

<b>Title of Report</b>	<b>HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2026/27</b>	
<b>Presented by</b>	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder  PH Briefed <input checked="" type="checkbox"/> Yes	
<b>Background Papers</b>	<b>Council 20 February 2025:</b> <a href="#"><u>Housing Revenue 2025/26 Account</u></a> <a href="#"><u>HRA Budget and Rent Setting</u></a>	<b>Public Report:</b> Yes
	<b>Corporate Scrutiny Committee 22 January 2025:</b> <a href="#"><u>Draft Budget 2026/27</u></a>	<b>Key Decision:</b> Yes
<b>Financial Implications</b>	This report sets out the Housing Revenue Account (HRA) budget including both capital and revenue for the period 2026/27 to 2028/29.  It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.  <b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	No direct legal implications arising.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	No direct Staffing and Corporate implications arising.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	For Cabinet to review the Housing Revenue Account budget and Rents for 2026/27 and recommend to Council for approval and to also approve the 2026/27 Fees and Charges.	
<b>Reason for Decision</b>	Under the Constitution Cabinet is responsible for drawing up budget proposals for consideration by Full Council. Cabinet is also responsible for setting fees, charges and concession policies.	
<b>Recommendations</b>	<p><b>THAT CABINET:</b></p> <ol style="list-style-type: none"> <li><b>ENDORSES THE HOUSING REVENUE BUDGET AND RECOMMENDS IT TO COUNCIL FOR APPROVAL AT ITS MEETING ON 19 FEBRUARY 2026;</b></li> <li><b>APPROVES THE FEES AND CHARGES AS SET OUT IN APPENDIX 3;</b></li> </ol>	

	<p><b>3. DELEGATES AUTHORITY TO THE SECTION 151 OFFICER, IN CONSULTATION WITH THE PORTFOLIO HOLDER TO MAKE AMENDMENTS TO THE BUDGET PRIOR TO CONSIDERATION AT COUNCIL ON 19 FEBRUARY 2026 IN RESPONSE TO ANY REQUESTS FROM PORTFOLIO HOLDERS IN RESPECT OF THEIR PORTFOLIOS; AND</b></p> <p><b>4. CONSIDERS THE CORPORATE SCRUTINY COMMITTEE COMMENTS AND OFFICER RESPONSES AS DETAILED IN APPENDIX 5.</b></p>
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## **1.0 BACKGROUND**

- 1.0.1 The Housing Revenue Account (HRA) Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the HRA and is updated as it evolves and develops throughout the year, to form the framework for financial planning.
- 1.0.2 The purpose of the HRA MTFP is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are effectively managed and are able to deliver the aspirations of the Council, as set out in the Council Plan, over the medium term.

### **1.1 Context**

- 1.1.1 The Council is setting the HRA budget at a time when the Council and its residents face a range of issues to contend with. In broad terms, these can be split into two categories: economic and housing. Each of these is explored below:

### **1.2 Economic**

- 1.2.1 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes somewhat weaker medium-term real GDP growth, with medium-term productivity growth being reduced by 0.3% to 1% in-year.
- 1.2.2 On inflation, the OBR now expects headline Consumer Prices Index (CPI) inflation to be higher in the near term than its March 2025 forecast, remaining elevated at around 3.5% in 2025 and easing to 2.5% in 2026.

### **1.3 Housing**

- 1.3.1 In response to the government Devolution revolution strategy, mayors will get unprecedented powers to drive growth, turbo charge housebuilding and improve transport in a transformative fashion. The government published its English Devolution White paper on 16 December 2024. It put English regions centre stage in the government's plan for change with a mission to grow the economy, delivering the 1.5m homes and infrastructure.
- 1.3.2 Whilst North West Leicestershire is not party to any devolved arrangements and is not part of any Mayoral authority, in recognition of the broader context in which this budget is being set, the Council has strengthened its financial management over the past 12 months. It has continued to apply robust processes in developing its draft budget plans for 2026/27 and the medium term. This reflects an increased

organisational focus on financial sustainability. The approach, building on methods used in previous years, has included:

- Services completing budget proposals to justify the need for any changes to the budget.
- Regular reporting to the Corporate Leadership Team on the Council's overall budget position.
- Engagement with councillors through Portfolio Holder briefings, Strategy Group and an all-councillor budget briefing. Further engagement is planned through scrutiny, consultation with the public and the HRA tenants' forum.

## **1.4 Budget Assumptions**

### **1.4.1 The following budget assumptions have been built into the forecast:**

- A pay award of 3% has been assumed annually for future years.
- Each budget line for the HRA has been reviewed to reflect the forecast actual value for future years, considering contract values, expected activity levels and previous years' expenditure with inflation added, as per contracts.
- Staffing requirements have been considered to ensure the delivery of an effective housing service with the best outcomes for tenants. Following the recent report from the Regulator of Social Housing, this includes £150k of additional resources to improve frontline estate services.
- Contracts have been linked to the CPI/Retail Price Index (RPI) as per individual agreements.
- Fees and charges have been increased by CPI inflation in most cases. However, for the Lifeline service the proposed charge has been frozen due to affordability concerns (see section 2.4 for more detailed information on fees and charges).
- Rents are assumed to increase, as per the Rent Standard, at the 12-month CPI inflation from September 2025 (published in October 2025) which was 3.8% plus 1%, giving a total increase of 4.8% for 2026/27.
- The number of properties sold through Right to Buy is assumed to rise sharply from the previous estimate of 23 to 79 in 2025/26. Sales are then expected to fall back to 25 in 2026/27 and to stabilise at 12 per year from 2027/28 onwards. This profile reflects a one-off spike in completions of applications that were initiated before November 2024, ahead of the withdrawal of the increased Right to Buy discounts.
- Future borrowing is assumed to cost 5.3% in interest payments.

## **2.0 HOUSING REVENUE ACCOUNT BUDGET AND MTFS 2026/27 to 2028/29**

### **2.1 HRA Budget Summary**

2.1.1 Appendix 1 shows the HRA budget position for 2025/26 and the budget for 2026/27 to 2028/29.

2.1.2 Table 1 below shows that in 2026/27; the budgeted net operating expenditure has increased by £1.637m compared to 2025/26 and income has increased by £0.837m from increased rental income.

**Table 1: Changes to the Housing Revenue Account budget from the previous year**

	<b>2025/26 Budget</b>	<b>2026/27 Budget</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income	(21,830)	(22,667)	(837)
Operating Expenditure	19,002	20,639	1,637
<b>Operating (surplus)/deficit</b>	<b>(2,828)</b>	<b>(2,028)</b>	<b>800</b>
Appropriations	2,766	2,028	(738)
<b>Net (surplus)/deficit</b>	<b>(62)</b>	<b>-</b>	<b>62</b>

2.1.3 The appropriations in the table are the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are lower in 2026/27 as the HRA balance has a lower capacity to fund capital.

### **2.2 Rents**

2.2.1 As a self-financing account, the HRA's main source of income is domestic rental income. For 2026/27, the Council proposes to increase the rent by 4.8%, which is in line with the Rent Standard of CPI +1% for 2026/27. (The rent standard is a policy that registered providers of social housing in England must comply with and is overseen by the Regulator of Social Housing). The increase is expected to result in a total rental income of £21.5 million in 2026/27.

2.2.2 The average annual rent for Social and Affordable Rent properties in 2025/26 is £5,410.82 and £7,448.66 (2025/26: £5,163.00 and £7,107.50 respectively). The average weekly rent in 2025/26 is £108.22 and £148.97 for Social and Affordable Rent respectively (£103.26 and £142.15 for 2025/26) which is an increase of £4.96 and £6.82 on average per week. Those tenants who are more vulnerable are protected via increases in their benefits above this level, meaning that the worst off in the District will not be negatively impacted.

## 2.3 Budget Proposals

2.3.1 Appendix 2 summarises the most significant proposed changes to the HRA budgets. Looking at 2026/27 specifically, the itemised budget changes of £902k include:

- **Net increase in income totalling (£845k).** This is largely due to rental increases.
- **Cost pressures of £1,534k.** This is due to capital charges and inflationary pressures.
- **Pay-related increased costs of £212K.** This is due to pay awards and pay grade increments.

## 2.4 Fees and charges

2.4.1 In addition to the rental charges for dwellings, there are several other fees and charges in relation to services provided within the HRA. Some properties have service charges, on top of the rent, to pay for specific services relevant to their properties. The proposed fees and charges for 2026/27 are listed in Appendix 3. Most service charges increased by 3.8% (September CPI) in line with the corporate charging policy although some have increased by underlying contract inflation.

## 3.0 HRA CAPITAL PROGRAMME 2026/27 TO 2028/29

3.1.1 The proposed HRA capital programme is outlined in Appendix 4. The Council has continued to ensure governance improvements by strengthening the Capital Strategy for managing the capital programme through its life cycle. The capital programme has been split into Active and Development Pool to allow development schemes in the early stages to go through further governance before being allocated an appropriate budget for each stage of development. A summary of the capital programme is shown in Table 2 below.

**Table 2: Summary Capital Programme**

	2026/27 Budget £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	Total £'000
Stock Investment	13,450	13,450	13,450	40,350
Estate Improvements	500	500	500	1,500
Fleet Replacement	3,000	-	0	3,000
Other Capital	2,150	2,150	2,150	6,450
<b>Total Approved Programme</b>	<b>19,100</b>	<b>16,100</b>	<b>16,100</b>	<b>51,300</b>
<b>Total Development Pool</b>	<b>3,464</b>	<b>9,681</b>	<b>2,199</b>	<b>15,344</b>
<b>Housing Revenue Account Total</b>	<b>22,564</b>	<b>25,781</b>	<b>18,299</b>	<b>66,644</b>

3.1.2 Over the three-year period, the total programme totals £66.64m, an increase of £20.1m over the previous three-year programme. The difference is due to an increase of £4.8m in the Development Pool (new supply) and the Approved Programme has an increase of £15.3m, mainly due to increased Stock Investment, which includes £5.1m more investment towards Zero Carbon.

- **New Supply:** This programme includes internal developments as well as some acquisitions of individual properties planned.
- **Home Improvement Programme:** The backlog of work is on-going, and a budget has been made available for this within the capital programme.

3.1.3 The £15.3m within the Development Pool between 2026/27 and 2028/29 is part of the wider plan to invest £20m over the next 5 years.

## 3.2 Funding the Capital Programme

3.2.1 The capital programme is funded by a variety of sources, including revenue, grants, capital receipts and borrowing. Table 3 below summarises the funding sources identified for each year of the proposed HRA capital programme.

**Table 3: Sources of funding for the Capital Programme**

	2026/27 Budget £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	Total £'000
Reserves	3,877	4,193	3,705	11,775
Capital Receipts	1,500	1,500	1,500	4,500
RTB Receipts	3,464	3,231	510	7,205
Revenue contributions	8	201	200	409
External Borrowing	9,716	12,655	8,385	30,756
Grants	4,000	4,000	4,000	12,000
<b>Housing Revenue Account Total</b>	<b>22,566</b>	<b>25,780</b>	<b>18,300</b>	<b>66,646</b>

3.2.2 Table 3, above, forecasts shows that £30.8m external borrowing will be required over three years to fund the capital programme. This is an increase of £12.6m compared to the equivalent three-year period in 2025/26. This is due to decreased usage of reserves to fund projects.

## 4.0 DEBT

4.1 The loan balance for the HRA is forecast to be £53.8m at the end of 2025/26. There are annuity loan repayments of approximately £1.3m to make each year, these repayments are usually funded from working balances but once working balances reach the £1m minimum, they will be funded from other capital resources.

4.2 There are also loans to be repaid at maturity. The next of these to repay is a £10m repayment in 2036/37. In accordance with the strategy agreed in 2012, when self-financing for the HRA was introduced, the Council sets aside funding each year in a Debt Repayment Reserve to ensure there is sufficient funding to repay debt when it

matures. The budget assumes £2.8m is set aside in 2026/27 from the HRA to make the scheduled repayments at maturity, this increases each year as there is further borrowing to finance the capital programme (shown in Table 4).

## 5.0 RESERVES

5.1 The Council has several reserves for the use of the HRA. Most of the reserves are used for capital financing. Table 4 below shows the projected reserve balances over the MTFP period.

**Table 4: Reserve balances**

Reserve	31/03/2026 £'000	31/03/2027 £'000	31/03/2028 £'000
Major Repairs Reserve	4,162	4,496	4,677
Capital Receipts	6,221	5,642	1,984
Debt Repayment Reserve	7,801	8,889	10,310
<b>Total Capital Reserves</b>	<b>18,184</b>	<b>19,027</b>	<b>16,971</b>
HRA Reserve	1,000	1,000	1,000
Earmarked Reserves	115	0	0
<b>Total Revenue Reserves</b>	<b>1,115</b>	<b>1,000</b>	<b>1,000</b>

## 6.0 KEY RISKS TO THE BUDGET

6.1 Table 5 provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the HRA budgets:

**Table 5: Key Risks to the Budget**

Area	Y/N	Comments
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y	The 2025/26 financial monitoring is showing a projected breakeven position as of Q2. This is mainly due to staff vacancies and the overachievement of income due to the reductions in voids. However further reviews will be undertaken as the year progresses to update the in-year forecast.
The reasonableness of the underlying budget assumptions	Y	All budget proposals have been justified by service managers, reviewed by the Finance team and subject to budget challenge sessions in the new process. There have also been several budget workshops with Cabinet Members.  External review has also been undertaken by the treasury advisers,

Area	Y/N	Comments
		Arlingclose, on the Treasury Management Strategy.
The alignment of resources with the Council's service and organisational priorities	Y	<p>Resources are aligned to the current priorities of the Council.</p> <p>The Council Delivery Plan (CDP) was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council.</p> <p>The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority. The Council is aware of the investment required over this period.</p>
A review of the major risks associated with the budget	Y	The major risks within the budget have been assessed and are set out in the budget report, including mitigations and strategies about how these are being managed.
The availability of unearmarked reserves to meet unforeseen cost pressures	Y	The Council has a minimum level of reserves for HRA (£1m). This level is to be reviewed as part of the HRA business planning process.
Have realistic income targets been set and 'at risk' external funding been identified?	Y	<p>An assessment of income targets has been undertaken as part of the development of the draft budget.</p> <p>The most significant area of income is from dwelling rents. The budget for this is produced with reference to current stock levels and expected stock loss, reconciling data and changes from the previous year to the current year.</p> <p>Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.</p>
Has a reasonable estimate of demand and cost pressures been made?	Y	The enhanced budget process used in the development of the draft budget has improved the reasonableness of estimates.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.

Area	Y/N	Comments
Have one-off cost pressures been identified?	Y	All pressures have been reviewed to assess if they are one-off or ongoing in nature. Services will need to ensure exit plans exist for one-off expenditure.
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y	For 2025/26, portfolio holders were kept informed of the in-year position on a quarterly basis. Directors also held regular meetings with finance teams to ensure a clear understanding of the financial position throughout the year.  Unit4 training is required for all budget holders.
Is there a reasonable contingency available to cover the financial risks faced by the Council?	Y	The Council has incorporated estimates for pay award, inflation and demand pressures into its budget.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The Council has a range of earmarked, and minimum levels of reserves to ensure its financial stability.
The strength of the financial management function and reporting arrangements?	Y	The Council implemented a new financial system in April 2023 to improve its reporting. Enhancements to the system have been made, however, the Finance Teams are still catching up on delays caused by the system implementation. A move to a new supplier for support and maintenance of Unit4 provides an opportunity to enhance the reporting arrangements.  Training for all budget holders in the use of Unit4 is planned.  A review of the Financial Procedures Rules has been undertaken.
Have the previous year's Accounts been signed off by external audit to verify balances?	N	The Council's position in respect of its completion of the Statement of Accounts has been reported to the Audit and Governance Committee. The Statement of Accounts 2023/24 and 2024/25 were published in August 2025 and January 2026 respectively ensuring compliance with the backstop dates.

Area	Y/N	Comments
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a continuation of the improvements introduced to the budget setting process in previous years. This has included a series of budget challenge sessions between the Directors and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders and Strategy Group, with all Member briefings scheduled.

## 7.0 CONSULTATION

### 7.1 Consultation with Members

7.1.1 The Corporate Scrutiny Committee considered the HRA budget at the meeting on the 22 January 2026. Appendix 5 details the comments made by the committee and the officers' responses at the meeting to be considered by Cabinet.

### 7.2 Public Consultation

7.2.1 As part of the budget consultation, the Council launched an online survey from 14 January 2026 to the 1 February 2026 to seek the views of residents and businesses on the main changes within the budget. The survey was promoted via social media and set out the key changes to the budget and asked responders to state the extent to which they supported the proposed changes. Residents could also provide additional comments if they wanted to. At the time of publication of this agenda, the public consultation was still active. Appendix 8 within the General Fund and Council Tax 2026/27 report, on the same agenda, presents an overview of the initial consultation responses. A revised version of the appendix will be circulated before the Cabinet meeting, providing a summary of the full consultation feedback.

7.2.2 The proposed budget was presented at the Tenant Finance Budget Briefing on 22 January 2026. No comments or recommendations were made.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against the priorities for the HRA.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the changes to rents and fees and charges.
Economic and Social Impact:	The HRA capital programme allocates £40.4m to Stock Investment over three years to improve homes, and £15.3m on new homes to give homes to more people.

Environment and Climate Change:	The budget includes a capital programme of Zero Carbon works for dwellings worth £17.1m.
Consultation/Community Engagement:	Corporate Scrutiny Committee 22 January 2026 Public consultation - 14 January to 1 February Tenants Budget Briefing – 22 January 2026.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
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