

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY, 19 FEBRUARY 2026



Title of Report	2026/27 HOUSING REVENUE ACCOUNT (HRA) BUDGET AND RENT SETTING	
Presented by	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder	
Background Papers	<p>Council - 20 February 2025 Housing Revenue Account Budget and Rents 2025/26</p> <p>Corporate Scrutiny Committee – 22 January 2026 Draft Budget 2026/27</p> <p>Cabinet – 3 February 2026 Housing Revenue Account Budget and Rent Setting 2026/27</p>	Public Report: Yes
Financial Implications	<p>This report sets out the Housing Revenue Account (HRA) budget including both capital and revenue for the period 2026/27 to 2028/29.</p> <p>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.</p> <p>Signed off by the Section 151 Officer: Yes</p>	
Legal Implications	<p>The Housing Revenue Account is a statutory, ring-fenced account governed by the Local Government and Housing Act 1989, which requires local authorities to ensure that the HRA remains in balance and is used solely for landlord activities. The rent increase proposed in this report complies with the Regulator of Social Housing’s Rent Standard, which permits annual increases of CPI + 1% for 2026/27.</p> <p>The Council must also have regard to requirements arising from the Social Housing Regulation Act 2023, including maintaining safe homes, engaging tenants and complying with consumer standards.</p> <p>Subject to compliance with these duties, there are no further direct legal implications arising from this report.</p> <p>Signed off by the Deputy Monitoring Officer: Yes</p>	
Staffing and Corporate Implications	<p>No direct staffing or corporate implications arising.</p> <p>Signed off by the Head of Paid Service: Yes</p>	

Purpose of Report	To allow the Council to approve the 2026/27 Housing Revenue Account budget and rents.
Recommendations	<p>THAT COUNCIL:</p> <ol style="list-style-type: none"> 1. APPROVES THE HOUSING REVENUE ACCOUNT (HRA) BUDGET FOR 2026/27 (APPENDIX 1) AS SUMMARISED IN SECTION 2 OF THIS REPORT, INCLUDING THE INCREASING OF RENTS BY 4.8%. 2. NOTES THE HRA BUDGET FOR 2027/28 AND 2028/29 (APPENDIX 1) 3. NOTES THE FEES AND CHARGES APPROVED BY CABINET ON 3 FEBRUARY 2026 (APPENDIX 3). 4. APPROVES THE PROPOSED HRA CAPITAL PROGRAMME FOR 2026/27 (APPENDIX 4) AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT.

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 Challenges

- 1.2.1 The economic outlook for 2026/27 indicates a period of subdued but improving stability. The OBR expects inflation to ease through 2026 as energy-related pressures unwind and spare capacity increases, helping CPI inflation move closer to the 2% target over the medium term. CPI inflation stood at 3.4% in December 2025, signalling persistent but stabilising price pressures.
- 1.2.2 Forecasts suggest UK GDP growth of around 1.3–1.4% during 2026/27, reflecting continued structural weaknesses and subdued consumer demand. For HRAs, this economic backdrop implies ongoing cost pressures but a gradually improving environment across the financial year.

1.3 Housing Challenges

1.3.1 2026/27 brings major national reforms for the social housing sector, driven by the Government's Decade of Renewal agenda and the launch of the 2026–2036 Social and Affordable Homes Programme (SAHP), which applies nationwide and aims to expand supply and improve housing quality.

1.3.2 Providers will also face increased compliance requirements as Awaab's Law enters Phase 2 in October 2026, extending mandatory response times to a wider set of health and safety hazards.

1.3.3 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. Local government borrowing costs through Public Works Loans Board (PWLB) are linked to central government borrowing costs (or gilt rates) which remain elevated by historical standards.

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.

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

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

- 2.1.2 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.
- 2.2.2 Historically, there were a number of years where rents were either reduced (2016-2021) or capped below inflation (in 2023/24) due to government policy. This impacted the budget and the ability to fund improvements.
- 2.2.3 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 £22.3 million in 2026/27.

- 2.2.4 The average annual rent in 2026/27 for Social Rent properties is £5,411 (2025/26: £5,163). Averaged across 50 collection weeks, this equates to a weekly rent of £108.22 (2025/26: £103.26). This is an average increase of £4.96 a week.
- 2.2.5 The average annual rent in 2026/27 for Affordable Rent properties is £7,449 (2025/26: £7,108). Averaged across 50 collection weeks, this equates to a weekly rent of £148.97 (2025/26: £142.15). This is an average increase of £6.82 a week.
- 2.2.6 For eligible vulnerable tenants, any increase in social rent is normally covered through corresponding increases in Housing Benefit or the housing element of Universal Credit, ensuring their net rent remains affordable.
- 2.2.7 From April 2027, the Government will introduce a phased rent convergence approach, allowing councils to increase social rents that are currently below formula rent by an extra £1 per week (and £2 per week from April 2028) on top of the standard CPI+1% uplift.
- 2.2.8 Formula rent is the Government-set benchmark rent for each social housing property. It's calculated using factors like the property's value, local income levels and the size of the home, to ensure similar rents are charged for similar properties.
- 2.2.9 This gradual alignment is intended to close the gap between current rents and formula rent levels where these exist, providing greater financial capacity to invest in maintaining and improving homes, while keeping changes gradual for tenants.

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 approved 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
Total Approved Programme	19,100	16,100	16,100	51,300
Total Development Pool	3,464	9,681	2,199	15,344
Housing Revenue Account Total	22,564	25,781	18,299	66,644

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 five 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
Housing Revenue Account Total	22,566	25,780	18,300	66,646

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 £1.3m 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).

4.3 The Council's current financial modelling assumes that maturity loans are held to term, as early repayment would trigger significant lender premiums, creating an immediate and material cost pressure with no corresponding financial benefit. Instead, reserves are built up to enable repayment at maturity. Sensitivity analysis demonstrates that full repayment of all maturity loans would result in a substantial and unsustainable resource shortfall.

4.4 The Council has recently refreshed its HRA business plan, which will be reported to Members in the coming weeks, and this work reinforces the importance of maintaining financial flexibility. While refinancing of debt is now common sector practice, allowing resources to be prioritised for new supply and maintaining stock standards, it was agreed that entering into refinancing arrangements at this time would be inappropriate given the uncertainty associated with local government reorganisation. The combined risk of early-repayment premiums and committing successor authorities to long-term financial decisions during reorganisation supports the current prudent approach of avoiding refinancing at this stage, given that the next loan

repayment is after the expected date of local government reorganisation.

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
Total Capital Reserves	18,184	19,027	16,971
HRA Reserve	1,000	1,000	1,000
Earmarked Reserves	115	0	0
Total Revenue Reserves	1,115	1,000	1,000

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, Arlingclose, on the Treasury Management Strategy.

Area	Y/N	Comments
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. 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. 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.
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.

Area	Y/N	Comments
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y	<p>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.</p> <p>Unit4 training is required for all budget holders.</p>
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	<p>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.</p> <p>Training for all budget holders in the use of Unit4 is planned.</p> <p>A review of the Financial Procedures Rules has been undertaken.</p>
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 reviewed the General Fund budget during its meeting on 22 January 2026. Members raised several questions about the proposals and made recommendations. Further details are available in the minutes, which can be found as a background paper.

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. Appendices 7-9 within the General Fund and Council Tax 2026/27 report, on the same agenda, presents an overview of the consultation responses.
- 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:	There are no identified Equalities or Diversity impacts arising from the HRA budget
Customer Impact:	Tenants 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.
Officer Contact	Anna Crouch Head of Finance and Section 151 Officer anna.crouch@nwleicestershire.gov.uk