

## Appendix 2a

<b>Financial Estimates 2026/27 – 2028/29</b>
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**Housing General Fund – Revenue Budgets**

Cost Centre	Revised Estimate 2025/26 £	Base Budget 2026/27 £
Hostel Accommodation	62,850	95,950
Homelessness (GF)	416,300	426,250
Housing Strategy	209,050	232,300
Lifeline and Miscellaneous Housing (GF)	11,700	(13,300)
<b>Total</b>	<b>699,900</b>	<b>741,200</b>

Classification	Revised Estimate 2025/26 £	Base Budget 2026/27 £
Employees	388,600	480,750
Premises	153,000	190,000
Transport	1,000	1,000
Supplies and Services	447,017	386,800
Corporate Recharges	489,900	539,300
Income	(779,617)	(856,650)
<b>Total</b>	<b>699,900</b>	<b>741,200</b>

There was no net budget change between the 2025/26 base budget and the 2025/26 revised budget for General Fund Housing.

The main changes to the 2026/27 base budget for total net expenditure when compared with the 2025/26 revised estimate are primarily a consequence of the following items:

Service Area	Change (£'000)
<b>Hostel Accommodation</b> <ul style="list-style-type: none"> <li>The primary variation relates to an increase of £20k on the repairs and maintenance (including equipment) budget due to planned works in 2026/27.</li> <li>Utility costs increased by £14k to allow for additional properties.</li> </ul>	34
<b>Homelessness</b> <ul style="list-style-type: none"> <li>Recharges from services, such as ICT and Business Support, has increased by £60k net due to an updated recharge calculation.</li> <li>Expenditure funded by the Homelessness Prevention Grant, such as temporary bed and breakfast accommodation and grant funded employee costs, has increased by £26k net due to supplier and price increases and increased pay costs.</li> <li>These increases are offset by an anticipated £77k increase in the grant provided by central Government.</li> </ul>	9
<b>Housing Strategy</b> <ul style="list-style-type: none"> <li>The HRA Housing Strategy and Performance cost centre recharges part of its net budget directly to the General Fund for services provided. This recharge has increased by £15k.</li> <li>Legal recharges have increased by £8k based upon the revised calculation basis.</li> </ul>	23
Lifeline and Miscellaneous Housing (GF) has seen a £25k decrease in the debtors' recharge based on the revised calculation basis.	(25)
<b>General Fund Revenue Budget increase in 2026/27</b>	<b>41</b>

## Housing Revenue Account – Revenue Budgets

	Revised Estimate 2025/26 £	Base Budget 2026/27 £
Repairs and Maintenance	5,619,250	5,577,800
Supervision and Management	3,695,600	3,868,900
Special Services	2,569,150	2,960,100
Rents, Rates, Taxes and Other Charges	22,550	62,700
Depreciation and Impairment of Fixed Assets	5,544,900	5,693,750
Increase/Decrease in Impairment of Debtors	50,000	30,000
Contingency	-	-
<b>Total Expenditure</b>	<b>17,501,450</b>	<b>18,193,250</b>
Dwelling Rents (Gross)	(19,860,000)	(21,332,150)
Non-dwelling Rents (Gross)	(279,000)	(279,000)
Tenants' Charges for Services and Facilities	(842,000)	(894,250)
Leaseholders' Charges for Services and Facilities	(163,600)	(163,600)
Other Charges for Services and Facilities	(123,000)	(8,000)
<b>Total Income</b>	<b>(21,267,600)</b>	<b>(22,677,000)</b>
<b>Net Cost of Services</b>	<b>(3,766,150)</b>	<b>(4,483,750)</b>
HRA share of Corporate and Democratic Core	513,550	529,250
HRA share of interest payable and similar charges including amortisation of premiums and discounts	3,929,050	4,233,850
HRA Investment Income	(232,700)	(134,450)
<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement</b>	<b>443,750</b>	<b>144,900</b>
Capital expenditure funded by the HRA	-	-
<b>(Increase)/Decrease in the HRA Balance</b>	<b>443,750</b>	<b>144,900</b>
HRA Opening Balance	(1,666,067)	(1,222,317)
<b>HRA Closing Balance</b>	<b>(1,222,317)</b>	<b>(1,077,417)</b>

<b>Housing Revenue Account</b>	<b>Revised Estimate 2025/26 £</b>	<b>Base Budget 2026/27 £</b>
Employees	5,537,850	5,571,900
Premises	908,050	1,127,450
Transport	218,400	239,800
Supplies and Services	3,329,750	3,081,450
Third Party Payments	919,800	1,182,900
Corporate Recharges	2,469,800	2,637,150
Capital Charges	9,473,950	9,927,600
Income	(22,413,850)	(23,623,350)
<b>Total – Decrease in the HRA Balance</b>	<b>443,750</b>	<b>144,900</b>

The budget increase for net expenditure in 2025/26 between the original budget and revised estimate is a consequence of the following items:

<b>HRA – Service Area</b>	<b>Change (£'000)</b>
Additional budget for the depreciation of council dwellings based upon an increase in the value of the Housing stock in 2024/25.	530
Revenue development to cover new responsibilities around tackling damp and mould established under Social Housing (Regulation) Act.	150
Cabinet approved the recruitment of a Property Management Compliance Officer (February 2025) with 50% of their work being recharged to the HRA (£31k). Cabinet also approved the recruitment of a Housing Complaints Officer in March 2025 (£39k).	70
An increase in the HRA pay budget was approved as part of the senior officer pay review in June 2025.	15
Vacancy saving budget for the HRA has been increased by £200k to recognise the larger than forecast employee savings during the year.	(200)
Rent income target has been increased as current performance is exceeding initial prudent expectations.	(200)
The 2025/26 budget included works to sheltered scheme communal areas. Although this was initially considered a revenue budget, it was found that spending met the requirements for capitalisation and therefore this budget has been moved to the Capital Programme.	(100)

<b>HRA – Service Area</b>	<b>Change (£'000)</b>
Income from investment interest is higher than forecast and the budget for the HRA's share of this income has been increased.	(100)
A higher proportion of HRA officer time will be spent on capital schemes than initially forecast and therefore the 'capital salaries' recharge from the HRA to the capital programme has been increased.	(50)
The HRA revenue contingency budget has been reduced by £25k as the full budget will not be required in 2025/26.	(25)
Several small budget variations approved throughout the year including in Housing Management, home ownership and the stock condition survey budget.	(3)
<b>Housing Revenue Account Budget increase in 2025/26</b>	<b>87</b>

An analysis of the major variances between the 2025/26 revised budget and the 2026/27 base budget is included in the table below. The 2026/27 base budget shows an increase in expenditure of £910k, whilst income has increased overall by £1.2m. The major variances are detailed below:

<b>HRA – Service Area – Expenses</b>	<b>Change (£'000)</b>
Increases in employee related costs across the HRA including the impact of the 2025/26 pay award, an anticipated 3% pay award in 2026/27 and contracted salary increments. These increases have been partially offset by a decrease in employer pension contributions (from 19% to 16.5%) meaning that the employee costs increase is substantially lower than in previous years.	34
<p>A net increase in premises related costs due to:</p> <ul style="list-style-type: none"> <li>• A £130k increase in Independent Living Scheme utilities based on current year usage and expected unit costs.</li> <li>• A £100k increase in repairs and maintenance costs based on current year actuals.</li> <li>• An increase of £29k in alarm system costs based on agreed contracts.</li> <li>• Legionella testing costs increasing by £20k based on forecast demand and remedial works costs.</li> <li>• Independent Living Scheme safety budget decreasing by £35k as it has now been merged with the capital scheme budget.</li> </ul>	219

<ul style="list-style-type: none"> <li>Lift maintenance and grounds maintenance both decreasing by £10k based on forecast requirements for 2026/27</li> <li>Small increased and decreases in various budgets have led to a further net £15k saving</li> </ul>	
Transport costs have increased primarily due to increases in fleet maintenance costs.	21
<p>There has been a net decrease in supplies and services costs which is primarily due to:</p> <ul style="list-style-type: none"> <li>A £20k increase in Regulator for Social Housing fees.</li> <li>Costs associated with Home Ownership services increasing by £30k.</li> <li>Insurance premiums increasing by £14k.</li> <li>Part of the Housing Repairs Voids budget related to costs that meet the requirements for capitalisation, with £250k being moved to the Capital Programme.</li> <li>Decreases of £35k in Housing Repairs materials costs based on current and forecast demand and supply.</li> <li>Small variations across a range of budgets resulting in a further £27k decrease in costs.</li> </ul>	(248)
Increases in Third Party Payments relate to an increase in Grounds Maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation and maintaining elderly residents' gardens. This recharge basis is being kept under review.	263
Methods used to allocate Corporate Recharges were reviewed this year and have resulted in a net increase in the recharge to the HRA, particularly in respect of Legal Services and Business Support costs. This reflects the level of work these services do for the HRA.	167
<p>There has been a significant increase in capital charges forecast for the HRA in 2026/27, which is primarily due to the following factors:</p> <ul style="list-style-type: none"> <li>Borrowing interest costs to the HRA being forecasted to rise by £305k. This is based on the estimated external borrowing required to fund the HRA Capital Programme.</li> <li>A forecast increase in the value of Council dwellings has led to a £236k increase in depreciation charges.</li> <li>An £87k decrease in non-dwelling depreciation charges due to several vehicles and other non-dwelling assets being fully depreciated in the current financial year meaning no depreciation charge for those assets in 2026/27.</li> </ul>	454

HRA – Service Area – Income	Change (£'000)
<p>An increase in Housing Rents (Dwelling) income based upon:</p> <ul style="list-style-type: none"> <li>• An opening stock of 4,375 properties; add a further 83 acquisitions and new builds across 2025/26 and 2026/27; less 35 estimated sales (Right to Buy) across the two years; equalling a projected closing stock of 4,423 properties.</li> <li>• Add the impact of a 4.8% rent increase (September CPI plus 1% as allowed by the Regulations).</li> <li>• Less a projected void loss of £448k.</li> <li>• A further £200k has been added to the budget as an income target, which is based upon the HRA's income performance in recent years.</li> </ul> <p>See further commentary below for more details.</p>	(1,472)
<p>There is no change in the Garage Rents budget as charges have not been increased. It is proposed that there would be no increase in garage rent charges in 2026/27 either to keep charges in line with other suppliers. See further commentary below for more details.</p>	-
<p>A small increase in Support Charges primarily due to the 4.8% increase in line with rents, adjusted for forecast voids.</p>	(52)
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> <li>• Investment income is forecast to decrease by £98k based on expected reserve balances and interest rates.</li> <li>• In 2025/26, the HRA had a budget of £115k for the Section 31 grant partially compensating for increased employer National Insurance Contributions. The HRA is not expected to get this support in 2026/27 and, as such, the budget has not been included.</li> <li>• Changes to recharges across the HRA have led to a decrease of £125k to Housing Management recharges. Note that this is the result of accounting adjustments and not actual lost income to the HRA.</li> <li>• Employee costs recharged to the Capital Programme (capital Salaries) have increased by £32k due to increasing employee costs and to reflect the time HRA employees spend on capital schemes.</li> <li>• Housing Management recharges to the General Fund have increased by £15k due to increasing employee costs.</li> <li>• Various small increases and decreases across several budgets, result in a net decrease in income of £24k.</li> </ul>	315
<p><b>Housing Revenue Account Budget decrease in 2026/27</b></p>	<p><b>(299)</b></p>

**Revenue Development****Tenant Satisfaction Survey**

In 2023, the Regulator of Social Housing introduced the Tenant Satisfaction Measures as part of their Consumer Standards. As part of this, the Council is required to complete an annual survey with all tenants following a specified question set and methodology. Due to the complexity of the requirement, it is not recommended that this exercise is completed in-house. For the last two years the Council has used a research company called Acuity to complete this.

Whilst New Burdens funding has previously been provided, the Council now needs to fund this annually via the Housing Revenue Account. A new budget of £20k has been included in the above figures for this development.

**Supplementary Comments to the Housing Revenue Account Budget**

1. Special Services includes all costs associated with providing Independent Living accommodation. These services are shared with tenants within Independent Living sites. Special Services also includes the costs of providing a grounds maintenance service to elderly tenants within the general needs housing stock.

**Housing Rents and Associated Income**

2. Housing rents in 2025/26 were charged over a 48-week period, which is similarly the case for 2026/27.

In 2023/24 the Government limited by legislation the increase in HRA dwelling rents to 7%. In 2025/26 this reverted to the previous policy of limiting increases to September CPI plus 1% and this has been maintained for 2026/27. An increase of 4.8% has therefore been applied. The amount of lost rent due to properties being empty has been provided for, in line with current performance.

It is imperative that the Council maintains the annual rent increases at the maximum allowable limit as the cost of maintaining, managing, building, and purchasing Council dwellings increases significantly year-on-year and therefore any increase that is lower than the allowable limit, freeze, or decrease in rents puts the future sustainability of the HRA at great risk.

**Non dwelling (Garage Rents) Income**

3. In recent years several garage sites have been identified as being viable for development into housing, these developments are currently underway.

Garage rents were frozen in 2025/26, and it is proposed that this be maintained for 2026/27. This is to keep prices in line with other providers in the area to minimise voids.



Housing Revenue Account Business Plan

4. The projected HRA closing balance at 31 March 2026 is forecast at just over £1.2m and just under £1.1m at 31 March 2027. Any new budgets approved in the final quarter of 2025/26 and throughout 2026/27 will further impact this, particularly if they are expenditure budgets that are not matched by income, (e.g. grant funding).

The Council has set its minimum balance as £1 million for the HRA. It is therefore important that the Council very carefully considers any requests for additional expenditure to ensure that it is necessary and also that it maximises rent and other income to ensure the financial viability of the HRA.

5. The HRA 30-year Business Plan was refreshed and approved by Cabinet in December 2023. Whilst this plan demonstrated that the HRA is financially viable over the 30-year period, it was evident that careful financial management will be required to ensure the short, medium, and long-term sustainability of the HRA. The 30-year Business Plan is due to be reviewed again in Spring/Summer 2026.