

Housing Revenue Account: 2026/27 Budget and Business Plan update

Housing Scrutiny Committee
27 January 2026





Introduction

- Local authority housing landlords are required to set rents and budgets for the forthcoming financial year.
- The Housing Revenue Account Business Plan (HRA BP) is reviewed annually and updated to reflect changes in legislation, the social housing market, asset condition and business assumptions.
- The Council must present a 30-year HRA BP as a minimum but has adopted a 50-year HRA BP which must remain viable in line with the longer-term financial commitments.
- This allows the Council to manage and maintain its housing stock, to proceed with the projects already approved by Cabinet, to service the debt created by the HRA becoming self-financing in 2012, to service the debt from new borrowing, and provide a financial surplus to reinvest into the HRA.
- Recommendations will be made to Cabinet in February to approve housing rents, other HRA charges, and the proposed HRA revenue budget for 2026/27.



HRA Budget Timetable

- Leadership Coordination Group – 19 January
- Informal Cabinet – 19 January
- Housing Scrunity Committee – 27 January
- Finance Briefing (all Cllrs) – 29 January
- Budget Review Group – 4 February
- Cabinet – 5 February
- Council – 18 February



Actions taken in preparing HRA Budget and BP

- New set of detailed assumptions (set out on subsequent slides)
- Review of current staffing establishment and growth requirements, including split of HRA/GF allocations and capitalisation
- Costs of remedial works for all High-Risk Buildings (HRBs), and levels of grant funding expected
- Provision for housing acquisition and growth incorporated
- Refresh of Housing Investment Programme (HIP)
- Reprofile of debt and reserve levels



Areas of staffing growth for Housing

- Establishing a new antisocial behaviour (ASB) team with specialist officers.
- Additional housing officer posts to reduce patch sizes and give focus to voids.
- Increasing staffing across the income, independent living, and estates teams.
- A new leasehold, shared ownership, and service charge team.
- Additional posts for complaints, consumer standards project, and service development and performance reporting.
- In the building surveying and construction team, additional resources for surveying (including specialists in fire safety), assets data, and tenant liaison.
- In the compliance management team, additional resources for management, surveying, systems development, and administration.
- In the housing and void repairs team, additional resources to manage the new repairs contract, surveying, voids oversight, and admin and coordination.



Areas of capital growth for housing

- Additional monies for Decarbonisation (£6.3m) and accelerating to EPC C, £2m additional funding for remedial actions over the next 4 years.
- Backlogs in relation to Aids & Adaptations, Roofing and Windows/Doors, Central Heating Replacements will be completed by 27/28 at which point costs are expected to go back to historic levels.
- Improved Ventilation budget has been increased to £600k p.a., the budget for 25/26 was circa £5k vs an expected spend of £595k; it is expected that this level of expenditure will continue and will be reassessed once the Stock Condition Survey data has been analysed.
- Capitalisation of staff has increased to £2m vs the previous BP which assumed approximately £310k to £350k over the next 14 years.
- Additional inflationary costs due to project delays.

Projected impacts of increased resources

- Following self-referral to the Regulator of Social Housing in 2024, circa 28 new posts were approved and recruited to in 2025/26.
- For 2026/27, circa 40 new posts across all of Housing Services have been proposed in the budget, which will potentially grow the establishment from 2024/25 levels by around 50%.
- Following a full review, some roles will remain funded, in full or in part, via the general fund or grants, and circa 16 roles will remain fixed-term, i.e. where funding is time limited or to support the mobilisation of the new repairs contract.
- With these additional roles, the housing service will be in a stronger position to create a single core housing function by completing the separation of the HRA & General Fund (GF) asset management teams.
- This service will be focussed on delivering the Consumer Standards Improvement Plan, to ensure WDC are fully compliant and RSH inspection-ready, and provide greater leadership and ownership of key services.
- Critical areas, such as building safety, compliance, contract and commercial management, ASB, and leasehold/service charges will be strengthened, while end-to-end processes will be improved, increasing satisfaction levels, and driving efficiencies.

Assumptions – Inflation & Grants

Assumption	2026 Business Plan
2012 Self Financing Borrowing	<p>The debt profiling of the current PWLB maturity loan capital repayments in 2053/53-2061/62 was causing severe restrictions on the HRA Business Plan. The current Business Plan assumes this debt will be fully paid by 2061/62, although Specialist Treasury Management Advice will be sought in relation to refinancing this debt if we require more flexibility - including the ability to continue to deliver construction and purchase of Social and Affordable housing.</p>
General Inflation	<p>Salary costs have been inflated in line with the Local government pay settlement. Contract inflation for repairs where applicable has been inflated between 3.8 – 4.5% but is generally linked to CPI/RPI dependent on each contract.</p> <p>Long term Rent Inflation from years 2-50 of the HRA BP has been assumed at 3% to match rent inflation in the long term of CPI + 1%. CPI is advised to be targeted to return to 2% +1% long term to match the rent increases.</p> <p>Where WDC pays utilities, Gas cost expected to be cost neutral, Electricity costs are expected increase by 5%, based on new ESPO Contract.</p> <p>All other applicable general expenditure between 2025/26 & 2026/27 has been inflated by CPI in line with contracts in place a part of the Councils Budget setting process.</p>
Homes England Grant	<p>Homes England can award the Council grant subsidy in the HRA in the form of a recyclable conditional capital grant which contributes to the cost of construction of affordable housing which ensures deliverability and increases the viability of the HRA Business Model.</p>

Assumptions – Rents

Assumption	2026 Business Plan
Social & Affordable Dwelling Rents	<p>Social & Affordable Rents are inflated Annually by CPI at September +1% = 4.8% from April 2026, based on September CPI being 3.8% + 1% using National Social Rent Policy.</p> <p>After 2027 it is assumed CPI will return to the 2% government target + 1% (3%) and continue for the remainder of the 50-year business plan, and all void social rents will be revised to target social formula rent.</p> <p>Service charges for approximately half of the Council’s housing stock are incorporated as part of the rent charge, thereby susceptible to government rent caps/constraints. There is no correlating government policy on the treatment of service charges meaning that landlords who have separated out service charges from rent can apply a total cost recovery model.</p> <p>All Void Affordable Rents will be revised to national Affordable Rents of 80% of local Market Rent.</p>
Shared Ownership Dwelling Rents	<p>Existing leases (prior to the 2023 changes) will continue to have their rent increased by RPI at November + 0.5% annually, new shared ownership tenancies will increase by CPI at September +1%.</p> <p>After this point an average of 3% has been forecast for the remainder of the business plan to reflect the average of the two rent regimes.</p>
Affordable Rents	<p>All new Affordable rents to be set at the National Rent Policy Levels of 80% of Market Rents.</p>
Garage Rents	<p>Garage Rents are to increase by 10% annually.</p>
Rents Other	<p>Shop and commercial property rent reviews are undertaken upon the grant of a new lease/tenant using market commercial rent valuations.</p>

Assumptions – Management & Maintenance Costs

Assumption	2026 Business Plan
Bad Debts as a % of Gross Rents	The bad debt provision within the HRA BP will reduce to 1.06% using trends of calculating the actual bad debts as a % of the total income received reducing in the past 12 months.
Void Rent Loss as a % of Gross Rents	1.0%. for housing rents and 46% for garage rents
No. of Garages Demolished	No additional disposals are currently factored in - a review is planned for 2026-28.
Management Costs	<p>Only increases on costs that have been inflated as part of the budget setting process.</p> <p>When homes sold, assumed no saving in management costs, and when new dwellings are adopted increase management costs in line with average costs per dwelling</p>
Revenue Repairs & Maintenance Costs	<p>Annual costs increase of CPI + 1% assumed to take account of changes in building materials cost. Now that inflation has reduced the extra 1% has been removed.</p> <p>When dwellings sold, save 100% of average unit repairs cost, and when new dwellings are adopted, increase using average costs per unit.</p>
Capital Works Costs	<p>A 10-year Housing Improvement Plan (HIP) is in place assessing each of the 10 years independently in line with Stock Condition Surveys, Climate Emergency, Fire Safety, and Grant-funded.</p> <p>The 10-year plan is a flat line average cost per year per works category as per guidance from CIPFA, and after this the inflation matching the Rent inflation at CPI + 1% is adopted again in line with CIPFA Guidance.</p>

Assumptions – Sales and Borrowing

Assumption	2026 Business Plan																				
No. of Right-To-Buy Sales	Due to the RTB Discount policy change by the current Government Policy and a significant reduction in RTB discounts to eligible tenants, an average of 10 properties p.a. will be sold, this is offset by 2 buybacks p.a. creating a net position of 8.																				
Income from RTB sales	The govt's reduction in discounts significantly impacted income, but allowable usage of RTB Capital Receipts has been increased from 50% to 100% so doubling expected income.																				
New Homes - Rents	A mix of National Affordable, Social Rent and Shared Ownership.																				
Interest Rate on HRA Balances	Following treasury management review have updated current assumptions based on predicted performance of investments to 3.6% in 2026/27 and 3.05% for future years on available balances																				
Interest Rate on HRA 2012 Self Financing Debt of £136.2m	Actual rates for current debt (average 3.5%).																				
PWLB Borrowing Rates on New Borrowing outside of the Self-Financing Debt	<table border="1"> <thead> <tr> <th>Year</th> <th>%</th> <th>Year</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2025/26</td> <td>4.0</td> <td>2029/30</td> <td>4.5</td> </tr> <tr> <td>2026/27</td> <td>4.5</td> <td>2030/31</td> <td>4.5</td> </tr> <tr> <td>2027/28</td> <td>4.5</td> <td>2031/32</td> <td>4.5</td> </tr> <tr> <td>2028/29</td> <td>4.5</td> <td>2032/33</td> <td>4.5</td> </tr> </tbody> </table>	Year	%	Year	%	2025/26	4.0	2029/30	4.5	2026/27	4.5	2030/31	4.5	2027/28	4.5	2031/32	4.5	2028/29	4.5	2032/33	4.5
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Internal Borrowing	Variable % rates charge depending on the timing of the in-year investment rate as per the Councils Treasury management strategy.																				
Depreciation	75 years.																				

Reserves

Assumption	2026 Business Plan
General Note	Reserves have been used wherever possible to reduce borrowing, but in general total reserves will never go below £6.5m.
HRA Reserve	Minimum working balance of £1.5m.
Capital Investment Reserve (CIR)	The intention is to utilise the CIR wherever possible, it is assumed post 30/31 the CIR will not have to fund HRA operational deficits. The CIR also partially funds capitalised staffing costs (40%), a desire to acquire a minimum of 20 new properties p.a. from 29/30.
Major repairs Reserve (MRR)	This reserve is set aside to cater for capital programme of works and its main aim at this point is improve to the EPC rating of all housing stock to a minimum grade C by 30/31. It also provides the funding for Hi-Rise Cladding remediation works which have increased by an estimated £5m since Cabinet authorisation, this has been somewhat mitigated by Homes England Grants Funding.
Shared Ownership (SO)	Currently the balance on this reserve is small and has been fully utilised in 26/27 & 27/28, the balance going forward is estimated to be £300k.
Right to Buy 1-4-1 Receipts Reserve (RTB)	Whenever possible this balance has been kept to a minimum and will rarely get above £100k over the next 15 years. Some of the receipts will go to our target of acquiring 20 houses p.a.