

**Committee Name and Date of Committee Meeting**

Cabinet – 15 December 2025

**Report Title**

HRA Business Plan, Rent Setting and Service Charges 2026-27

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the report**

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide – all wards

**Report Summary**

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of Council housing and related services, and the Council is required to produce an HRA Business Plan setting out its investment priorities over a 30-year period.

From the 1st of April 2026, the Government will implement a 10-year social rent settlement. This is the Government's Policy on the annual increase for social housing rents. The 10-year settlement sets the maximum rent increase at the Consumer Price Index (CPI) as of September the year prior plus 1%. The 10-year rent settlement has given greater certainty on the level of forecast income to fund the HRA Business Plan, going forward. It will enable longer term planning for investment, delivery of services and growth. The rent settlement is part of the Government's plan for the future of social housing which promises to enable local authorities and housing associations to deliver thousands of new affordable homes to meet need and drive up the safety and quality of existing homes.

The proposed 2026/27 HRA Business Plan incorporates the Council's commitments to continue and extend the Council's Housing Delivery Programme, alongside significant additional investment to support decency and thermal efficiency in existing council homes. The Plan includes provision for £1.329bn investment in the housing stock over 30 years, an increase of £350m compared to the 2025/26 plan. This is

alongside continuing to fund day-to-day housing management, repairs and maintenance costs.

£122.9m will be invested to deliver an estimated 500 further Council homes by 2037/38, in addition to the £90.9m that is earmarked to support the current Housing Delivery Programme which is on track to deliver 1,000 homes by summer 2027.

The Business Plan will also provide for additional investment benefitting current and future tenants, with:

- Increased investment up to £60k per home over the 30-year plan period
- £14m in 2026/27 to continue investment in the external elements of homes e.g. renewing roofs, guttering and facias etc.
- £7m in 2026/27 to be invested in internal refurbishment works such as electrical rewires, replacement boilers, kitchens and bathrooms etc.
- An additional £41 million to ensure 9,300 properties reach Energy Performance Certificate band C by 2030.

Alongside providing the draft HRA budget for 2026/27, the report recommends proposed levels for housing rents, non-dwelling rents, District Heating charges and other service charges for 2026/27. It is recommended to Council that dwelling rents are increased by 4.8% and up to £2 per week (equivalent to CPI+1% and up to £2 per week rent convergence). This is dependent upon a Government decision expected in January 2026, which will clarify the approach to social rent convergence.

It should be noted that rent convergence will only be applied to properties that are not currently at Formula Rent. Formula Rent for social housing is a calculation based on property value and size (number of bedrooms) and local affordability (earnings). The additional income generated from convergence will ensure the viability of the HRA Business plan, particularly in the early years of the plan where there is a significant amount of investment required to ensure compliance with increasing regulatory standards. In the absence of an announcement from Government confirming the availability of convergence as an option, the proposed rent increase would be the current rent settlement level of CPI+1% (4.8%).

## **Recommendations**

That Cabinet recommends to Council to: -

1. Approve the proposed 2026/27 HRA Business Plan.
2. Note that the Business Plan will be reviewed annually to provide an updated financial position.
3. Agree that Council dwelling rents are increased by 4.8% and, dependent upon the Government announcement in January 2026, implement a policy of rent convergence. Allowing rents for social housing properties that are currently below the Government-calculated formula rent to increase by an additional £2 per week in 2026/27. If convergence is capped below £2 that will be the level applied.

4. Agree that the Council should retain the policy of realigning rents on properties at below formula rent to the formula rent level when the property is re-let to a new tenant.
5. Agree that affordable rents are calculated at relet, based on an individual property valuation.
6. Agree that affordable rents are increased by 4.8% in 2026/27.
7. Agree that shared ownership rents are increased by 5% in 2026/27.
8. Agree that charges for communal facilities, parking spaces, cooking gas and use of laundry facilities are increased by 3% in 2026/27.
9. Agree that charges for garages are increased by 10% in 2026/27.
10. Agree that the District Heating unit charge per kWh remains at 13.09 pence per kWh.
11. Agree that the decision to reduce the price of District Heating Charges during 2026/27 be delegated to the Assistant Director of Housing in conjunction with the Assistant Director of Financial Services following consultation with the Cabinet Member for Housing. The delegation would only be used to respond to a change in Government policy or a significant change in the Ofgem price cap that has the effect of a lower unit price.
12. Approve the draft Housing Revenue Account budget for 2026/27 as shown in Appendix 8.

### **List of Appendices Included**

- Appendix 1 Forecast Number of Council Homes
- Appendix 2 Social Rent Options
- Appendix 2a Social Rent payable by number of bedrooms
- Appendix 3 HRA Reserve Levels
- Appendix 4 Non-dwelling rent, service charges and Furnished Homes Charges 2026/27
- Appendix 5 Affordability Analysis
- Appendix 6 Support for Tenants with Financial Pressures
- Appendix 7 HRA Business Planning assumptions
- Appendix 8 Housing Revenue Account Budget 2026/27
- Appendix 9 HRA Operating Statement
- Appendix 10 Interest Cover Ratio
- Appendix 11 Equalities Assessment
- Appendix 12 Climate Impact Assessment

**Background Papers**

HRA Business Plan Rent Setting and Service Charges 2025-26

Department for Levelling Up, Housing and Communities - Guidance on Rents for Social Housing

[Delivering a decade of renewal for social and affordable housing](#)

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

Yes

**Exempt from the Press and Public**

No

## **HRA Business Plan, Rent Setting and Service Charges 2026-27**

### **1. Background**

1.1 This report sets out the proposals for the HRA Business Plan alongside proposed rents, service charges and fees for 2026/27 and presents the draft HRA budget for 2026/27. The HRA is a self-financing, ring-fenced account which retains and uses housing rental income to fund landlord services, deliver the capital programme and invest in new housing.

1.2 The HRA Business Plan is updated annually to ensure it reflects the current operating environment. This year's Business Plan continues to prioritise investment in three core areas:

- Ensuring tenants' homes are safe, decent and thermally efficient.
- Extending the benefits of Council housing to more residents by expanding the Housing Delivery Programme.
- Modernising the housing service to enhance customer experience, improve productivity and achieve full regulatory compliance.

1.3 This year the HRA Business Plan incorporates additional investment into the Council's existing housing stock, while continuing to deliver the housing growth programme. A stock condition surveying programme has been commissioned which will further inform the Housing Investment Strategy and priorities for investment going forward.

1.4 The business plan and budget are focused on delivering the Council's strategic priorities and all legal and regulatory requirements including the consumer standards under the Social Housing Regulation Act 2023. The Council, as landlord, is accountable in ensuring that our homes meet each consumer standard, which includes ensuring the safety and quality of stock. This means ensuring that our homes meet decency standards, are safe and meet all compliance requirements and that our tenants can access a repairs and maintenance service which aligns to service standards. The Business Plan continues to ensure Council homes are safe, good quality and well-managed, while protecting surpluses to ensure the HRA is well-placed to respond to ongoing inflationary and future cost pressures as they arise.

1.5 Alongside these priority areas, the Business Plan protects day to day expenditure on front line services, including provision to respond to growing demand in areas like damp and mould and planned repairs.

1.6 The Council's HRA has been, and continues to be, under increasing pressure over recent years due to a range of factors including an increased regulatory compliance framework, an ageing stock profile, losses from Right to Buy, inflation costs affecting repairs and maintenance, building and fire safety requirements and historic central Government interventions in rent setting, meaning that the Council's rents, some of the lowest in the country, are not aligned to the set formula rent. Whilst new standards and requirements are greatly welcomed by the social housing sector, they have placed additional financial burdens on the HRA, which were not considered when the self-

financing model regime was introduced in 2012. Legal and regulatory requirements are now more stringent, and the self-funding settlement has not kept up with this. However, there have been several Government policy changes in 2025/26 that will impact on the 2026/27 HRA Business Plan. These include:

**Social Housing Rent Settlement**

1.7 From the 1st of April 2026, the Government will implement a 10-year social rent settlement. The 10-year settlement sets the maximum rent increase of the Consumer Price Index (CPI) as of September plus 1%. The 10-year rent settlement has given greater certainty on the level of forecast income to fund the HRA Business Plan. It will enable longer term planning for investment, delivery of services and housing growth.

**Rent Convergence**

1.8 In the summer of 2025, the Government consulted on the introduction of social rent convergence at £1 or £2 per week. Social rent convergence was a previous Government policy introduced to make rents for council and housing association homes fairer and more consistent. Historically, similar properties could have very different rents depending on the landlord. To address this, a national formula was created based on local earnings and property size, and landlords were allowed to gradually adjust rents towards these “target rents”, also known as formula rents. The aim was full alignment by 2015, but later policies stopped this process. Today, the formula still influences rent-setting, but many homes remain below their target rent.

1.9 The Government will respond to the consultation in full and announce a decision about how Social Rent convergence will be implemented in January 2026. If implemented, it is expected to be up to a maximum annual increase of £2 per week’s rent, and it is a Council decision on the level of rent convergence up to the maximum amount set by Government.

1.10 Both the 10-year rent settlement and rent convergence have been assumed in the 2026/27 HRA Business Plan but the decision to increase rents each year remains a Council decision taken annually. Both policy changes will impact positively on the HRA Business Plan, generating £500m over the life of the plan enabling the Council to address the pressures identified in section 1.6.

**Right to Buy**

1.11 In November 2024, the maximum discount allowed through Right to Buy was reduced to £24,000. Alongside this change, the retention of 100% of Right to Buy receipts by local authorities was extended indefinitely. This change resulted in many Right to Buy applications in the short-term, which will continue to be processed into 2026/27. Over the longer term, the reduction in the level of discount should result in lower Right to Buy applications, going forward.

1.12 Further consultation has taken place during the Summer of 2025 on additional reforms to Right to Buy. These include:

- Increasing the eligibility period for Right to Buy from 3 to 10 years.
- Preventing those who have already benefited from Right to Buy exercising the right again except in exceptional circumstances.
- Amending the discount rule so discounts start at 5% of the property value and increase by 1% for every extra year an individual is a secure tenant up to the maximum discount of 15%
- The exemption of new build social housing from the Right to Buy scheme. This could be achieved by stipulating that any home built after a given date could never be sold under the scheme. This would be simple to understand and give councils greater confidence to build new homes.

1.13 If these reforms are introduced, it would enable the potential to see a net increase in social housing stock. With reducing sales, protecting new builds, and giving councils full control over receipts, RTB reforms could create conditions where more homes can be built than lost. The graph at Appendix 1 shows the forecast stock numbers.

#### Housing Delivery

1.14 The Government target to achieve 1.5 million new homes over five years has been backed by the policy paper 'Delivering a decade of renewal for social and affordable housing' in which a 10 year, £39bn Social and Affordable Housing Programme (SAHP) has been announced with a core objective of maximising the supply of social rented homes. The policy paper also confirmed the continuation of the discounted Public Works Loan Board (PWLB) rate for Housing Revenue Account (HRA) borrowing. The Council intends to maximise opportunities to increase housing stock and the grant income from the SAHP. Since 2024, £9.6m has been brought into the borough from previous rounds of the Affordable Housing Programme. Regionally SYMCA has new delegations to shape the strategic direction of the SAHP with around £700m funding expected to be available for the region over the next 10 years

#### Regulation

1.15 There continues to be a strong focus on regulation of the social housing sector. The Council has successfully implemented the first phase of Awaab's Law, which focuses on emergency hazards and the treatment of damp and mould. Future phases will come into effect during 2026 and 2027 and will include other hazards such as excess cold/ heat, structural collapse, fire and electrical hazards. This will result in increased volumes and new ways of working, meaning significant resourcing and cost issues for RMBC and contractors. The Council is awaiting further information as to what is in and out of scope.

#### Heat Network Regulations

1.16 In April 2025, Heat Network Regulations were introduced. Heat networks will be regulated by Ofgem who have had oversight from April 2025, and the full regulatory regime will be introduced in 2026. These will regulate how the district heating network is managed and maintained. The regulations will ensure consumer protection, clear pricing and billing, and a reliable service.

There are currently 18 different schemes and approximately 1,260 properties which receive heat through the Council's District Heating service.

Competence and Conduct Standard

1.17 This standard is a new regulatory requirement for social housing providers in England, introduced under the Social Housing Regulation Act. It aims to professionalise the sector, improve service quality, and ensure tenants are treated with respect and dignity. The standard comes into force October 2026, with a 3-year transition period.

Decent Homes 2

1.18 Formal consultation on Decent Homes 2 took place in the Summer of 2025. It is proposed that the revised Government standard will contain a new criterion to address damp and mould. Elements will be assessed based on condition, safety, and layout rather than age thresholds. There will also be a stronger alignment with Housing Health and Safety Rating System (HHSRS) and hazard-based enforcement. The consultation also introduced the minimum energy efficiency standards, aiming for EPC C by 2030 and will form part of the decent homes standard. A 'fabric first' approach is recommended prioritising insulation, ventilation, and airtightness before upgrading heating systems. It is also proposed to have targeted exemptions for hard-to-treat homes, tenant refusal, or where costs exceed a proposed £10,000 cap.

1.19 Taken together, these policy changes will add significant burdens to the HRA across both day-to-day expenditure and capital investment requirements. The 2026/27 HRA Business plan does not currently include any assumptions regarding Decent Homes 2 or the minimum energy efficiency standards as the associated costs are unknown currently.

1.20 The 2026/27 HRA Business Plan has also been informed by:

- Tenant satisfaction results (including Tenant Satisfaction Measures (TSMs))
- Complaints feedback
- Tenant Scrutiny reviews
- Feedback from Members

1.21 The Plan has also considered tenant feedback received through consultation as part of developing the Housing Strategy. The consultation identified that tenants' main priorities are investing in existing homes and having affordable housing available to meet local need. This has been reflected in the 2026/27 HRA Business Plan through the planned increased investment in existing stock (section 2.5.3) and the continuation of the Housing Delivery Programme up to 2037/38, providing new affordable homes to meet tenants' needs (section 2.5.9). Tenants also highlighted issues around energy efficiency and damp and mould; this year's plan contains £41m to meet EPC Band C by 2030.

1.22 In 2024/25 there was a 28% reduction in Housing Service complaint volumes. There are however persistent issues in repairs, timeliness, and complaint handling. This is backed up by recent TSMs that identified issues in repairs

delays, poor quality, damp/mould, Anti-Social Behaviour (ASB) response gaps and weak communication. Proactive steps are being taken, such as tenant engagement panels and governance reviews, that will position Housing Services to deliver better outcomes and meet regulatory expectations.

- 1.23 A large proportion of additional investment identified as part of the HRA Business Planning process is to maintain and improve existing stock. Work to refresh stock condition data is in progress and will inform investment priorities, ultimately reducing the burden on responsive repairs and the level of complaints received.
- 1.24 Day to day financial performance remains strong in key areas of the business, resulting in high income collection rates and value for money services for Council tenants. This is supported by positive benchmarking data from Housemark and TSM survey results. Tenancy sustainment outcomes remain extremely positive, with very few evictions. This performance allows the Council to invest HRA resources in maintaining existing housing stock and in housing growth so that more residents can enjoy the benefits of a well-managed, affordable, good quality home.

## **2. Key Issues**

- 2.1 As at 31<sup>st</sup> March 2025, the Council owned 19,942 homes, 627 leasehold homes, 127 shared ownership homes and 3,080 garages with a turnover from rents and other sources approaching £106m per annum (excluding the sale of new properties).
- 2.2 This year's HRA Business Plan will continue to build on the additional provisions for investment in existing council homes made in the 2025/26 HRA Business Plan. The plan also includes provision to continue the Housing Delivery Programme to ensure new homes are added to the stock, mitigating some of the impacts of Right to Buy and generating additional rental income.
- 2.3 The Plan requires additional borrowing over the short term to fund this investment and includes the provision to repay any borrowing related to investment in existing stock.
- 2.4 Work has commenced in 2025/26 to develop a set of financial metrics to assess the overall financial health of the HRA and the viability of any borrowing requirements. Work will continue in 2026/27 to further develop a risk-based approach to reserves and stress testing the Plan to ensure future unforeseen cost pressures can be managed effectively.

## **2.5 Capital Investment**

- 2.5.1 One of the main components in the HRA Business Plan is the Council's strategy for maintaining and developing its housing stock. This strategy will be outlined in the Council's Housing Asset Management Framework, which will be drafted to align with initial modelling from the Council's whole stock

condition survey, taking a data informed approach to future investment with a focus on:

- Ensuring that our homes are safe and well-maintained
- Ensuring that our homes meet current and future need (supply vs demand)
- Improving the energy efficiency of our stock
- Ensuring that the tenant voice is embedded in the development and delivery of our investment programmes

2.5.2 A four-year Housing Capital Programme will be taken to Cabinet in March 2026. To support the Programme, the 2026/27 Business Plan makes provision in the following areas.

#### Improving homes and estates

2.5.3 Investing in existing homes and estates means that the repairs and maintenance service can remain affordable and focused on day-to-day minor repairs and cyclical servicing. It is also required to ensure the Council's housing stock is decent, energy efficient and safe to live in.

2.5.4 Capital expenditure on existing homes has doubled over the last 5 years and more recently reactive capital expenditure has been higher than planned. This has been driven by increased volumes of major repairs and high-cost voids which have required increased damp and mould works and kitchen replacements. The 2026/27 HRA Business Plan increases investment up to £60k per home over the 30-year plan period, which is in line with benchmarking data. The additional funding will be used to ensure that as a social landlord we continue to meet and/ or exceed the regulatory requirements of ensuring tenants live in safe, warm and decent homes.

2.5.5 The Council is also committed to ensuring all Council homes achieve Energy Performance Certificate (EPC) Band C by 2030. The Council has been successful in its grant funding bid to the Warm Homes scheme, which is the Government's main funding for supporting retrofit of social housing. The plan includes c£18m to deliver this programme. The Warm Homes scheme will bring c. 1,000 properties up to EPC Band C. Additional capital investment of £41m has been earmarked in the Business Plan to ensure the remaining 9,300 properties meet EPC band C by 2030.

2.5.6 The Plan includes investment of £14m in 2026/27 to continue investment in the external elements of homes. This includes renewing roofs, guttering and facias, balcony structural and resurfacing works, and windows and doors. £7m will be invested in internal refurbishment works such as electrical rewires, replacement boilers, kitchens, and bathrooms to continue with our plan to ensure tenants' homes are safe, decent, thermally efficient and that stock condition is maintained.

2.5.7 Funding continues to be allocated to fund aids and adaptations within Council housing stock in 2026/27.

2.5.8 Total capital expenditure on existing council homes in 2026/27 is planned to be £43.3m. Across the 30-year Business Plan, £1.3bn capital investment has been allocated to ensure the Council's housing stock is well maintained, an increase of £350m compared with the 2025/26 Business Plan.

### Housing Delivery Programme

2.5.9 The Council has been very successful in using HRA land and finances to build and acquire new Council homes. The Council is approaching delivery of its 750<sup>th</sup> affordable home since 2018 and the Business Plan includes provision for £213.8m investment to deliver the existing commitment of 1,000 homes by the Summer of 2027 and to ensure the continuation of the Housing Delivery Programme to 2037/38. The continuation of the Housing Delivery Programme will add a further estimated 500 units to the Council stock. This will provide much needed social housing, mitigate properties lost through right to buy and increase rental income ensuring the on-going viability of the HRA Business Plan. Rising costs and uncertain grant funding remain major risks to the Programme: it is vital that the continued Housing Delivery Programme contains the most appropriate mix of acquisitions and new build homes to ensure continued affordability of the programme.

2.5.10 The precise mix of schemes, number and types of homes and levels of investments are all subject to separate Cabinet approvals or officer delegations, where these are in place.

## 2.6 **Revenue Account**

### Repairs and maintenance

2.6.1 Ensuring adequate investment in the repair and maintenance of the housing stock is essential to keep tenants safe, provide good quality homes, and mitigate against more substantial costs later. The Housing Property Service and its contractors complete approximately 90,000 repairs and servicing visits every year.

2.6.2 As reported last year, capital expenditure on existing homes has doubled over the last 5 years and the greater share of this increase can be characterised as reactive, rather than planned, expenditure. The drivers continue to be increased damp and mould works, more responsive repairs that require major works, and higher costs associated with properties becoming vacant. The data from the stock condition survey and increased planned capital expenditure will support the Council to shift the focus towards a more proactive capital programme in the future.

2.6.3 To reflect the importance of this service and increased demands, the Business Plan proposes an increase in revenue spending by £2.9m to £30.5m in 2026/27. This reflects levels of demand in 2025/26 and includes an increase in the planned repairs revenue budget of £1.2m to £6.7m in total.

2.6.4 In 2026/27, the budget includes:

- £6.5m for day-to-day responsive repairs
- £6.7m for planned repairs, like replacements of doors and windows or kitchen and bathroom repairs
- £3.9m for minor works to properties that have become vacant
- £2.8m for damp and mould works
- £4.7m for gas servicing and other cyclical maintenance.
- £5.9m other related expenditure (e.g. fire and flood damage, safer homes, estates management, overheads).

#### Supervision and management

2.6.5 A supervision and management budget of £37.7m is proposed for 2026/27. This is an increase of £2.5m from 2025/26. £1m of this is a temporary one-year increase to enable resources to be allocated to implementing the new Housing Service operating model and to begin the review of how the repairs and maintenance service will be delivered when the existing contracts cease in 2030. Costs also reflect additional staffing requirements arising from increased focus on compliance, regulation and inflationary increase.

2.6.6 Key areas of expenditure in 2026/27 include:

- £15.8m for contributions to other Council services required to operate the HRA, including central services like finance and HR; and services delivered by other directorates like grass cutting, the contact centre and community protection.
- £14.3m for staff salaries.
- £1.5m for gas and electricity costs.
- £1.5m for contracted services including grounds maintenance, translation and decants.
- £1m implementing service operating models.
- £3.6m other related expenditure (e.g. IT, pensions, training, insurance).

#### Estate caretaking

2.6.7 Estate caretaking is a service provided by the Council's repairs and maintenance contract partners. The service is delivered on a planned basis, to an agreed service standard and cyclical programme, across neighbourhoods. The service also responds reactively to issues as they arise, such as fly tipping, to maintain a safe and attractive estate environment. Additional resources of £196k is provided in 2026/27 to support investment in this service.

### **2.7 Rents, Fees and Charges**

2.7.1 There are three rent types within the HRA – Social Rent, Affordable Rent and Shared Ownership Rent.

## Social Rent

2.7.2 The amount the Council can increase rents by is governed by the Rent Standard which is published by Government to ensure all social housing is affordable. This formula allows social housing rent to be increased by a maximum of CPI (3.8% as at September 2025) plus 1% each year. In addition, permission for convergence of up to £2 per week where it is necessary to reach formula rent is subject to an announcement on Convergence expected by Government in January 2026. Three rent increase options have been modelled for business planning purposes:

1. CPI+1%; an increase of 4.8%
2. CPI+1% plus £1 per week; an increase of 4.8% plus up to £1 per week
3. CPI+1% plus £2 per week; an increase of 4.8% plus up to £2 per week

The options are detailed in Appendix 2 with the recommended option (dependent upon the Government announcement in January 2026) being CPI+1% plus £2 per week. The graph at Appendix 3 shows the impact the three rent increase options have on HRA reserve levels. All three options show a drop in reserves at year two, which is due to the level of capital investment required on the Housing Delivery Programme and the increased investment in existing stock. For the purposes of comparison, the proposed capital investments outlined in this report are consistent across all rent setting options.

2.7.3 The recommended rent increase of 4.8% plus £2 per week has been modelled for business planning purposes and is detailed in Table 1 below:

**Table 1 – Social Rent increase**

<b>Social Rent following a 4.8% rent increase + £2 per week (CPI+1%+£2 per week)</b>
<ul style="list-style-type: none"><li>• The 2026/27 average weekly rent based on an increase of 4.8% + £2 per week would be £101.07, an average increase of £6.17 per week.</li></ul>

2.7.4 The recommended rent increase of 4.8% plus £2 per week would generate an additional £83m of rental income over the life of the plan. This additional income will ensure additional investment activity can be completed in the early years of the plan when a large amount of regulatory activity is planned alongside the completion of the 1,000 new homes programme. It will also enable the continuation of the Housing Delivery Programme up to 2037/38.

## Affordable Rent

2.7.5 Where the Council has been successful in securing grant income from Homes England to deliver Affordable Rent properties, the new properties will be managed in line with existing policies, for example mutual exchange, succession, subletting etc. The key difference for grant funded properties, compared to Social Rent properties, is the method of calculating the rent values is prescribed by the Government. These are contained within the Capital Funding Guide for Homes England grant and the Rent Standard.

2.7.6 The Council is required to rebase (revalue) the Affordable Rent value on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a

particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let.

2.7.7 Previously, Affordable Rent properties were revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let. The rebased Affordable Rent will only apply to new tenants or tenancies. It is proposed to move to an individual property valuation upon relet, which will ensure RMBC is fully meeting the rent standard requirements, and the valuations would be based on individual properties, assessed against comparable properties in the relevant ward area.

2.7.8 The actual rents for existing tenants in Affordable Rent properties will only be adjusted in April each year as per the existing annual rent and charges review process.

2.7.9 It is proposed that affordable rents increase in line with the rent settlement of CPI+1%. The proposed rent increase has been modelled for business planning purposes and is detailed below.

**Table 2 – Affordable Rent increase**

<b>Affordable Rent – 4.8% rent increase (CPI+1%)</b>
<ul style="list-style-type: none"><li>• The average weekly Affordable Rent in 2025/26 is £120.91 when aggregated over 52 weeks. The 2026/27 average weekly rent based on an increase of 4.8% would be £126.72, an average increase of £5.81 per week.</li></ul>

Formula Rent

2.7.10 Since 2015, the Council's policy has been when a property is re-let or first let in the case of an acquisition or new build, rent is set at the formula rent. It is proposed this policy continues, given the additional income this generates over the life of the Business Plan and the Government's planned expected announcements on convergence. The amount raised through this policy would be £130m over 30 years.

2.7.11 The average weekly rent for new lets at formula will be £104.90 per week.

2.7.12 It is proposed that guidance is prepared and issued for officers to ensure discretion is applied in exceptional circumstances, e.g. where a tenant is forced to move due to domestic abuse. This will be explored as part of an update to the rent setting framework.

Shared Ownership Rent

2.7.13 The Council is the landlord for 134 Shared Ownership properties. Rent increases for shared ownership properties are subject to a different formula than Social Rents or Affordable Rents. The formula is Retail Price Index (RPI) (as of September 2025 = 4.5%) plus 0.5%, an increase of 5%. Applying this formula means rents would increase on average by £10.80 per month from

£269.46 to £280.26. This is the recommended approach for Shared Ownership rents.

### Furnished Tenancy Charges

2.7.14 The proposal in 2026/27 is to freeze furnished tenancy charge pending a review of the service. A full list of Furnished Homes charges and proposed values for 2026/27 is included in Appendix 4.

### District Heating

2.7.15 There are currently 18 different schemes and approximately 1,260 properties which receive heat through the Council's District Heating service.

2.7.16 Given the volatility of energy prices the Council took the decision in July 2023 to match the average District Heating charging rate to the average gas charging rate under the Ofgem price cap for July – September 2023. This approach continued in 2024/25 and 2025/26.

2.7.17 The forecast Ofgem price cap for 2026/27 means the average gas bill will be £894 for April 2026 onwards. Based on the Council's forecast for average gas bills, maintaining this matching approach would generate a surplus of £150k due to the Council's forecast average gas bill being less than the forecast Ofgem price cap average bill. It is therefore proposed to maintain the existing unit rate of 13.09 pence per kWh. This would mean an average District heating bill will be £834 per year, approximately £60 less than the forecast average gas bill under the Ofgem price cap for April 2026. The forecast Ofgem price cap has been calculated using market data and is subject to change.

2.7.18 The annual cost to customers will depend on their actual usage, therefore the annual district heating bill could be higher or lower. Customers will be advised of their usual annual usage so that they can consider their payment options.

2.7.19 In prior years to maintain lower district heating costs the HRA has subsidised the cost of the heat network by approximately £850k between 2023/24 to 2025/26. Any surplus generated in 2026/27 will go towards netting off this deficit while ensuring tenants on the district heating network continue to pay a fair price in line with the average gas bill under Ofgem price cap

2.7.20 A series of options for District Heating pricing have been modelled in the tables below. The first table summarises the options. The second table summarises unit rates and Business Plan impacts. Any reference to the Ofgem price cap does not take into account any changes announced as part of the Budget announcement on the 26<sup>th</sup> November 2025.

**Table 3 – District Heating pricing options**

District Heating Option 1 – Existing unit rate based on Apr-Jun 2025 Ofgem Cap (preferred option)	District Heating Option 2 – Unit rate based on forecast Apr-Jun 2026 Ofgem Cap	District Heating Option 3 – Cost recovery of utility costs only
<ul style="list-style-type: none"> <li>This option would see the unit rate remain unchanged at 13.09 pence per kWh and would mean an average annual cost per user of £834.</li> <li>This option means the average District Heating bill will be £60 lower per year than an average gas bill.</li> </ul>	<ul style="list-style-type: none"> <li>This option would see an increase in the unit rate to 14.03 pence per kWh and would mean an average annual average District heating bill of £894.</li> <li>This option maintains the link to the Ofgem price cap and means the average District Heating bill will be equivalent to that of a resident on mains gas.</li> </ul>	<ul style="list-style-type: none"> <li>This option would see the unit rate reduce to 12.10 pence per kWh and would mean an average annual cost per user of £771.</li> <li>This option means the average District Heating bill will be £123 lower per year than an average gas bill.</li> </ul>

**Table 4 – District Heating pricing option 2026/27 – unit rates and impact on the Business Plan**

	Original 2025/26 Budget	Budget 2026/27		
		Option 1 (preferred option)	Option 2	Option 3
<b>District Heating Options 2024/25</b>	Forecast Ofgem Cap (Apr-Jun 25)	Existing unit rate Forecast Ofgem Cap (Apr-Jun 25)	Forecast Ofgem Cap (Apr-Jun 26)	Cost recovery (utilities only)
Unit rate (inc VAT)	0.1309	0.1309	0.1403	0.1210
Expenditure (Fuel only except full cost recovery)	1,355,073	1,107,868	1,107,868	1,107,868
Net Income	-1,148,754	-1,184,824	-1,257,478	-1,107,868
Deficit (+) / Surplus (-)	206,319	-76,956	-149,610	0
<hr/>				
<b>Pooled Schemes Weekly Prepayment Charge (inc VAT)</b>				
Bedsit	8.50	8.50	9.00	7.50
1 Bed	13.50	13.50	14.00	12.50
2 Bed	17.50	17.50	18.00	16.50
3/4 Bed	21.50	21.50	22.00	20.50
<hr/>				
<b>Annual pre-payment charge (inc VAT)</b>				
Bedsit	442.00	442.00	468.00	397.50
1 Bed	702.00	702.00	728.00	662.50
2 Bed	910.00	910.00	936.00	874.50
3/4 Bed	1,118.00	1,118.00	1,144.00	1,086.50
<hr/>				
<b>Annual average bill (inc VAT)</b>	828	834	894	771

2.7.21 The prepayment charge is the amount a customer would pay to their rent account on an annual basis. Customers will be advised of their average annual usage. Customers who require assistance can access the Council's Energy Crisis scheme to seek further cash support and are able to access ongoing support through the financial inclusion team.

2.7.22 As in 2025/26 it is recommended that authority be delegated in 2026/27 to the Assistant Director for Housing in consultation with Cabinet Member for

Housing and Assistant Director for Finance to reduce district heating pricing should there be a significant movement in the Ofgem price cap.

### Garage Rents

2.7.23 A 10% increase of garage rents is proposed and has been modelled within the HRA Business Plan with the aim of creating additional revenue to facilitate more investment in the garage estate. A 2% increase is forecast to generate an additional income of £31,340 compared to 2025/26 charges. A 10% increase is forecast to generate £94,340, an increase of £63,000. The difference in pricing between tenants and non-tenants is due to VAT being payable by non-tenants.

**Table 5 – Impact of Weekly Garage Rent Increase**

	2025/26	2026/27 Proposed (10%)	Increase	2026/27 (2%)	Increase
RMBC average garage rent for tenants	£ 6.56	£ 7.21	£ 0.66	£ 6.69	£ 0.13
RMBC average garage rent for non-tenants	£ 7.88	£ 8.67	£ 0.79	£ 8.04	£ 0.16

### Other Fees and Service Charges

2.7.24 This report also considers the potential increase in HRA non dwelling rent fees and charges for 2026/27 and proposes a 3% increase. A full list of Fees and Service charges for the HRA for 2026/27 is included at Appendix 4.

2.7.25 The proposed increase of 3% would generate additional income of approximately £17.7k in 2026/27 compared with current charges.

2.7.26 There are several leasehold management charges that are based on the full recovery of actual costs. These are excluded from this report as they are not standard charges that are subject to an inflationary increase. These are included for information in Appendix 4.

## 2.8 Impact on tenants

2.8.1 There are c.15,000 tenancies in receipt of Housing Benefit or Universal Credit (UC) who would not be directly affected by an increase in rent and approximately 4,500 tenancies that would be affected as they would pay rent from their household income. The tenants in receipt of benefits (Housing Benefit or UC) who would see their benefit entitlement adjusted to meet an increase in rent are:

- c10,969 households who are on Universal Credit
- 2,559 households who are on full Housing Benefit entitlement
- 1,404 households who are on part Housing Benefit entitlement

### Affordability

2.8.2 An affordability analysis shows that based on all three rent increase options those aged under 25 and on benefits would struggle to meet housing affordability tests given working age benefits are lower for this age group. The

affordability challenges are the same irrespective of the rent increase adopted. This is an issue which has existed for a number of years. Other age groups would meet affordability tests assuming they only spent on essential items. The Council offers support to under 25's as set out in sections 2.8.5-7 and Appendix 6.

2.8.3 Tenants receiving full benefit would have any rent increase covered in full. Tenants in part time work (assumed 20 hours for modelling purposes) and in receipt of the National Living Wage would still be in receipt of benefit and so in all scenarios their rent would be covered in full by an increase in benefit. Larger families receiving either part or full benefit would be impacted by a rent increase due to the benefit cap; although some circumstances may be mitigated by the benefit changes announced in the Budget.

2.8.4 Affordability modelling has been undertaken using Policy in Practice software. This software is used to assess all new tenants' ability to afford properties they have been offered, prior to signing a tenancy agreement. The modelling does not consider any potential changes announced by the Government as part of the Budget on 26<sup>th</sup> November 2025. A detailed analysis of affordability is attached at Appendix 5.

#### Supporting tenants with financial pressures

2.8.5 A key priority is the ongoing work to mitigate the effects of the cost-of-living crisis. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. Work will continue to support tenants to pay their rent, including offering additional support to vulnerable tenants to help with money, benefits and debt advice.

2.8.6 The Council and its partners provide a comprehensive package of support to tenants, care leavers and residents facing crisis. Current support offered in Rotherham is outlined in Appendix 6.

2.8.7 Tenancy Support for care leavers is mainly delivered by Roundabout who are commissioned to provide this support by RMBC. However, if for some reason they are unable to support, RMBC Tenancy Support will provide holistic support once the care leaver is in a council tenancy. This can include help with benefits and debts, applications for enrolment at GP/Dentist/College and any financial support that may be available other than that provided above.

#### Private Sector Rents

2.8.8 With the proposed rent increase of 4.8% plus £2 per week Council rents will still offer far better value than those in the private sector. The table below illustrates the average Council rent compared to the average private sector rent in Rotherham.

**Table 6 – Average Council rent vs private rent by bedroom size**

	1 Bed	2 Bed	3 Bed	4 Bed
<b>Average weekly Council rent £ (assuming 4.8% plus up to £2 increase)</b>	<b>91.57</b>	<b>99.84</b>	<b>107.75</b>	<b>120.29</b>
<b>Average weekly private sector rent £</b>	<b>130.95</b>	<b>172.74</b>	<b>213.57</b>	<b>333.10</b>

**3. Options considered and recommended proposal**

3.1 The options considered as part of scenario modelling are detailed at Appendix 7 of the report. Options for rent increases are outlined in Appendix 2.

3.2 The recommended option results in an Operating Surplus at Year 30 of £143.4m and ensures expenditure is affordable throughout the life of the Business Plan.

3.3 The recommended option increases investment in existing stock and enables delivery of an on-going Housing Delivery programme and ensures all statutory compliance functions are met alongside resources to meet requirements of the new social housing regulations.

**4. Consultation on proposal**

4.1 The Council has an active tenant engagement service supported by a Tenant Engagement Framework and a commissioned Tenant Federation contract. Consultation on housing services provided by the Council is undertaken throughout the year via the Housing Involvement Panel. The draft 2026/27 HRA Business Plan was presented at the Panel on the 19<sup>th</sup> November 2025. The Housing Service also hold numerous tenant consultation events throughout the year, for instance the Annual Tenants Conference. The 2026/27 HRA Business Plan has also been informed by on-going consultation via complaints feedback and priorities identified via the Housing Strategy, as set out in sections 1.20-22.

**5. Timetable and Accountability for Implementing this Decision**

5.1 The table below shows the approval timeline:

Date	Meeting
10/12/25	Overview and Scrutiny Management Board
15/12/25	Cabinet
14/01/26	Council
6/03/26	Rent and service charge letters posted
6/04/26	New charges take effect

## 6. Financial and Procurement Advice and Implications

6.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self-financed housing revenue account, the Financial Viability principle has been considered which states that: -

- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability

6.2 The HRA Business Plan is reviewed and updated annually to take account of changes to all income streams and the revenue and capital costs of managing and maintaining HRA properties and tenancies. It also considers Capital investment in new build and housing acquisitions for affordability.

### Financial Position of the Housing Revenue Account

6.3 The table below provides a summary of the proposed income and expenditure budgets for 2026/27 for Option 3 which would see rent increases of 4.8% plus up to £2 per week for rent convergence. This indicates that the general HRA revenue reserve is forecast to have a balance of £19.348m on 31 March 2026. Budget proposals for 2026/27 would see the reserve reduced to £8.3m by 31 March 2027. This is within the parameters of the minimum HRA revenue balance.

Housing Revenue Account	Current Budget 2025/26 £'000	Proposed Budget 2026/27 £'000	Difference
Expenditure	104,634	110,969	6,335
Income (including service charges)	-107,163	-113,597	-6,434
Net Cost of Service	-2,529	-2,628	-99
Interest Received	-105	-150	-45
Net Operating Expenditure	-2,634	-2,778	-144
Revenue Contribution to Capital Outlay	9,658	13,836	4,178
Transfer from Reserves	-7,024	-11,058	-4,034
Surplus/Deficit for the Year	0	0	0
HRA Revenue Reserve Balance	19,348	8,290	-11,058

6.4 Based on the recommended 4.8% plus up to £2 increase in dwelling rent income and an increase in service charges of 3%, budgeted income of £113.6m is anticipated to be achieved in 2026/27. This will enable £110.9m of budgeted expenditure to be funded.

6.5 As budgeted income is greater than the cost of delivering the service, there is an overall net income of £2.7m to the service after interest received. A revenue contribution of £13.8m is required to fund the Housing Capital Programme. This will be funded by £2.7m net income and a transfer from the HRA Revenue reserve of £11.1m to balance the HRA in 2026/27.

6.6 A copy of the proposed draft detailed HRA budget 2026/27 is attached at Appendix 8.

6.7 The HRA operating balances in the recommended option are forecast to be maintained within the parameters of the minimum revenue balance. This is set at £5.5m in Year 1 in the BP and uplifted by CPI annually and is the minimum level required to manage financial risk. The level required will be assessed on an ongoing basis to ensure that appropriate levels of reserves are being maintained. Appendix 9 is the HRA Business Plan Model Operating Account which shows the revenue balance values.

6.8 Option 3 is subject to Government announcement on convergence which is expected in January 2026. Without the convergence announcement the proposed rent increase would revert to the current rent settlement level of CPI+1%, which is option 1. This would result in the revenue balances being at minimum balance for years 2-5 and further years throughout the plan which does not provide financial resilience. This will be considered in the mid-year review of the HRA BP model. Spending proposals may need to be adjusted in future years.

6.9 To maintain adequate operating balance levels the Housing Delivery programme will need to breakeven overall. This will support the overarching strategy for the Business Plan to promote growth rather than manage decline. The viability of the Housing Delivery Programme will be managed via existing capital governance routes.

#### Capital Borrowing Requirement

6.10 The Plan makes provision for additional borrowing of £124m in years 3 to 10 of the plan to fund the additional investment in existing stock and the on-going Housing Delivery Programme. Borrowing will only be set in place as required. The graph at Appendix 10 shows the interest ratio cover over the life of the plan. This ratio looks at the cost of servicing any debt (interest payments) over the life of the plan as a percentage of forecast rental income. The proposed option enables borrowing that is not for housing growth to be repaid between years 11-14. This ensures that additional borrowing is within viable limits.

6.11 Subject to the rent convergence announcement, if option 1 is implemented the borrowing requirement rises to £165m with repayment of loans not for housing growth not possible until years 14-28.

6.12 The BP model assumes funding will be available from existing capital receipts and from new capital grants, Right-to-Buy (RTB) one-for-one receipts and existing RTB Receipts.

6.13 The income available from RTB one-for-one receipts is subject to change following recent Government amendments to the Right-to-Buy scheme which significantly limits the discounts that tenants receive under the new scheme. The new scheme also allows the Council to retain the “Treasury share” of the RTB receipts. It is too early to accurately assess the impact on one-for-one receipts but may result in lower one-for-one income to the Council over the long term if the number of RTB sales falls.

6.14 There are no direct procurement implications arising from this report. All procurement activity to support the delivery of the HRA Business Plan must be conducted in compliance with relevant procurement legislation (Public Contracts Regulations 2015 or the Procurement Act 2023), dependant on the route to market selected as well as the Council's own Financial and Procurement Procedure Rules.

## 7. **Legal Advice and Implications**

7.1 It is vital that the Council has and maintains a robust HRA Business Plan, which is subject to regular review and scrutiny to enable the Council to comply with the duties placed upon it. The HRA provisions are contained within the Local Government and Housing Act 1989 and include the duty in January or February each year to formulate proposals relating to HRA income and expenditure which satisfy the requirements set out within s.76(3) of the Act. Those proposals are contained in this report.

7.2 The HRA specifically accounts for revenue expenditure and income relating to the Council's own housing stock and is ring-fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council's landlord role. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

7.3 Under Section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine, and the Council must from time-to-time review rents and make such changes as circumstances may require. The duty to review rents and make changes is itself subject to the requirements for a notice of variation and the prescribed process as set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

7.4 Local authorities must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2019. For rents set from 1 April 2024 onwards the 2020 Rent Standard applies in full and it sets out requirements around the increase of rents in line with the Government Policy Statement on Rents for Social Housing as updated on 14 December 2022. The Council must comply with all of the requirements and expectations set out in the Rent Standard and the Government's Rent Policy Statement. A failure to do so will leave the Council open to legal challenge from both the Regulator and tenants.

## 8. **Human Resources Advice and Implications**

8.1 There are no immediate human resource implications.

## 9. **Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications for CYPS or Vulnerable Adults.

## **10. Equalities and Human Rights Advice and Implications**

10.1 The Council is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration and has ensured that the HRA Business Plan is compliant with that duty. An initial equalities screening has been carried out to assess the impact of these proposals and due to the scale of investment and nature of households affected the Council has completed an Equality Impact Assessment for this plan. This will ensure the Council continues to promote positive impact and reduce or remove negative impact as a result of the proposed investments. An Equalities Analysis is attached at Appendix 11.

## **11. Implications for CO2 Emissions and Climate Change**

11.1 The HRA Business Plan sets out the proposed value of investment in the housing service for the next 30 years. Given the Government's commitment for the UK to achieve net zero carbon by 2050 and the Council's target for Net Zero greenhouse gas emission in the Borough of Rotherham is 2040, 10 years sooner than the UK target, this will require substantial investment in the Council's housing stock over the life of the Business Plan. Initial estimates put the cost of this at circa £600m which represents a formidable challenge to the HRA. As a result, this means that drawing in external funding to progress net zero commitments becomes even more significant. Participation in national grant funding schemes will be prioritised.

11.2 A copy of climate impact assessment is attached at Appendix 12.

## **12. Implications for Partners**

12.1 This proposal is about making effective use of Council assets and managing them to best effect. It contributes to the sustainable neighbourhoods agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

## **13. Risks and Mitigation**

13.1 Self-financing involved a significant transfer of risk from Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the Council.

13.2 Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right to Buy sales) must be managed locally.

13.3 The risk management plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and information on when the risk will be reviewed.

13.4 Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated as necessary.

13.5 The Council has risk-based reserves to ensure that HRA reserves are maintained at the appropriate level. Stress testing of this business plan will be carried out and reviewed regularly to ensure the HRA Business Plan can adapt to future cost pressures and issues. Stress testing will inform a risk register and ensure the reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

#### **14. Accountable Officers**

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

Approvals obtained on behalf of Statutory Officers: -

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	John Edwards	28/11/2025
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	28/11/2025
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	28/11/2025

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