Part I – Release to Press

Stevenage BOROUGH COUNCIL

Agenda item

Meeting	CABINET
Portfolio Area	Housing and Housing Development / Resources and Performance
Date	10 DECEMBER 2025

DRAFT HOUSING REVENUE ACCOUNT BUDGET SETTING AND RENT REPORT 2026/27

KEY DECISION

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1. PURPOSE

1.1. To update Members on the proposals for the Housing Revenue Account (HRA) budgets and rent setting for 2026/27, to be considered by Council on 21 January 2026.

1.2. To update Members on the formula for setting rents for 2026/27.

1.3. To propose the HRA rents for 2026/27.

1.4. To propose the HRA service charges for 2026/27.

1.5. To update Members on the 2026/27 HRA budget, incorporating the decisions included in the HRA Business Plan report that was approved at the Cabinet meeting on the12 November 2025 and the 2026/27 HRA fees and charges approved on the 8 October.

1.6. To update Members on the 2026/27-2030/31 HRA Capital Programme.

1.7. To update Members on any further financial issues identified since the HRA Business Plan was approved in November 2025.

2. RECOMMENDATIONS

2.1 That HRA dwelling rents be increased (week commencing 1 April 2026) by 4.8%. This equates to an average increase of £6.72 for social rents, £8.85 for affordable rents and £8.19 for Low Start Shared Ownership homes per week (based on a 52-week year) and assuming rent convergence with a £1 per week cap is approved by the Government.

2.2 That the 2026/27 service charges are approved as set out in paragraph 4.2.

2.3 That the HRA budget for 2026/27, set out in Appendix A, is approved.

2.4 The 2026/27 growth options as set out in section 4.4 are approved.

2.5 That the 2026/27 Fees and Charges as set out in Appendix B are noted.

2.6 That the revised minimum levels of balances for 2026/27 shown in Appendix C are approved.

2.7 That Members approve the Rent Increase Equalities Impact Assessments (EqIA) appended to this report in Appendix D.

2.8 That the contingency sum of £500K, within which the Cabinet can approve supplementary estimates, be approved for 2026/27.

2.9 That the decisions taken on recommendations 2.1 – 2.8 above be referred to the Overview and Scrutiny Committee for consideration in accordance with the Budget and Policy Framework rules in the Council's Constitution.

2.10 That key partners and other stakeholders are consulted and their views considered as part of the 2026/27 budget setting process.

3. BACKGROUND

3.1 The Housing Revenue Account (HRA) is a legally ring-fenced account that records all income and expenditure associated with the management and operation of the Council's housing stock. The main costs within the HRA include housing management, maintenance, depreciation (which helps fund capital works), and interest on loans. The account is primarily funded through rental income, which represents the majority of HRA revenue. Any surplus generated is retained within the ring-fenced account and used to support capital investment or offset future deficits. Under the Local Government and Housing Act 1989 (Section 76), the Council is legally required to set a balanced HRA budget and cannot plan for a deficit on the fund.

3.2 The latest update to the Housing Revenue Account (HRA) Business Plan was presented to Cabinet in November 2025. This plan underpins the Council's key housing priorities for Stevenage, as set out under "More Social, Affordable and Good Quality Homes (MSAGQH)," one of the five strategic priorities in the "Making Stevenage Even Better 2024–2027 Corporate Plan".

3.3 The table below provides a summary of the overall commitments set out in the latest comprehensive review of the HRA Business Plan in 2026/27 to 2056/57.

Borrowing and RCCO	Housing Development	Housing Asset Management	Housing Service Delivery
New Borrowing for Capital Investment £171m (30Yrs) **Refinanced debt to enable revenue operations £175m (30Yrs)** **Revenue contribution to capital £2.2m in (years 1-5)** **RTB changes mean lower investment need and repayment of Debt within 30yrs**	**Invest £457m in new stock (30Yrs)** **Deliver 1,470 units (30Yrs) 320 in next 5yrs** **Deliver new homes to 5 star promise** **Secure grant funding for schemes where possible - £25m included in the plan**	**£744m stock investment funding (30Yrs) £148m in next 5 yrs** **£699m repairs, void and cyclical maintenance (30Yrs).** **Efficiency target of £699K (5%) for 27/28** **All properties to EPC-C by 2030**	**£775m in non-maintenance revenue funding (30yrs)** **Savings** **£566k 26/27 then £1m 27/28** **£1m 28/29** **£500K 29/30** **£400K until 36/37** **Total saving of £3.5m per annum by year 5.** **Growth of £700k pa to enable service improvement / efficiency**

3.4 Members received an update on the Housing Revenue Account (HRA) Business Plan at the November 2025 Cabinet, including the medium-term position for 2026/27 to 2030/31. This update reflected major changes since the previous year's plan, including new national regulatory requirements, rent policy reforms, and the updated stock condition survey data. These changes have resulted in increased investment needs and higher borrowing in the early years of the plan, alongside challenging savings targets to maintain long-term viability.

3.5 The HRA Medium-Term Financial Strategy for 2026/27–2030/31 reflects a front-loaded capital investment approach supported by tight revenue controls and significant borrowing. On revenue, the plan assumed:

Rent	Growth and Savings	Capital	Financing
Consumer Prices Index (CPI) + 1% rent increases **Rent convergence to national formula from 2026/27 capped at £1 per week** **Use rent flexibility on relet of homes – 5% for social rent and 10% for supported**	**£700k annual growth for compliance and service improvements** **Savings programme of £566k in 2026/27, rising to £1m annually.** **A one off 5% repairs saving from 2027/28, is required** **£5.8m ongoing savings by year 10**	**£148Million capital over five years for** • **major works/ compliance upgrades (incl. meeting EPC-C energy standard by 2030)** • **£95m for new development, delivering around 320 homes**	**Debt servicing peaks at 32% of income** **Financing based on** • **£171m new borrowing and £175m refinancing over the life of the plan** **Supplemented by** • **Homes England grants (£25m)** • **RTB receipts** • **limited revenue contributions** **Peak debt of £354m in year six, but repay debt by the end of the 30-year plan**

<u>Housing Regulatory Network</u>

3.6 The main regulatory framework for social housing is shaped by three key bodies: the Regulator of Social Housing (RSH), the Housing Ombudsman, and the Health and Safety Executive (HSE). The RSH sets economic and consumer standards, ensuring providers maintain financial viability, governance, and tenant engagement. The Council was inspected by the RSH in November 2024 and received a C2 consumer grading, indicating that while the Council meets many requirements of the Consumer Standards, improvements are needed in areas such as tenant engagement and transparency. The inspection confirmed strong compliance with health and safety obligations and effective repairs services, but highlighted gaps in reporting remedial actions and involving tenants in service scrutiny. The Council has committed to an improvement plan with the Regulator to address these issues and aims to achieve a C1 rating at the next inspection in four years. The Housing Ombudsman oversees complaints handling and promotes fair resolution processes, reinforcing accountability and transparency. Finally, the HSE focuses on compliance with health and safety legislation, safeguarding tenants and workers through robust building and maintenance standards. Together, these bodies provide a comprehensive framework that underpins quality, safety, and financial resilience across the sector.

3.7 The Budget and Policy Framework Procedure Rules in the Constitution prescribe the budget-setting process, including a minimum consultation period of three weeks. Under Article 4 of the Constitution, the Budget encompasses the allocation of financial resources to services and projects, proposed contingency funds, rent setting for the Housing Revenue Account, decisions on borrowing requirements, control of capital expenditure, and the setting of virement limits. In line with the HRA Business Plan and the Medium-Term Financial Strategy, the Council ensures that these decisions reflect statutory obligations, long-term investment priorities, and enhanced tenant engagement during consultation.

3.8 The timeline for 2026/27 HRA Budget setting is as below:

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. Rents

4.1.1. The total number of HRA homes in management as at 31 October 2025 is summarised in the table below. The average rents for 2026/27 are based on the current housing stock and any right to buy sales, or new schemes coming on stream after this date, may change the average rent per property type.

Stock Numbers at 31/10/2025	Social	Affordable	Sheltered	Shelt. Afford	LSSO	Homeless	Total
Number of Properties	6,703	65	836	32	79	192	7,907

4.1.2. For 2026/27 rent has been set in accordance with the current Rent Standard of September CPI plus 1 %. The September CPI was 3.8% meaning rents will increase by 4.8%.

4.1.3. In the summer 2025 the Government consulted on their intention to restart a rent convergence policy that was initially introduced in 2002 but abandoned by the last Government in 2015. This policy involves moving all social rents in a locality (regardless of the provider) to a standard formula based rent that is calculated on average local earnings and property prices. Based on the consultation it was expected that the government would announce its decision on a £1 or £2 increase, as this had been a key request from the housing sector, alongside uprating the Local Housing Allowance (LHA) rate and temporary accommodation subsidy. However, there has yet to be announcement on the LHA rate and temporary accommodation and an announcement on rent convergence has now been delayed until January 2026.

4.1.4. Although the Government have not confirmed whether they will include rent convergence in the final rent standard for April 2026, the draft budget proposal assumes that this will proceed with a maximum limit of £1 per week for this increase. If the Government's final decision is made in time, the final HRA Budget proposal will be amended to reflect this which could reduce rental income by £209K if they decide not to implement rent convergence.

4.1.5. The tables below show the impact with and without rent convergence. The proposed average rents per week for 2026/27 are set out below, based on a 52-week year and the current housing stock in management.

2026/27 Rent Increase without rent convergence

Average Rents 2026/27	LSSO	Increase/ (decrease) %	Social	Increase/ (decrease) %	Affordable	Increase/ (decrease) %
Average Rent 2025/26	£151.17		£122.83		£184.36	
Add rent impact 2026/27	£7.26	4.8%	£5.89	4.8%	£8.85	4.8%
Total 52 wk Rent 2026/27	**£158.43**		**£128.72**		**£193.21**	

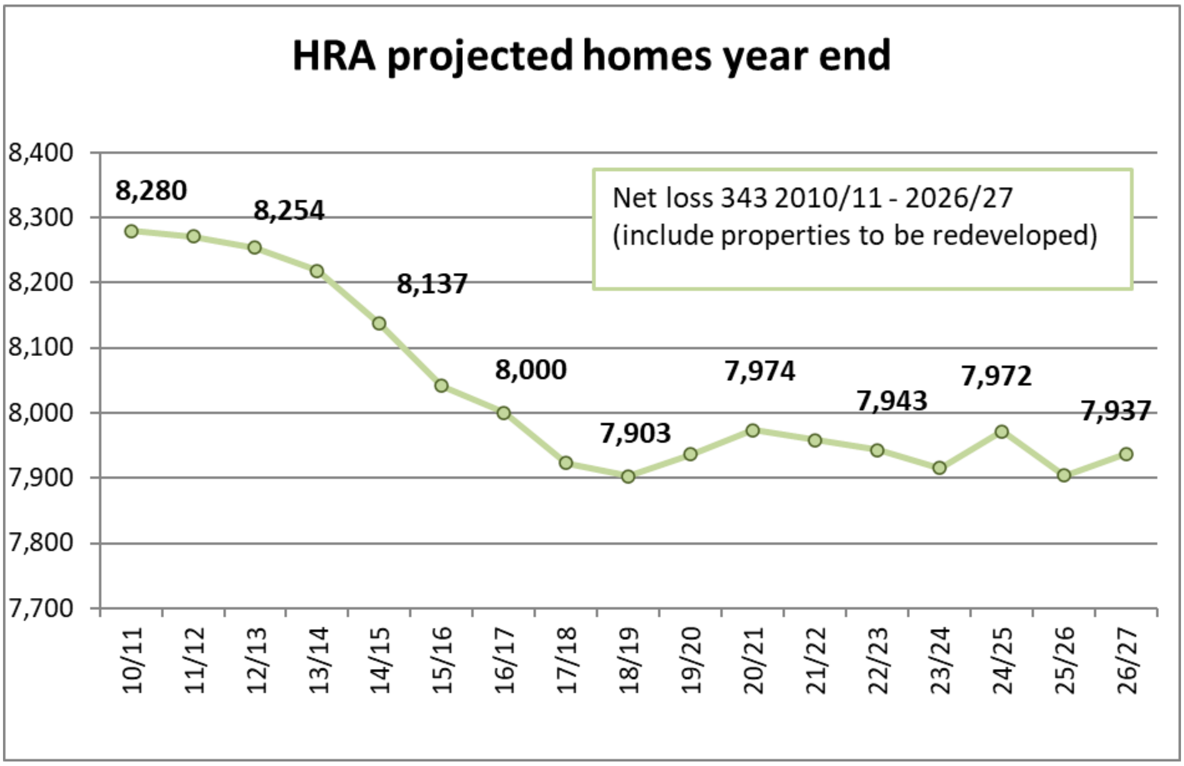
4.1.6. Applying CPI plus 1% to current rent levels would lead to an average rise of £7.26 per week for shared ownership (LSSO) properties, £5.89 per week for social rent properties and £8.85 per week for affordable rent (at 80% of market rents). The table below shows the additional impact of applying rent convergence with a £1 per week limit. This adds an additional 93p per week to shared ownership rent and 83p to social rents. There is no change to affordable rents, as these are not included within the rent formula standard.

2026/27 Rent Increase with rent convergence

Average Rents with Convergence 2026/27	LSSO	Increase/ (decrease) %	Social	Increase/ (decrease) %	Affordable	Increase/ (decrease) %
Average Rent 2025/26	£151.17		£122.83		£184.36	
Add rent impact 2026/27	£8.19	5.4%	£6.72	5.5%	£8.85	4.8%
Total 52 wk Rent 2026/27	**£159.36**		**£129.55**		**£193.21**	

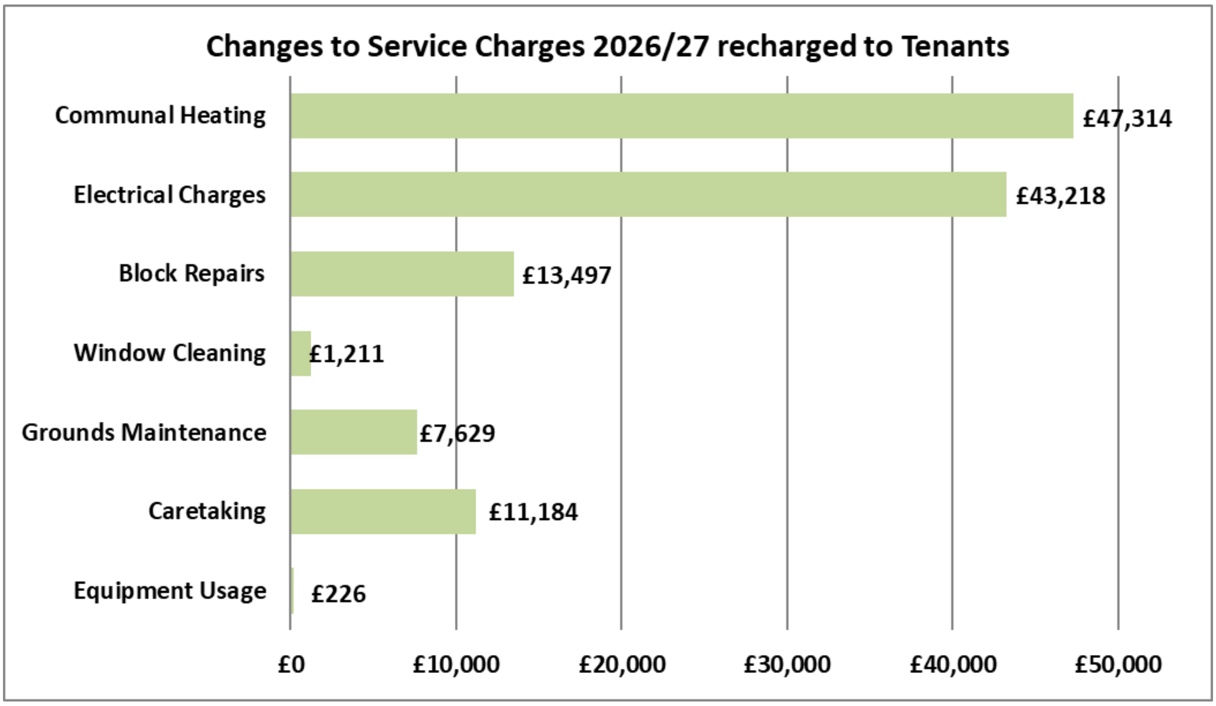
4.1.7. The 2026/27 net rental income increase is estimated to be £2.8Million (£2.6Million without rent convergence), which includes the estimated impacts of right to buy (RTB) sales, expected new properties, properties taken out of management (awaiting redevelopment) and the impact of rent convergence with a £1 cap. This is consistent with the parameters used in the HRA Business plan from the November Cabinet meeting.

4.1.8. The total number of Council homes is projected to have reduced by 343 between 2010/11 and the end of 2026/27 (based on the net impact of RTBs, new homes and homes awaiting development).



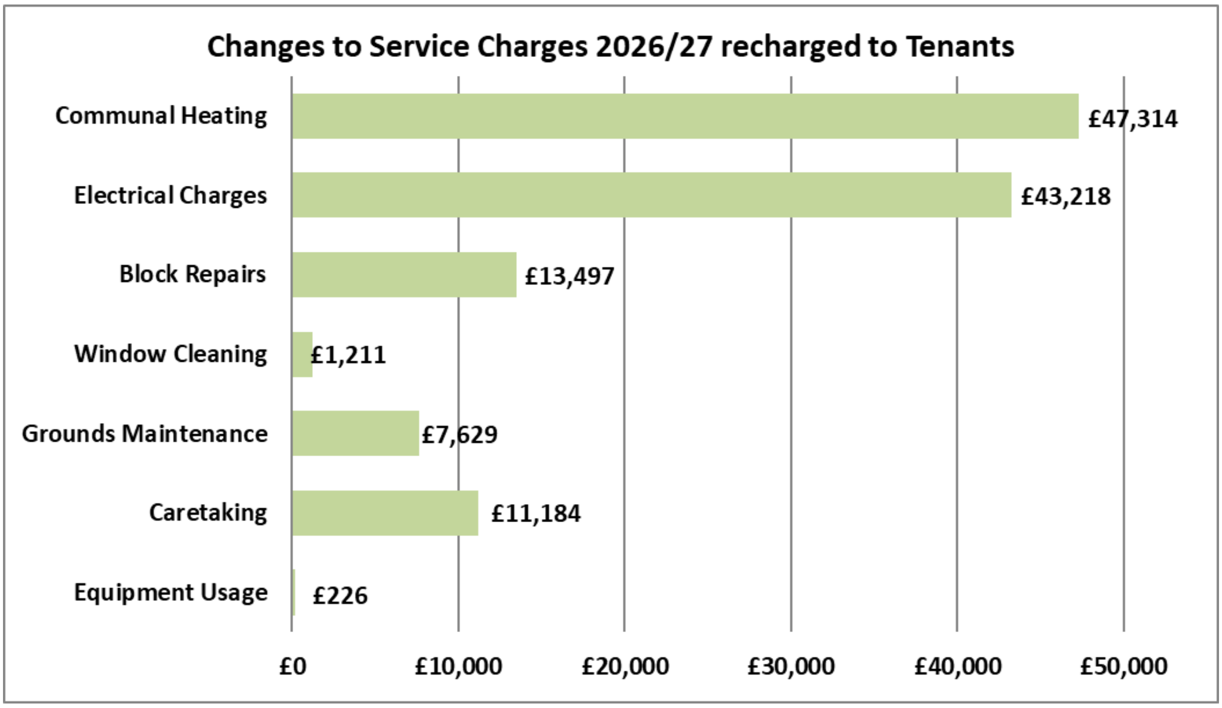
4.2. Service Charges 2025/26

4.2.1. Service charges are calculated on an individual block basis for 2,783 properties, (2025/26 2,757) or 35% of current SBC tenanted properties.

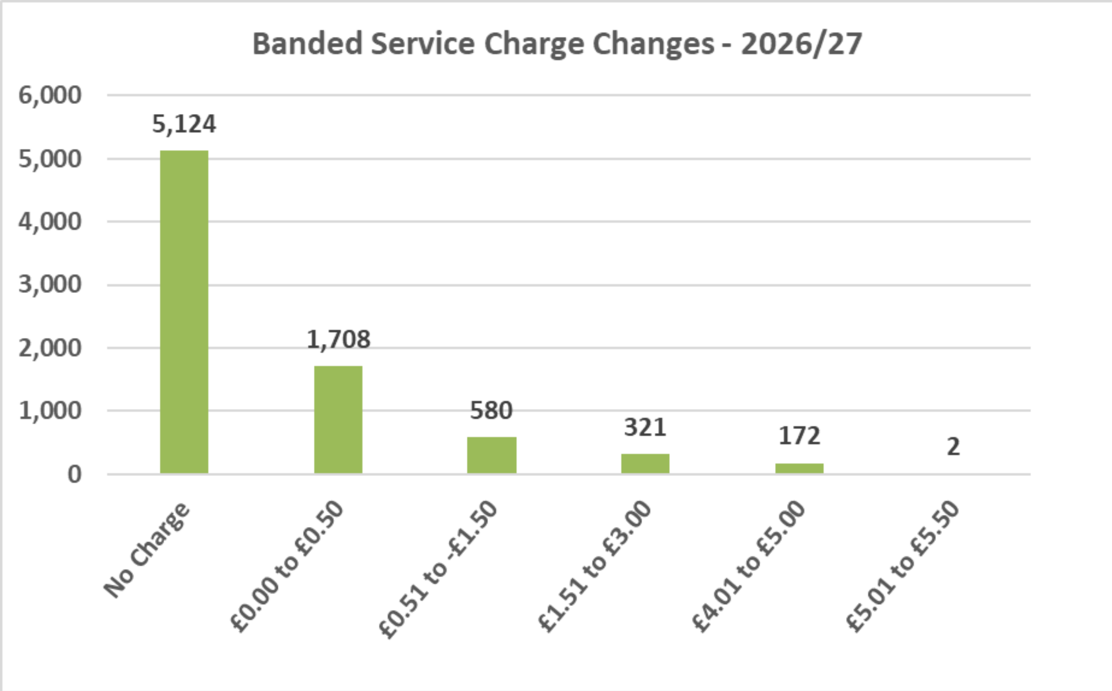


4.2.2. Service charges are not subject to a 4.8% rent increase but are based on cost recovery or actual cost. For 2026/27 service charge costs will increase with inflationary pressures and changes in usage. The chart above identifies the changes between 2025/26 and 2026/27 for service charges and the estimates are based on the projected budgeted costs, except for block repairs, which are 'smoothed' over a five-year period to eliminate individual in-year spikes in repairs spend.

4.2.3. The graph illustrates that energy prices are still expected to cause the largest increase year to year. However, they are still lower than the exceptional spike in prices seen in 2022/23. Most changes are in line with the November Business Plan revision, but projected energy prices are slightly more than anticipated.



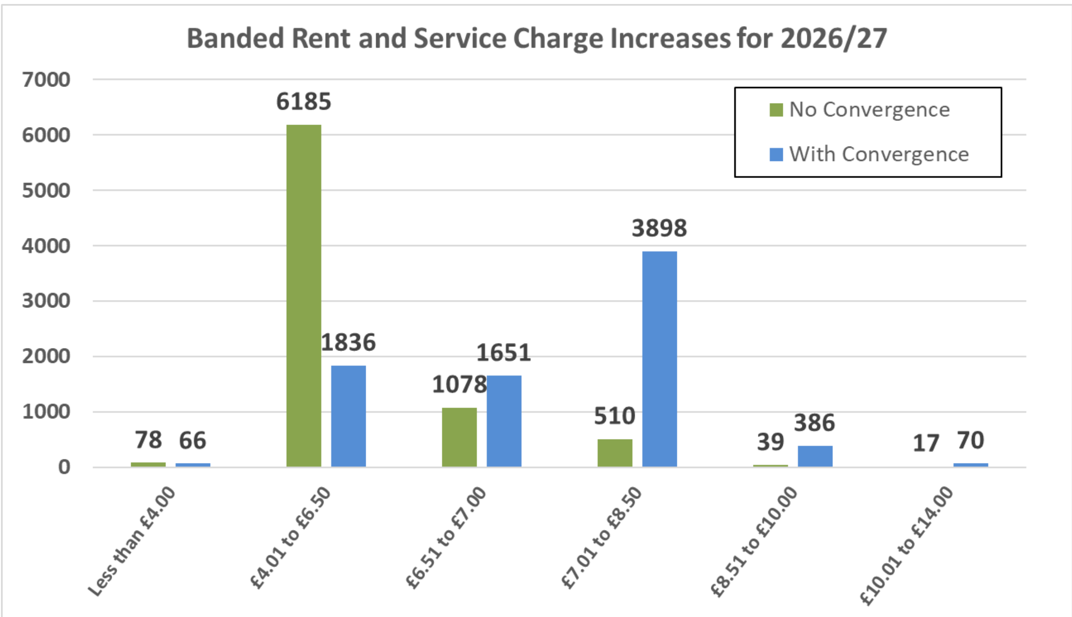
4.2.4. The spread of service charge changes for all tenants in 2026/27 is shown in the chart below, including utility charges and communal heating schemes that are not eligible for housing benefits. The graph shows that 5,124 (65%) of homes do not have service charges. Of the 2,783 properties that do 1,708, the majority (61%) will have increases of less than 50p per week. The remaining properties with higher increases, have been driven by utility price rises that are still projected to be higher than general inflation.



note increase per week

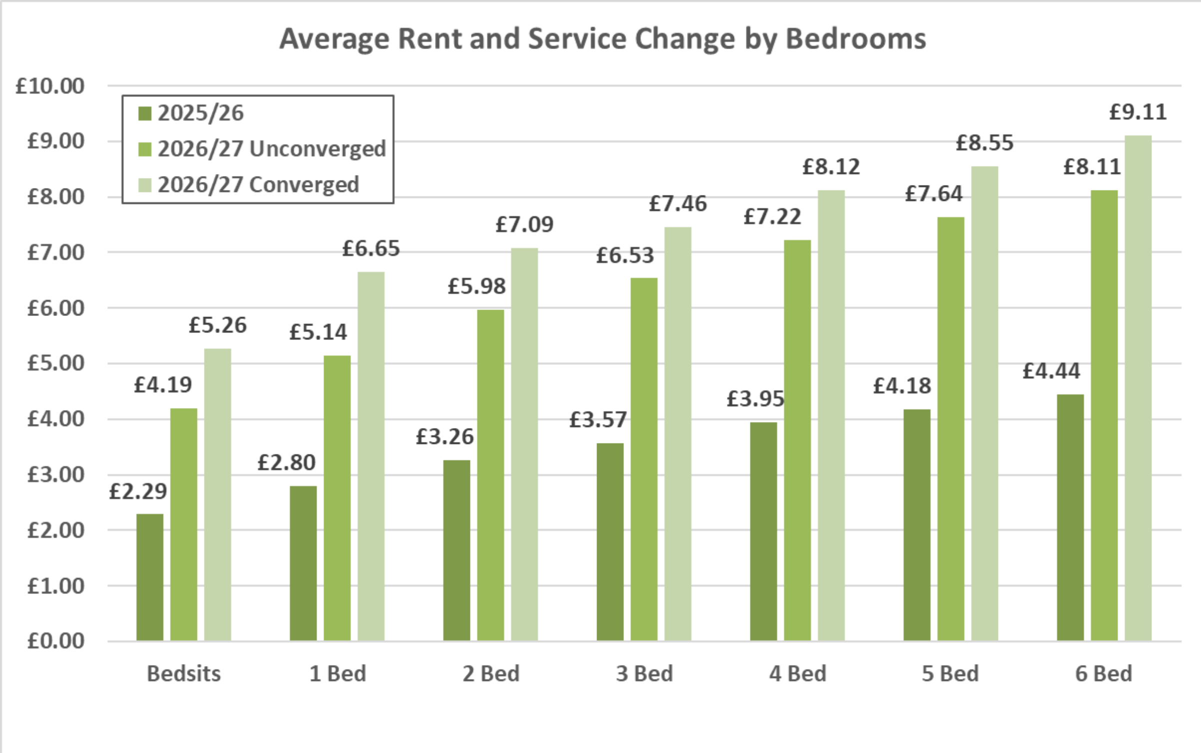
4.3. Rents and Service Charges

4.3.1. The graph below shows the combined impact of the 2026/27 rent and service charge increases, both with and without rent convergence. Without rent convergence the majority of properties (7,341 93%) have a weekly increase of £7 or less. With rent convergence, capped to £1 per week, the majority of properties (7,451 94%) have a weekly increase of £8.50 or less. With rent convergence included there are 70 properties with an increase between £10 and £14 per week (or 0.9% of the stock). Of these, 53 include charges for communal heating and 17 are affordable rent properties, with a higher weekly rent. The full distribution of the 2026/27 rent and service charge changes are summarised in the chart below.

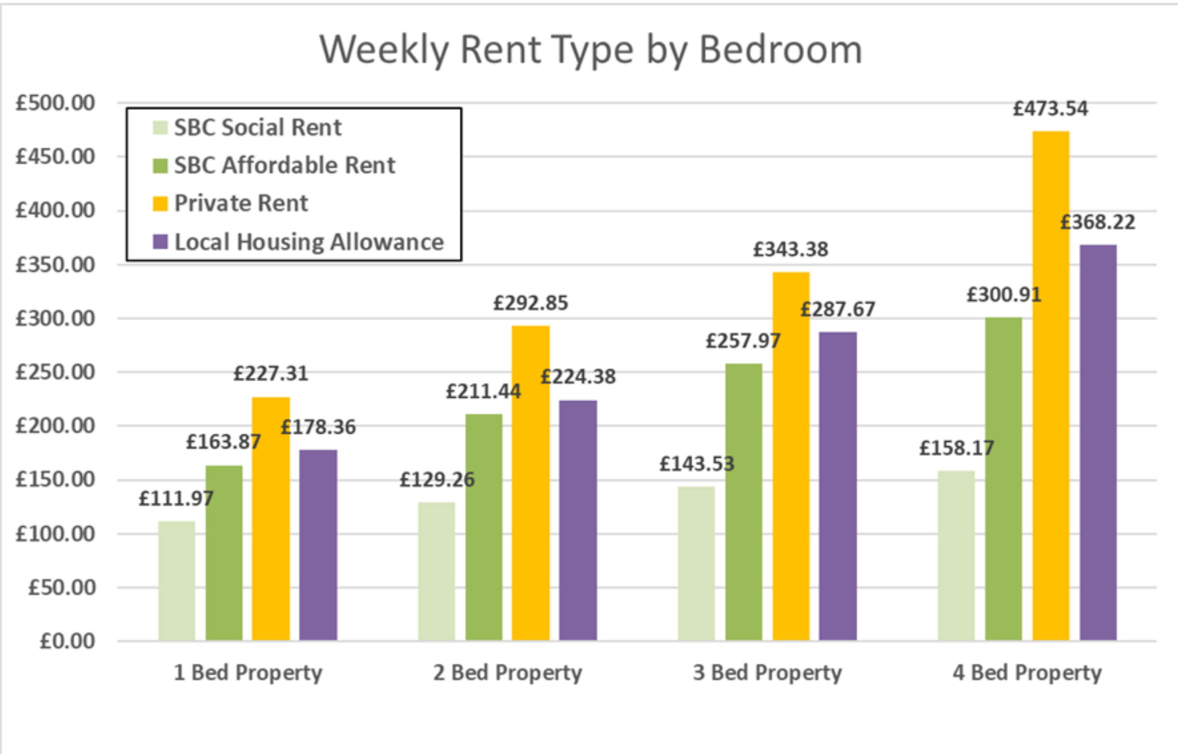


note increase per week

4.3.2. The average rent and service charge increase by bedroom size has also been calculated and summarised in the chart below.



4.3.3. The chart shows the increase with and without rent convergence with a £1 cap per week. This also illustrates the higher rent increase, from last year, due to the September CPI figures.



4.3.4. The comparison between HRA property rents per week (with rent convergence and a £1 cap) and private sector rents per week, for one to four-bedroom properties, is shown in the Graph above. The latest Office for National Statistics (ONS) data, to October 2025, shows that private sector rents in Stevenage have increased substantially from last year. One bedroom properties have risen by 6% and four bedroom homes have risen by over 4%.

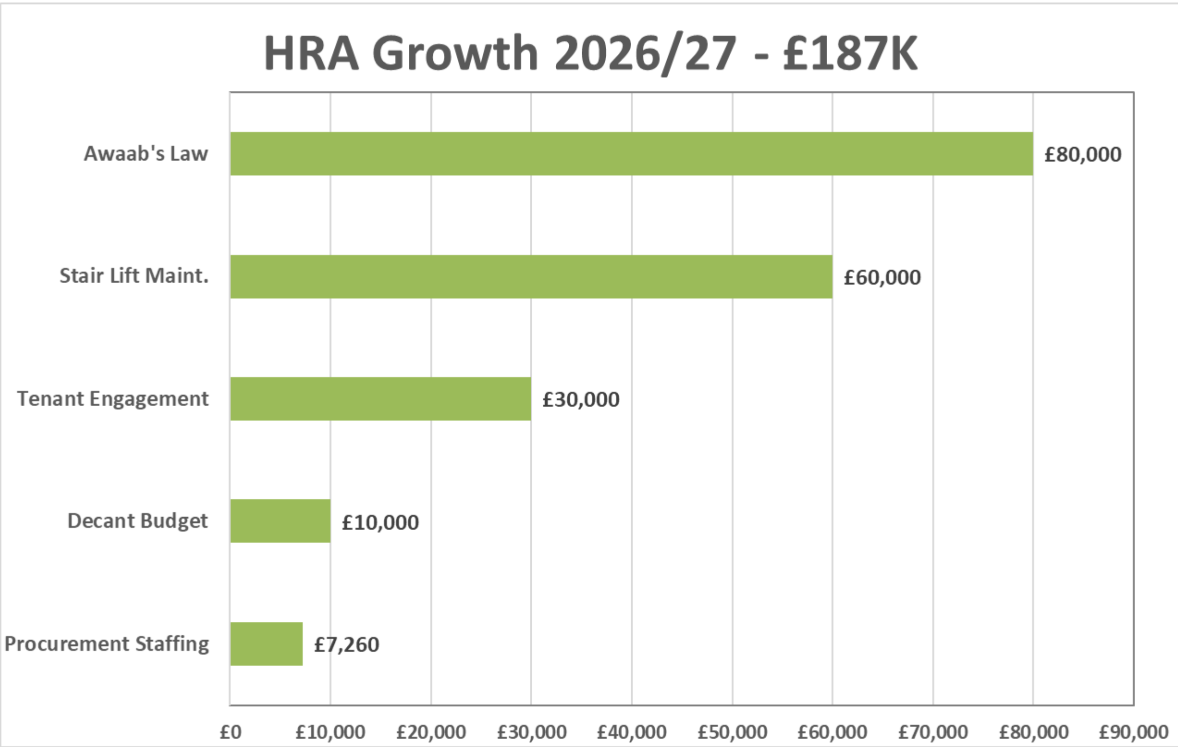
Rent Convergence - £1 Cap	SBC Social Rent	SBC Affordable Rent	Private Rent	Local Housing Allowance	Private v SBC Social %	Private v SBC Affordable %
1 Bed Property	£111.97	£163.87	£227.31	£178.36	103%	39%
2 Bed Property	£129.26	£211.44	£292.85	£224.38	127%	39%
3 Bed Property	£143.53	£257.97	£343.38	£287.67	139%	33%
4 Bed Property	£158.17	£300.91	£473.54	£368.22	199%	57%

Private rent Data from ONS as at October 2025 and the Local Housing Allowance is based on current rates. Please note the SBC rents are April 2026 prices and the private rents October 2025 prices.

4.3.5. A three-bedroom private sector rental property costs an additional 139%, (2024/25, 142%) more per week than a Stevenage Borough Council home and 33% more than the affordable let properties, (2024/25 34%). The Local Housing Allowance (LHA), shown in the table above, is the maximum amount of housing benefit payable by property size for private rented properties.

4.4. Growth included in the HRA

4.4.1. The following growth items have been included within the 2026/27 HRA budget, in addition to the current working budget.



4.4.2. **Awaab's Law Implementation £80K –** An additional business support role has been funded from within existing budgets in 2025/26. However, with the implementation of Awaab's Law from October 2025 and expanded to the other "Housing Health and Safety Rating System" (HHSRS) potential hazards over the next two years, it is likely that staffing resources will need to increase to ensure legal and regulatory compliance.

4.4.3. **Stair Lift Maintenance Contract £60K –** The contract value is expected to be higher, as the number of stairlifts and other lifting equipment, installed in Council properties, has increased. This is in response to the level of demand for aids and adaptations to homes. It is projected that the increased level of servicing will offset any potential cost efficiencies that may be achieved through a competitive tender process.

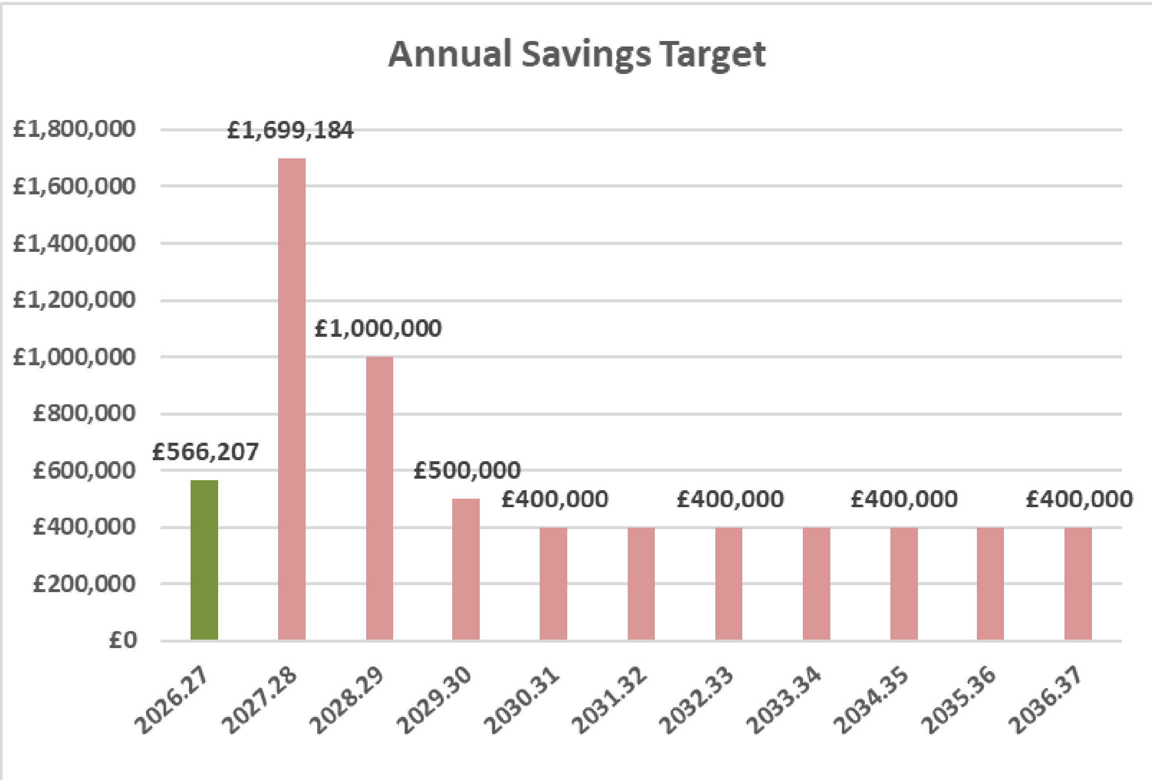
4.4.4. **Tenant Engagement £30K -** This growth is for the facilitation of tenant engagement activities, linked to the "Provider Improvement Plan", so that the Council can demonstrate enhanced regulatory compliance with the "Transparency, Influence and Accountability Standard" and meet the commitments within the Resident Engagement Strategy 2024-2027.

4.4.5. **Decant Budget £10K -** There is a rise in the necessity to decant tenants from their properties, due to historic disrepair cases and on occasion, due to property neglect. This is likely to be further impacted by Awaab's Law.

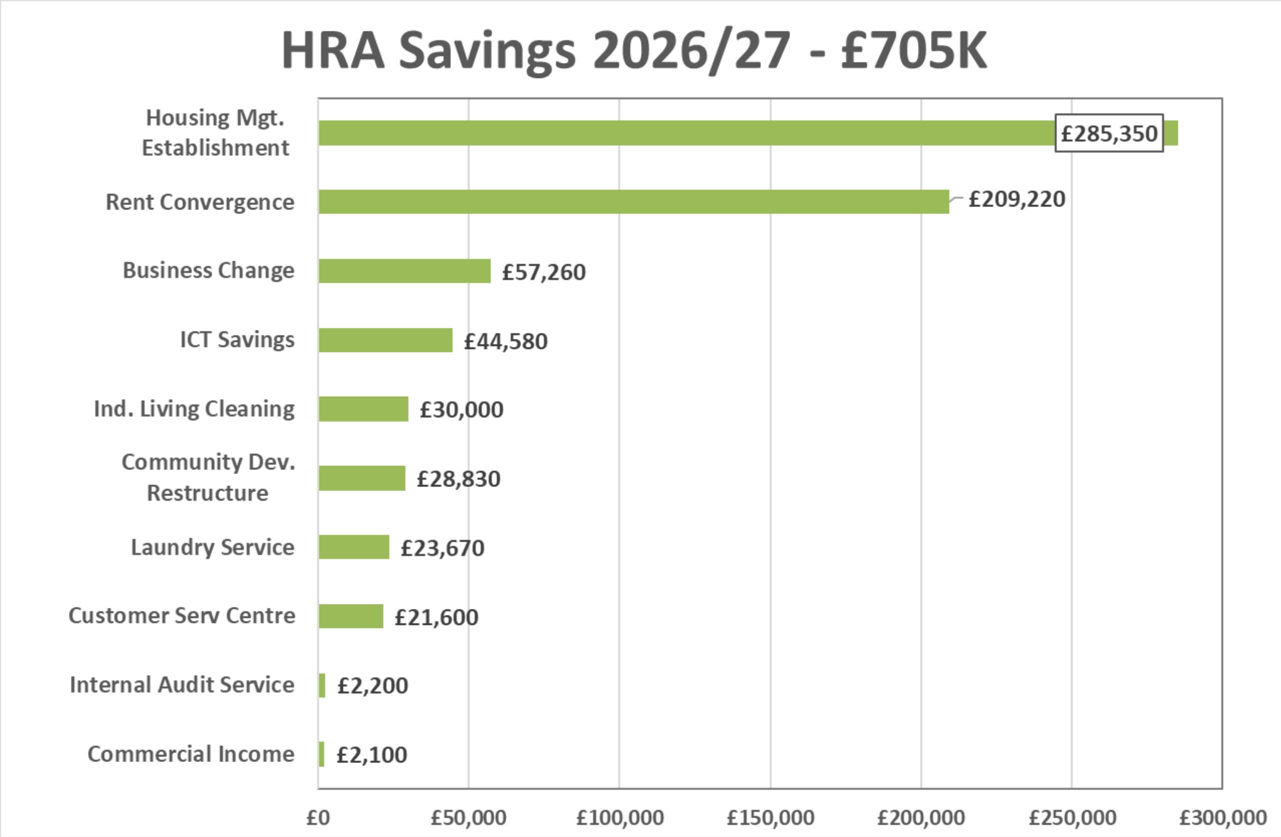
4.4.6. **Procurement Staffing £7K –** This function has three staff that support a shared service across East Herts, Hertsmere, and Stevenage Councils. The additional staff resource is supported by the Senior Leadership Team and will ensure that new regulations, as a result of the new Procurement Act 2023, are delivered effectively. The remainder of the post's costs have been funded from changes in the finance team.

4.5. **Savings Options**

4.5.1. The latest 30 year HRA business plan has identified the need for substantial revenue savings in the medium term forecast, see paragraph 3.3 and graph below.



4.5.2. A preliminary savings review was conducted in the summer, and this has resulted in identified savings of £496K for 2026/27, with the addition of £209K from rent convergence with a £1 cap (to be confirmed by the Government). The individual savings included in the proposed budget are detailed below.



4.5.3. **Housing Management Establishment £285K –** The budget saving exercise in the summer identified a potential £346K saving from a rationalisation of the current staffing establishment, in particular an analysis off long-term vacant posts. After the detailed analysis was completed an actual saving of £285K has been included in the budget. There is no negative impact on services from this measure, as the savings derive from long term vacant posts where service efficiencies mean that they are no longer needed. Also, there are some vacated “fixed term” posts that have remained in the establishment, or where new posts have been created for a job share and the original post is still budgeted.

4.5.4. **Rent Convergence £209K -** The business plan also included an estimated £209K additional income stream from the reintroduction of rent convergence that the Government has recently consulted on and is detailed at 4.1. This estimate is currently included in the budget.

4.5.5. **Business Change Team £57K –** a review of the Business Change Team budgets has identified savings for 2026/27 and the HRA’s share of these central costs has reduced by £57K as a result.

4.5.6. **ICT Savings £45K –** there are two areas included in this saving. A saving of £33K has been identified, as a result of a software review and more extensive use of the Microsoft 365 product. The second item of £12K relates to the HRA’s share of the removal of a vacant post in the current ICT staff structure.

4.5.7. **Independent Living Cleaning £30K –** A review has been carried out to reduce duplication between caretaking services and the Independent Living cleaning service and this is projected to reduce costs by £30K per annum.

4.5.8. **Community Development Restructure £29K -** Savings were identified for the HRA following the restructure of the Community Development and Co-operative Neighbourhoods Team, which was approved and actioned in June 2025.

4.5.9. **Laundry Service £24K -** The closure of laundry facilities was proposed due to a low level of usage and the costs of maintaining the equipment. Consultation was carried out with affected residents in the 2 blocks impacted before the decision was made to close these facilities. Those residents who raised concerns about the closure will be supported. For example, plumbing will be provided where tenants wish to install a washing machine in their flat and referrals will be made to the Welfare team for help, advice, and support.

4.5.10. **Customer Services Centre £22K –** A management saving is proposed within the Customer Service Centre through the deletion of one management role. No redundancies are expected, as temporary arrangements are currently in place.

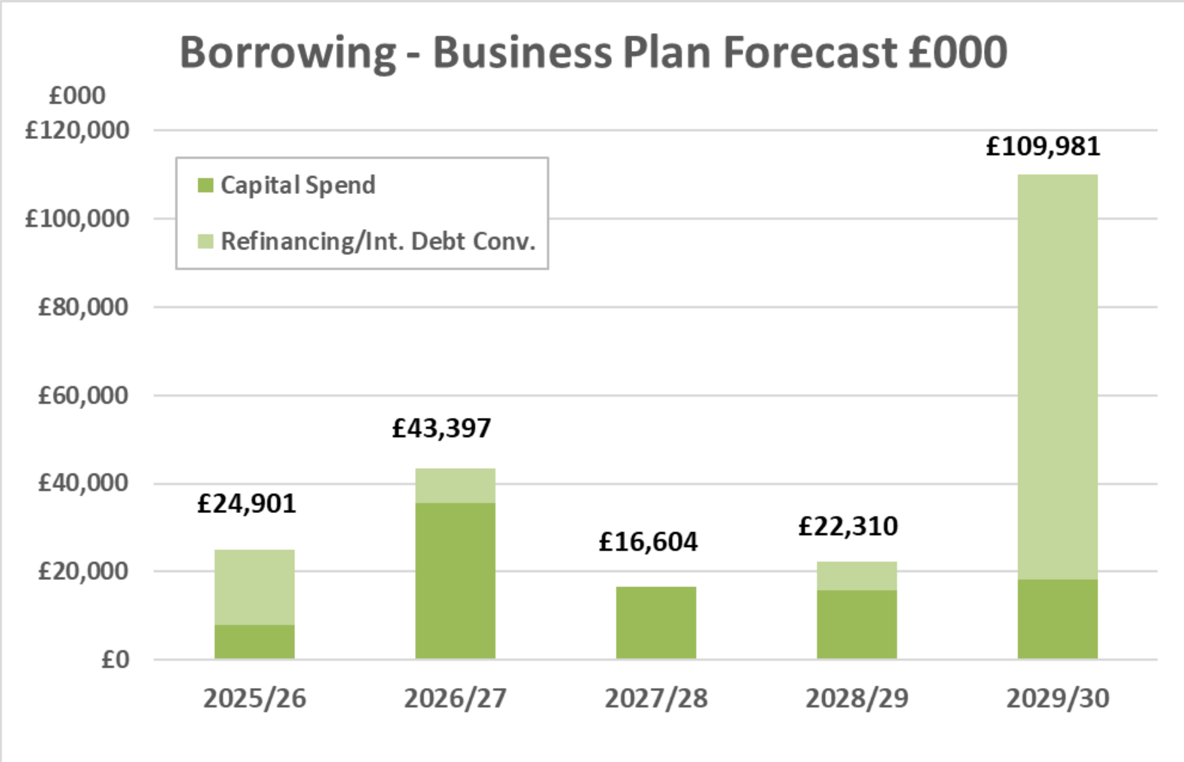
4.5.11. **Other savings £4K –** there are two other small savings, totalling £4K, identified for additional commercial income from advertising and changes to the internal audit costs.

4.5.12. In addition to the savings identified above and since the business plan report was published, the results of the latest pension scheme review have been received and the annual employer contribution reduces for the period 2026/27-2028/29 reducing pay costs by an estimated £876K which will help meet future savings gaps. The pension scheme actuaries carry out a major review every three years to determine the necessary contribution rate of the Council and to identify any historic underfunding that needs to be met. Originally it was anticipated that the current employer's contribution of 19.3% would remain in place and additional historic costs would need to be funded. A growth item now not needed of £30K was included in the business plan to meet this contingency.

4.6. Borrowing

4.6.1. Based on current forecasts, new loans totalling £24.9Million and £43.4Million are projected to be taken in 2025/26 and 2026/27, respectively. However, recent volatility in Government debt interest rates may change the timing of when to take the new borrowing. This will be reviewed, weighing up the cost of carry and the prevailing Public Works Loan Board (PWLB) rates. The interest payable in 2025/26 and 2026/27 is estimated to be £9Million and £9.7Million respectively and the Government are still currently giving Local Authorities a 0.6% discount on loans taken for the HRA up until March 2026.

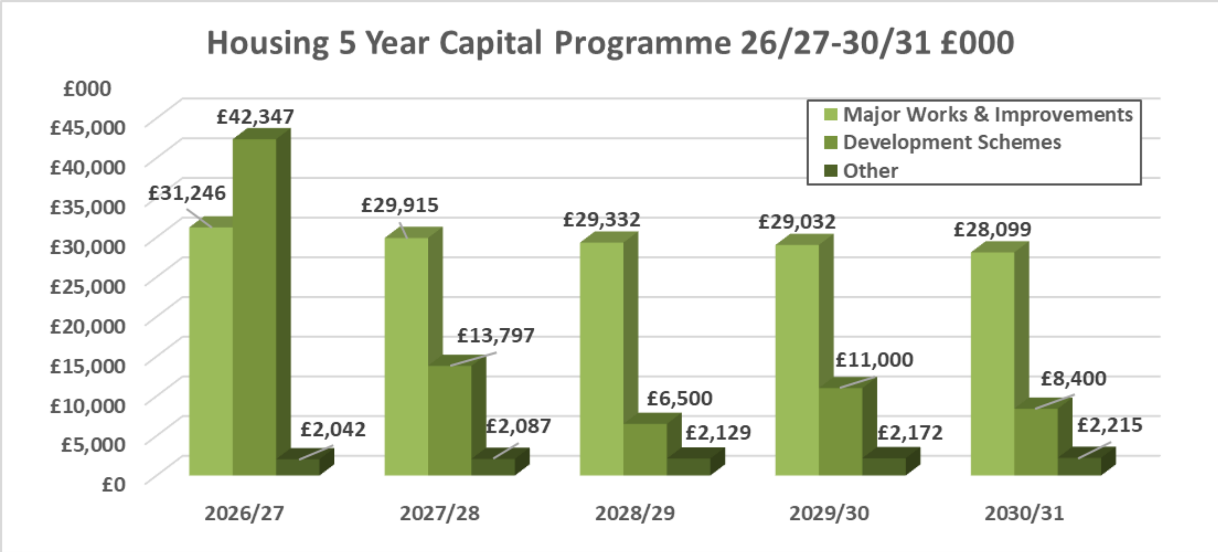
4.6.2. Current interest rates on Government debt remain higher than the much lower levels seen in the past decade and this has led to a revised debt strategy in the HRA Business Plan. As shown in the graph below there is a high level of projected borrowing in 2029/30, with £92Million of refinancing of current loans. This will allow the Council to borrow short term at 4.39% compared to the 30 year maturity rate of 5.59% (PWLB rates at 01/12/25) and refinance when lower interest rates are anticipated. For the next two years the current model assumes an average rate of 4.8%, with the HRA Business plan estimating a longer-term average of 3.75%.



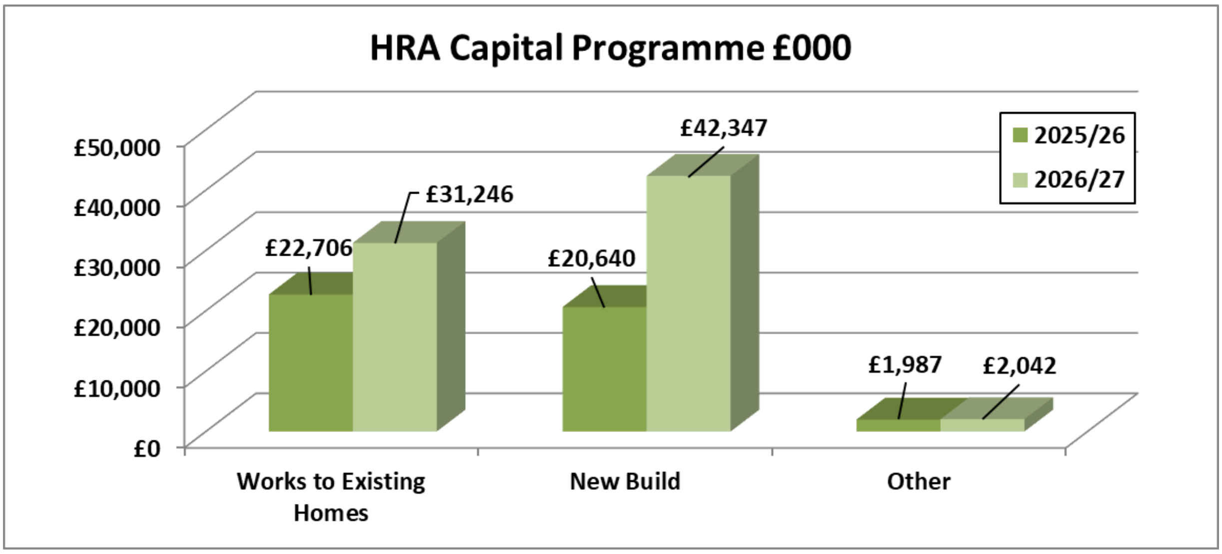
4.6.3. The graph above also shows the annual borrowing projected in the medium term and the split between loans funding capital expenditure and loans taken to convert internal borrowing, or to re-finance existing loans when they become due. Internal debt is generated when the Council uses balances to underwrite capital expenditure, usually for a temporary period. The debt to be taken for 2025/26 and 2026/27 is £68.3Million, of which £24.8Million is for converting internal borrowing to external debt. However, the exact timing of this borrowing could change, based upon the amount of balances held by the Council and changes to interest rates.

4.7. **Capital Expenditure**

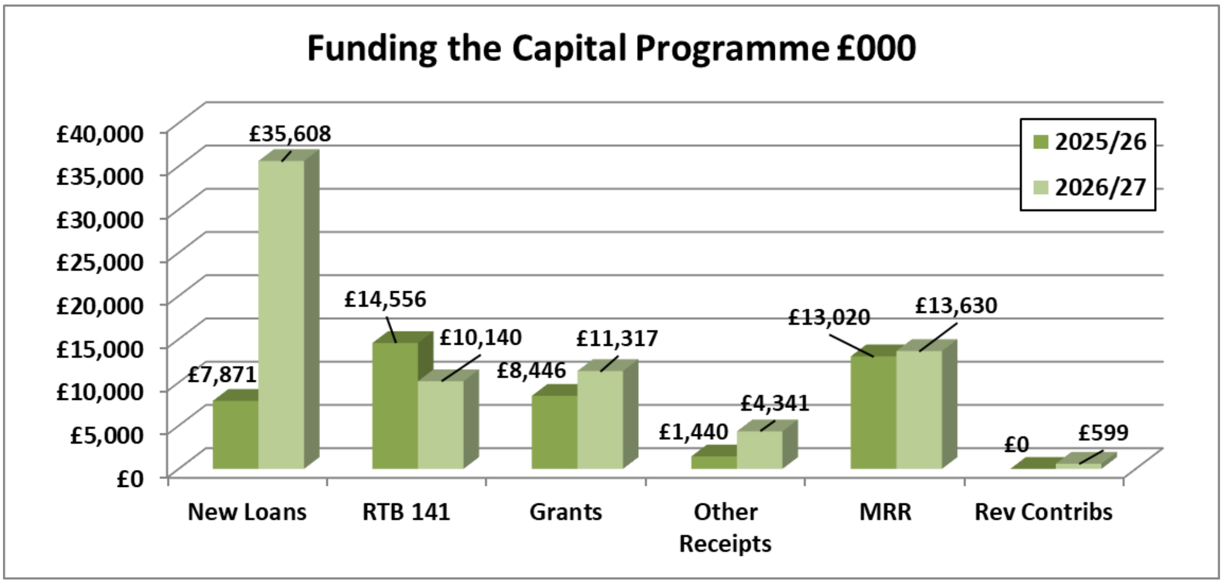
4.7.1. The graph below shows the high level summary of projected capital expenditure, included in the HRA Business Plan, for the next five years. Major works expenditure is expected to stay fairly consistent, starting at £31Million and dropping to £28Million by year five. This is higher than the major repairs allowance (funded by depreciation) and will require additional financing from grants, loans, and revenue contributions to capital. Development expenditure is linked to the timing of planned schemes and does vary from year to year. The high level of spend in 2026/27 of £42Million is due to two schemes at the Oval and Brent Court, but the timing of this expenditure may need to be adjusted, in line with operational requirements. Overall, there is a projected £240Million capital programme over the next five years.



4.7.2. The graph below compares the revised capital programme for 2025/26 and the proposed spend for 2026/27. Work to existing homes is set increase in line with the additional investment needs identified in recent stock condition surveys, from £23Million to £31Million. New development spend is also set to increase from £21Million to £42Million, due to the timing of the current schemes, as detailed in 4.7.3. The detailed HRA capital programme, showing expenditure at individual scheme level, will be included in the Final HRA Budget Report in January.



4.7.3. The table below shows the funding sources for the programme. Due to the increased investment required in the existing housing stock (compared to the previous HRA BP), borrowing will be required to supplement the funding from the Major Repairs Reserve (MRR) that comes from depreciation charges to the HRA. New development will continue to be funded from RTB sale receipts and borrowing supplemented by significant Government grant support from Homes England secured to support qualifying developments.

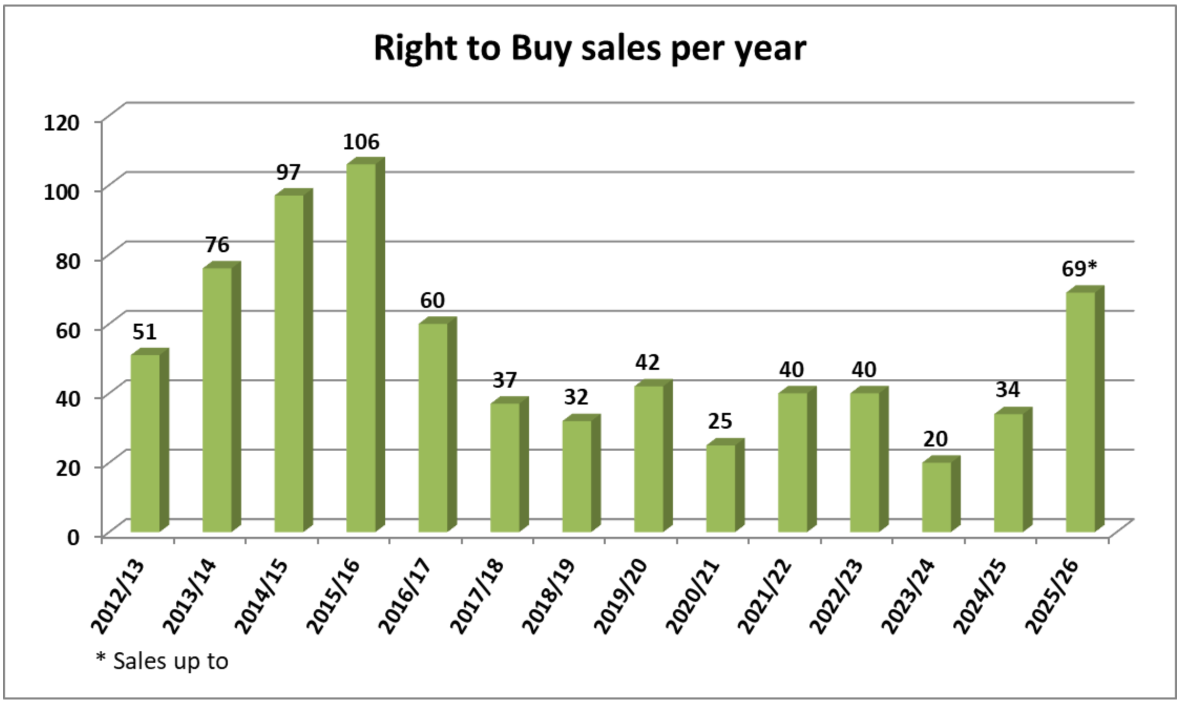


4.8. **Use of RTB One for One Receipts**

4.8.1. Over the last year there have been significant changes in the RTB system, including the rules the Council have to follow in spending retained sales receipts on new properties. In the summer, the Government confirmed that many of the changes are now in place indefinitely and outlined further changes to the system that they intend to legislate for in the near future. In summary they confirmed that:

- Extension of the changes made in July 2024.
- Cap on purchase of existing properties permanently removed.
- 5 years to spend receipts confirmed (10 years from 2027/28).
- Treasury and local authority pre HRA self financing deductions from receipts permanently removed from 2026/27.
- RTB receipts can be used with grant funding from 2026/27
- Further changes to discount calculations and qualification times to be legislated when parliamentary time allows.

4.8.2. The change in discounts from a maximum of £104K to £34K in November 2024 led to a large increase in applications before the deadline. Due to the time required to complete these sales, most of these additional applications are due to complete in 2025/26. The chart below shows a significant increase of 69 sales to October, and this is projected to be over 100 by the year end. It is also anticipated that there will be a further 20 sales in 2026/27, but after this the lower discount and further changes to the scheme are likely to reduce future disposals, (estimated to be 8 RTB's per annum from 2027/28). This has given the HRA a larger capital receipt than normal to be spent on replacement properties, under the RTB receipts retention scheme, of an estimated £21Million. However, the latest business plan anticipates that this is a one-off event and future receipts will be much lower.



4.8.3. This bigger than normal RTB receipt will give the Council more flexibility in its replacement programme over the next five years (albeit reduce the housing stock) and the opportunity to combine this with grant funding will enable further development and acquisitions to replace the lost housing stock. The latest business plan projects a further 320 new units will to be added over the next five years and that the Council.

4.9. Draft Budget Proposals

4.9.1. The Draft 2026/27 HRA budget is estimated to be a net surplus of £558,520. The table below shows the main movements in the budget and includes growth and savings proposals for 2026/27 detailed in sections 4.4 and 4.5 above. The table below shows a reduction of £738K from the projected business plan deficit of £179K. This is largely due to the impact of the latest triennial pension scheme review (see paragraph 4.5.12). As stated in paragraph 4.5.1, there are high savings targets needed in the HRA over the medium term and any additional amounts identified now gives more certainty about achieving those targets in the medium term, (the 2027/28 savings required is £1.7Million).

4.9.2. Although there is currently a surplus, the final budget proposals will need to be adjusted for to support cost recharged from the General Fund that are currently indicating this will be a pressure but not yet included in the draft budget. There is also a potential budget pressure on compliance and building safety costs, as the implementation of new regulations, and comprehensive service reviews have indicated that a higher budget will be needed in this area. The details of these changes were not available for inclusion in the business plan or the draft budget but will be included in the final report in January and will reduce the currently reported surplus.

Summary of 2026/27		
Working Budget 2025/26 - Quarter 2		**£587,890**
Adjusted for "one off" and non-carry forward items	(£918,960)	
Revised Base Budget from 2026/27		**(£331,070)**
Increases in Income/Reductions in Expenditure:		
Additional Rental Income and other fees and charges	(£2,602,820)	
Savings achieved	(£704,810)	
Capital Salary Adjustment	(£305,460)	
Additional Income	(£40,000)	
		(£3,653,090)
Increases in Expenditure/Reductions in Income:		
Increase in loan borrowing interest	£1,032,670	
Increase in Depreciation trf to MRR	£374,220	
Interest on Balances	£56,500	
Increase in Revenue Contrib to Capital	£598,780	
Net Salary Increases for Inflation/NI/Re-grading/Pensions	£476,860	
Busines Plan Growth	£187,260	
Utility Inflation	£220,480	
Contract Inflation	£356,620	
General Inflation	£104,610	
Net change in Recharges to/from General Fund	£15,750	
Other minor changes	£1,890	
		£3,425,640
Total Net Changes:		**(£227,450)**
Draft HRA 2026/27 budget		**(£558,520)**
Business Plan Projected Draw Down of Balances		**£178,990**
Variance to Business Plan Projection		**(£737,510)**

4.9.3. A risk assessment of balances has been completed and is in Appendix C to this report. Current minimum balances have increased from last year (£6.3Million to £10Million) to reflect the change in operational risks identified in the latest business plan projections. The need to invest more in the housing stock in the early part of the plan, large savings targets in the medium term and higher borrowing levels, with uncertainty on future interest rates, has meant that it is prudent to hold higher reserves to mitigate against variations in these costs. The HRA balances are expected to exceed the minimum requirement in the 2026/27 budget and these additional funds are held against any potential unknown future service pressures.

HRA Balances:	2025/26 £	2026/27 £
HRA Balance 1 April	(10,925,848)	(10,337,958)
Use of balances in Year	587,890	(558,520)
HRA Balance 31 March	**(10,337,958)**	**(10,896,478)**
Minimum Balances	(10,000,000)	(10,000,000)
Potential service pressures	(337,958)	(896,478)

4.10. **Consultation**

4.10.1. The proposals in this paper have been developed following extensive consultation with Cabinet Members, the Executive Housing Working Group on 26 November 2025 (where they were noted), Senior Executives, and service managers across the Council. They also incorporate customer priorities identified through the recent Tenant Survey.

4.10.2. At the June 2025 Spending Review, the UK Government announced a 10-year rent settlement allowing social housing providers to increase rents annually by September CPI + 1% from April 2026. This was an extension of the previous five-year proposal and was introduced to give housing providers, lenders, and investors greater long-term certainty for planning and investment.

4.10.3. In addition, the Government has consulted on a rent convergence mechanism, which would permit additional uplifts of £1 or £2 per week for properties currently below formula rent to accelerate alignment with target levels. This policy aims to ensure fairness and consistency in rent structures while supporting landlords' financial sustainability. The Government has confirmed that a response to the consultation will be given in the new year (2026) and will need to be removed from the 2026/27 budget and MTFS if not approved requiring a further £209K of savings by 2029/30.

4.10.4. For the Council, these proposals align with the assumptions in the HRA Business Plan and Medium-Term Financial Strategy, offering an opportunity to improve income streams while maintaining affordability for tenants.

4.10.5. Further consultation will take place following this Cabinet meeting, including consideration by relevant Member committees before the proposals are presented to Council for agreement in January 2026.

5. IMPLICATIONS

5.1 **Financial Implications**

5.2 Financial implications are detailed within the body of the report. The proposed HRA budget for 2026/27 is underpinned by the updated 30-year HRA Business Plan, which assumes CPI + 1% rent increases and the reintroduction of rent convergence. However, confirmation of rent convergence is not expected until January 2026, creating uncertainty around income projections. The draft budget assumes a £1 per week convergence limit, generating an additional £3.7Million over the first five years, but if this policy is not implemented, the savings requirement will increase by £210k in 2026/27 and £681k in 2027/28.

5.3 The draft budget needs to include additional costs as set out in paragraph 4.9.2 which will reduce the surplus currently shown in paragraph 4.9.3 and will be included in the report to the January Cabinet.

5.4 **Legal Implications**

5.5 Legal implications are included in the body of the report.

5.6 **Staffing Implications**

5.7 The unions will be consulted on any options in this report that could have an adverse impact on staffing resources. While the 2026/27 savings programme includes some staffing-related efficiencies, these will be achieved through a review of vacant posts and service redesign only, with no impact on any currently filled posts. Human Resources will co-ordinate the implementation of any staff-related savings arising from the budget process to ensure compliance and workforce stability.

5.8 **Risk Implications**

Financial Risks

5.9 The HRA faces significant financial risks that could impact its long-term sustainability. Inflation remains a key driver of both income and expenditure and is difficult to predict, influencing rent levels and overall stability. Interest rate volatility and the ability to service increased borrowing forecast to peak at £354 million in 2031/32, pose material challenges, despite assumptions of a gradual reduction to 3.75% in the longer term. Rent policy uncertainty adds further complexity and while a CPI+1% increase has been agreed, the Government has yet to confirm whether rent convergence will be implemented from 2026/27 and beyond. Also, service charge recovery may fall short of expectations.

5.10 Regulatory changes, including evolving Consumer Standards and Building Safety requirements, could increase operating and compliance costs. The Council's commitment to achieving net zero by 2050 presents technical and funding challenges, as decarbonisation costs cannot be fully met from tenant rents under current assumptions. Increased Right to Buy sales, despite revised forecasts, risk reducing rental income and constraining development capacity. In addition, sustained demand for aids and adaptations, currently requiring an additional £600k per annum, and rising rent arrears leading to higher bad debt provisions, represent further pressures on financial resilience. Unexpected build cost inflation and potential supply chain disruptions could add further uncertainty to the delivery of capital programmes and planned works.

5.11 The latest revision of the 30 year HRA Business Plan also includes high revenue savings to balance the demands on the ring fenced account in the medium to long term. By year 10 of the model £5.8Million of total on-going savings will need to have been made from the revenue budget, or reduced capital expenditure and financing costs. This represents a significant fall in expenditure and not meeting this target represents a large financial risk to the account.

Operational and Compliance Risks

5.12 Operational risks include the potential for investment needs to exceed planned expenditure due to evolving Decent Homes and Consumer Standards, as well as compliance with the Building Safety Act. While current requirements apply only to buildings over 18 metres, any change in scope could significantly increase costs. Failure to meet the Social Housing Regulation Act requirements could result in enforcement action or fines, adding further pressure to the HRA. These risks are compounded by the need to maintain compliance with new regulatory frameworks and achieve a C1 grading, which may require additional investment in resident engagement and service improvements. Furthermore, shortages of skilled labour and supply chain disruptions could affect the timely delivery of capital programmes and maintenance works, increasing costs and operational risk.

Strategic and Social Risks

5.13 The Council's commitment to achieving net zero by 2050 presents technical and funding challenges, as decarbonisation costs cannot be fully met from tenant rents under current assumptions. Although funding has been secured for EPC C compliance by 2030, further resources will be required to meet long-term targets as detailed in 5.17 below. Increased Right to Buy sales, despite revised forecasts, could reduce rental income and constrain development capacity. Rising rent arrears and associated bad debt provisions, alongside sustained demand for aids and adaptations, represent further risks to financial resilience. These pressures could lead to increased savings targets and require reprioritisation of capital programmes. Additionally, demographic changes and the need for specialist housing, such as Independent Living Schemes, will require careful planning to ensure future demand is met within financial constraints.

Mitigation Strategy

5.14 To address these risks, the business plan incorporates a minimum £10 million reserve to absorb cost pressures and maintain flexibility. Debt assumptions are regularly reviewed, and capital programmes are monitored to ensure affordability. Rent and service charge policies allow for formula-based adjustments and flexibility on relets, while procurement strategies include forward ordering and support for local SMEs to mitigate inflation and supply chain risks. The Council continues to enhance stock data, seek external funding for decarbonisation, and implement revised arrears management processes. Compliance with regulatory requirements is supported through gap analysis, improvement plans, and proactive budget reviews, ensuring the HRA remains robust and adaptable to emerging challenges. Strategic flexibility is maintained through development mix adjustments, including scope to increase affordable rent units where necessary, and by re-profiling capital budgets to meet demand-led pressures such as aids and adaptations.

Equalities and Diversity Implications

5.15 In exercising or changing its functions, including service delivery and staffing, the Council must comply with the Equality Act 2010, specifically section 149, which sets out the Public Sector Equality Duty. This duty replaced previous legislation under the Race Relations Act (section 71), the Sex Discrimination Act (section 76A), and the Disability Discrimination Act (section 49A). The Council has a statutory obligation to demonstrate, as part of its decision-making process, that due regard has been given to the needs outlined in the Act. These duties are non-delegable and must be considered by Council when setting the budget in January 2026.

5.16 To inform decisions on the 2026/27 Budget, officers have undertaken initial Equality Impact Assessments (EqIAs) for HRA Rent Setting and Service Charges. These assessments will be further developed as proposals are agreed and implemented. Where a potential negative impact has been identified, officers have outlined additional actions required to inform final decisions and, where possible, mitigate adverse effects.

5.17 Attached as Appendix D is an EqIA for increasing the rent charged by 4.8% per annum and increased Service Charges including the mitigations that will be implemented to lessen the impact wherever possible.

Climate Change Implications

5.18 The anticipated revised Decent Homes Standard and the targets set within the HRA Asset Management Strategy will continue to improve the environmental performance of the existing housing stock. The revised HRA Business Plan includes provision to achieve a minimum EPC rating of C by 2030, supported by the Warm Homes programme, which will retrofit 379 properties by March 2028. However, approximately 2,200 homes will still require investment to meet this standard. While the Council is committed to reducing the environmental impact of its housing stock, full decarbonisation to achieve net zero by 2050 is not included in the current plan due to the estimated additional cost of £110m–£128m, which is unaffordable without significant external funding. The Housing Asset Management Service will continue to review its approach and seek grant funding opportunities to support delivery of energy efficiency improvements, contributing to the Council’s Climate Change Strategy and Action Plan.

5.19 Future housing developments will incorporate environmental performance considerations within design and specification, introducing technologies and materials that enhance energy efficiency and sustainability, subject to viability and funding availability.

6. BACKGROUND DOCUMENTS

BD1 Final Housing Revenue Account (HRA) Budget Setting and Rent Report 2025/26 - January 2025 Council.

BD2 HRA Business Plan – November 2026 Cabinet.

BD3 Making Stevenage Even Better 2024–2027 Corporate Plan

7. APPENDICES

Appendix A – HRA Summary 2026/27

Appendix B - Fees and Charges 2026/27

Appendix C - Risk Assessment of Balances 2026/27

Appendix D - EQIA for HRA Rent 2026/27