Part I – Release to Press

Stevenage BOROUGH COUNCIL

Agenda item

Meeting CABINET

Portfolio Area Housing and Housing Development / Resources and Performance

Date 10th SEPTEMBER 2026

HOUSING REVENUE ACCOUNT – MEDIUM TERM FINANCIAL STRATEGY – 2027/28

KEY DECISION

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1. PURPOSE

1.1. To update Members on the Housing Revenue Account (HRA) Medium Term Financial Strategy (MTFS).

1.2. To show the impact on the MTFS of the latest capital expenditure and funding position for the HRA, including its impact on the revenue account, and over the MTFS time period.

1.3. To advise Members of the current and medium-term position of the Council's HRA budget over the next five years, noting that this covers organisational changes, as a result of Local Government Reorganisation (LGR).

1.4. To update Members regarding the revised inflation projections and pressures for the HRA MTFS.

1.5. To update the HRA Business Plan savings targets for the period 2027/28 – 2029/30.

2. RECOMMENDATIONS

2.1 That Cabinet note the revised MTFS forecast for the period 2026/27-2029/30 and the projected 2027/28 position.

2.2 That the inflationary assumptions in section 4.2 are approved for MTFS forecasting purposes.

2.3 That Cabinet approve the pressures set out in section 4.3.

2.4 That Cabinet approve the savings set out in section 4.4, identified as part of the MTFS review.

2.5 That Cabinet approve the additional LGR costs of £50K in 2026/27.

2.6 That Cabinet agree in principle to the rent convergence programme set out in section 4.5. This follows the Government commencing rent convergence from April 2027 with a £1 cap, moving to a £2 cap from April 2028.

2.7 That the minimum level of balances, set out in section 4.8, is approved.

2.8 The MTFS is regularly reviewed and revised to reflect any material financial pressures, so forecasts are updated and re-presented to the Cabinet for approval.

2.9 That the Trade Unions and staff be consulted on the key messages contained within the MTFS and more specifically when drawing up any proposals where there is a risk of redundancy.

3. BACKGROUND

3.1. The Council has a statutory duty to hold all the costs and incomes associated with its housing stock within a ring-fenced account, separate from its General Fund services. Due to the long-term nature of owning and managing rental housing, it is best practice to have a thirty-year business plan that covers projected management and maintenance costs and capital investment in existing and new properties for the HRA. The Council revised its Business Plan last year and this year has carried out a medium-term review of these projections, in advance of setting the annual budget for 2027/28. The current operating environment for the HRA and the main points from the Business Plan are summarised below.

3.2. The HRA continues to operate within an increasingly challenging legislative, regulatory and financial environment. Social landlords face growing expectations arising from the strengthened consumer regulatory regime, the current and future implementation of Awaab's Law and reforms to the Housing Health and Safety Rating System (HHSRS), all of which place greater emphasis on the quality, safety and condition of tenants' homes. These changes require a proactive approach to asset management, repairs, compliance and resident engagement and will continue to influence both revenue and capital investment decisions throughout the life of the HRA Business Plan.

3.3. Alongside these regulatory changes, the Council faces significant long-term investment requirements across its housing stock. Particular focus is being given to building safety and the future investment needs of the Council's five high-rise residential blocks. Specialist consultancy work, updated surveys and wider asset performance reviews have identified that the cost of delivering essential building safety works and wider refurbishment programmes is likely to be significantly higher than previously forecast. The Council will therefore need to carefully consider future investment options and priorities to ensure compliance with evolving building safety legislation whilst maintaining the long-term sustainability of the HRA.

3.4. The HRA must also continue to support the transition to a more sustainable, resilient and energy-efficient housing stock whilst maintaining its commitment to delivering new council homes. The Council's housing development programme remains a key strategic priority, helping to address local housing need, replace homes lost through Right to Buy and strengthen the long-term financial sustainability of the HRA. Future investment programmes will seek to improve the energy performance of existing homes through building fabric improvements, low-carbon technologies and wider estate investment, whilst continuing to deliver high-quality new homes that meet modern standards and resident expectations.

3.5. At the same time, the HRA faces ongoing financial pressures arising from inflation, rising service demands and substantial future capital investment requirements. In response, the Council will need to identify further opportunities to increase income, deliver efficiencies, make revenue savings where appropriate and ensure that resources remain focused on statutory obligations, tenant safety, housing growth and the protection of its housing assets. Sustaining a financially resilient HRA whilst continuing to invest in existing homes, new housing supply and essential services will remain a key priority over the medium term.

3.6. Despite these challenges, the Council has seen significant progress. This includes improving the quality, safety and performance of the housing stock, with the Major Refurbishment Contract (MRC) programme due to be completed during the current financial year, marking a major milestone in the modernisation of council homes. The Council continues to maintain high levels of Decent Homes compliance (99% as at the end of Q1 2026/26) and a strong compliance position across its landlord health and safety responsibilities, supported by robust governance, asset management and assurance arrangements.

3.7. Following the Regulator of Social Housing's C2 judgement, the Council has implemented an improvement programme designed to strengthen service performance, tenant engagement, compliance assurance, data quality and governance arrangements, with the ambition of achieving a C1 regulatory grading in the future. These improvements are helping to embed a culture of continuous improvement across housing services and ensure that residents continue to receive safe, high-quality and responsive services.

3.8. The Council has also maintained a successful and ambitious housing development programme, delivering 627 new council homes to date, with a further 289 homes currently under construction and approximately 250 additional homes progressing through design and development. Together, these achievements provide a strong foundation from which to respond to future regulatory requirements, meet housing need, deliver essential investment programmes and maintain high-quality services for tenants and leaseholders.

3.9. The table below summarises the main commitments made in last year’s Business Plan revision.

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**

3.10. The Business Plan financial model showed that the HRA was sustainable over the medium to long term and there was capacity within the account to continue to add new housing stock. However, current revenue pressures mean that high levels of revenue savings are required in the first five years of the plan in order to maintain a balanced account. Key points from the model are included in the table below.

Key Points
Significant capital investment and revenue growth included in the medium term of £240Million to 2030/31.
Increased borrowing to support capital spend of £40Million 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 £5.8Million per annum by 20235/36
Net 1,107 new stock over the plan
Increased rent income from rent flexibility and assumed rent convergence formula of CPI+1% + £1
Projected reduction in RTB sales of 353 compared to 1,120 in last plan
Lower property sales mean higher rental income and allows for re-payment of the debt over the life of the plan

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. The following sections detail the changes that have been made to the MTFS, since the last HRA Business Plan projections, and the MTFS is summarised in Appendix A.

4.2. HRA Pressures - Inflation

4.2.1. Both the HRA and General Fund Medium Term Financial Strategies include the same assumptions for inflation. Pay inflation and maintenance costs form the largest inflationary pressure for revenue budgets in the HRA. The Consumer Prices Index (CPI) in September of each year is also key for HRA income as this determines the level of rent increase for the following year.

4.2.2. Looking at the Bank England (BoE) forecasts the base rate held at 3.75%, based on Inflation falling faster than expected (2.6% for June), but the conflict in the Middle East continuing to mean high and volatile energy prices. This means the BoE near-term CPI inflation projection rises to 3.2% in October and November 2026 before easing a little with direct effects of higher energy prices are projected to rise over coming months before fading somewhat in 2026 Quarter four. The Bank of England's target for inflation (CPI) remains at 2%.

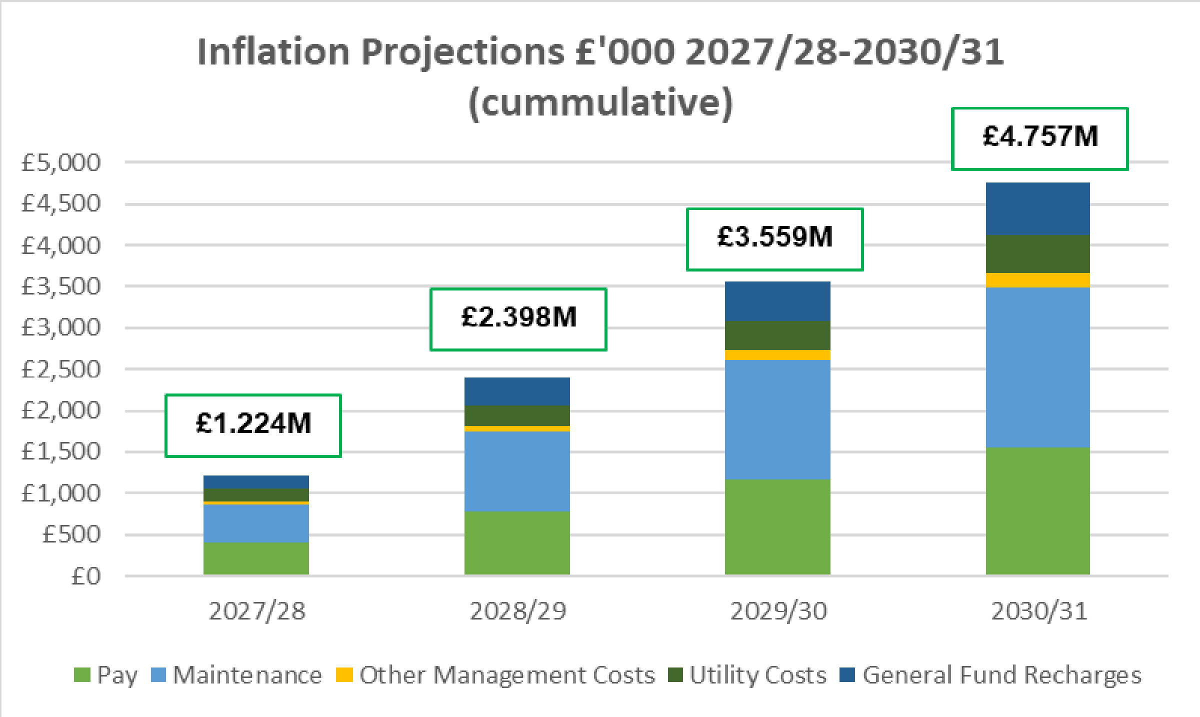
4.2.3. The indices used in the 2026 MTFS update have due regard to current levels of inflation, Bank of England forecasts and the 2027/28 onwards inflation assumptions are summarised in the table below. For note the July Consumer Price Index (CPI) was 2.9% but likely to rise due the pressures set out in para. 4.2.2.

	2027/28	2028/29	2029/30	2030/31
Inflation-Applied to:				
Salaries - % increase	3.00%	2.50%	2.50%	2.50%
CPI indices increases	2.50%	2.25%	2.00%	2.00%
CPI September Rent increase	3.00%	2.50%	2.00%	2.00%
Investment interest	3.50%	3.25%	2.50%	2.00%
Fuel Increases	5.00%	5.00%	5.00%	5.00%
Gas & Electric Increases :				
Gas (unit charge only)	10.00%	6.00%	6.00%	6.00%
Electricity (unit charge only)	10.00%	6.00%	6.00%	6.00%

4.2.4. The current economic climate is still difficult to predict over the medium term, but the HRA MTFS rationale and alternative scenarios are set out below.

Rationale for inflation assumption	
Salaries - % increase	The employer offer has fallen from 5.67% in 2023/24, to 3.3% in 2026/27 (slightly above the budgeted 3.2% amount) the projection is 3% 2026/27 and 2.5% thereafter. This is outside the control of the Council and subject to collective bargaining and whether pay offers will continue above CPI to reflect years of below inflation increases.
Utility increases	Overall utility costs have decreased from the high of 2023/24 and lower increases are projected for 2026/27 onwards. The level of increase going forward in the MTFS are based on historic average increases (excluding the spike in 2023/24) and may fluctuate between individual years.
Consumer Price Index (CPI) indices increases	The July CPI was 2.9% but the BoE expecting an increase due to higher energy and food costs by October/ November and the MTFS has modelled inflation higher for 2026/27 reducing to the Bank of England target 2% during the MTFS.

4.2.5. After applying the relevant inflationary indices to the current budget for the HRA there is a cumulative additional £4.8Million in the medium-term forecast. The two largest areas of inflation are pay costs at £1.5Million and maintenance budgets at £1.9Million. However, the graph below includes the other main inflationary pressures and the full projection for the HRA.



4.3. Other HRA Pressures

4.3.1. The following table identifies HRA pressures that have been identified and included in the HRA MTFS.

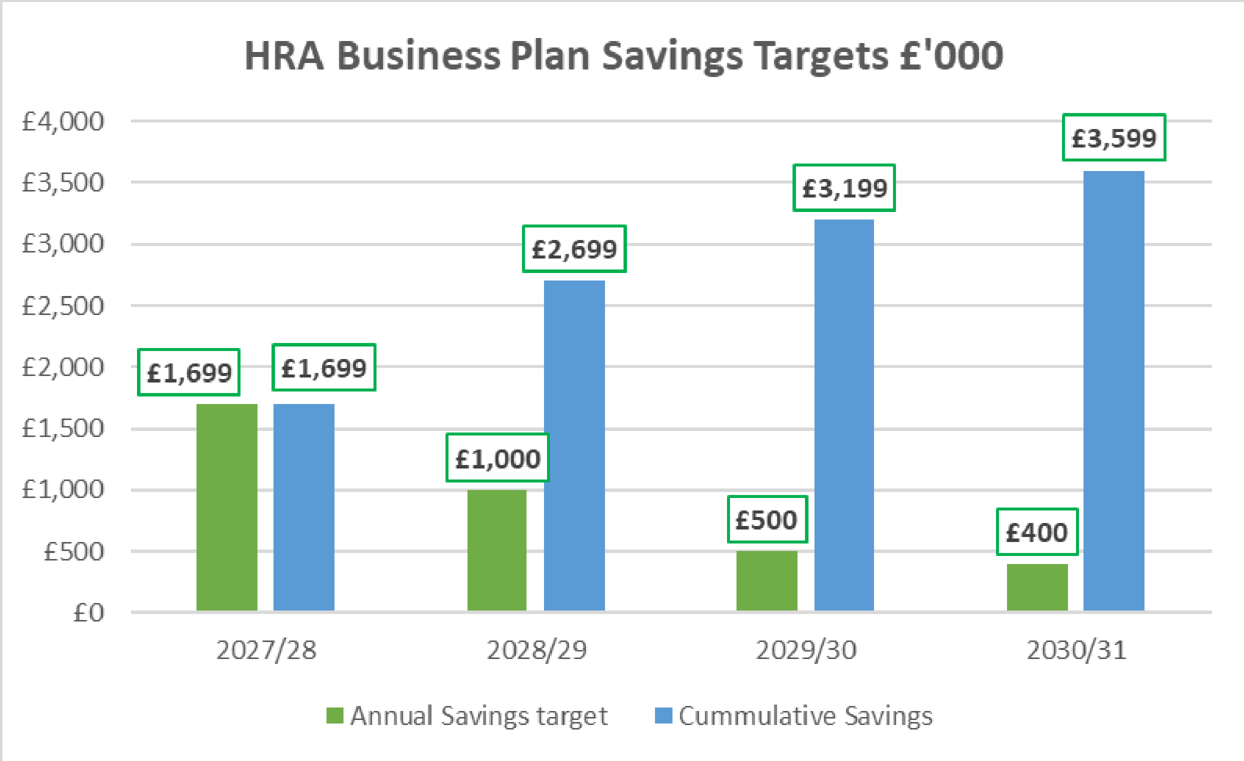
	2026/27	2027/28	2028/29	2029/30	2030/31	Rationale
Budget Pressures:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Quarter 1 General Fund Pressures	£31	£47	£47	£47	£47	As part of Q1 monitoring ongoing growth of £46K has been identified as chargeable to the HRA, with the largest item being a £34K increase in legal service costs.
Temporary Accommodation Equipment and Maintenance	£25	£25	£25	£25	£25	Due to a higher number of properties being used to meet temporary accommodation needs there has been a budget increase for equipment provision and maintenance.
Water Rates Commission	£0	£100	£200	£300	£400	So that vulnerable clients receive maximum support from the water supplier they will be encouraged to have a separate meter rather than be on the council's agency agreement. This will reduce

	2026/27	2027/28	2028/29	2029/30	2030/31	Rationale
Budget Pressures:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
						the commission currently credited to the HRA but allow tenants to access potentially lower water charges.
New development associated costs for Building Safety and Maintenance	£0	£20	£127	£127	£127	Growth has been included relating to specialist costs anticipated on new development projects when the buildings enter service.
Awaabs Law Compliance	£0	£200	£200	£200	£200	A further £200K pa has been included from next year to meet the expected costs of meeting the legal requirements of damp and mould case management.
ICT staff costs not charged to capital works	£0	£44	£44	£44	£44	Staff costs were historically attributable to capital schemes however the work required is more revenue based going forward
ICT software pressure costs	£2	£40	£64	£64	£64	Identified increase in software pressures across a number of services
LGR costs	£50	£104	£0	£0	£0	Initial estimate of the HRA's share of LGR costs. This is likely to evolve as more details of the coming changes are known.
Total	**£107**	**£579**	**£707**	**£807**	**£907**	

4.3.2. These costs are in addition to the inflation identified in section 4.2, giving the total budget increases within the MTFS. However, they are offset by the following savings identified in section 4.4.

4.4. HRA Savings

4.4.1. The last HRA Business Plan, presented to the Cabinet in November 2025, contained a balanced projection for the ring-fenced account. However, it identified that there was considerable pressure on the fund in the first years of the plan and that significant revenue savings would need to be made in order to balance the budget. The savings targets included in the Business Plan are shown in the graph below.



4.4.2. This graph shows that current revenue spend will need to fall by £3.6Million per annum over the next four years, in order to stay in line with the Business Plan projections. Since the plan was approved last year, work has been ongoing in order to identify areas where efficiencies can be made, or income increased. Pre-budget meetings with Service Directors have identified potential savings of £1.5Million that are being reviewed and could contribute to the savings gap for 2027/28. However, some items are included in the MTFS, where they are linked to operational, or policy, changes that have already occurred and these are detailed in the table below.

	2026/27	2027/28	2028/29	2029/30	2030/31	Rationale
Budget Savings:	£'000	£'000	£'000	£'000	£'000	
Disrepair Claim Work	(£150)	(£150)	(£150)	(£150)	(£150)	Disrepair claims have been increasing, and the budget had grown to accommodate this. However, targeted management and better processes have reduced this cost, and the annual budget has been reduced by £150K.

	2026/27	2027/28	2028/29	2029/30	2030/31	Rationale
Budget Savings:	£'000	£'000	£'000	£'000	£'000	
Decent Homes 2	(£279)	(£779)	(£779)	(£779)	(£779)	The Business Plan included growth, to meet the cost of the updated Decent Homes standard, of £279K rising to £779K in 2027/28. However, now the standard has been published, these additional sums are not required.
Advice Service Contract	(£10)	(£10)	(£10)	(£10)	(£10)	Changes to the customer support contract that the Council has with Citizens Advice will save £10K pa.
Charge for Housing Development time on General Fund disposals	(£20)	(£20)	(£20)	(£20)	(£20)	The Housing Development team is responsible for some of the General Fund disposals such as Bragbury End and garage sites, and this represents the charge for that service and a saving to the HRA where the team are funded from.
Total	**(£459)**	**(£959)**	**(£959)**	**(£959)**	**(£959)**	

4.4.3. The remaining savings required for 2027/28 will be included in the Balancing the Budget report to the November Cabinet and December Draft HRA Budget and Rent Setting Report.

4.5. Rent Income

4.5.1. Rental income is the cornerstone of the HRA's financial position, funding the vast majority of services and investment delivered through the ring-fenced account. As the HRA's principal source of income, its financial sustainability is heavily dependent on rental revenue. However, social housing rents are subject to Government regulation, which can limit the Council's ability to align income levels with local cost pressures, service demands and investment requirements. This has historically created challenges in balancing available resources with operational and strategic priorities.

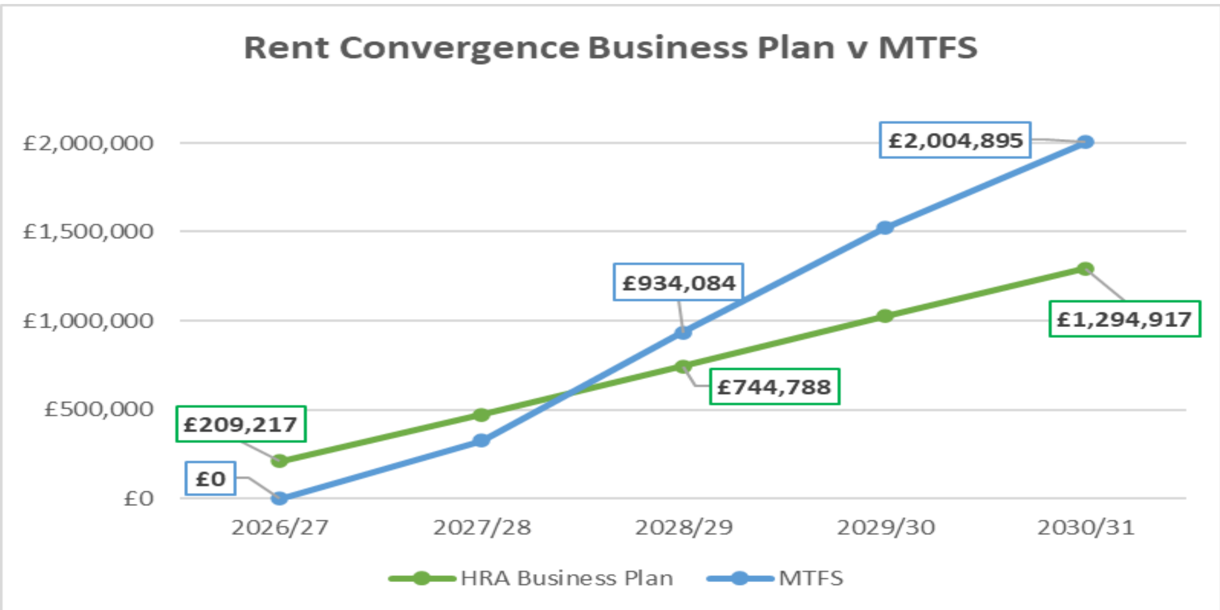
4.5.2. Social housing rent, which covers the majority of the Council's housing stock, is calculated in line with a national formula, which is based on a combination of property values and average local earnings (from 1999) and then inflated each year. This formula approach covers both Councils and Housing Associations, and it was initially intended that all social housing rent would converge with the formula over a 10 year period. However, this period was extended several times and then the rent convergence policy was abandoned.

4.5.3. As a result of national rent policy, most Stevenage Borough Council rents remain below the national rent formula level. This position was further reinforced by the Government's 1% annual rent reductions between 2016/17 and 2019/20. Consequently, Council rents are significantly lower than both market rents and, in many cases, the rents charged by other social housing providers. As reported in the 2026/27 HRA Budget Report, average private sector rents for a three-bedroom property were £343 per week, compared with £144 per week for a Council home, meaning private rents were approximately 139% higher.

4.5.4. It has become increasingly difficult, for Councils nationally, to meet the financial cost for new regulatory requirements and make improvements to social housing that the Government requires. Recognising the difficulties facing HRAs the Government launched consultation on whether to resume the rent convergence process and indicated this could be in place for April 2026. A key question in the consultation was whether an affordability cap of £1 or £2 per week should be used in the formula.

4.5.5. In the 2026/27 Budget report, Members approved in principle the £1 a week rent convergence and the HRA Business Plan projections included rent convergence from April 2026 with a £1 per week cap. However, the Government announcement was not made until January 2026 and stated rent convergence would start a year later from April 2027, with a £1 per week cap on increases for the first year, rising to a £2 per week cap from April 2028.

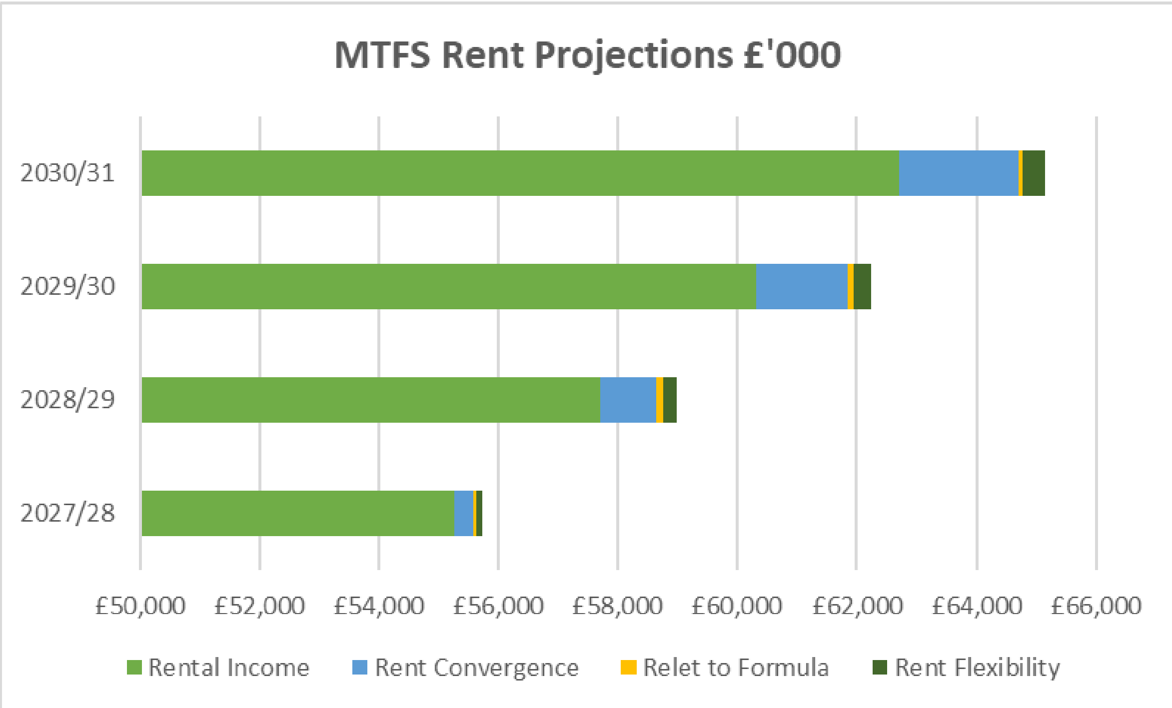
4.5.6. The revised rent convergence policy has been incorporated in the MTFS (subject to approval), and the graph below shows the Business Plan position versus the government approved policy announced in January 2026.



4.5.7. Modelling indicates that, due to the delayed implementation of the Government's revised rent convergence arrangements, the full benefit of the higher affordability cap will not be realised until 2028/29. Thereafter, the changes are forecast to generate additional annual income compared to the 2025/26 HRA Business Plan, rising to approximately £700K per annum by 2030/31. This additional income will play a critical role in maintaining the long-term sustainability of the HRA, supporting investment in existing homes, delivering regulatory compliance requirements, and helping to address ongoing financial pressures. Accordingly, this report includes an in-principle recommendation for Members to implement rent convergence within the limits set by Government. Members should also note that, where applicable, properties are currently re-let at the formula rent when they become vacant.

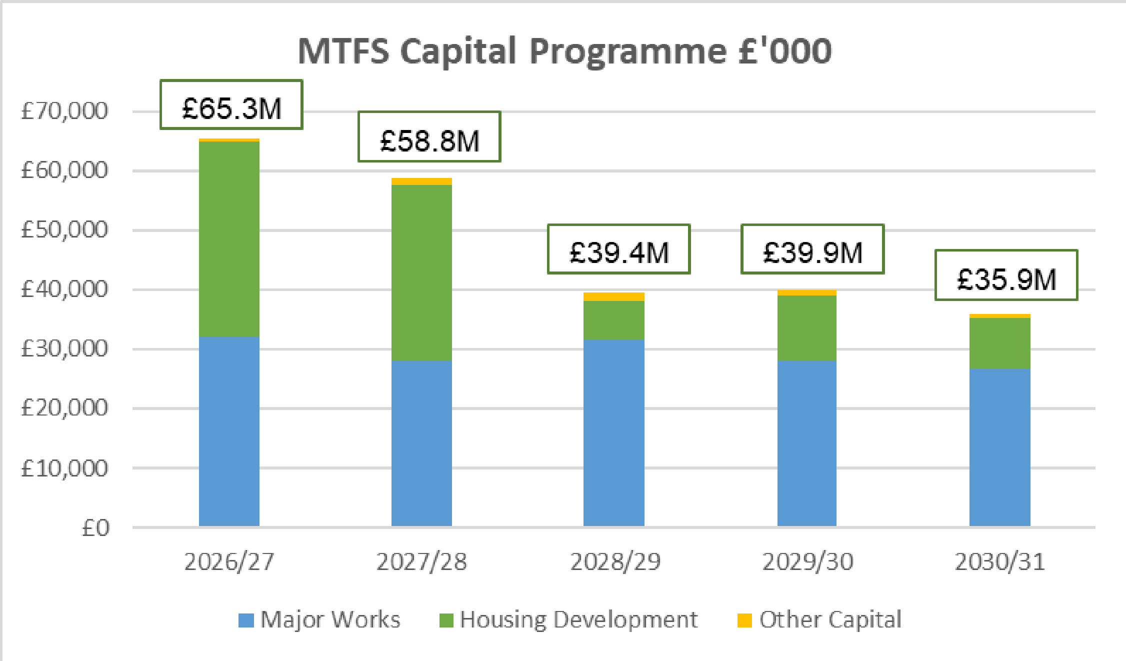
4.5.8 The MTFS rent projections have been updated to reflect the latest assumptions on housing stock growth, including revised property numbers and the anticipated timing of new development completions. The forecasts have also been adjusted to reflect the significant reduction in Right to Buy (RTB) sales following recent changes to the national scheme, including lower discount levels. The current assumption is for 20 RTB sales in 2026/27, reducing to eight sales per annum thereafter.

4.5.9 Over the MTFS period, 383 new Council homes are currently forecast to be completed, with the associated rental income reflected within the projections. The forecast also assumes the continuation of the current rent policy, whereby properties are re-let at formula rent when they become vacant, together with the application of rent flexibility of up to 5% for general needs properties and up to 10% for supported housing. The projected rental income position over the medium term is set out in the graph below.



4.6. Capital Programme

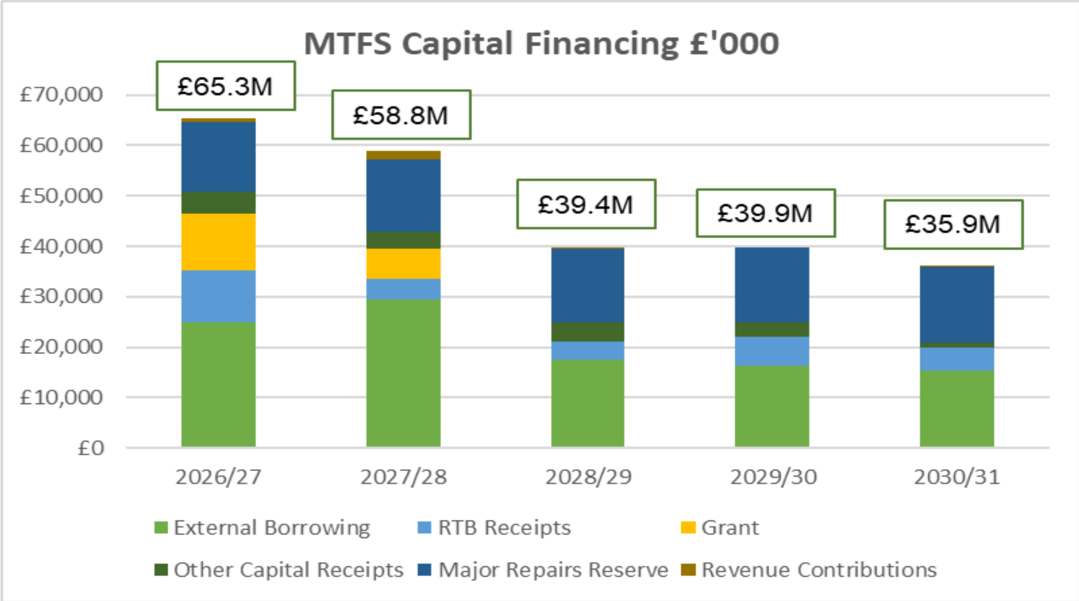
4.6.1 The capital programme has been updated to reflect the revised position reported through the Quarter 1 Budget Monitoring Report and has been incorporated into the MTFS. The programme has also been reprofiled to reflect the latest assumptions regarding project delivery timescales and the timing of expenditure over the medium term. The graph below illustrates the forecast annual capital investment by activity area across the MTFS period.



4.6.2 The total capital programme over the next five years is £239 million, of which £146 million is allocated to investment in the Council's existing housing stock. The programme reflects the latest position reported through Quarter 1 budget monitoring, with expenditure reprofiled to align with updated delivery timescales and revised cost estimates where more recent information is available.

4.6.3 In reviewing the programme, regard has been given to both the significant savings required within the HRA and the potential investment needed to address regulatory requirements relating to the Council's tower blocks over the next two to three years. These issues will be considered separately by Cabinet in October. While no assumptions have yet been included within the MTFS for this future work, the capital programme has been reshaped to create greater flexibility and headroom, with approximately £10 million of expenditure reprofiled to later years within the 30-year HRA Business Plan.

4.6.4 The financing of capital spend has also been reviewed and the latest position is shown in the graph below.



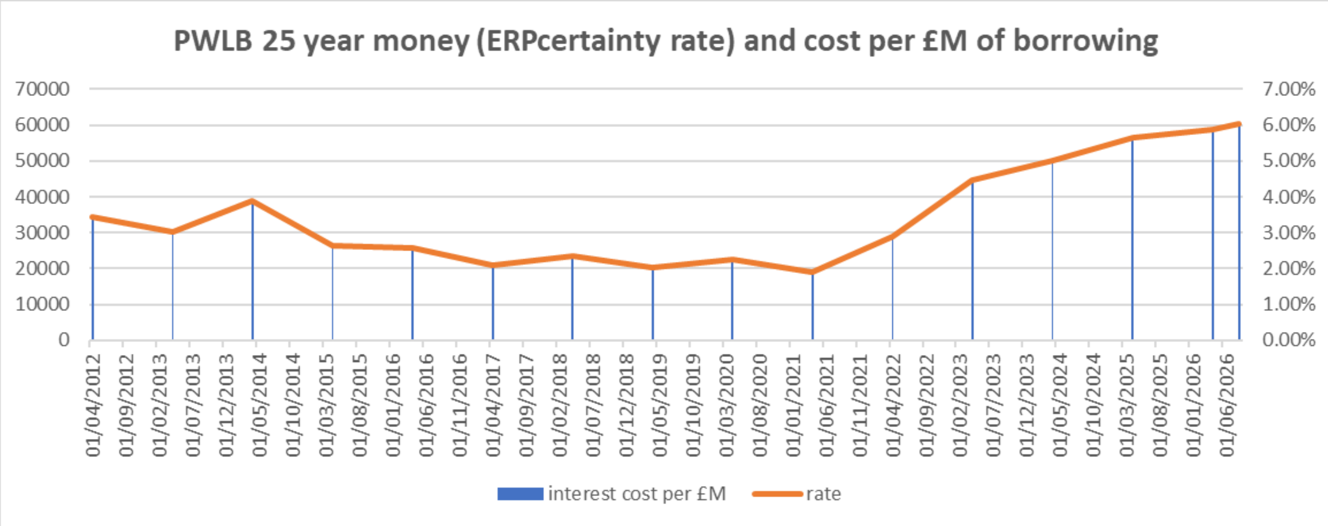
4.6.5. The principle change to the financing of the capital programme since the previous HRA Business Plan relates to the revised borrowing requirement arising from the updated capital investment profile. The only other significant change is an increase in depreciation charges, which has resulted in an additional contribution of approximately £300,000 to the Major Repairs Reserve. The impact of the updated MTFS on borrowing levels and associated interest costs is considered in more detail in Section 4.7.

4.7. External Borrowing and Interest

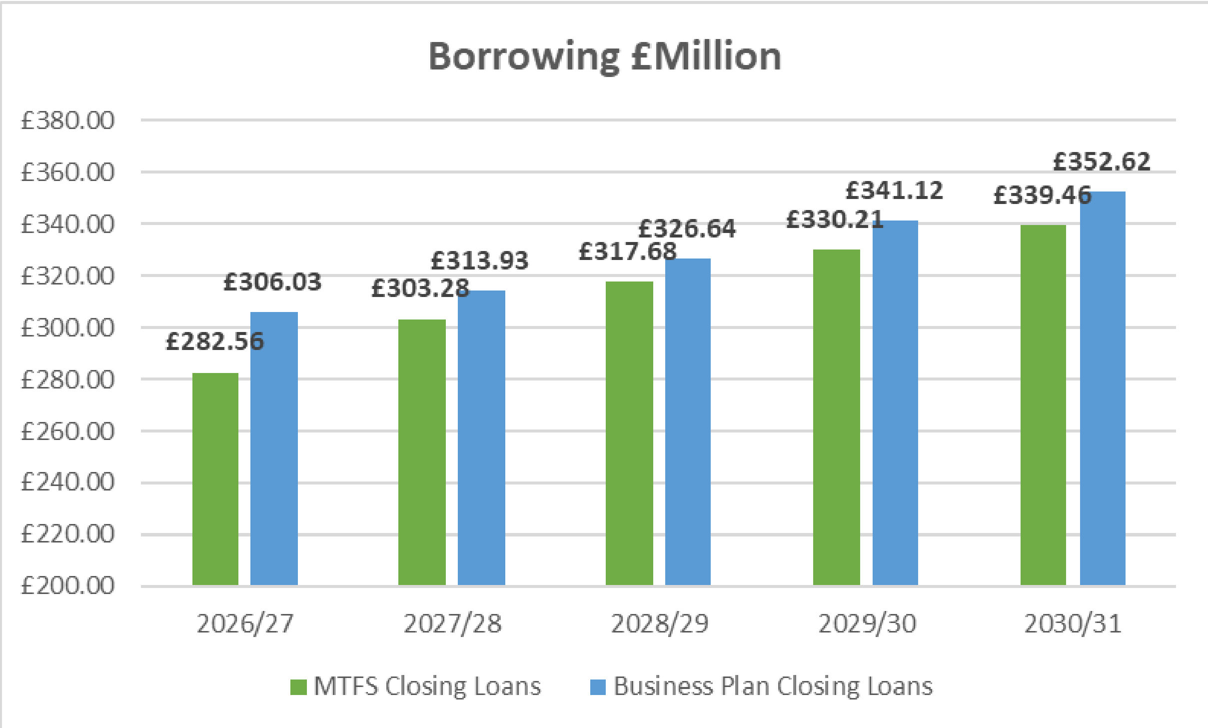
4.7.1. The HRA holds significantly higher levels of Public Works Loans Board (PWLB) debt compared to the General Fund and this is mainly due to the self-financing agreement between Local Authorities and the Government in 2012. At this time Stevenage Borough Council's HRA took on £200Million of debt in order to buy the Council out of the old subsidy system and avoid making annual payments to the Government. In recent years, the Council has also borrowed to invest in existing stock and to deliver new and replacement homes under the RTB receipts retention scheme. This means that interest payments within the HRA are significant, and the timing and interest rates of new loans are critical in balancing the account.

4.7.2. As well as borrowing externally from the PWLB, the Council also has the option to borrow internally, by offsetting capital expenditure against reserves and cash balances. This allows for more flexibility in the timing of taking loan finance and ensures that resources are used in the most cost-effective manner. Currently, PWLB rates are higher than the projections used in the Business Plan last year and the HRA still has over £7Million of internal borrowing.

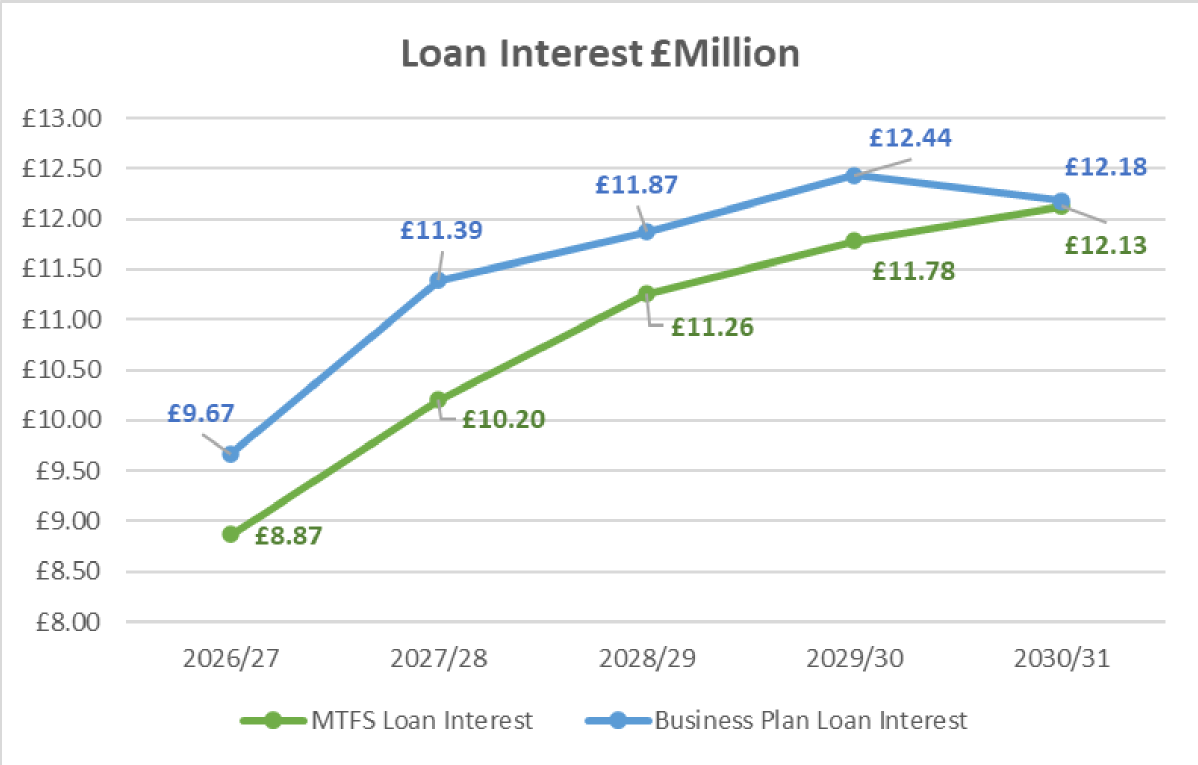
4.7.3. The plan assumed a short-term rate of 4.8% falling to 3.80% by 2029/30, but the current rates are 5.01% for a five-year loan and 6.07% for a 25-year loan. This means that for every million borrowed there would be £22,700 more interest, or £567K over a 25-year period. The graph below shows historic interest levels for a 25-year PWLB loan and the cost per million pounds of borrowing. It should be noted that the HRA has been given a preferential borrowing rate from the Government that is 0.60% lower than the normal interest charge. However, this is currently only guaranteed until March 2027.



4.7.4. As interest rates are currently high, the financing strategy is to borrow over the short term at a lower rate and re-finance the debt when the rates return to nearer the long-term average. The graph below shows the projected closing loan position over the MTFS compared to the HRA Business Plan.



4.7.5. In total, the closing loan position will be lower than the Business Plan forecast by £13.1Million and this is due to timing on planned schemes and the headroom created in the major works programme for potential high rise works. The impact on annual interest payments can be seen below.



4.7.6. The graph shows that, with the changes to the capital programme, interest payments are forecast to be below the Business Plan projections until 2030/31. Overall, this is a £3.3Million reduction in interest costs across the MTFS. However, this does not include the cost of high-rise remediation works that will need to be accommodated in future projections once final options are agreed. Whilst this position looks healthy, underlying interest rates are still high and total borrowing is £13Million less than in the Business Plan. Because of the amount of borrowing required in the HRA over the medium term and as the Council is seeking to refinance £63Million of debt in the next five years, interest rates will be critical to spending plans and will need to be monitored very closely.

4.8. Balances and Reserves

4.8.1. There are two core reserves in the HRA. One holds the general balances for the ring-fenced account, and the other is the Major Repairs Reserve that is formed from HRA depreciation charges and is used to fund capital works on existing properties or for debt repayments.

4.8.2. As the HRA is ring fenced from the General Fund, it has to retain sufficient reserves in order to absorb the impact of any unexpected events, or emergencies and smooth any unexpected cash flows. The minimum level of balances is calculated annually and approved as part of the budget setting process. Currently, due to the high level of financial risk in the HRA, minimum balances have been set at a relatively high level of £10Million.

HRA Balances*	2026/27	2027/28	2028/29	2029/30	2030/31
Opening (HRA) balance	**(£12,469,057)**	**(£12,537,523)**	**(£11,840,086)**	**(£10,941,176)**	**(£11,038,087)**
In Year (Surplus)/Deficit	(£68,466)	£697,437	£898,911	(£96,912)	£748,668
MTFS Closing HRA Balance	**(£12,537,523)**	**(£11,840,086)**	**(£10,941,176)**	**(£11,038,087)**	**(£10,289,419)**
Closing HRA Bal.– Bus. Plan	(£10,161,677)	(£10,104,482)	(£10,003,599)	(£10,225,462)	(£10,122,682)
Variance	(£2,375,846)	(£1,735,604)	(£937,577)	(£812,625)	(£166,737)
HRA Bus. Plan in Yr Def/(Surplus)	£178,993	£57,194	£100,884	(£221,863)	£102,780
Variance to BP	(£247,459)	£640,242	£798,027	£124,952	£645,888
*Based on achieving full savings					

4.8.3. The table above shows that current MTFS forecasts are above the minimum balance requirement and the Business Plan projection from last year. However, balances are expected to fall and, by 2030/31, are in line with the Business Plan and just above the minimum balances required. It should also be noted that this is also dependent upon the HRA meeting the savings targets set out in 4.4 that require a significant reduction in the net budget over the MTFS.

4.8.4. The Major Repairs Reserve is forecast to be fully utilised in each year of the MTFS on capital repairs to the existing housing stock and the annual fund is shown in the table below.

Major Repairs Reserve	2026/27	2027/28	2028/29	2029/30	2030/31
Opening Balance	£0	£0	£0	£0	£0
Depreciation	(£13,894,231)	(£14,241,587)	(£14,553,431)	(£14,836,863)	(£15,120,295)
Use in Year	£13,894,231	£14,241,587	£14,553,431	£14,836,863	£15,120,295
Closing Balance	£0	£0	£0	£0	£0

4.8.5. To achieve a sustainable financial position, despite the level of current forecast reserves, substantial savings are needed to balance the fund in the short to medium term. It is critical that these targets are met to enable the investment plans in existing and new stock that were identified in the thirty-year Business Plan and achieve a balanced position for the HRA.

4.9. Chief Finance Officer (CFO) Commentary

4.9.1. The HRA remains financially challenging but sustainable over the medium term and continues to provide resources to maintain existing homes, invest in compliance and safety requirements, and deliver new council housing, with the caveat of the costing of the high rise works. The updated MTFS reflects the latest assumptions for inflation, rent policy, borrowing requirements, capital investment and housing growth. The introduction of rent convergence from April 2027 and reduced Right to Buy sales are expected to improve rental income over the medium term and support the long-term financial resilience of the HRA.

4.9.2. Although the overall position in this report remains balanced, the HRA continues to face significant financial pressures from inflation, increased regulatory requirements, building safety obligations and future investment needs across the housing stock. The approved HRA Business Plan requires recurring revenue savings of £3.6 Million per annum to be delivered over the next four years and, although progress has been made in identifying savings, further work will be required through future budget-setting processes to achieve these targets.

4.9.3. The current MTFS reflects a lower borrowing requirement than assumed in the approved Business Plan as a result of changes to the timing of capital expenditure and the reprofiling of investment programmes. However, borrowing costs remain a key risk to the HRA as PWLB interest rates continue to be higher than the assumptions used within the Business Plan. In addition, significant investment will be required to address high-rise building safety works, alongside the ongoing costs associated with Awaab's Law, wider regulatory compliance requirements and Local Government Reorganisation. These risks will continue to be monitored and reflected in future updates to the HRA Business Plan and MTFS.

4.9.4. The challenge for the HRA is to be able to identify sufficient savings, borrow at an affordable rate, while being able to fund tenant safety, regulatory compliance, asset sustainability and housing delivery priorities, ensuring that the HRA remains able to meet both its current obligations and future investment requirements.

4.10. Local Government Reorganisation (LGR)

4.10.1. The MTFS has been prepared against the backdrop of local government reorganisation in Hertfordshire. In July 2026, Government announced its preferred model of four unitary councils, with Stevenage Borough Council (SBC) expected to merge with North Hertfordshire District Council and Welwyn Hatfield Borough Council (WHBC), alongside the transfer of relevant Hertfordshire County Council functions, to create a new Central Hertfordshire authority. Subject to the legislative process, the new council is expected to come into being on 1 April 2028. The specific financial management and control provisions that apply during the transition period are detailed in Section 5.8.

4.10.2. Of the Councils that will be merged under these proposals, both SBC and WHBC have an HRA with a combined housing stock of 17,000 homes. These two ringfenced accounts may be merged when the new Unitary Authority Council is formed.

4.10.3. This provides an opportunity to bring together housing management, asset management and development expertise within a single HRA, creating a larger and more resilient housing service. There may also be opportunities to achieve efficiencies, strengthen capacity and support future investment in existing homes and new housing delivery.

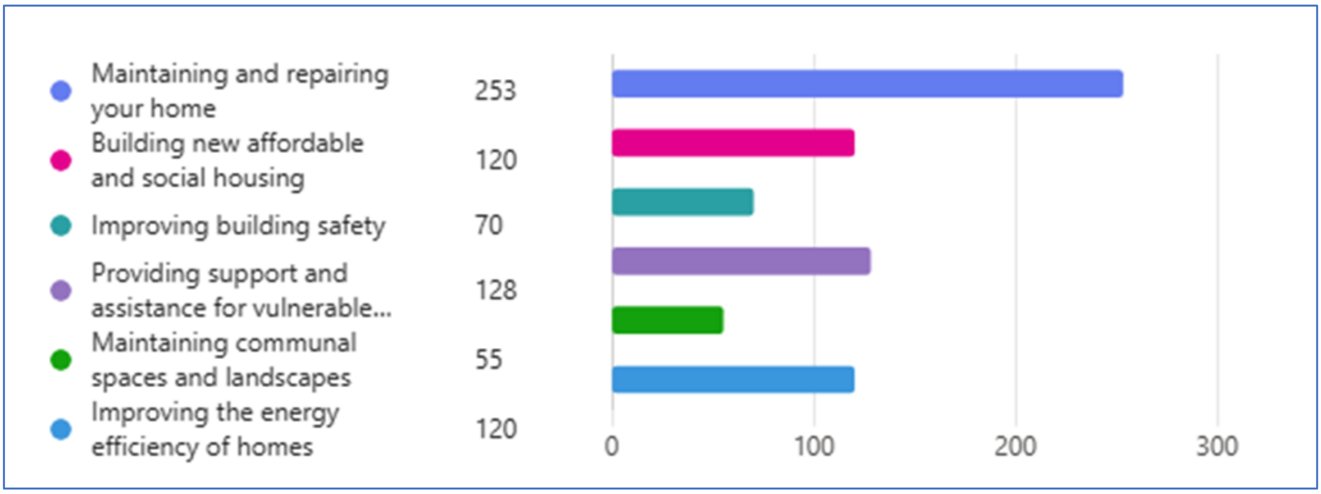
4.10.4. The MTFS includes an allowance for transitional costs associated with LGR; however, the full financial implications are still being developed. Clearly this MTFS forecast covers a period that extends beyond the commencement of the new authority. However, it is important that the HRA remains financially resilient during the transition period so that it is well placed to support the new authority and continue to invest in homes, maintain regulatory compliance and deliver high-quality landlord services. Also, due to the complexity of forming the new organisation, the investment and spending plans, outlined in this MTFS and last year's Business Plan, are likely to stay in place until the longer term integration of the two HRA accounts can be assessed.

4.11. Approach to Consultation

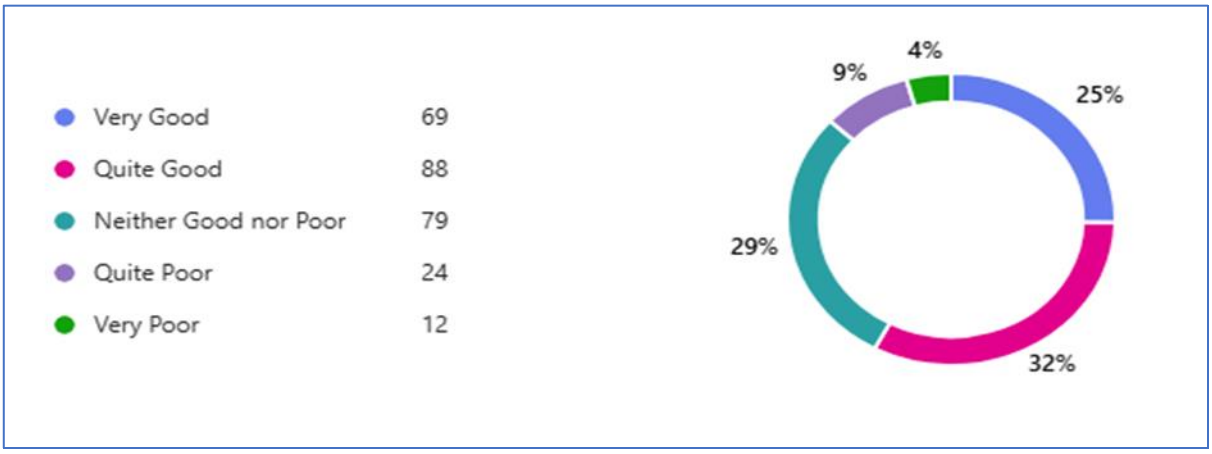
4.11.1. For 2026/27 a webpage was created with information to explain what the HRA is, and the purpose of the future planned spend and investment for our residents. The information covered the longer term targets for the HRA that were included in the HRA Business Plan and an explanation of the 2026/27 budget proposal, including the planned rent increases for the year.

4.11.2. In addition to the information provided on the consultation webpage, tenants were invited to complete a survey on their priorities for future HRA spending. Over 5,000 emails were issued to residents setting out the key information and inviting feedback. A total of 270 completed responses were received, representing a response rate of approximately 5%.

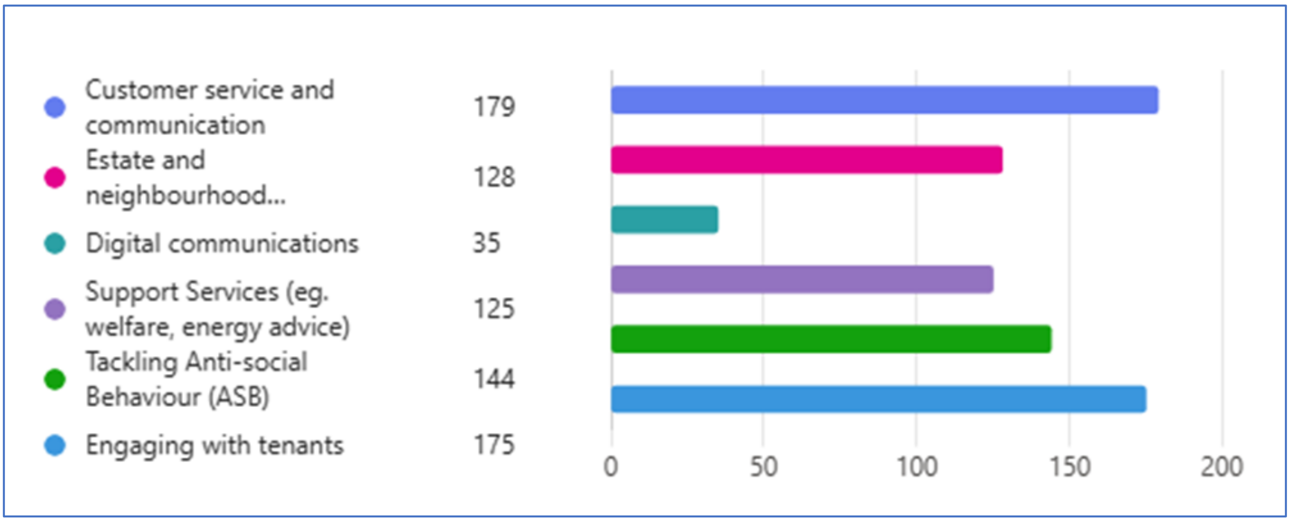
4.11.3. **Question 1** - Which of the following areas do you think are most important to you? (Choose your top3)



Question 2 - Do you think that the rent you pay represents good 'Value for money?



Question 3 - Which types of service should receive additional focus as part of the Council's housing service?



4.11.4. In summary, following the 270 responses the 3 top priorities for our residents were:

- **253** Maintaining and repairing your home
- **128** Providing support and assistance for vulnerable tenant to live independently

2 priorities scored the same, with 120 votes each

- **120** Building new affordable and social housing
- **120** Improving the energy efficiency of homes

The lowest priorities for our residents were;

- **70** Improving building safety
- **55** Maintaining communal spaces and landscapes

4.11.5. These survey results are used to inform decision making for both officers and Members and this exercise will be repeated for the coming budget cycle.

4.12. Decision Making Process

4.12.1. It is planned that the following approval process will be followed for the 2027/28 budget setting process:

Date	Meeting	Report
Sep-26	Cabinet	HRA MTFS Review
	Overview and Scrutiny	HRA MTFS Review
Oct-26	Cabinet	2027/28 Fees and Charges (GF & HRA)
	Overview and Scrutiny	2027/28 Fees and Charges (GF & HRA)

Date	Meeting	Report
Nov-26	Cabinet	Balancing the Budget Report with the savings proposals for the General Fund and HRA
	Overview and Scrutiny	Balancing the Budget Report with the savings proposals for the General Fund and HRA
Dec-26	Cabinet	Draft 2027/28 HRA budget and rent setting report
	Overview and Scrutiny	Draft 2027/28 HRA budget and rent setting report
Jan-27	Cabinet	Final 2027/28 HRA budget and rent setting report
	Overview and Scrutiny	Final 2027/28 HRA budget and rent setting report
	Council	Final 2027/28 HRA budget and rent setting report

5. IMPLICATIONS

5.1. Financial Implications

5.1.1. The CFO view is set out within this report.

5.2. Legal Implications

5.2.1. The objective of this report is to outline a MTFS and forecast for the next five years. There are no legal implications at this stage of the planning cycle, however, Members are reminded of their duty to set a balanced budget and that the MTFS period goes beyond the current elected Members responsibility.

5.3. Risk Implications

5.3.1. A review of the risks facing HRA budgets has been listed in the table below, not all the impacts are known at the present time. The current MTFS projections are based on prudent assumptions and include the CFO's best assessment of the financial risks. However, if any of these risks become a reality then the MTFS will need to be updated once the actual impacts are known.

Risk Area	Risk Mitigation	Likelihood	Impact
Anticipated savings options not achieved (Negative Risk) – agreed options do not deliver expected level of savings either on a one-off basis or On-going.	Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward. The high level of minimum balances within the HRA will allow the Council to seek other savings options in a timely manner.	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
September CPI different to anticipated (Negative and Positive Risk) – leading to either higher, or lower, rent income.	The use of balances to absorb the deficit and allow for further savings options to offset the lost income.	Medium	High
Inflation different to anticipated (Negative and Positive Risk) – this is very significant on repairs costs and capital expenditure and could limit the Council's ability fund all planned expenditure.	For revenue expenditure, the use of balances would allow the Council to review budgets and re-balance the HRA and for capital projects a review of schemes and the timing of investment could be used to offset any higher costs.	High	Medium
Change in demand led repairs. (Negative and Positive Risk)	High levels of preventative investment in place and strong tenancy management to stop problems escalating.	Medium	Low
Increase in rent arrears (Negative Risk) – tenants facing problems paying rent and service charges – linked to the current cost of living problems.	Strong arrears management and offering support and advice at the earliest stage possible.	Medium	Medium
Legislative or regulatory changes leading to higher costs (Negative Risk) – recent changes to legislation and regulation have led to increased costs within the HRA. Further changes, or the implementation of current rules could lead to increased costs.	Strong internal management systems up to Member level involvement through the Executive Housing Working Group. Effective systems in place to ensure compliance. Use of HRA balances to cushion shocks, while the account is re-balanced.	Medium	Medium
Interest rates do not fall from the current high position (Negative Risk) – due to the high levels of borrowing planned in	Change borrowing strategy to minimise costs, including the use of internal borrowing. Borrow short term and re-finance at projected lower interest rates. Adjust	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
the HRA it is very sensitive to interest rate fluctuations.	spending plans to ensure interest payments are affordable.		
Additional costs for moving the Housing System (NEC) to the Cloud. (Negative Risk) – a project is currently under way to move the housing system to a cloud based service, but there are difficult technical integrations to make for this to be completed that may require further funds.	Any additional costs can be absorbed in balances. Alternative funding sources from reserves will be used where appropriate. Current budgets for service improvement can be utilised to cover some costs.	High	Medium
LGR increased costs	The Council has provided for some additional spend to fund the impact of the amount required by the Hertfordshire central office and to provide additional resources at a local level	High	High

5.4. Equalities and Diversity Implications

5.4.1. The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. The Equality Duty and the impact of decisions on people with protected characteristics must be considered by decision makers before making relevant decisions, including budget savings.

5.4.2. The process used to develop the Council's budget has been designed to ensure appropriate measures are in place to ensure the impact of decisions on the community is considered as part of the decision making process. It is officers' view that undertaking an Equalities Impact Assessment (EqIAs) on the strategy is not appropriate at this stage. EqIAs will be done on individual savings proposals (when relevant) at an early stage in the budget savings process to aid decision makers in their consideration of the Equality Duty. This work is being planned into the budget setting process.

5.5. Policy Implications

5.5.1. The budget framework represents a development of a policy led budgeting approach across Council services and the overall Financial Strategy.

5.6. Staffing and Accommodation Implications

5.6.1. The budget framework represents a development of a policy led budgeting approach across Council services and the overall Financial Strategy

5.7. Climate Change Implications

5.7.1. The current projections include capital works to decarbonise the housing stock and increase energy efficiency within Council Dwellings. However, the last HRA Business Plan recognised that there was currently not financial capacity within the ring fenced account to achieve a net zero position and a wider sector led discussion with the Government will be needed, in order to address this funding gap.

5.8. LGR Implications

5.8.1. As part of the timetable for LGR, the Secretary of State's will issue a Direction under section 24 of the Local Government and Public Involvement in Health Act 2007 (the Section 24 Direction), and this will place restrictions on different types of expenditure by the Hertfordshire Councils without consent in the period up to vesting day.

5.8.2. Section 24 of the Local Government and Public Involvement in Health Act 2007 allows the Secretary of State to direct that from a certain date the authorities to be dissolved under a Structural Change Order may not, without the written consent of those specified in the direction:

- Dispose of land for more than £100,000 (note: disposals include granting or disposing of any interest in land; entering into a contract to dispose of land or grant or dispose of any such interest; and granting an option to acquire any land or any such interest)
- Enter into contracts that exceed the following limits Capital £1,000,000+
- Non-capital £100,000+

Note: all of the financial limits set out above would be cumulative from the date enacted.

5.8.3. This means all disposals of land and, for contracts, repeat contracts with the same third party or for a similar description of matter as a previous contract are caught.

5.8.4. The purpose of a section 24 direction is to ensure that a new authority has oversight of and a degree of control over the decisions of its predecessor councils which could have implications for the finances and plans of that new authority.

6. BACKGROUND DOCUMENTS

BD1 – HRA Business Plan – November 2025 Cabinet

BD2 – HRA Budget and Rent Setting 2026/27 – January 2026 Council

7. APPENDICES

Appendix A – HRA MTFS Dashboard