA1	7.70%	2.97%	2.99%	1.60%	2.44%	4.00%
LA2	7.70%	12.01%	-9.42%	15.78%	5.46%	4.50%
LA3	7.70%	12.39%	10.85%	7.86%	-5.01%	5.00%
LA4	7.70%	0.20%	1.49%	1.49%	1.49%	4.50%
LA5	7.70%	5.33%	4.66%	19.20%	15.45%	4.75%
LA6	7.70%	17.23%	3.00%	0.50%	4.04%	4.30%
LA7	7.70%	7.02%	6.38%	0.78%	3.19%	4.73%
LA8	7.70%	3.30%	2.00%	9.00%	5.00%	4.50%
LA9	7.70%	3.00%	2.00%	6.00%	4.00%	4.50%
LA10	7.70%	24.57%	-2.10%	23.80%	1.94%	5.00%
LA11	7.70%	30.70%	25.13%	55.99%	-8.89%	4.70%
LA12	7.70%	7.70%	0.13%	16.64%	-0.19%	4.37%
LA13	7.70%	1.66%	1.12%	5.90%	4.20%	4.78%
Maximum	7.70%	30.70%	25.13%	55.99%	15.45%	5.00%
Minimum	7.70%	0.20%	-9.42%	0.50%	-8.89%	4.00%
Average	7.70%	9.85%	3.83%	12.66%	2.55%	4.59%

The table highlights the following:

- All business plans within the sample have set rents increases at the maximum allowed (7.7 per cent) for 2024; in addition, no participant in this research reported a rent increase lower than this.
- There have been significant uplifts in service charge in some authorities, which are likely to be linked to the high costs of utility costs and communal costs in 2023.24 but which remained unrecovered from service charges given the cap on rents in 2023.
- There are significant pressures on revenue repairs, reported via the round tables as principally driven by day to day contracting and increases in rates, continuing to clear backlogs post-Covid, and a general increase in damp, mould, condensation pressures and disrepair generally, with a knock-on impact to disrepair claims – which in some authorities are particularly significant.

There is some evidence that average interest rate assumptions made within business plans appear to be climbing – and whilst the current weighted national average is just less than 4 per cent, this can be expected to increase as more borrowing is undertaken to deliver investment into the existing and new stock.

2.3. Awaab's Law and Repairs

Awaab's Law

Following the consultation earlier this year on Awaab's Law proposed measures primarily relating to the setting of repair response times, feedback from round table participants was particularly strident on the inability for authorities to meet all of the needs expressed in the consultation.

Whilst it has not been possible to put a cost on the extra investment and repairs that might be required, the strength of feeling was that works would simply overwhelm authorities and that costs would spiral very quickly.

On the specific areas of damp, mould and condensation (or DMC), there has understandably been a significant uptick in reported cases and the costs associated with addressing them.

Our estimate of DMC liabilities are that circa 20 per cent of the stock is subject to some form of engagement/complaint in any two-year period, equating to circa 10 per cent per annum (or around 150,000 cases annually).

For those cases where disrepair claims and litigation are pursued by the tenant (or advocates of tenants), costs usually run into the high thousands of pounds per case. Experiences do vary widely, and there is widespread evidence that higher costs are felt by authorities in areas where litigation-chasing lawyers are the most active.

Day to day repairs expenditure

As set out in the table above, average increases in repairs budget allocations are above 12 per cent for 2024.25. Whilst many authorities are yet to publish their accounts for 2023.24, our estimate of budgeted repairs nationally is circa £2.5billion annually.

As rents increased 7.7 per cent, the additional pressure on repairs is therefore estimated at a minimum of 4.3 - or a minimum of circa £100 million of additional repairs pressure over and above what would be financed from rent increases.

In practice, however, there is widespread experience of authorities overspending against those budgets, a trend which commenced in 2023.24 and is being carried forward into 2024.25.

There are a range of approaches to the delivery of responsive and void repairs, ranging from fixed price per job through to variable schedule of rates. In many cases where Direct Labour Organisations are in place, additional repairs demand is leading to a need to employ sub-contractors at significantly higher rates.

However repairs are delivered, there are clear trends to overspending against budgets. Actual costs are higher, in some cases significantly. Volumes are higher (demand) and rates are higher (prices) across the board on an average basis.

Research into Housing Revenue Account (HRA) Expenditure and Rents



During the course of this research update and our regular engagement with authorities, we have established that only a small number of examples of HRA authorities were not overspending on repairs in 2023.24 – which is then having a knock-on follow-through to 2024.25. Put another way, overspends are being experienced against budgets that have already been increased by over 12 per cent. In some cases, overspends have been in the region of a further 10 per cent over costs.

All in all, this adds up to short-term repairs pressures of a minimum of £200 million nationally when compared to what would have been allowed for from rent increases, and this pressure is even more significantly above core CPI inflation which has now returned to two to three per cent - perhaps up to a further £150 million.

Financing repairs expenditure

Modelling these revenue pressures into a national HRA financial model against prospective future rents and income policies focuses attention on a need for immediate restorative action to prevent some HRAs going into deficit (see section 3.3 below).

In order to mitigate impacts on the long-term business planning position, it is common for authorities to be modelling a reduction in repairs in the next 2 to 3 years to bring the HRA back to balance.

In the meantime, many authorities are faced with drawing on HRA reserves to cover overspends.

There are two authorities that participated in this research where it is felt that repairs overspends in 2024.25 may be higher than the level of HRA reserves brought forward, thereby placing the reserve in a potentially negative position with mitigating action against controlling repairs expenditure. Efficiencies only take authorities so far given the weight of pressures.

In addition, capitalisation for repairs may only take some authorities only so far, and whilst the practice is in widespread use in some authorities, others are now beginning to use this approach.

For completeness, we note that a view on a sensible level of revenue reserves taken by authorities tends to vary between circa £500/600 per property to circa 10 per cent of rent income (the equivalent of up circa £800 per property) – these imply a minimum reserve in the region of £1.25 billion nationally.

At March 2024, revenue reserves in some authorities might be significantly above this level, but in practice for the vast majority of authorities, certainly the ones within this research, the level is close, if not below, to this 10 per cent -of-rents level.

2.4. Professionalisation and Regulation

Professionalisation

During the round table discussions, feedback from authorities on the professionalisation agenda (under the newly introduced Conduct and Competence Standard from the Regulator of Social Housing) was mixed. Some felt that the intention was positive, but many more offered feedback which was more sceptical, including:

- uncertainty around application, scope and which posts might be affected (in terms of seniority)
- which disciplines – housing management and surveying/technical posts
- what role extended experience might have in covering the need for qualifications.

Experiences do vary with many authorities limiting their interpretation of coverage to senior staff, but some are considering a much wider application.

Authorities provided feedback on which posts they had included in their interpretation, the current qualification gaps for those in post and therefore the possible need to support staff through their qualifications.

Our estimate of qualification costs is between £8 to £15 million annually (which is the equivalent of £5 to £10 per property per year).

In addition, for staff attending face to face courses, a number of authorities have arrived at an estimate of 'downtime' and therefore backfilling costs – this equates to circa £50 million plus (the equivalent of £30 plus per property per year), and would definitely be a consideration in thinking through possible financial implications.

Regulation and the Housing Ombudsman

Authorities presented their estimates of the incorporation of enhanced regulation, reporting on Tenant Satisfaction Measures (TSMs), inspection preparation and conduct, and the rising costs of the Housing Ombudsman, both from a 'subscription cost' basis and from the basis of additional costs to meet regulatory expectations.

Whilst the revised Consumer Standards broadly repeat what was already in place before April 2024, it was felt strongly that the requirements for inspection are leading to a need to invest more in day-to-day service delivery to meet the standards. Investment in tenant engagement and empowerment was felt to be a particularly pertinent area where the new Transparency, Influence and Accountability Standard has increased expectations to where many authorities have their tenant and resident engagement frameworks.

For the first area, the specific costs of subscribing to the Regulator and Ombudsman is estimated to be in the region of £25 to 35million across the HRA sector.

For the second area, experiences vary significantly but almost all authorities participating in this research and the round tables fed back that they were allocating additional officers to areas such as TSM management, tenant engagement, tenant empowerment, service improvement.

2.5. Development, New Build and Acquisitions

The previous iteration of this research suggested that there had been a wholesale increase in costs varying between 10 per cent and 18 per cent depending on region, with pressures the greatest in the southern regions and London.

Taken together with interest rate increases, this implied increases in grant and 141 RTB receipt rates of between £25 to £45,000 per property in order to maintain viability for development schemes.

In this iteration, there were two main themes to the feedback:

- Work on new build, though continuing, has, on average, been deferred to future years, with many also switching development funding to acquisitions; all factors arise from the focus on the existing stock.
- Recent increases in costs had tended to be more limited, and advantage of s106 opportunities (albeit on a small scale) given the challenges in the development market at this time, as well as wider stock acquisitions (especially if financed via the Local Authority Housing Fund or LAHF).

Overall, the evidence from the development market is that inflation in the costs of development and construction has broadly returned to long-term averages.

Whilst this is by no means a universal experience, with many in the northern regions continuing to report cost inflation well above general inflation (reported at up to 15 per cent), grant rates have at least in part been increased to meet higher viability thresholds within the Affordable Homes Programme (AHP).

Average grant rates reported in the January-March quarter for 2024 are:

- £132,500 for social rents
- £81,500 for affordable rents
- £62,000 for shared ownership.

This series of weighted averages mask significant differences between London (the GLA programme) and the rest of the country (the Homes England programme). We note that this would imply an increase in the AHP just to maintain supply numbers (to circa £13.5 billion over five years compared to the £11.5 billion in the 2021 to 2026 programme) given that these prevailing rates are much higher than originally provided for.

In practice, the feedback was that grant rates and experiences of engagement can be quite variable, in London characterised by positive engagement, for Homes England, generally less so with a less flexible application towards generating grant agreements.

Feedback towards adverse regulatory judgements resulting in the withdrawal of grant funding from Homes England were felt to be particularly counter-productive, given that often those with the most challenging conditions with the existing stock were in most need of providing new homes.

Research into Housing Revenue Account (HRA) Expenditure and Rents



As set out above, many are switching from new build to acquisition programmes and authorities participating within the round tables felt it critical to make the case for a well-funded acquisitions programme (via RTB receipts or LAHF grant or equivalent). This is particularly the case given the urgent need to tackle pressures on the supply of temporary accommodation to address homelessness, currently circa £2.4 billion per annum and rising.

3. Rents and income

3.1. Introduction

In addition to the work set out above on expenditure pressures, Savills has also undertaken a high level update to the work we undertook on rent policy in late 2022.

Whilst there is evidence that all authorities implemented the full 7.7 per cent (CPI+1 per cent) rent increase in April 2024, there is continued evidence that operating costs, particularly repairs, are running at a higher inflationary rate than this. In addition, the need to borrow for the existing stock is placing pressure on expenditure budgets as an increasing element of rent income is committed to increased borrowing costs.

As set out below, whilst rent increases may be set at, or exceed, headline CPI inflation, there is a high risk that operating cost pressures running above CPI will continue to drive pressures on HRA reserves and balances, and that represents a key feature of the projections below.

3.2. Revised national rents projection

The charts and analyses below highlight the updated projection of the national HRA position based on a range of scenarios all predicated on a 7 per cent rent increase in 2023.24 and 7.7 per cent rent increase in 2024.25. (It is acknowledged that a very small number of authorities did not increase rents at the cap level of 7 per cent in 2023.24 but no adjustment for this is assumed nationally given that the impact on the totals is likely to be immaterial).

The key factors underpinning these projections are as follows:

- Authorities have been able to balance their HRAs with efficiencies during 2023.24. However, expenditure pressures, particularly on repairs, are likely to lead to an overspend in 2024.25 and therefore we have assumed a national deficit position for 2024.25 – this has been set at £100 million overall in-year deficit which is drawn from the research set out above which highlights repairs overspend in most authorities; it should be stressed that the actual position may very well be a greater deficit than this.
- The 2023.24 rent increase maximum of 7 per cent was 4.1 per cent below the level of CPI+1 per cent that would have been permitted had there been no cap (September 2022 CPI of 10.1 per cent plus 1 per cent).
- Catch up to formula rent is projected from a base of catch up via reletting void properties at formula rent – this is effectively the current policy position with relets allowed at formula rent; it is acknowledged that there are authorities that do not relet voids at formula rent though these are felt to be declining in number as a result of the financial pressures on HRAs.

Research into Housing Revenue Account (HRA) Expenditure and Rents



- Catch up to formula rent is effectively over an extended period; we have assumed 30 years for ease of assumption, though it is acknowledged there may be some properties that do not become void within that period.
- A key variation to the base approach to catch up to formula rent is to model catch up back to formula over a set period (this is modelled at 10 years as a scenario to illustrate the financial benefit of such an approach to HRAs).
- There is also a de facto assumption of an additional catch up to formula rents represented by actual rents being lower than formula rents before 2023. Whilst this is very difficult to quantify in detail (a detailed exercise would require detailed returns on actual rents and formula rents from all authorities), our experience of business plans suggests that there are many authorities where formula rents had not been achieved by 2022.23 for a wide-ranging set of reasons including the abandonment of convergence from 2016; for ease of assumption, we have represented this gap to formula rents at the equivalent of £1.00/week in 2022.23 although this is likely to be a prudent assumption as we expect that in many cases, the amount is likely to have been higher.
- Expenditure pressures are greater than CPI and the level of rent increases in the early years, allowing time for pressures on costs of repairs (for example) to ‘flow through’ the system. Expenditure pressures also apply to pay awards recently announced, though acknowledging that the majority of these are backdated and will already be built into the base for 2024.25.

Table 3: inflation measures utilised in national HRA projections

	2025.26	2026.27	2027.28	2028.29
General CPI	2.50%	2.00%	2.00%	2.00%
Pay award	5.00%	4.00%	4.00%	2.00%
Contractors	6.00%	5.00%	2.00%	2.00%
Supplies/materials	6.00%	5.00%	2.00%	2.00%
Utilities costs	5.00%	4.00%	2.00%	2.00%
Construction / capital	5.00%	3.00%	2.00%	2.00%

- Rents are increased at CPI only in the baseline forecast in order to test the impact of prospective CPI+1 per cent increases over time.
- No new build or regeneration investment is assumed so as to isolate the impact for the existing HRA stock. Net stock loss is at the current rate of circa 0.4 per cent pa, declining slightly over time. (It is acknowledged that any proposals to change availability and level of RTB discounts might have an impact though these have not been provided for as they have yet to be confirmed).

Capital investment and maintenance costs have been modelled on two bases:

1. Projection based on core investment driven by depreciation transfers, revenue financed, with little or no call on borrowing to finance investment into the existing stock.

Research into Housing Revenue Account (HRA) Expenditure and Rents



2. Projection based on the findings of this research (average £62,000/unit over 30 years with up front element financed from borrowing on the assumption of no additional grant availability).

Chart 4a: National HRA projection baseline @CPI only and increased capital investment – in year surpluses/deficits

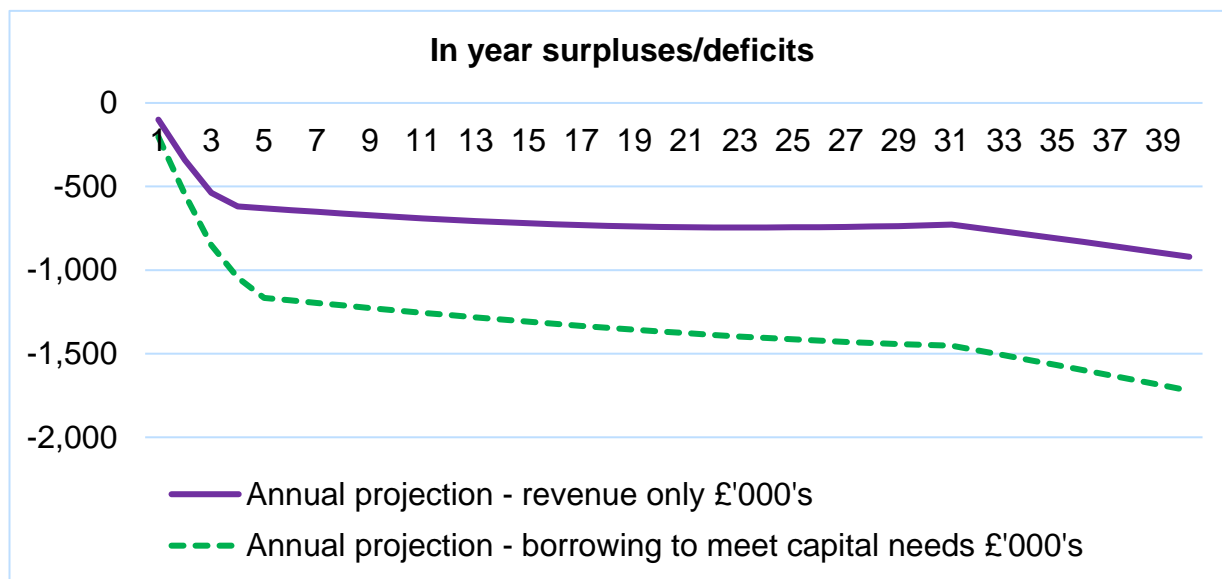
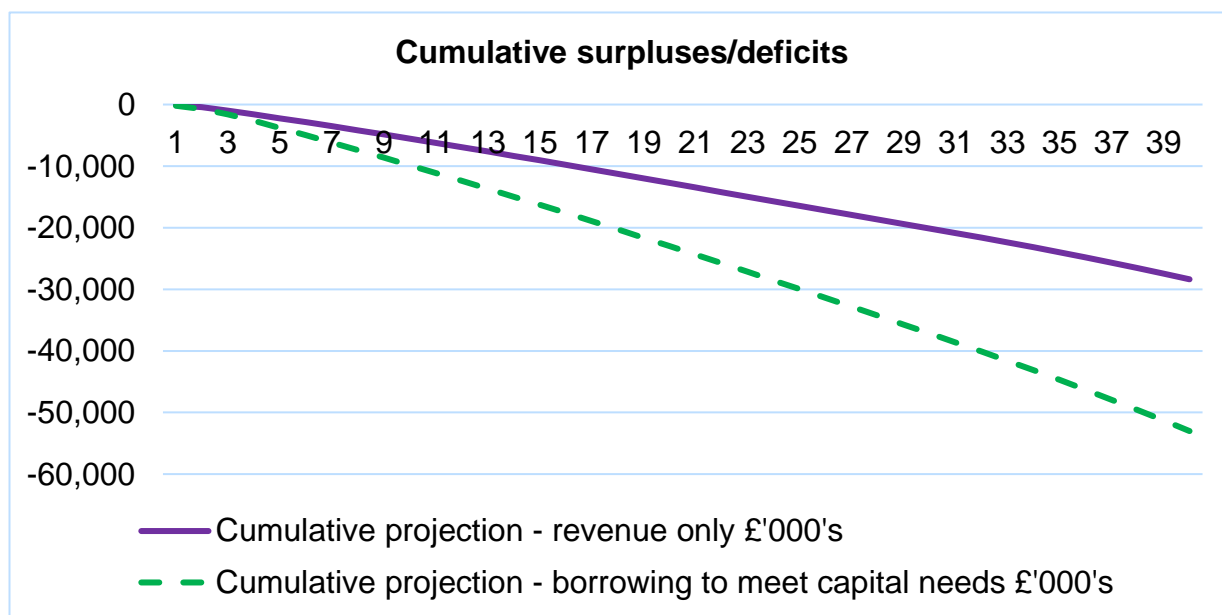


Chart 4b: National HRA projection baseline @ CPI only and increased capital investment – cumulative position



The charts highlight the following.

- In year deficits commencing at £100 million rise to circa £600 million per annum in five years without any factoring in of additional borrowing to achieve capital investment needs – if these are included, the in-year deficit approach £1.2 billion per annum by year five.
- The baseline projection for the national HRA is therefore substantially and progressively in deficit – the combination of early year deficits are further exacerbated by rent increases at CPI-only with catch up to formula rents via relets only, even before a substantially higher requirement for capital investment in factored in to the projection.

3.3. Possible implications of changes to rent policy

We have modelled the possible implications of two general changes to rent increase policy in order to test the impact of these on the forward projections for the national HRA:

1. CPI+1 per cent rent increases for 10 years from 2025-2035
2. Accelerated convergence back to formula rents allowed over a 10-year period.

No other changes to assumptions are made. The charts below show the outputs.

The potential impact of CPI+1 per cent for 10 years

Chart 5a: National HRA projection CPI+1 per cent for 10 years – in year surpluses/deficits

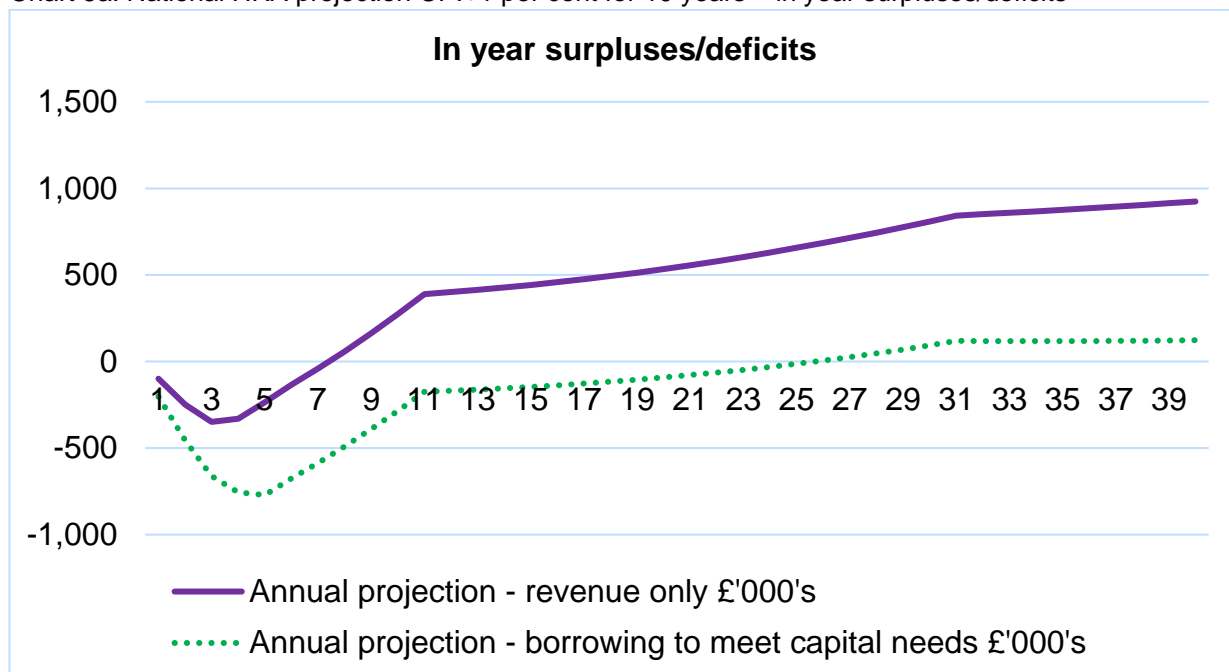
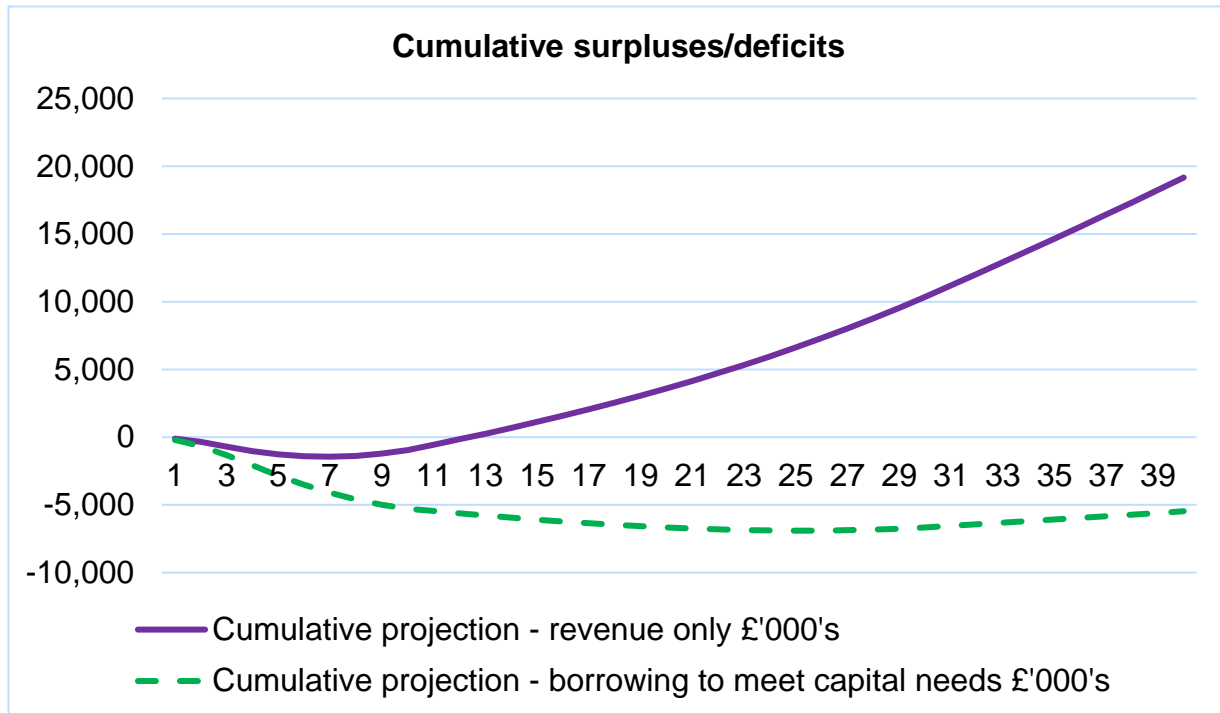


Chart 5b: National HRA projection CPI+1 per cent for 10 years – cumulative surpluses/deficits



The charts highlight the following.

- CPI+1 per cent rent increases may result in a return to in-year surpluses during a 30-year business planning term, with income and expenditure broadly aligned annually over the longer-term even with additional borrowing to meet the capital investment needs of the stock.
- However, the long-term projection for the HRA does not return to surplus overall in the 30-year period, and there is a net shortfall of £6 to 7 billion during the middle part of the period.

In summary terms therefore, rent increases of CPI+1 per cent for 10 years are insufficient in two critical respects:

- **A move to further and deeper deficit in the next five to 10 years is not avoided due to the immediate and likely short-term pressures driven by repairs and the need to provide for increased capital expenditure.**
- **Whilst there is an element of financial recovery after this short-term period, the overall cumulative balance of resources over 30 years remains in deficit.**

The potential impact of accelerated formula rent convergence over 10 years – on top of CPI+1 per cent

Research into Housing Revenue Account (HRA) Expenditure and Rents



The charts below show the impact on the national projection were the sector able to bring rents back up to formula levels over a 10-year convergence period, assumed to be spread evenly across all 10 years from 2025 to 2035. This is modelled on top of CPI+1 per cent increases in formula rent for 10 years as we consider that it is extremely unlikely that the rent increase policy would be CPI-only with convergence.

Chart 6a: National HRA projection CPI+1 per cent for 10 years with rent convergence – in year surpluses/deficits

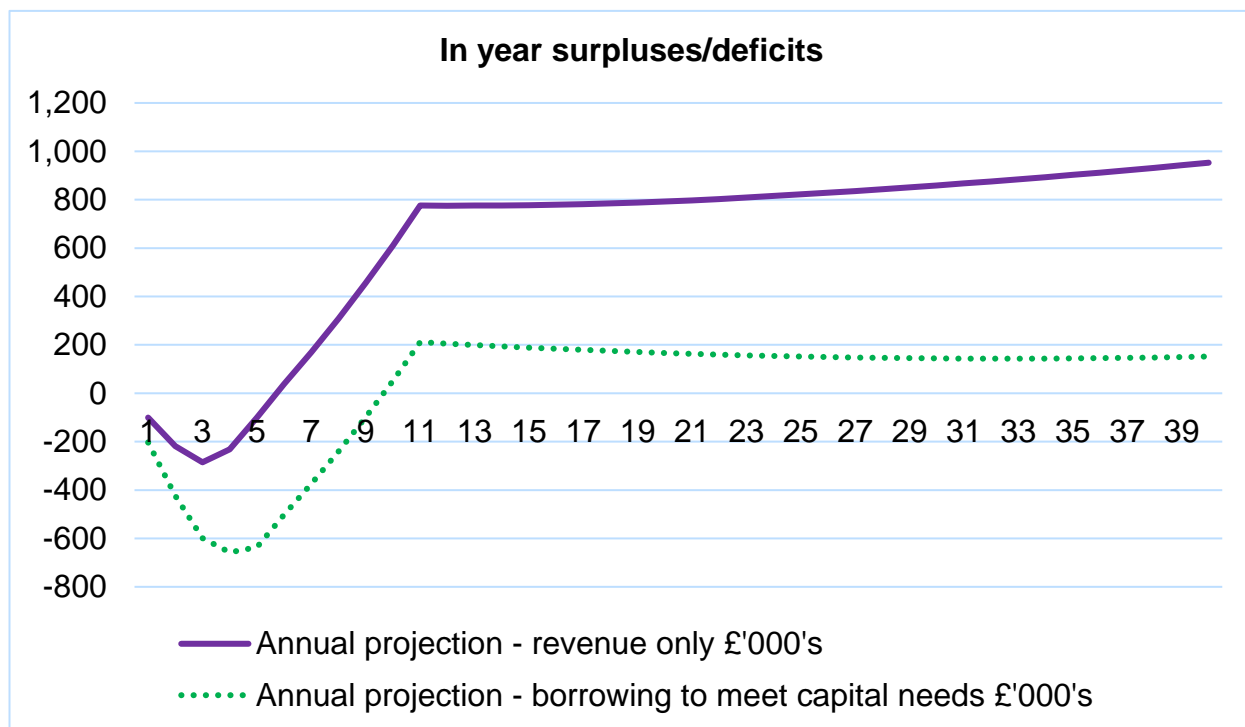
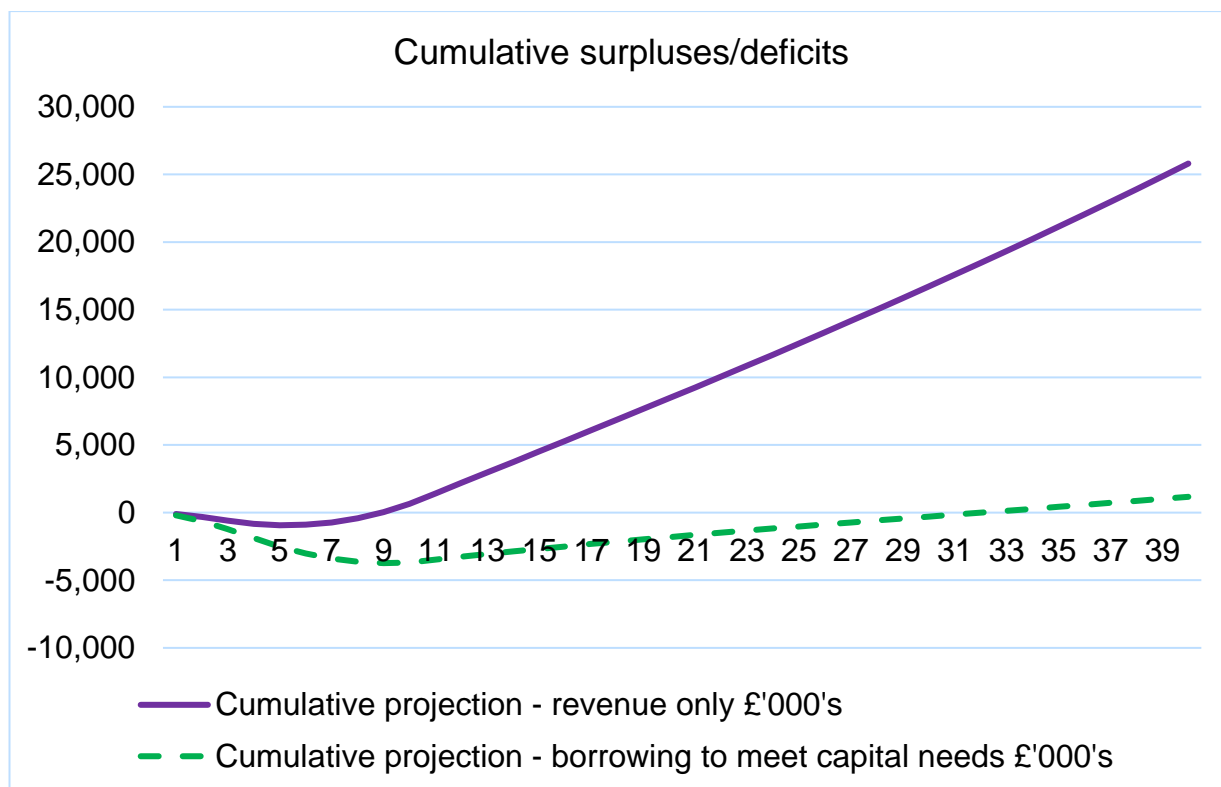


Chart 6b: National HRA projection CPI+1 per cent for 10 years with rent convergence – cumulative surpluses/deficits

Research into Housing Revenue Account (HRA) Expenditure and Rents



The charts highlight the following.

- The addition of the capability to achieve convergence with formula rents over 10 years (as opposed to via relet only) with CPI+1 per cent rent increases over the same period materially improves the financial position for HRAs in the medium and long term. The national model shows that there would be a return to overall cumulative surplus over 30 years (albeit with deficits in the middle period) highlighting that this is a combination which matches income over the long term with likely cost liabilities as identified from feedback for this research.
- Conversely, the potential to converge over a 10-year period does not prevent immediate to short-term deficits increasing, particularly given the likely needs for capital investment into the stock.

In overall terms, whilst a combination of CPI+1 per cent rent increases and accelerated convergence to formula rents, both over 10 years, has the potential to align HRA income resources with expenditure liabilities over the long term, early-year deficits remain likely.

There is therefore likely to be a requirement for additional resources to be deployed into HRAs in the short-term in order to maintain viability, whether via revenue or capital subsidy, or through any other mechanism.

3.4. Possible benefits of predictability in rent policy

In addition to the level of rent increases, the commitment by government to support such increases over a predictable and extended period could create an improved environment for planning and procurement, and therefore give the potential to raise additional value for money, or even efficiencies in programme delivery, which in turn may assist authorities in addressing early year challenges as set out above.

By way of illustration, we have worked with private finance institutions to identify the potential for additional value for money to be achieved.

It is difficult to make a general assumption on what additional value policy predictability might achieve for HRAs, and more work would be needed to make a detailed assessment. What we can say however is that the private sector, and in particular private funders, do place a keen emphasis on policy stability and income predictability as a means of reducing the risk premiums associated with their investments. There are therefore likely to be positive outcomes for local authorities with HRAs were equivalent levels of predictability achievable – at the very least through better value via longer-term contract and programme procurement.

Impact on markets and funding

The following factors have been ascertained from Savills' extensive network of funders and investors, all of which, it should be noted, are supportive of a long-term stable and predictable rent increase policy (at least 10 years).

Investors and funders tend to underwrite their investments at CPI income increases over the long-term; this is because over a look back at 40 years of private finance in social housing, rents have at least increased at that level over the very long term. There is therefore considered to be very low risk that this will not be the case, and that the government must accede that CPI increases would be a minimum over the very long term.

A 10-year CPI+1 per cent rent policy would offer significant additional resource and predictability.

For investor/pension fund backed investment, equity rates might see a 40-50bps reduction in the requirement for returns – so if the rate based on CPI only and no stable policy was (say) 3.75 per cent, the rate for that risk being taken away and with a CPI+1 per cent increase over 10 years, would reduce to between 3.25 per cent and 3.35 per cent.

This would suggest something in the region of a 10-15 per cent increase in investment capacity for the same given level of funding.

Research into Housing Revenue Account (HRA) Expenditure and Rents



Similarly, housing association debt funding rates benefit from key programmes such as Affordable Debt Guarantees. Feedback via research undertaken with the National Housing Federation suggests a reduction of up to 80bps on interest rates for housing associations.

In turn, and by making an equivalent parallel case, we believe that this also might support the case for a further increase in discounts from PWLB rates for HRA investment should a 10-year stable rent increase policy be implemented at CPI+1 per cent - in other risks on the lending of PWLB monies would be lower were the government to commit to a predictable rent increase policy.