

Meeting CABINET
Portfolio Area Housing & Housing Development
Date 12th November 2025



HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2026/27 TO 2056/57

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KEY DECISION

1 PURPOSE

- 1.1 To seek Cabinet approval of the updated Housing Revenue Account (HRA) Business Plan 2026/27–2056/57, attached at Appendix A, that sets out the 30-year financial framework for the management and maintenance of the Council' housing stock and the delivery of new social and affordable homes. It reflects the current policy, regulatory, and financial landscape, and establishes a sustainable foundation for decision-making on capital investment, rent strategy and service delivery within the ringfenced HRA.

2 RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Approve the Housing Revenue Account Business Plan 2026/27-2026/57 as seen in Appendix A.

- 2.2 Approve the approach to borrowing principles as set out in the Business Plan and summarised in paragraph 4.8.
- 2.3 Note the minimum level of balances for the HRA Business Plan, which is set at £10Million.
- 2.4 Approve the assumptions used for the Medium-Term Financial Strategy and that the growth and savings proposals (Appendix B & C) are incorporated into the 2026/27 budget.
- 2.5 Approve the Capital Programme assumptions contained within the plan for the housing stock and new build properties and that these are incorporated into the 2026/27 Capital Strategy.
- 2.6 Approve financing of the Capital Programme for inclusion in the Capital Strategy including prudential borrowing to fund capital projects in 2026/27 of £35.6Million and re-financing of internal debt of 7Million. Future years borrowing requirements will be considered annually in line with anticipated expenditure.
- 2.7 To note the significant risks and uncertainties affecting the national housing landscape, and to delegate authority to the Strategic Director (RP), in consultation with the Portfolio Holder for Housing and Housing Development, to make minor amendments as necessary to safeguard the financial viability of the Plan.

3 BACKGROUND

- 3.1 The Council manages 7,971 rented homes and 1,446 leasehold dwellings as a registered social landlord. The HRA represents approximately 21% of the borough's total housing stock. This Plan delivers elements of the Council's Corporate Plan – Making Stevenage Even Better, by supporting the priorities of transforming the town, delivering quality homes, thriving neighbourhoods, tackling climate change and balancing the budget. The Plan has been developed having consideration to both local and national context including the Social Housing (Regulation) Act 2023, Awaab's Law, the current and emerging Decent Homes Standard, and national Rent Policy.

3.2 Housing Stock and Investment Needs

The Council's stock is predominantly post-war housing with 84% built between 1950–1979. The programme of stock condition surveys covers 96.9% of homes, with the level of non-decency currently at 1.5%, but the programme will ensure that all homes can meet the Decent Homes Standard in 2026/27, noting that properties will go in and out of decency on a rolling basis. A total of £148Million is programmed for stock investment in the first five years of the plan, and £745Million over 30 years. Investment priorities include building safety and compliance, Decent Homes and energy efficiency.

3.3 Development Programme and New Supply

The Council has delivered 623 new homes since 2014, with a target of 1,000 by 2030. There is a further £457Million allocated for new housing over the lifetime of the plan, including 281 homes currently under construction and

£25Million in Homes England grant funding already secured. A net increase of 1,107 homes has been projected over the lifetime of the HRA Business Plan.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The Housing Revenue Account (HRA) Business Plan is a critical tool for ensuring the Council's housing stock remains financially sustainable, safe, and responsive to tenant needs. Over recent years, there have been significant changes in the economic and regulatory landscape, including inflationary pressures, shifts in government rent policy, and rising construction and maintenance costs. These factors increase the need to regularly review and update the HRA Business Plan to ensure investment decisions are realistic and deliverable.
- 4.2 Furthermore, tenant expectations are evolving, with increasing demand for energy-efficient homes, digital service access, and high-quality maintenance. A reviewed Business Plan enables the Council to prioritise capital investment in line with stock condition surveys, regulatory standards, and long-term sustainability objectives. It also provides a framework for managing risks associated with financial volatility, safeguarding responsibilities, and strategic housing delivery. Without a refreshed Plan, there is a risk of underinvestment in critical maintenance, reduced capacity to deliver new homes, and diminished service quality for tenants.
- 4.3 This report seeks the formal approval of the updated HRA Business Plan to be adopted as the guiding framework for managing the Council's housing stock over the medium term. This course of action allows the Council to:
- Ensure the financial sustainability of the HRA, maintaining sufficient reserves to manage risks and support ongoing investment in both existing and new homes.
 - Prioritise capital investment based on robust stock condition data, ensuring that properties meet regulatory standards, safety requirements, and tenant expectations.
 - Support delivery of new affordable housing to meet local housing need, aligned with Planning and policy objectives.
 - Embed key policy priorities, including energy efficiency, and climate resilience, into investment decisions.
 - Maintain compliance with statutory and regulatory duties relating to building safety, housing quality, and equality obligations.
 - Provide a clear framework for risk management, workforce Planning, and service delivery improvements, supporting operational efficiency and tenant satisfaction.
- 4.4 The HRA Business Plan is underpinned by a detailed and robust financial model that projects both revenue and capital requirements over a 30-year

period. The model was last recalculated in 2024/25, with a medium-term review conducted for 2025/26. The table below summarises the key assumptions and outcomes reflected in the current version of the model.

Key Points
Significant capital investment and revenue growth included in the medium term of £240m to 2030/31.
Increased borrowing to support capital spend of £40m to 2035/36
Higher level of refinancing of existing debt to allow for projected revenue costs
Large savings needed to balance Plan, especially in the medium term of £5.8m per annum by 20235/36
Net 1,107 new stock over the Plan
Increased rent income from rent flexibility, rent policy of CPI+1% and assumed rent convergence of £1
Projected reduction in RTB sales of 353 compared to 1,120 in last Plan
Lower property sales means higher rental income and allows for re-payment of the debt over the life of the Plan

- 4.5 The updated financial forecast underpins the Medium-Term Financial Strategy (MTFS) and will inform the development of the revenue and capital budgets for 2026/27. As part of the modelling process, growth and savings opportunities have been identified and will be incorporated into the budget. However, several key risks could affect the HRA's financial position in both the short and long term. These include:
- Rent policy from the Government
 - Interest Rates for borrowing
 - Regulatory impacts, particularly on maintenance and building compliance
 - Savings requirements in the medium term
- 4.6 In response to these identified risks, the financial model has increased the minimum balance requirement for the HRA from £6Million to £10Million. This enhanced reserve position will provide the Council with greater flexibility to adjust operations and spending plans, allowing it to respond to emerging challenges within a reasonable timeframe and maintain the HRA Business Plan's financial resilience.
- 4.7 Overall, the financial model shows that there are high levels of revenue pressure in the first half of the Plan. However, in the longer term, recent changes to the right to buy scheme, that result in fewer house sales, have

reduced capital investment pressures and mean that there is capacity to deal with future investment and service needs.

Borrowing, Debt and Viability

- 4.8 A key aspect of the HRA Business Plan is to balance revenue costs, capital investment and debt servicing costs. This must be done within prudential rules to ensure that the HRA remains viable over the 30 years. Assessing the affordability of borrowing in the Plan, peak debt is forecast at £354Million in year six, equivalent to 5.18 times annual income and this is slightly lower than the last Plan. Another indicator is total debt servicing costs in year as a percentage of income. This peaks at 32% in the financial model and while 1% higher than the last forecast, this is still significantly below the 38% of income that used to be paid in subsidy to the Government before the HRA became self-financing. The Plan achieves full repayment within 30 years, maintaining minimum reserves of £10Million and this illustrates that there is headroom in later years to tackle future service requirements.
- 4.9 Key Assumptions included in the Business Plan are:
- Rent Policy: increase by CPI + 1% with £1/week convergence cap;
 - CPI Inflation at 2.75%, falling to 2% over four years;
 - Interest rates on borrowing reducing to 3.75%;
 - Housing stock growth +1,107 homes;
 - Right to Buy of 8 sales per year in the medium to long term;
 - 100% stock decency by 2026/27; EPC-C by 2030;
 - Minimum reserves £10Million.

Risks and Sensitivities

- 4.10 Main risks are highlighted at pages 45-48 of the Business Plan and include inflation, borrowing costs, rent policy uncertainty, regulatory compliance costs, climate change obligations and ability to secure Government funding to support the delivery of new housing. Mitigations include maintaining healthy reserves, flexible borrowing, maximising rent policy, achieving savings targets, and regular Business Plan reviews.
- 4.11 By adopting the updated Business Plan, the Council will continue to take a proactive approach to managing housing assets, ensuring both immediate and long-term challenges are addressed while maintaining service standards for tenants and supporting broader corporate priorities.
- 4.12 Alternative options considered include maintaining the current Plan without revision or reducing Planned investment levels. However, these options would risk non-compliance with legal and/or regulatory requirements and may impact the Council's ability to meet housing need and maintain property standards.

5. IMPLICATIONS

5.1 Financial Implications

The proposed Business Plan provides a balanced HRA over the medium term, incorporating inflation, rent policy changes, and capital investment requirements. It ensures adequate reserves and supports long-term financial resilience within the ring-fenced account. It should be noted that this is an overall Plan, and individual aspects will be subject to development, review and reporting as part of the Council's ongoing financial reporting process.

5.2 Legal Implications

The recommendations comply with the Housing Act 1985 and associated regulations governing the management of the HRA. Legal and regulatory duties regarding the maintenance of decent, safe and habitable homes, rent setting, and tenant engagement are fully considered. It should be noted that this is an overall Plan, and individual aspects of the Plan will be subject to development, review and reporting as appropriate.

5.3 Local Government Reorganisation (LGR) Implications

The Plan does not take into account LGR, and any requirements or proposals that develop as part of that wider work will be monitored, reviewed and considered as part of those proposals.

5.4 Risk Implications

The HRA Business Plan sets out full details of the key risks including legal, regulatory and inflationary pressures, changes in rent policy, and construction cost increases. It also clearly sets out the assumptions that have been used in the development of the Plan along with appropriate mitigation measures including regular monitoring, prudent financial Planning, and maintaining contingency reserves.

5.5 Policy Implications

The Business Plan aligns with the council's strategic housing, regeneration, and social inclusion policies. It supports broader objectives around sustainability, affordability, and community wellbeing. It does not take individual policy positions and any individual aspects of the Plan requiring revisions to policy positions will be subject to development, review and reporting as appropriate.

5.6 Planning Implications

The Plan supports delivery of new homes through the Council's development pipeline, consistent with Local Plan policies and Planning guidance, ensuring alignment with housing need and environmental standards.

5.7 Environmental Implications

Investment in housing stock includes measures to improve energy efficiency, reduce waste, and enhance green spaces. The Plan contributes to the council's sustainability commitments and environmental stewardship.

5.8 **Climate Change Implications**

Energy-efficient retrofitting and low-carbon technologies are prioritised to support the council's net-zero ambitions

5.9 **Equalities and Diversity Implications**

The Plan supports fair access to housing and services for all residents. Equality Impact Assessments are undertaken to ensure policies do not disadvantage protected groups and actively promote inclusion.

5.10 **Information Technology Implications**

Digital transformation remains central to service delivery, with continued investment in housing management systems, data analytics, and online tenant engagement platforms.

6. **BACKGROUND DOCUMENTS**

BD1 [SBC Housing Revenue Account Business Plan Review 2023](#)

BD2 [SBC HRA MTFS \(2024/25 – 2028/29\)](#)

BD3 LGA Housing Revenue Account [research update 2024](#)

7. **APPENDICES**

Appendix A – SBC Housing Revenue Account Business Plan 2026/27 to 2056/57

Appendix B – HRA Savings 2026-27

Appendix C – HRA Growth 2026-27