

## Appendix 2

**Housing Revenue Account Budget and Council House Rents 2026/27****1. Housing Revenue Account (HRA)**

The HRA budget for the 2025/26 revised and 2026/27 base budgets are presented below. This includes the requested revenue development as detailed below. The HRA has a projected balance of £1.077m as at 31 March 2027.

	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 in Impairment of Debtors	50,000	30,000
<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 (revenue)	-	-
<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>

## 2. Budget Changes

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

HRA – Service Area	Change (£'000)
Additional budget for the depreciation of Council dwellings based upon an increase in the value of the total 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 this budget has therefore been moved to the Capital Programme.	(100)
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. The 'capital salaries' recharge from the HRA to the capital programme has therefore been increased.	(50)
HRA revenue contingency budget has reduced by £25k as the full budget will not be required in 2025/26.	(25)
Several small budget variations approved throughout the year.	(3)
<b>Housing Revenue Account Budget increase in 2025/26</b>	<b>87</b>

An analysis of the variances between the 2025/26 revised estimates and the 2026/27 base budgets is included in the table below:

HRA – Service Area – Expenses	Change (£'000)
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 16.8%) 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>Independent Living Scheme utilities increasing by £130k based on current year usage and expected unit costs.</li> <li>Increase of £100k in repairs and maintenance costs based on current year actuals.</li> <li>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> <li>Lift maintenance and grounds maintenance both decreasing by £10k based on forecast requirements for 2026/27</li> <li>Small increases and decreases in various budgets have led to a further net saving of £15k.</li> </ul>	219
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 finance 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)
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.	-
A small increase in Support Charges primarily due to the 4.8% increase in line with rents, adjusted for forecast voids.	(52)

HRA – Service Area – Income	Change (£'000)
<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
<b>Housing Revenue Account Budget decrease in 2026/27</b>	(299)

## 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 HRA. A new budget of £20,000 has been included in the above figures for this development.

### 3. Rents and charges proposals

With effect from 1 April 2020, local authorities can set their own rent levels, though government guidance recommends that rent increases should be no more than the Consumer Price Index (CPI) plus 1%. On 2 February 2021, the Housing Committee approved the Council's Rent Setting Policy which in summary stated Housing Rents are to increase by September CPI plus 1%.

For 2023/24, in view of the economic situation, the Government capped rent increases at 7%. This restriction does not apply for 2026/27 so a return to the September CPI plus 1% method is proposed, resulting in a proposed increase of 4.8% for 2026/27.

An increase of 4.8% would equate to an average weekly rent of £100.49. Around two-thirds of tenants receive Housing Benefit or the rent element of Universal Credit (UC), although not all will get the full amount.

The UC programme continues to be rolled out across the Borough, which sees UC replacing several benefits with one. The amount due is paid directly to the claimant which is a substantial change for some claimants where housing benefits were previously paid to the landlord such as the Council. The Council continues to work with tenants and other agencies to ensure a smooth transition.

The budget proposals also include a freeze in garage rents, which is aimed to bringing these rents in line with other providers.

#### 4. Summary

The minimum working balance recommended on the HRA is £1.0m. Although the HRA should comfortably exceed this balance in the long-term, the HRA balance is forecast to fall very close to the minimum in the short-term. This is due to several factors, including the maintenance and development of the housing stock requiring large upfront capital expenditure (acquisitions and new builds). Interest rates also remain stubbornly high, further compounding the cost of capital investment. New revenue budgets have been also required to meet legislation, for damp and mould related works, housing disrepairs and compensation, and tenant satisfaction measures.

The interest cost arising from prudential borrowing to help fund the HRA Capital Programme is estimated at £4.234m in 2026/27.

Additional borrowing of £10.7m will be required for 2026/27 to fund the proposed new house building and acquisitions programme, compliance work and to contribute towards the investment and improvements of dwellings to ensure decent home standards are met. It is also anticipated that £2.0m will be required from HRA capital receipts to fund the Capital Programme in 2026/27.

It is recommended that a HRA working balance of at least £1.0m is maintained in future years to ensure that sufficient provision exists to meet unexpected needs. This will be increasingly significant in terms of having sufficient funds available to meet the cost of potential new build properties and other capital investment commitments.

The latest HRA 30-Year Business Plan was approved by Cabinet in December 2023. Whilst this plan demonstrated that the HRA is financially viable over the longer-term 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 HRA 30-year Business Plan will be reviewed again in 2026/27.