

# Brighton & Hove City Council

## Cabinet

## Agenda Item 126

**Subject:** **Housing Revenue Account Budget & Capital Investment Programme 2026-27 and Medium-Term Financial Strategy**

**Date of meeting:** **Thursday, 12 February 2026**

**Report of:** **Cabinet Member for Housing**

**Contact Officers:** **John Hooton Interim Director, Finance & Property  
Genette Laws - Corporate Director for Homes & Adult Social Care**

**Ward(s) affected:** **(All Wards);**

**Key Decision:** **Yes**

**Reason(s) Key:** Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).

## For general release

### 1. Purpose of the report and policy context

- 1.1 This report outlines the proposed Housing Revenue Account (HRA) revenue and capital budgets for 2026/27, as mandated by the Local Government & Housing Act 1989. Cabinet is required to review the revenue budget proposals, including provisions for service pressures, changes to rents, fees and charges, as well as the HRA capital investment programme. These investments support the council's objectives of creating a 'Fair and Inclusive City' as well as a 'Homes for Everyone.' The report also includes a forecast for the Medium-Term Financial Strategy (MTFS) and provides a 30-year financial projection.
- 1.2 The HRA revenue and capital budget priorities align to The Brighton & Hove Housing Strategy (2024-29) which sets out the vision on how best to deliver the city's housing objectives based around the following five priorities: Improve housing quality, safety, and sustainability; Deliver the homes our city needs; Prevent homelessness and meet housing need; Promote improved health and wellbeing for all; and Provide resident focused housing services.
- 1.3 Our approach to service delivery and investment continues to be shaped by feedback from residents and staff gathered through the Creating Great Homes Together consultation, regulatory consumer standards, and our vision for being a Great Landlord. This includes this year investment in recruiting a Neighbourhood Officer team, a team dedicated to tackling damp and mould, recruiting 19 apprentices in the trades of electrics, carpentry, and plumbing, as well as remedial works related to fire safety, water safety and repairs. The council has been granted funding for fire safety

as well as continuing to invest in Net Zero initiatives such a EPC upgrades to C rating.

- 1.4 The HRA contains the income and expenditure relating to the council's social landlord duties covering 12,320 rented homes, 2,716 leasehold homes and 3,000 car park units as of December 2025. The number of council homes continues to increase with our focus on increasing housing supply, 12,145 council rented properties were reported in the February 2025 budget papers. The HRA is a ring-fenced account within the General Fund that covers the management and maintenance of council-owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.
- 1.5 Although the HRA is not subject to the same funding constraints as the General Fund, it is a ring-fenced account within the General Fund and still follows the principles of value for money and equally seeks to improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and costs with comparator organisations is used to identify opportunities for better economy, efficiency, and service delivery.

## **2. Recommendations**

### **That Cabinet:**

- 2.1 Approves a rent increase of 4.8% in line with government legislation as detailed in paragraph 3.12 of the report.
- 2.2 Approves a 5% rent increase for all new and re-let tenants, in accordance with the rent flexibility policy as set out at paragraph 3.10 of the report.
- 2.3 Approves the service charges and fees as detailed in Appendix 2 to the report.
- 2.4 Notes the Medium-Term Financial Strategy (MTFS) and 30-year financial projections shown in Appendix 4 to the report.
- 2.5 Notes and recommends to Full Council for approval the HRA Revenue Budget for 2025/26 as outlined in table 1 of the main report and Appendix 1.
- 2.6 Notes and recommends to Full Council for approval the new Capital Programme Budget of £79.640m for 2026/27 be agreed as part of the revised capital budget of £126.339m (which includes reprofiling of £46.699m from 2025/26).
- 2.7 Notes and recommends to Full Council approval of the earmarking of £1m reserves against disrepair claims for 2026/27.
- 2.8 Notes and recommends to Full Council for approval the 5-year capital programme as set out in Appendix 3 to the report.

### **That Full Council:**

- 2.1 Approves the HRA Revenue Budget for 2026/27 as outlined in table 1 of the main report and Appendix 1.

2.2 Approves the new Capital Programme Budget of £79.640m for 2026/27 be agreed as part of the revised capital budget of £126.339m (which includes reprofiles of £46.699m from 2025/26).

2.3 Approves the earmarking of £1m reserves against disrepair claims for 2026/27.

2.4 Approves the 5-year capital programme as set out in Appendix 3 to the report.

### **3. Context and background information**

#### **Council Plan 2023 to 2027**

3.1 The Council Plan 2023 to 2027 sets the vision and priorities for Brighton & Hove to be a city to be proud of, a healthy fair and inclusive city where everyone thrives. To deliver the vision focus will be given to four outcomes that are supported by a range of commitments and actions. Full details are in the published plan and the four outcomes supported are.

- Outcome 1 - A city to be proud of
- Outcome 2 - A fair and inclusive city
- Outcome 3 - A healthy city where people thrive
- Outcome 4 - A responsive council with well-run services

3.2 Whilst the HRA budget proposals will address all four of the Council Plan (CP) outcomes, the main focus will be on delivering against the fair and inclusive city, goal of Homes for Everyone, and the objectives of our Brighton & Hove Housing Strategy (HS) 2024-2029, with investment supporting the following priorities:

##### Improve housing quality (CP): Improve housing quality, safety, and sustainability & Support improved health and wellbeing for all (HS)

- Invest in building and fire safety to meet new duties under the Building Safety Act.
- Ensure the council complies with new social housing regulations.
- Complete post pandemic recovery including reducing backlog of housing repairs.
- Improve the energy performance of council homes through our capital works programme.
- Improve the sustainability of our housing stock.

##### Increase housing supply (CP): Deliver the homes the city needs & Prevent homelessness and meet housing need (HS)

- Increase the number of new affordable homes delivered by the council.
- Buy back council homes lost through the right to buy.

##### Improve housing support for residents:(CP): Provide resident focused housing services HS

- Optimise the local benefits and social value of our in-house repairs and maintenance service.

## **HRA Revenue Budget Proposals 2026/27**

3.3 When setting the revenue budgets for 2026/27, consideration of all known and quantifiable changes have been made. In some instances, this has been managed by reallocating resources to reflect the changes in service need and demand.

3.4 Table 1 below sets out the movement from the adjusted 2025/26 budget to the proposed 2026/27 budget by service area. This takes into consideration the impact of inflationary uplifts across all areas of the budget as well as the identified service pressures and efficiencies that were put forward as part of the review undertaken during 2025, which included addressing ongoing pressures from 2025/26.

3.5 The forecast outturn for 2025/26 is breakeven. This position includes an overspend of £0.846m across service areas related to factors including costs of disrepair claims and Waking Watch provision, offset by a proposed contribution from general reserves in year. The detailed forecast includes continued pressures arising from the disrepair claims and Waking Watch, albeit mitigation measures are also set out, as well as variances within specific services. As outlined reserves are required to bring the HRA into balance for 2025/26. Full details of the current financial outturn can be found in the TBM 9 report to Cabinet, which is part of the same meeting agenda.

3.6 The 2026/27 total revenue expenditure budget, including capital financing costs to be approved, is £86.694m, whilst revenue income is £86.694m providing a break-even position.

3.7 The impact of the fall in inflation is having a positive impact on the HRA compared to assumptions made in the Medium-Term Financial Strategy (MTFS) in 2025/26 however other service pressures have arisen which have offset this. Total expenditure inflation is £1.347m, offset by the increased income inflation against income of £3.634m. This demonstrates that the proposed uplift in rents at 4.8% covers the cost of inflation in addition to supporting in part additional investment that is required to be made through service pressures.

3.8 In addition to inflation there is a need for additional recurrent investment relating to meeting our Corporate Plan and Housing Strategy objectives, including to become a Great Landlord. Also, in reflection of an increase in service demand, cost of continuing our positive progress on compliance and increased financing costs, referred to as service investments. Total service investments for 2026/27 are £6.098m. These have been driven in part by the pressures being felt during 2025/26 which have been reviewed for reasonableness. Service pressures are in part funded by the increased income as outlined in 3.7, efficiencies proposed against existing budgets, increased income from new supply developed during 2026/27. A table listing the service investments and other changes is outlined in Appendix 1 to the report.

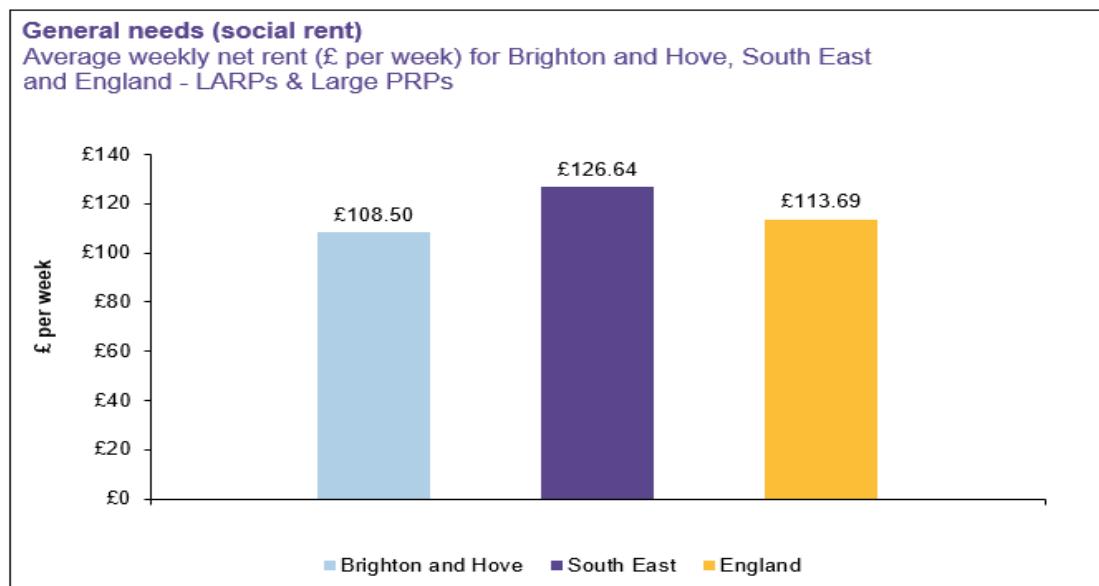
3.9 Table 1 below includes the high-level summary of recurrent cost assumptions offset by the increase in income predominantly from rental income for dwellings. For the 2026/27 budget proposals a budget provision for the estimated cost of depreciation is included; this figure is based upon the current charge uplifted by 2% and adjusted for the impact of the 8 Large Panel System buildings being valued as zero on the council's balance sheet. Under the Local Government & Housing Act 1989 the

depreciation charge is required to be set aside in a Major Repairs Reserve to fund the HRA capital programme.

<b>Table 1 - Revenue Budget</b>	<b>2025/26 Adjusted budget</b>	<b>Movement Between Financial Years</b>			<b>2026/27 Original Budget</b>
		<b>Inflation</b>	<b>Service Investment</b>	<b>Other Changes</b>	
<b>Service Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing Investment & Asset Management	6,547	159	1,455	(113)	8,048
Housing Management & Support	7,737	156	848	(131)	8,610
Housing Strategy & Supply	2,124	54	160	(204)	2,134
Repairs & Maintenance	20,111	580	681	(1,074)	20,298
Tenancy Services	16,406	399	205	(563)	16,447
<b>Total Expenditure</b>	<b>52,926</b>	<b>1,347</b>	<b>3,349</b>	<b>(2,085)</b>	<b>55,537</b>
<b>Capital Financing</b>					
Major Repairs Reserve	16,684	0	329	0	17,013
Capital Financing Costs	11,707	0	2,420	16	14,144
<b>Total Capital Financing Costs</b>	<b>28,391</b>	<b>0</b>	<b>2,749</b>	<b>16</b>	<b>31,157</b>
<b>Total Expenditure</b>	<b>81,317</b>	<b>1,348</b>	<b>6,098</b>	<b>(2,069)</b>	<b>86,694</b>
<b>Income</b>					
Rents Dwellings	(70,386)	(3,312)	0	(1,332)	(75,029)
Rents Car Parking / Garages	(1,301)	(62)	0	0	(1,363)
Commercial Rents	(640)	0	0	0	(640)
Service Charges	(7,538)	(232)	0	(364)	(8,135)
Other Income	(1,453)	(29)	0	(47)	(1,528)
<b>Total Income</b>	<b>(81,317)</b>	<b>(3,634)</b>	<b>0</b>	<b>(1,743)</b>	<b>(86,694)</b>
<b>DEFICIT / (SURPLUS)</b>	<b>0</b>	<b>(2,287)</b>	<b>6,098</b>	<b>(3,812)</b>	<b>0</b>

### **Rents and Service Charges**

3.10 Social rents for council homes are set in accordance with government requirements. Rent restructuring rules continue to apply, with target rents calculated using relative property values, bedroom size and local earnings. The graphs below illustrate the average weekly net rent in Brighton & Hove compared to the Southeast and England. Rents in Brighton & Hove are significantly lower; therefore, it is proposed to apply a rent flexibility level of 5% to target rents for all new and re-let tenants. This adjustment is intended to ensure that rents more accurately reflect average market levels and to reduce the disparity between target rents and rent caps. This increase will not be applied to secure tenants renting from the LPS blocks into alternative council secure tenancies.



3.11 Affordable rents, which include the council's Living Wage rents, Local Housing Allowance (LHA) Temporary Accommodation (TA) rents and full LHA rents, are calculated differently to social rents. For Living Wage rents this means that for any new tenancies and re-lets, rents are set using the new National Living Wage hourly rate due to be introduced from 1st April 2026. LHA rents are, however, capped at the lower of the LHA rate or 80% of the market value. For new tenancies and re-lets an assessment of the market value is undertaken at the time of letting to ensure the overall charge including service charges does not exceed those limits. There has been no indication that the LHA rates will increase in April 2026 and so the current assumption is that they remain frozen. LHA rates typically fall well below 80% of market rents. Therefore, increasing LHA would be a benefit for the HRA in cases where homes are let at LHA levels, although such instances are currently limited. Further information on these rates can be found on the council's website. LHA (TA) rates are applied to temporary accommodation tenancies; rents are capped at 90% of the 2011 LHA rates.

3.12 Social rents for council homes are calculated in accordance with government requirements. The proposed uplift is 4.8%, comprising the September CPI rate of 3.8% plus 1%. These proposed changes are consistent with national rent-setting policy. Any reduction to the proposed uplift would have an adverse impact on the 2026/27 budget proposals and the Medium-Term Financial Strategy, as the resulting loss of income to the HRA would be permanent. This would reduce the resources available for investment in tenants' homes and place further pressure on the HRA's ability to achieve a balanced financial position.

3.13 Table 2 below sets out the Average weekly rent increases across the different rent types based on the proposed 4.8% uplift.

Table 2 – Rent Type	No. of tenancies	% of Stock	25/26 Average Rent £	26/27 Average Rent £	Average Weekly uplift £
Social	11,378	93%	107.01	112.16	5.15

27.5% Living Wage	77	1%	163.03	170.77	7.74
37.5% Living Wage	295	2%	222.88	233.63	10.75
LHA	252	2%	226.43	236.00	9.57
LHA TA	216	2%	154.02	154.94	0.92

3.14 It is important that when comparing the average rent levels above consideration is given to the mix of units within the specific rent categories. Table 3 below provides a summary of the mix of units and the breakdown of weekly rent against each category.

**Table 3 - Average rent and ratio of the number of bedrooms per rent type**

Rent Type	Studio	1 Bed	2 bed	3 Bed	4 Bed	5 bed+
Social	86.58	99.32	112.87	130.95	140.58	180.06
	5%	32%	38%	23%	2%	0%
Affordable at 27.5% Living Wage	129.72	144.85	168.31	192.91		
	1%	8%	72%	19%		
Affordable at 37.5% Living Wage	194.53	229.03	275.78	280.28	299.58	
		19%	58%	20%	3%	0%
Affordable at LHA	181.17	252.03	299.94	392.95	426.61	
		41%	38%	18%	2%	1%
Affordable at LHA	135.00	135.00	176.54	228.47	299.98	
Temporary Accommodation	6%	63%	19%	11%	1%	

3.15 When setting the Affordable rents and Living Wage rents for current tenancies, consideration is given to the prevailing rates for Local Housing Allowance (LHA) - both TA and full rates - and the national living wage for the new financial year. This is compared against the 4.8% increase to ensure they do not exceed the permitted uplift.

3.16 Rents are not calculated to include any service charges and only include charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant, or which may relate to communal facilities rather than to a specific occupation of a house or flat. Different tenants may receive different types of services reflecting their housing circumstances. All current service charges are reviewed annually to identify any service efficiencies which can be offset against inflationary increases to keep increases to a minimum, the maximum that will be charged is a full cost recovery, however there are some which are currently not fully recovering the costs. A full review of the costs being incurred and how they are charged will be undertaken to ensure the HRA recovers costs as far as is reasonable. It will not be financially sustainable for this position of under-recovery to continue over the longer term.

3.17 The proposed fees and service charges for 2026/27 are set out in Appendix 2.

### **HRA Reserves**

3.18 The projected level of HRA reserves as of 1st April 2026 and 31 March 2027 are shown in Appendix 1. Total reserves as of March 2026 are estimated to be £9.893m, with £0.082m earmarked for use against specific projects. This leaves £9.811m as general reserves not earmarked although a minimum reserve of £3m is recommended to meet general legal and financial risks including higher than expected inflationary pressures, cost overruns, potential legal challenges or claims, and other contingencies.

3.19 Excluding the minimum working balance there is £6.811m of general reserves that the HRA can call upon to support financial pressures. Cabinet is being asked to earmark £1m of the existing reserves specifically for disrepair legal claims, this has

been reflected in the table in Appendix 1. Any additional spending on disrepair above £1m will need to be met by efficiency within the service.

- 3.20 In common with other social housing providers, the issue of formal Disrepair Claims being raised by tenants via solicitors, often working on a 'no win no fee' basis, is a growing financial pressure on the service. Over the last two years there has been a significant increase in the number of disrepair claims being made, currently the number of claims being handled is c.300. This is creating a burden on the HRA budget which is difficult to quantify due to the uncertainty and timing of potential claims. The core 2026/27 budget includes an increase in Legal Services' resources to deal with these with the aim of reducing the overall cost burden in addition to a service pressure in recognition of the increased settlement costs. However, it is not considered financially sound to budget for the legal claims as they do not form part of the day-to-day running of the service. In the absence of being able to reliably estimate a value, setting aside £1m of the existing reserve to manage this risk is considered prudent at this time. A review will be undertaken on an annual basis as to whether this reserve needs to be called up or increased. Housing, Finance and Legal Services continue to work on a Disrepair Improvement Plan.
- 3.21 The remaining £6.811m is available for use to help manage the HRA finances as last resort, the first consideration should be to manage within the agreed budget. Should any of the reserves be required Cabinet approval will be required and can be managed through the council's financial management procedure, referred to as TBM.
- 3.22 The council's Section 151 Chief Finance Officer has reviewed the level of reserves and provisions in accordance with the requirements of Section 25 of the Local Government Act 2003 and considers them to be adequate and reasonable for their purpose in the context of the HRA's overall financial position.

### **HRA Capital Programme 2026/27**

- 3.23 Delivering new affordable housing remains a key investment priority for the council and is supported in the HRA capital programme during 2026/27 and beyond. Dedicated staffing resources to continue to deliver on this priority are included in the revenue budget. The council takes a blended approach to delivery ensuring that new supply is provided through new build, acquisitions, including through our successful Home Purchase Policy, and through our Hidden Homes and small sites programmes.
- 3.24 The forecast includes a further 496 homes over the five-year period in total, this is in addition to the 933 homes that have been delivered since 2019 up to March 2026. The council anticipates above target delivery of 140 additional council homes in 2025/26.
- 3.25 The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of homes for 2026/27 for which the total budget to be approved is £126.339m; the total Programme is estimated to be £79.640m, the remainder is £46.699m budget reprofiled from 2025/26 due to timing delays. The implementation of the proposed programme will take account of all relevant best practice guidelines.
- 3.26 The Programme reflects the delivery of planned maintenance, improvement programmes and major capital projects to council housing informed by stock condition survey information and ongoing surveys of the council's housing stock. An

updated Housing Asset Management Strategy is currently being developed for consultation and Cabinet's consideration and approval.

3.27 The December 2025 Cabinet approval to award a two-year Stock Condition Survey Contract will enable full survey coverage of all council homes, leading to an improved understanding of the condition of the council's housing stock, and provide the robust evidence base required for long-term investment planning and regulatory assurance. This decision was a direct response to the council's Root Cause Analysis arising from the Regulator of Social Housing regulatory judgement which identified Data Quality & Use, and Prioritisation & Focus as core drivers of improvement.

3.28 The level of funding required for the HRA capital programme exceeds the Major Repairs Reserve contribution as can be seen in table 4. Therefore, borrowing will be required to meet this level of investment. The resources available to fund the capital programme will be kept under review during the financial year and any borrowing decision will be made in line with treasury management advice and within approved prudential limits. A review of the HRA's reserves and borrowing position will be carried out on a regular basis and reported in accordance with the council's financial regulations and procedures.

3.29 The impact of having to borrow against existing stock for the HRA is that it increases the burden on the core revenue budget to fund the financing costs. The MTFS sets out the increased level of financing costs because of the Major Repairs Reserve (MRR) not being sufficient to meet the investment required.

3.30 Appendix 3 to the report sets out the five-year capital programme with full strategy and detail for each programme provided.

Table 4 - 2026/27 Capital Programme	Proposed Budget for approval	Profiled Budget	Total Budget 2026/27
Expenditure	£'000	£'000	£'000
New Supply	33,276	38,780	72,056
Health & Safety	25,531	- 7,800	17,731
Major Works	750	15,719	16,469
Planned Works	9,468		9,468
Sustainability	5,365		5,365
Other	5,250		5,250
<b>Total Capital Investment</b>	<b>79,640</b>	<b>46,699</b>	<b>126,339</b>
Funding			£'000
Direct Revenue Funding			16,777
General Capital Receipts			-
RTB Receipts			8,895
Energy Grants/FITs			180
Homes England Grant / LAHF			26,193
Leaseholder Income			500
New Supply Borrowing			30,855
Existing Stock Borrowing			42,939
<b>Total Funding</b>			<b>126,339</b>

## **HRA Medium Term Financial Strategy & 30 Year Financial Forecasts**

3.31 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes. Since that introduction there have been a number of national Government rent policy factors which have compromised the financial stability of the HRA leading to a projected deficit position from 2026/27. This is an increasingly common picture with other Local Authorities HRA's.

3.32 The factors referred to are:

- A 1% rent reduction from 2016/17 to 2019/20 removing an estimated £9.3m from the revenue budget.
- A cap on rent increases in 2023/24 removing a further £2.6m from the budget in today's terms.

3.33 Understanding the demands on resources over the coming years remains key to ensuring the financial viability for the HRA. Close monitoring of the in-year financial position will ensure early identification of any emerging financial pressures, allowing for mitigation strategies to be implemented. The HRA is facing several challenges which are impacting on the financial viability over the medium to long term. Many of these have been included in the 2026/27 service investments and are detailed in Appendix 1 to this report. They are outlined below; however, this is not an exhaustive list and subject to change.

**i. Building Safety and Fire Safety Regulations:**

Resident safety and the safety of those who visit and work on our council homes is our key priority. Our budget proposals include continued significant investment to keep our residents safe in their homes. The investment required is a result of the implementation of the Building Safety Act and Fire Safety (England) Regulations. This includes works required to ensure compliance across the council's stock and will impact on both revenue and capital budgets over the medium term and reflects our additional fire safety survey work on compartmentation, fire doors and external wall insulation. Provision has been allowed for in the budget proposals and this will be kept under review during the year. Where possible we are applying for Government and Homes England funding to mitigate the costs of works, including from the Waking Watch Replacement Fund and Cladding Safety Scheme. This includes investment in fire alarm / detection systems in some of our high-rise blocks to offset the costs of Waking Watches where these have been required. Waking Watch Replacement Fund funding of £548,000 has been secured from Government to support the installation of fire alarm systems in 8 high rise blocks

In addition, in line with our commitment to transparency the proposed budget includes identification of an additional resource to progress and enable the publication of our 639 Fire Risk Assessments in a form that is accessible to residents, including meaningful commentary to provide a guide to the contents. This is so that all FRAs are placed in the public domain in a managed way. This additional resource will ensure FRA publication doesn't impact on the

capacity of the existing team and their focus on ensuring our residents are safe and we are compliant with legislative and regulatory requirements, including ensuring effective management of FRAs and timely delivery of remediation actions.

Provisional budget allocations for HRA investment required arising from ongoing testing and works costs resulting from the need to replace rising and lateral electrical mains installations in council homes are in the process of being reviewed and updated in support of these HRA Budget papers for Cabinet in February 2026. These will need to include a reasonable assessment for a programme of upgrade works, based on prioritisation and consideration of council responsibility for works.

**ii. Social Housing (Regulation) Act 2023 and Health and Safety:**

Cabinet on 11<sup>th</sup> December 2025 considered a report on 'Regulator of Social Housing - response to Regulatory Judgement including Procurement of Stock Conditions Contractor' and noted positive progress made in improving compliance with the Regulator of Social Housing, Safety & Quality Consumer Standard. This follows the Regulator of Social Housing's (RSH) judgement on 9 August 2024 highlighted failings in safety and quality compliance and routine repairs backlog. It reflects the enhanced consumer regulation processes introduced in April 2024 as part of post-Grenfell reforms.

Over the past year the council has moved from recovery to consolidation and improvement, achieving substantial progress against all compliance areas while remaining realistic about what further work is required. The service is focused on closing the most critical safety actions, strengthening leadership and governance, improving data reliability and rebuilding confidence in the quality and safety of council homes. These changes are being embedded into business as usual systems to ensure they are sustained and auditable. Residents are now experiencing clearer communication, faster responses to safety issues and more visible safety works in their homes and blocks.

The budget proposals for 2026/27 look to continue to address the implications of the RSH judgement, however, there remains uncertainty about what level of resource will be required. Any future cost implications will be reviewed with the first mitigation being to utilise resources already approved and report this through the council's financial management process.

**iii. Large Panel System buildings:**

In line with Building Safety Act compliance requirements, structural investigation surveys were completed on the following 8 LPS blocks in the HRA: St James House; Nettleton Court; Dudeney Lodge; Swallow Court; Kestrel Court; Kingfisher Court; Heron Court; and Falcon Court. These led to options appraisals being carried out across the 8 blocks, subsequently resulting in the in-principle decision at July 2025 Cabinet, that the long term preferred option for the buildings is demolition and replacement with housing in keeping with the needs of the city. The 2025/26 budget forecast includes pressures arising from the Large Panel Systems (LPS) emergency response. Some initial development work, resident support, future rehousing programme and leaseholder buyback costs are included in the 2026/27 capital programme.

#### **iv. Sustainability Investment:**

It is recognised that Housing can play a significant part in reducing the City's carbon footprint and therefore contribute to carbon net zero. Improved energy performance of homes is addressed through investment in planned and major works programmes, including improvements to roofing, windows, doors, external works, heating systems as well as installation of solar PV's. The total proposed investment programme over 5 years including all the areas for investment listed is estimated to be £29.150m with the 2026/27 Programme being £5.365m. Investment will also be informed by the data provided by the enhanced resources focused on completion of stock condition surveys and planning toward meeting Energy Performance Certificate C compliance requirements for social housing by 2030. In addition, HRA reserves could assist with requests for match funding for carbon neutral investment.

#### **v. Disrepair Claims:**

The council has made significant progress in reducing our backlog of overdue routine repairs. In June 2024, the total number of open repairs over 28 days stood at 9,653, reflecting historic backlogs that built up during and after the pandemic. As reported to Cabinet in December 2025, by October 2025, this had reduced to 2,479, representing a reduction of almost three-quarters. The majority of remaining jobs are now within standard business-as-usual levels, although some older and more complex cases continue to be tracked through the backlog recovery plan. September 2025 recorded the highest inflow of new repairs since Council records began, driven by proactive damp-and-mould outreach undertaken by the Housing service ahead of the implementation of Awaab's Law. Overall, more orders continue to be completed than the number of repairs raised each month, and workflows have been redesigned to align with statutory timescales. The service continues to monitor completion rates and resident satisfaction to ensure sustained improvement.

The level of disrepair claims continues to be a concern for the HRA, these have grown in number over the last few years, increasingly due to the approach being taken by 'no win, no fee' lawyers. It is anticipated that this will be a risk going forward. To try and manage the situation the 2026/27 budget includes an increase in Legal Services' resources to deal with these with the aim of reducing the overall cost burden. However, this remains an estimate and will be closely monitored to ensure costs are managed as far as possible. The decision has been taken not to include core budget for the actual cost of claims. The agreed approach is set out in paragraph 3.20.

Work continues a Disrepair Improvement Plan working across Housing, Finance & Legal services to review our approach to Disrepair claims, to include:

- Greater analysis of Housing disrepair cases, for example the nature and types of disrepair.
- understanding where claims arise from and how this may interrelate with the current backlog in routine repairs.
- how we can become more proactive in our understanding and management of claims.

- identifying positive action that has the potential to head off claims when we know there are issues that may give rise to tenants approaching lawyers about disrepair, and.
- peer review of best practice in other local authorities.

**vi. Rent setting policy:**

The 2025 Autumn Statement announced the that the rent settlement allows landlords to raise rents by CPI plus 1%. This currently extends to April 2036, with a view to be able to increase rents by CPI +1% for the 9 years after 2026/27. This has been factored into the MTFS. Whilst this is a welcome boost for the long-term financial forecast it does not address the short term financial issues that the HRA is facing. A strategy needs to be developed to be able to manage those issues in the short term.

**vii. Rent Arrears:**

Rent collection continues to be affected by the combined impact of Universal Credit (UC) migration, cost- of- living pressures, and longer- term post- pandemic effects. While the collection rate was 96.8% in 2019/20, current forecasts suggest it will be at 92.04% by March 2026, reflecting the shift to UC's arrears- based payment system and the accelerated pace of migration during 2025/26.

Despite these pressures, the service is proactively adapting and strengthening its approach. The forecast bad debt provision of £2.907m by March 2026, around a third of the expected arrears balance, is being closely monitored, with targeted intervention work underway to reduce risk to the HRA.

The Housing Income Management Team has put in place a recovery plan that builds resilience and supports tenants to sustain their homes. Key improvements already implemented include:

- expanding Alternative Payment Arrangements to safeguard tenancies and secure more direct payments;
- introducing automation to free up officer capacity for meaningful contact with tenants;
- enhancing early intervention, ensuring tenants moving to UC receive timely guidance and support;
- strengthening links with specialist money and debt advice services; and
- upskilling staff to confidently support residents navigating UC and financial pressures.

These actions position the service to improve rent collection over the medium term, while ensuring residents receive the support they need to sustain their tenancies.

3.34 The Medium Term Financial Strategy (MTFS) has, where feasible, supported investment in priority areas without detracting from essential commitments required over the next twelve months. Nonetheless, budgetary constraints continue to intensify, rendering medium-term financial planning increasingly complex. The medium term and 30-year financial forecasts are provided in Appendix 4, along with the assumptions and risks identified for income and expenditure.

#### **4. Analysis and consideration of alternative options**

4.1 The budget process allows all interested parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Full Council on 26 February 2026. Full Council can debate both the proposals recommended by Cabinet at the same time as any viable alternative proposals.

#### **5. Community engagement and consultation**

5.1 The Council is committed to ensuring tenants and leaseholders are engaged in the HRA budget setting process ahead of Council decision making on the budget. In particular, that changes in financial strategy and decisions on priority capital and revenue (service investment) are communicated and understood alongside the rationale for rent and service charge uplifts.

5.2 Tenants have actively participated in the budget-setting process by attending a Tenant budget workshop in December 2025, which included a dedicated budget presentation and discussion. This session provided tenants with the opportunity to review and consider key issues relevant to the budget.

5.3 There will be at least quarterly sessions about the HRA budget in addition to the Area Panel updates and continued engagement on significant budget matters throughout the year ensuring tenants' views are considered.

#### **6. Financial implications**

6.1 The financial implications are contained within the main body of the report.

Name of finance officer consulted: Ferrise Hall      Date consulted: 16/01/2026

#### **7. Legal implications**

7.1 Under the Local Government and Housing Act 1989, the council is required to maintain a separate HRA and must prevent a debit balance on that account. Rents and other charges should be set to avoid such a debit. The Housing Act 1985 provides that a local authority may make reasonable charges for the tenancy or occupation of their houses. The council's standard secure tenancy agreement provides for tenants to be given "at least four weeks" notice in writing of any increase in rents and other charges before any increases are implemented. Approval of the increase in rents of 4.8% at the 12 February Cabinet meeting will allow adequate time for the proper notice to be given. The proposed increase of 4.8% is in accordance with the Direction on the Rent Standard 2026 (of up to CPI plus 1%) issued by the MHCLG on 20 January 2026. The Direction also includes a maximum weekly rent for a new tenant of formula rent plus up to 5%.

7.2 In its landlord role, the council has contractual and statutory obligations to maintain its housing stock. The revenue and capital proposals in the report will assist in discharging those obligations.

7.3 Legal Services will continue to provide advice as required to assist in dealing with disrepair claims, as set out in the report.

7.4 When considering the recommendations in this report Cabinet must give due regard to the council's equalities duties set out in the Equalities Act 2010; specifically, the need to: Eliminate discrimination, harassment, victimisation or other prohibited conduct; advance quality of opportunity between persons who share a relevant protected characteristic and those who do not; and foster good relationships between those who share relevant 15 characteristics and those who do not. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Reference to the equalities implications is given below including the development of equality impact assessments.

Lawyer consulted: Allan Wells

Date consulted 03/02/2026

## **8. Equalities implications**

8.1 The HRA budget funds services for people with a range of needs including those related to age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals is fully considered as part of the decision-making process, equality impact assessments have been developed on specific areas where required.

## **9. Sustainability implications**

9.1 The sustainability implications are contained within the main body of the report.

## **10. Health and Wellbeing Implications:**

10.1 There are no health and wellbeing implications arising directly from this report.

## **Other Implications**

### **11. Procurement implications**

11.1 There are no procurement implications arising directly from this report.

### **12. Crime & disorder implications:**

12.1 There are no crime & disorder implications arising directly from this report.

## **13. Conclusion**

13.1 The Local Government and Housing Act 1989 requires each local authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. This budget report provides a capital programme and break-even revenue budget and recommends rent proposals in line with current government guidance.

13.2 This report also provides the latest medium and long-term forecasts for the HRA. However, there are several uncertainties due to recent government legislation, which means that the current forecasts should be treated with caution.

## **Supporting Documentation**

### **i. Appendices**

1. HRA Revenue Budget 2026/27
2. HRA Service Charges 2026/27
3. HRA Capital Programme 2026/27 – 2030/31
4. HRA Medium Term Financial Strategy & 30 Year Financial Plan

