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<b>CABINET</b>	
<b>28<sup>th</sup> January 2026</b>	
<b>Subject Heading:</b>	<b>HRA Business Plan update, Budget 2026/27 &amp; Capital Programme 2026/27–2030/31</b>
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**Policy context:**

This report presents the HRA Budget recommendations for agreement by Cabinet and recommendations on to Council for consideration and approval.

**Financial summary:**

The Council is required to set an annual HRA Revenue Budget for 2026/27 and the assumptions contained in this report will form part of the Council's overall budget setting process for 2026/27. This report includes recommendations to agree the HRA revenue budget, including the rents and other charges, the HRA Major Works Capital Programme, detailed in Appendix 1a and the Business Plan projections as outlined in Appendix 2a and 2b.

**Is this a Key Decision?**

Yes

**Is this a Strategic Decision?**

Yes

**When should this matter be reviewed?**

November 2026

**Reviewing OSC**

Places and Overview Sub-Committee

<b>SUMMARY</b>
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This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works and Capital Programme. Cabinet approved the Housing Asset Management Plan 2021-2051 in October 2021 and the budgets and projections of expenditure required to maintain the stock to a good standard have been used in the preparation of the capital programme in this report. A summary is provided of the HRA Business Plan 2025/26-2054/55.

The HRA is a ring-fenced account that is used to manage and maintain the Council's own housing stock. The Council is legally required to set a balanced budget. The proposed budget will enable the Council to manage and maintain the housing stock to a good standard and provide funding for an appropriate acquisition, new build and estate regeneration programme. It further sets rents, service charges and other charges for Council tenants and leaseholders for the year 2026/27.

As part of the new regulatory framework for local government housing services, councils are now subject to the Regulator of Social Housing's (RSH) Rent Standard. This has introduced the CPI + 1% increase arrangement, based on the published rate for September 2025 making an increase for 2026/27 of 4.8%. This is the standard rent increase that the Government expects all councils with social housing to apply.

In order to change any HRA rent liability, the local authority must notify tenants and give 28 days' notice of any change after the authority has made a properly constituted decision of that change. This means that, following a Cabinet decision on rent levels to be charged in any year, the local authority must write to all tenants to advise them of the new rent liability for the following 12 months.

Should the Cabinet approve the recommendations, a notification will be sent to tenants the first week of March 2026, to make the new charge effective from the first week of April 2026.

## **RECOMMENDATIONS**

That Cabinet:

- 1 Approve the Housing Revenue Account Budget as detailed in paragraph 3.5.
- 2 Agree that the rents chargeable for tenants in general needs Council properties owned by the London Borough of Havering be increased by 4.8% from the week commencing 6<sup>th</sup> April 2026.
- 3 Agree that the rents chargeable for tenants in supported housing Council properties, such as sheltered housing and hostels, owned by the London Borough of Havering, are increased by 4.8% from the week commencing 6<sup>th</sup> April 2026.
- 4 Agree that the rents chargeable for existing occupants of temporary accommodation are increased by 4.8% from the week commencing the 6<sup>th</sup> April 2026.
- 5 To note the full annual rental charge will be billed over 48 weeks of the financial year and to agree the four weeks when rents will not be collected during 2026/27 are: the week commencing of 24<sup>th</sup> August 2026; 14<sup>th</sup> December 2026; 21<sup>st</sup> December 2026 and 29<sup>h</sup> March 2027.
- 6 Agree that service charges and heating and hot water charges for 2026/27 are as set out in Section 2 of this report.
- 7 Agree that charges for garages should be increased by 4.8% in 2026/27 as detailed in Section 2 of this report.
- 8 Agree that the service charge for the provision of intensive housing management support in sheltered housing for 2026/27 shall be as detailed in Section 2 of this report.
- 9 Agree the Supported Housing Charge for HRA Hostels as detailed in Section 2 of this report.
- 10 Agree that the rent charge to shared ownership leaseholders is increased in line with current lease conditions as detailed in Section 2 of this report relating to income.
- 11 Agree that the Care-line and Telecare support charge should be increased by 4.8% for 2026/27 as detailed in Section 2 of this report relating to income.
- 12 Approve the HRA Major Works Capital Programme, as detailed in Appendix 1a of this report and refer it to full Council for final ratification.
- 13 Approve the HRA Capital expenditure and financing for the 12 Estates Joint Venture and other acquisition and regeneration opportunities as detailed in Section 4.3 – 4.16 and Appendix 1b of this report and refer it to Full Council for final ratification.

## REPORT DETAIL

### 1. BACKGROUND

- 1.1 This report sets out what HRA income the Council has available to spend on housing, the current HRA financial position and the proposed spending plans for 2026/27.
- 1.2 Recently there have been a number of important social housing regulation changes in the UK focusing heavily on the Social Housing (Regulation) Act 2023. This strengthens the Regulator's power and has introduced proactive consumer standards, enhancing tenant rights (Awaab's Law for damp/mould), and improving transparency via Tenant Satisfaction Measures (TSMs). Other key areas include updating the Decent Homes Standard, introducing minimum energy efficiency rules, and recent (2025) moves like the Renters' Rights Act to ban rental bidding, all aiming for safer, fairer, and higher-quality housing in the private housing sector and to strengthen local authority enforcement in the private rented housing sector.
- 1.3 One of the most significant recent changes has been the Social Housing (Regulation) Act 2023. This gives the Regulator of Social Housing (RSH) stronger powers for proactive inspections and enforcement, with new consumer standards and a focus on competence and conduct.
- 1.4 Awaab's Law, part of the 2023 Act, mandates swift action on damp and mould in social homes, setting strict deadlines for landlords to fix hazards. In addition to this, Tenant Satisfaction Measures (TSMs) were introduced to provide tenants with better data on landlord performance, increasing transparency and accountability.
- 1.5 The Building Safety Act 2022, continues to shape requirements, focusing on building safety, especially for high-rise buildings, with further regulations rolling out.
- 1.6 The Decent Homes Standard is currently being reviewed by the Government who are aiming to update the standard for social housing to reflect modern needs. This work is ongoing, but once agreed, may have a number of long-term implications.
- 1.7 The Renters' Rights Act 2025, is a landmark act banning rental bidding (where agents or landlords invite offers above the advertised rent), requiring fixed asking rents and strengthening tenant rights more broadly in the private rented housing sector.
- 1.8 Earlier in the year, the Government launched a consultation on rent convergence, which would equalize historical differences in rents over time. This could provide additional income to the HRA, if the Council were minded to introduce it. The Government's response to the consultation is not expected until sometime in January. It is presumed that this will be a matter to be considered within next year's HRA Business Plan.
- 1.9 The Council recognises that there is a need for good quality affordable homes, especially for vulnerable residents such as the elderly, those on low income and first-time buyers, and has set out its ambition to meet these needs by using resources generated through the Housing Revenue Account Business Plan. The formula for setting social rent should enable registered providers, including councils, to set rents at a level that allows them to meet their obligations to their tenants, maintain their

stock, to at least Decent Homes Standard, and continue to function as financially viable organisations.

1.10 There are many influences on the resources available to the HRA. These are all identified and quantified within the HRA Business Plan (HRA BP). The Business Plan is composed of various income and expenditure lines. Some of the lines are under the complete control of the Council, whilst some are affected by market conditions, government policy and legislation.

1.11 The lines in the business plan that have a direct impact on the income into the HRA Business Plan include:

- Rent policy including supported housing rents.
- Service charge recovery.

1.12 The elements which affect the levels of expenditure in the HRA Business Plan include:

- Planned maintenance to existing stock.
- Responsive repairs and compliance costs to existing stock.
- Delivery of new build homes.
- Staffing costs.
- Financing costs of the borrowing in the HRA and interest rates.
- Losses from bad debts, voids etc.

1.13 The Building Safety Act 2022 impacts on the HRA are:

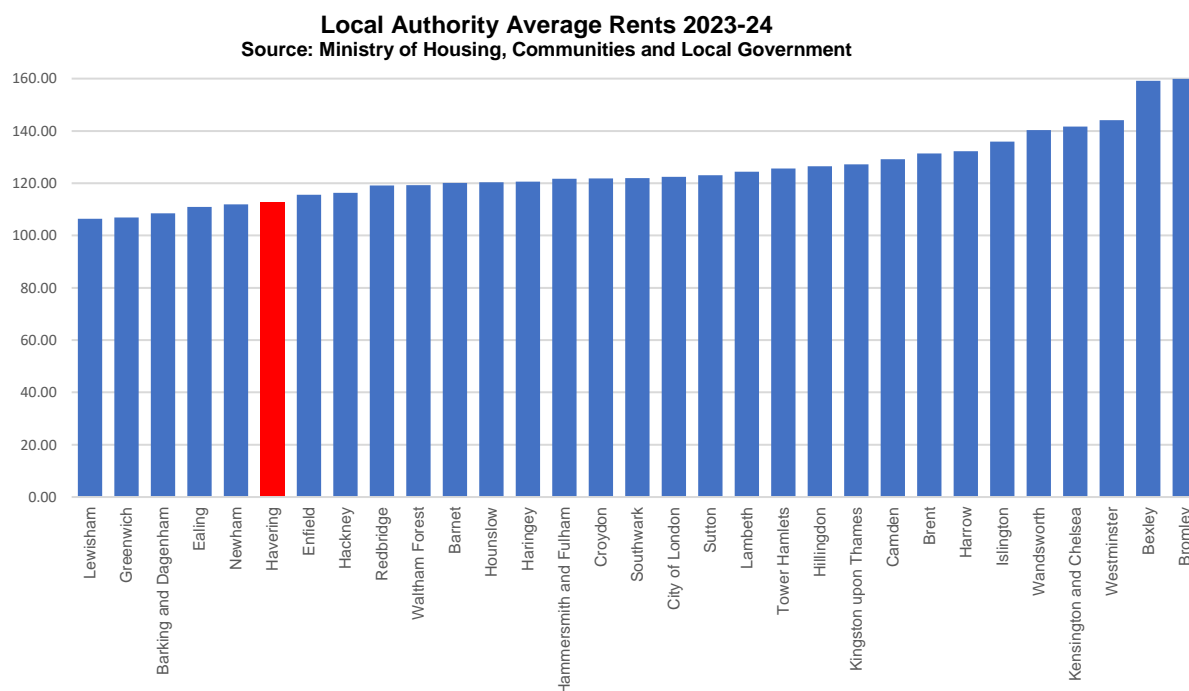
- Building Safety and maintaining homes:
  - A strengthened role of the existing Regulator of Social Housing (RSH) in consumer regulation and safety with links to the new Building Safety Regulator.
  - Social landlords must identify a 'nominated person' responsible for Health & Safety; the 'nominated person' is the London Borough of Havering.
  - Requirement to register high rise blocks and to maintain data relating to the construction and maintenance of buildings.
  - New blocks over six storeys or 18m in height must have dual stair cores to facilitate both means of escape and access for the fire brigade.

## **2. INCOME**

### **2.1 Rents**

2.2 From 2026/27 the Government has decided that rents follow the rent setting formula of up to CPI +1%, which is intended to apply for 10 years. This provided certainty for rents in council housing up to 2036. The Council does have discretion to set a lower rent however, due to the significant strain on costs on the HRA next year it is recommended to implement the maximum increase allowed. The analysis of the Business Plan in Section 7 demonstrates that given the inflationary impact on building and maintenance costs, and the likely salaries increases, the proposed rent increase keeps the HRA in balance within the performance measures.

- 2.3 The four-year mandated 1% reduction (2016/17 to 2019/20), combined with the 7% cap on 2023/24 rent increases, has constrained annual rental income by 19.6% compared to a scenario where rents had continued to rise at CPI + 1%. This has resulted in an annual shortfall of £12.8 million and a cumulative shortfall of approximately £86.9m to date, significantly limiting the HRA's ability to maintain existing housing stock and expand new housing supply. To illustrate, this lost revenue could have funded at least 1,000 new affordable homes, alleviating homelessness pressures in the borough and General Fund finances.
- 2.4 Following the implementation of Universal Credit a new social housing rents cap at Local Housing Allowance (LHA) levels was introduced in 2019/20 to replace "limit rents". In Havering, given the historically low level of council rents, the LHA levels for each bedroom size are above the proposed levels of the 2026/27 social rents and so there is no impact on the HRA BP. Future announcements on LHA levels may have a future impact and this will be kept under review and reported annually as part of the rent setting report. The table below shows the Havering rent levels compared to other London boroughs in 2023/24 (the latest year for which data is available).



- 2.5 The Table shows that Havering Council rents are some of the lowest in London compared to other councils as well as being significantly lower than housing associations rents.
- 2.6 The 2026/27 average weekly rent, applying the 4.8% increase to all General Needs properties and Sheltered Housing units, is £146.47. Individually, the average weekly rent for the general needs properties is £148.58 and £131.00 for the sheltered housing.

Bedroom Size	Average Rent 2025/26 (48 Weeks)	Average Rent 2026/27 (48 Weeks)	Weekly Rise	Increase %
Bedsit	102.53	107.45	4.92	4.8%
1 Bed	119.73	125.48	5.75	4.8%
2 Bed	139.79	146.50	6.71	4.8%
3 Bed	159.86	167.53	7.67	4.8%
4 Bed	206.94	216.87	9.93	4.8%
5 Bed	201.61	211.29	9.68	4.8%
<b>Blended Average</b>	<b>139.76</b>	<b>146.47</b>	<b>6.71</b>	<b>4.8%</b>

- 2.7 The rent charged to hostel residents will be increased in line with general needs rents for 2026/27 of 4.8%.
- 2.8 That the rents for those in temporary accommodation will be increased in line with the rents for general needs properties for 2026/27 of 4.8%.
- 2.9 Council properties designated as temporary accommodation are not subject to the Regulator of Social Housing's Rent Standard. Given this, the Council could set a rent level for this type of property at up to 90% of the 2011 Local Housing Allowance. Westminster City Council are currently evaluating whether this is something that they would find appropriate in their circumstances. This is also something that Havering officers intend to review over the coming months.
- 2.10 Shared ownership leaseholders pay rent for the proportion of the equity of the property that they do not own. The lease stipulates that the increase is in line with the retail price index plus 0.5% (RPI). Changes to the shared ownership lease introduced by the government, to limit the increase to CPI, will affect new leases only.

## 2.11 Garages

- 2.12 It is proposed to increase the level of charges for garages in 2026/27 by 4.8%. We have recently made investment to improve the quality of our garage stock.

## 2.13 Service charges

Service Charges	2025/26 Weekly charge (£)	2026/27 Weekly charge (£)
Caretaking	4.72	4.97
Internal Block Cleaning	5.02	5.38
Bulk Refuse Collection	1.02	1.05
Housing Enforcement Services	1.23	1.33
Door Entry	0.40	0.84
Grounds Maintenance	5.25	5.08
TV access	2.09	0.24



**2.14 Caretaking, Internal Block Cleaning & Bulk Refuse Collection**

- 2.15 There is an increase in the cost-of-service charges payable for the provision of this service of just over 6%, This is because of the increase in service delivery costs. The weekly increase in the cost of all three services combined is £0.66.

**2.16 Enforcement Services**

- 2.17 The Housing Enforcement costs have increased by 8%. Due to the increasing costs of delivering the service. This charge has been frozen at zero and held down previously, but it is no longer justifiable to continue with this approach as these costs are rechargeable.

Tenants and leaseholders will still benefit from not paying the CCTV Service charge, which was previously charged at £1.70 per week (Static) and £0.70 per week (Mobile).

**2.18 Door Entry and TV Access**

- 2.19 We now have a new contract with Mears to maintain door entry and TV Access across the borough. This has resulted in an overall saving from 2025/26 where the combined cost of these elements was £2.49 per week. This has been reduced to £1.08 per week, resulting in a net saving of £1.41 per week. We are also starting a programme of door entry system replacements which will commence early next year.

**2.20 Grounds Maintenance**

- 2.21 A proportion of this service is being completed in-house by our Estate Management Team, which has reduced the cost of this contract. This has resulted in a 3% reduction in service delivery costs.

**2.22 Communal Electricity**

- 2.23 Charges from April 2026 will be made based on the consumption at individual blocks in the previous calendar year. The price charged per kWh will be in line with the price cap set by OFGEM. The communal electricity charge is fully recoverable through Housing Benefit and Universal Credit.

**2.24 Heating & Hot Water Charges**

- 2.25 LBH is part of a consortium of 25 local authorities which enables the Council to continue to deliver considerable efficiencies and cost savings for our residents in the current volatile market conditions.
- 2.26 Where communal heating systems are in place, charges for heating and hot water will be made based on the consumption at individual blocks and schemes in the previous calendar year. From April 2026, prices per kWh will be calculated in accordance with the domestic price cap set by OFGEM.

## **2.27 Sheltered Cleaning and Intensive Housing Management Charge**

- 2.28 Charges for cleaning sheltered schemes reflect the actual costs of providing the cleaning service at each scheme. The average charge per week, for 2025/26, will increase by 4% to between £7.33 and £13.09, depending in which scheme the tenant is resident.
- 2.29 The cost of providing a consistent level of intensive housing management (IHMS) across all schemes will be £22.49 per week, an increase of £0.84.
- 2.30 The charge for cleaning and IHMS is fully recoverable through Housing Benefit and Universal Credit.

## **2.31 Service charges – Careline and Telecare support**

- 2.32 It is proposed that the Careline and Telecare service charges will be increased by 4.8%, for 2026/27 as detailed below:

<b>Service</b>	<b>2025/26 Weekly charge (£)</b>	<b>2026/27 Weekly charge (£)</b>
Careline – sheltered tenants	6.26	6.56
Careline – community users	6.69	7.01

<b>Service</b>	<b>2025/26 Weekly charge (£)</b>	<b>2026/27 Weekly charge (£)</b>
Telecare – base unit plus two sensors	9.71	10.17
Additional Telecare sensor	1.60	1.68

- 2.33 The number of Telecare users has declined slightly due to Adult Social Care charging policy changes, which has increased the number of social care clients being asked to meet the full cost.
- 2.34 Through the national, digital switchover the existing Telecare machines are being replaced with digital ones. It was agreed that any costs incurred for this capital outlay will be recovered from service users over a 5.5 year period, at £1 per week.

## **2.35 Hostels in the HRA**

- 2.36 Abercrombie House closed in April 2023, and a temporary hostel provision opened in Maygreen pending the redevelopment of the Harold Hill site. Due to the current cost of living crisis and the impact it has had on homelessness, an additional interim provision was made at Royal Jubilee Court to meet the increasing homeless demand, which includes families.
- 2.37 Completion of the new 74-unit Family Welcome Centre is expected to be in May 2026. The budget includes provision for additional staff to run this facility. We anticipate being able to on-board new tenants from late spring 2026.
- 2.38 The service provides security and facilities across all sites with 24-hour coverage.

## 2.39 Additional Hostel Support

Service	2025/26 Weekly Charge (£)	2026/27 Weekly Charge (£)
Hostels - Additional Staffing Support (ASS)	43.95	54.94
Hostels – Service Charges (HSC)	79.97	73.12

## 3. THE HRA BUDGET 2025/26

- 3.1 The major expenditure from the HRA Business Plan is investment in existing stock or the capital programme. The level of expenditure is controlled by each local authority and is dependent on the investment levels in the Asset Management Strategy (AMS). During the last two years, the council carried out a large number of stock condition surveys to ensure that our properties meet the decent homes standard. Whilst new surveys have continued to be undertaken by the in-house team, external consultants were employed to undertake approximately 6,650 new stock condition surveys.
- 3.2 As detailed in the Asset Management Strategy, this level of expenditure allows decent homes levels to be maintained and health and safety requirements to be met. In order to meet the decent homes target, planned expenditure on new kitchens, bathrooms and electrical systems broadly remain at previous levels.
- 3.3 The level of expenditure also begins to address the zero-carbon journey, bringing the worst performing stock up to EPC C and maximising available grant where available. The government expects all social landlords to meet the EPC C standard by the end of 2030.
- 3.4 As the main source of income to the HRA BP is from rents, it is important that the number of rental properties is maximised. The current HRA BP expects to lose on average 20 properties per year through RTB, although this number has reduced in recent years in part due to the cost-of-living crisis, and other stock has been lost temporarily due to regeneration. Last year's Government's Autumn budget, announced that the maximum RTB discount would be reduced from £137,000 to £38,000 in Havering. This change took place on 21<sup>st</sup> November 2024. As a result, we saw an influx of approximately 170 applications. Of these, we saw 51 cases progress to completion up to the end of October 2025. Currently, there are 102 further cases that are in the system and are anticipated to progress to complete by the end of this financial year. There will be a significant decrease in right to buy applications in 2026-27. It is too early to give an accurate number, but we estimate there will be an average of approximately 20 properties per year going forward. This means that there will be fewer right to buy receipts to support acquisitions and housing regeneration. On balance, the reduction in RTB sales strengthens the HRA's financial position. Each retained property generates inflation-protected rental income that supports HRA borrowing capacity for new supply. Retained stock also enables direct mitigation of homelessness pressures by reducing costly General Fund expenditure on private sector temporary accommodation whilst maintaining landlord control.

### 3.5 Proposed HRA Budget 2026/27

The proposed HRA budget for 2026/27 is shown in the Table below.

	2025-26 Final Budget	2026-27 Final Budget	Variance
<b>Income and Expenditure</b>		£	£
<b>Income</b>			
Dwelling rents	(61,169,900)	(65,066,700)	(3,896,800)
Garages	(372,080)	(500,000)	(127,920)
Charges for services and facilities - Tenants	(7,954,670)	(8,755,480)	(800,810)
Charges for services and facilities - Leaseholders	(3,482,590)	(3,618,500)	(135,910)
Shared ownership	(894,400)	(1,064,000)	(169,600)
Other	(881,820)	(780,910)	100,910
<b>Total Income</b>	<b>(74,755,460)</b>	<b>(79,785,590)</b>	<b>(5,030,130)</b>
<b>Expenditure</b>			
Repairs and maintenance	14,875,840	15,424,220	548,380
Supervision and management plus recharges	29,961,550	33,308,689	3,347,139
Depreciation and impairment	16,590,400	16,590,400	0
Bad debt	665,080	665,080	0
<b>Total Expenditure</b>	<b>62,092,870</b>	<b>65,988,389</b>	<b>3,895,519</b>
<b>Net cost of HRA services</b>	<b>(12,662,590)</b>	<b>(13,797,200)</b>	<b>(1,134,610)</b>
Interest payable and similar charges	17,032,760	20,571,460	3,206,760
Interest and investment income	0	(1,866,484)	(1,731,530)
<b>Surplus or deficit for the year on HRA services</b>	<b>4,370,170</b>	<b>4,907,776</b>	<b>537,606</b>
<b>Statement on movement of HRA balances</b>			
<b>Surplus or deficit for the year on HRA services</b>	<b>4,370,170</b>	<b>4,907,776</b>	<b>537,606</b>
Capital expenditure funded by the HRA	0	0	0
Reversal of impairment charge	(5,282,259)	(5,250,100)	32,159
<b>Net (income)/Expenditure</b>	<b>(912,089)</b>	<b>(342,324)</b>	<b>569,765</b>

- 3.6 The changes in management costs include allowance for the implementation of the new Housing I.T. System, the Local Government Pay Award and some additional staffing to help deliver regulatory requirements and for hostels. The new Family Welcome Centre currently under construction, is due to open in May 2026.

### 3.7 Depreciation & Impairment

- 3.8 Depreciation is the decline in the value of assets over time due to wear and tear. The Housing Revenue Account receives an annual charge, but an adjustment is also made for the same amount to the Major Repairs Reserve. This can be used to fund capital expenditure, or to pay off debt.

- 3.9 Impairments are reductions/increases in the book value of capital assets, compared with their market value. In accounting for these annual entries, the Housing Revenue Account is allowed to reverse these amounts out to the Capital Adjustment Account, removing the impact on the HRA. The impairment would only be realised if the asset was sold.

#### **4. Capital Programme**

- 4.1 There have been significant changes to the regeneration programme, in response to the current challenging economic situation, some of which include the following:

- Inflationary pressures, driven by the factors below have led to a rise in costs across the economy impacting on developers where costs have risen and households, which have experienced a rise in the cost of living, reducing disposable incomes. There are two main drivers behind the rise in prices.
- The pace of regeneration has also been affected by stagnating sales prices, which has reduced the opportunities for cross subsidy from market facing housing to affordable housing.
- The ongoing war in Ukraine and tensions in the Middle East continue to have an adverse impact on the supply chain and energy markets.
- The Bank of England have, in response to the inflationary pressures in the economy, raised the base rate several times, driving up the cost of borrowing for households and businesses. Although there have been recent reductions in the base rate, the rate of reduction has been less than forecast.
- The Building Safety Act, which includes a requirement for new high-risk residential buildings to incorporate a second stair core, which has affected the regeneration programme in Havering and elsewhere. This new legislation has also had an impact in relation to our existing stock and the processes for obtaining approval to carry out building improvement works on our existing stock have become very time-consuming.

- 4.2 In general, the impact of both rising interest rates and costs, have extended the payback of the various schemes, to the Council HRA, resulting in higher level of borrowing over the long-term 30-year forecasts.

#### **4.3 12 Sites Joint Venture Funding (Including Farnham & Hildene)**

- 4.4 The remaining provisions for expenditure below relates to the 12 sites joint venture proposals. An update report on the Havering and Wates Regeneration Joint Venture (HWR JVLLP) Business Plan and Budget 2026/27, is presented as a separate agenda item at January Cabinet

- 4.5 The proposal is to retain the current capital approval, meaning any modifications to the programme would need to be managed within the existing funding limits. An initial evaluation of the programme, considering possible significant changes, suggests that a gross capital requirement of £423 million is necessary to deliver 732 units of affordable housing. The HRA borrowing for the scheme is expected to reach its

highest at £231 million. Upon completion of the scheme, the borrowing is projected to decrease to £231 million.

4.6 The following summarises the potential key changes that have been included in the latest refresh of the HWR JVLLP Business Plan and Opportunity Site Assessments:

- Farnham & Hildene: Phase 1 and full Masterplan for redevelopment of Farnham Hildene estate.
- Chippenham Road: Tendered construction contract.
- Waterloo & Queen Street: bring forward Buildings 9 and 10 as a Council Scheme.
- Waterloo & Queen Street: Modular Temporary Housing scheme.
- Park Rise: Latest updates on progress of sales.
- Review of risks and project contingency.

#### **4.7 Bridge Close – Council Direct Delivery**

4.8 Cabinet approved the provision of a gross HRA capital budget of £428 million to progress the scheme, to fund site assembly and construction activities.

- HRA Borrowing for the scheme is set to peak at £201 million. At scheme completion, scheme borrowing is projected to fall to £126 million.
- The proposed budget incorporates the outputs from the latest refresh of the Bridge Close Business Plan, reflecting the following changes:
  - Update of costs reflecting latest estimates from external advisors.
  - Review of site assembly commitments.
  - Re-profiling of cash flows to optimise Council borrowing exposure.
  - The site currently occupied by the London Ambulance Service has been excluded from the scope of the Compulsory Purchase Order, reducing the anticipated number of new homes by approximately 112, from 1,011 to 899

#### **4.9 Quarles (Roe Wood Park)**

4.10 Following Cabinet approval of the purchase of 47 units at a cost of approximately £13m, work continues on the site with final completion scheduled for early 2027. It is anticipated that approximately 15 affordable units will be delivered by the end of this financial year.

#### **4.11 Acquisition Budget**

4.12 The declining Right to Buy receipts will mean that there will be less funding available to help offset the buy-back of ex-council properties. In view of this, officers will be reviewing the existing buy-back policy. The budget for 2026.27 and the next four years makes provision for 25 acquisitions per annum.

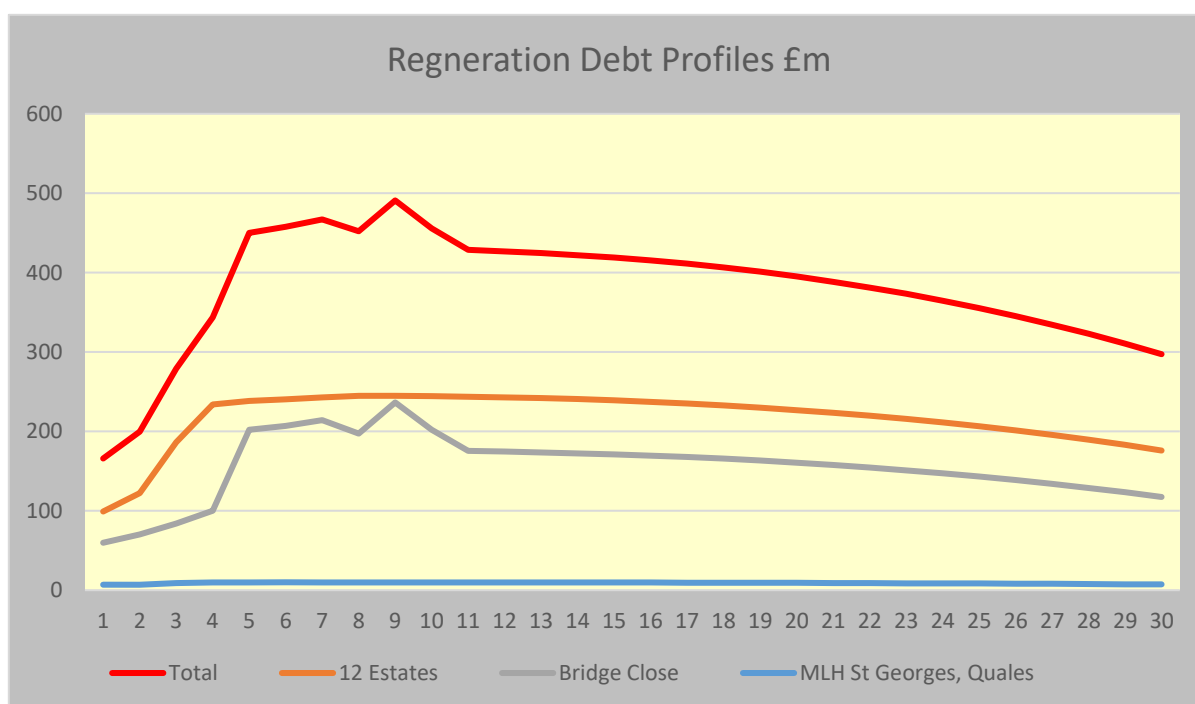
An additional 34 property acquisitions have been earmarked to meet the commitments under the Government LAHF programme, with the Government providing 6.9m of grant funding.

#### 4.13 Regeneration Programme

4.14 The Table below sets out the peak borrowing requirement along with the number of homes for the regeneration programme.

<b>Scheme Name (can we add columns to show comparison to last year)</b>	<b>Years of delivery</b>	<b>No. of units</b>	<b>Total HRA (peak) borrowing requirements</b>
12 Estates (including Farnham Hilldene)	2022-2036	732 (down 508)	£231m (down £169m)
Family Welcome Centre	2023-2026	74 (unchanged)	£17m (unchanged)
Bridge Close	2027-2036	487 (unchanged)	£201m (down £22m)
Quarles	2024-2027	47 (unchanged)	£8m (unchanged)

4.15 The graph below shows the financial impact of the various regeneration schemes to the HRA in isolation, incorporating the latest assumptions on borrowing rates and inflation. This includes the updated 12 estates programme covering work packages 1&2 with Oldchurch Gardens, Maygreen Crescent, Royal Jubilee Court, Dell Court, Delderfield, Brunswick Court paused.



4.16 In overall terms it is contributing to the wider HRA business plan with overhanging debt balances continuing to reduce over the life of the HRA Business plan but would require

significant capital investment in the early years to deliver the long-term benefits to the HRA.

**5.0 Major Works Budget – HRA 2025/26 – 2030/31 major works resources and proposed spend.**

- 5.1 Appendix 1a sets out proposed investment needs for the stock over the next 5 years. In principle, the investment in existing stock should be funded through revenue contributions to capital rather than borrowing as the investment maintains the value of the asset rather than creating an asset.
- 5.2 This 30-year plan has been updated to reflect the Housing Asset Management strategy which will include our continued approach to Decent Homes, our continued programme of asset improvement across our estates, the continued focus on building safety and compliance programmes.
- 5.3 The Table shows spend broken down by some core themes including our statutory requirements in maintaining the current Decent Homes standard for both internal elements (kitchens, bathrooms, heating etc.) and external elements (roofs, wall finishes, and windows and doors), this level of spend will maintain our near 100% decent home compliance position.
- 5.4 We have included funding to carry out fire safety improvement works to a number of our high rise blocks as well as to our low to medium rise blocks. This includes funding for the retrofitting of sprinkler systems in some of our high-rise buildings.
- 5.5 We acknowledge that our housing stock does not always match the demand profile of our residents, especially in regard to larger family properties. As part of the Asset Management Strategy, we will develop approaches to how we can better match the need through active asset management and have therefore included some funding to undertake extensions, infills or loft conversions where feasible. We will also continue to purchase small numbers of larger properties as part of our acquisition programme.
- 5.6 Included, are the ongoing projects such as the environmental works and several replacement lifts across the estate, including the addition of a number of lifts to sheltered properties, both improving accessibility for residents and improving desirability to support lettings.
- 5.7 Budgets have been included for the provision of additional cyclical programmes of work, including gutter and drain clearance. These programmes will allow us to proactively manage our stock and move from a predominantly responsive service to a more planned approach, which will improve the service for our customers, and provide better long-term value for money. A 7-year cyclical decorating programme, investing up to £20million was approved by Cabinet and included within the latest business plan, which will improve the look and feel of our estates, both internally and externally.
- 5.8 The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims. However, we have seen an increasing trend across the sector of claims and are working to manage these effectively.



- 5.9 The Regulator for Social Housing, in its consultation on the new Consumer standards, said that;

‘Registered providers must have an accurate record at an individual property level of the condition of their stock, based on a physical assessment of all homes, and keep this up to date’.

- 5.10 Accordingly, our in-house stock surveying team, supplemented by external consultants, undertake a rolling 5-year cyclical programme of stock condition surveys, which will continue to inform the HRA Asset management plan.

- 5.11 During the last two years, the council carried out several stock condition surveys. Whilst new surveys have continued to be undertaken by the in-house team, we engaged external consultants to undertake approximately 6,650 new stock condition surveys to ensure that we are meeting the Decent Homes Standard.

## **6.0 Repairs, Maintenance and Compliance Budgets**

- 6.1 We have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This reflects a reduction in budget requirement despite the impacts of inflation as we have been able to continue to hone our service to ensure accurate forecasting of needs.
- 6.2 The Social Housing (Regulation) Act 2023 is now in force and we have ensured that our budgets allow for the proactive approach to the regulation of social housing landlords on consumer issues - such as safety, transparency and tenant engagement.
- 6.3 Cabinet will be aware of the tragic death of Awaab Ishak. Like all landlords we have been reflecting on our approach to tackling mould in our properties. We have increased the size of our surveying team to ensure that we can meet the required timescales. In addition to this, we have included additional funding within the HRA Business plan to support residents with solutions, including longer term approaches to addressing inherent, as built, issues through improved energy efficiency approaches. We will monitor the government’s legislative programme to ensure that we continue to meet the relevant regulatory requirements going forward.
- 6.4 We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address any new requirements flowing from the Social Housing Regulation Act 2023 and the Building Safety Act 2022.
- 6.5 We have also included specific budgets for other compliance areas, over and above the core six areas which will help ensure we meet all of our statutory duties as a landlord and comply with the Regulator of Social Housing consumer standards. Included is the budget required for a full asbestos survey of our domestic properties which will help us with improved risk management of homes. Additionally, monies are allocated to provide third party assurance on compliance going forward.
- 6.6 The Mears repairs and maintenance contract continues to work well, delivering above KPI performance. This is evidenced by a reduced number of complaints across the service. The Call Centre arrangements continue to perform well. Average call waiting

times have increased slightly and are now just over 40 seconds. This is partly due to temporary staffing issues and an improved diagnostic process, which has improved the overall customer experience.

- 6.7 The new Sureserve contract has also been mobilised and is showing improved performance delivering above the target KPI performance in many areas. The new Call Centre arrangements continue to perform well. Average call waiting times are now only 17 seconds.
- 6.8 Mears, Sureserve and the LBH repairs service are now co-located at CEME. This has improved performance across all areas and has enabled a far greater level of cooperation and joint working across the teams, the benefits of which are still beginning to be fully realised.

## **7.0 30-year Business Plan 2025/26 to 2054/55**

- 7.1 Attached at Appendix 2a and 2b are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2025/26 budget.
- 7.2 Savills have supported the production of the HRA Business Plan, particularly in relation to validating the HRA financial model and undertaking assurance work. There have, however, been significant external factors affecting the social housing sector as a whole since this last plan namely:
- Increased repair and capital costs due to high levels of inflation and shortages in the labour sector
  - increased development costs in respect of the estate regeneration schemes that are currently being undertaken due to the same reasons as above
  - Interest rates likely to remain at elevated levels for an extended period, adding revenue pressure.
  - An increase to utility costs due to rising gas and electricity prices, which may not be fully recovered by service charges.
  - The costs of increased regulation.
- 7.3 Savills have confirmed that the HRA Business Plan is based on a relatively sound foundation. However, they advised that due to potential fluctuations in rent increases, inflation, and interest rates, which may exceed normal levels, it will be important to conduct regular assessments of the plan. This approach is appropriate in the context of the current economic volatility. By periodically reviewing the plan, any emerging issues can be identified and addressed in a timely manner, ensuring that the strategy stays in line with the evolving economic environment.
- 7.4 The plan for the HRA is based on keeping a minimum equivalent to 10% of annual operating income in working balances and using current reserves above this figure to invest in the major works programme. It has been assumed that all available resources over and above those required for revenue spend, payment of interest on debt and

maintaining minimum reserves at £10m or 10%, whichever is the greater, are available for major works, for as long as the Asset Management Strategy requires it.

**7.5 The Business Plan projections are based on the following assumptions:**

- **Rents, Voids and bad debts**

Rents, follow current guidance, with an assumed increase of 4.8% for April 2026, and re-lets to new tenancies at the property's formula rent (rather than the outgoing rent). An increase of 3.0% for April 2027 (CPI only + 1%), followed by CPI +1% for the following eight years then 2.0% (parity with CPI for prudence) thereafter. Void rates set at 2.0% and Bad Debt provision of 1% have been modelled throughout the plan.

- **Inflation**

The CPI forecasts are based on the assumptions which underpinned the Government's Autumn Budget, as set out below.

- o 2.5% for 2025.26
- o 2.0% for 2026.27
- o 2.0% for 2027.28

- **Stock Numbers**

As of 31st March 2025, the stock numbers were 9,282 tenanted properties (excluding hostels). The level of sales is modelled at 80 for 2025/26 and 20 per annum thereafter which accounts for a stock loss of 7.1% over the plan period (excluding the regeneration schemes). Increase in stock due to regeneration and acquisitions are based on the numbers set out elsewhere in this report.

- **Interest rates**

All new borrowing for development, along with the refinancing of existing loans where full repayment within the plan period is not possible, has been modelled using the following blended rates.:

- 4.4% for loans drawn down in 2025/26
- 4.6% for loans drawn down in 2026/27
- 4.4% for loans drawn down in 2027/28
- 4.3% for loans drawn down in 2028/29 to 2035/36
- 5.0% thereafter.

It is assumed that borrowing will be taken on shorter maturities in the short to medium term to reduce financing costs, with refinancing onto longer maturities when long-term rates fall back to target levels.

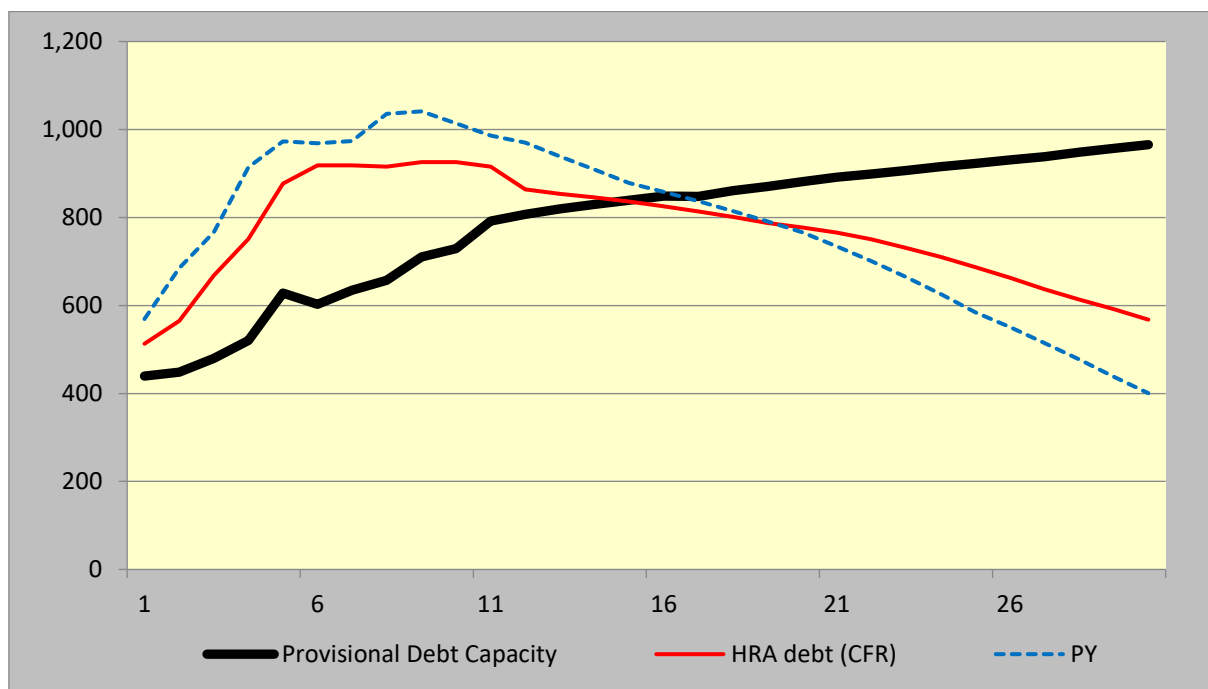
Where existing loans cannot be fully repaid, they are assumed to be refinanced at the rates set out above. The model has been configured to demonstrate repayment of loans where future surpluses permit.

The HRA concessionary rate reduction of 40 basis points that is currently in place is due to expire on 31 March 2026. The Government have not indicated that this will be extended. The borrowing rates set out above assume no further reduction beyond this point.

7.6 The HRA Business Plan forecasts borrowing to peak at £926 million in year nine (2033/34), down £115 million. The decrease is predominantly due to changes in the regeneration programme, down £96 m net of receipts programme, lower level of net debt £38m offset by increased operating costs £19m. The borrowing is against the following projects, some of which are funded by HRA reserves, land, and reinvestment of capital receipts:

- Waterloo & Queen Street
- Bridge Close
- Chippenham Road
- Farnham & Hilddene
- Acquisitions Programme.

#### 7.7 HRA Debt Analysis 2026/27 (£ million)



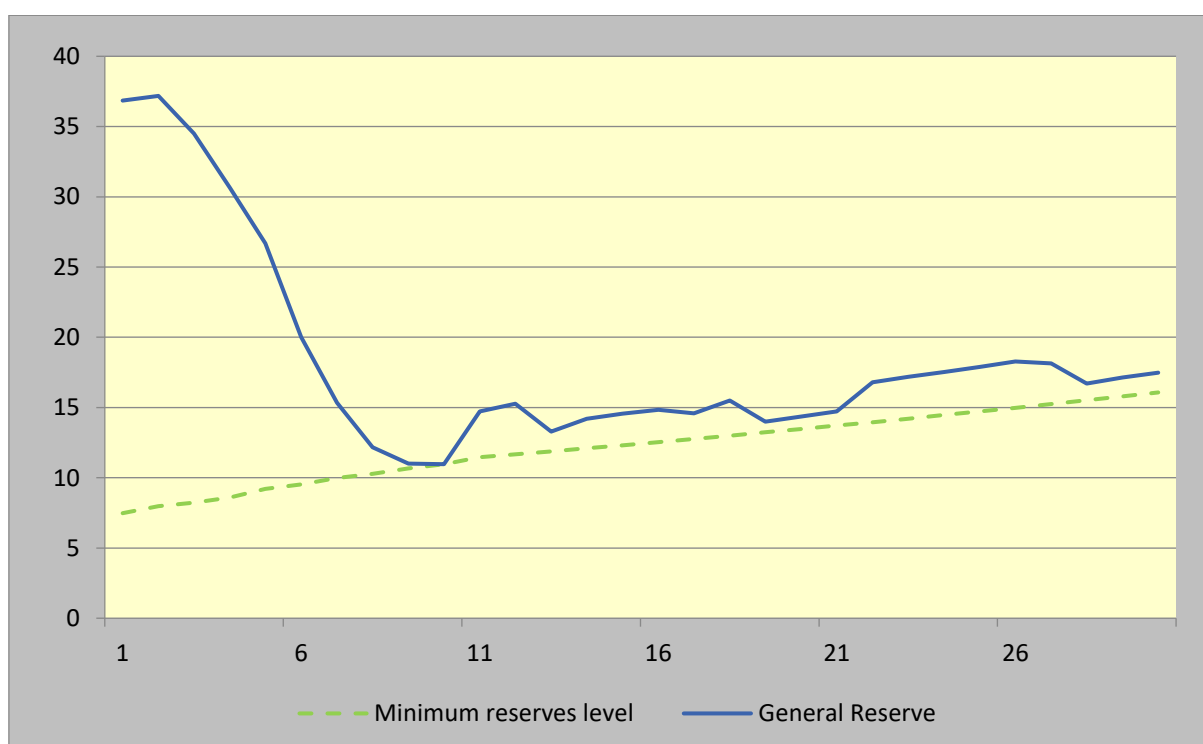
7.8 As set out above, debt is expected to reach its highest point at £926 million in year 9 (2033/34), compared to £1.041 billion in year 9 (2033/34). In contrast to the 2024/25 forecast, however, debt is forecast to decrease more slowly, resulting in a balance of £592 million in Year 29 (2053/54), which equivalent to a figure of £338m adjusted for inflation. This figure is £154 million higher than the previous projection of £438 million.

7.9 Over the life of the plan, the debt per home decreases from £46,000 to £32,000 (2025-26 prices), with the ratio of debt to gross income falling from 6.9 to 3.5.

7.10 The provisional debt capacity, also known as prudential borrowing, does not adhere in all years to the established "golden rule" where the interest cover ratio should not fall below 1.25, as previously agreed. The most significant strain on this capacity is projected to occur in year 6 (2030/31), where the minimum level of borrowing headroom reaches a deficit of minus £315 million.

- 7.11 The Interest Cover Ratio (ICR) is calculated as the operating surplus divided by interest costs, and it indicates the Housing Revenue Account's (HRA) ability to cover its interest cost liabilities in any given year. Setting the ICR to a minimum ensures that there is adequate buffer to continue covering debt interest, even if there is a sudden decrease in income or an increase in operating costs. In the 2021/22 period, the average ICR for the housing association sector was around 1.8. The typical lending covenants for housing associations range between 1.10 and 1.50, depending on their size and nature, with 1.25 being a common expectation. This level of 1.25 was the one agreed upon by Cabinet in 2021.
- 7.12 The debt gap reflects the significant capital investment required for the Council's regeneration and acquisitions programme. Generally, there is a 2 to 3-year gap between the start of construction and the delivery of new homes. In this period, the Council allocates capital, funded by borrowing, to support construction efforts. As a result, the Council bears financing costs prior to the completion of the new homes. The completion of these homes is anticipated to generate increased revenue (rent and charges) and enhance the Council's ability to service its debt.
- 7.13 In the early years of the plan, it is difficult to mitigate against a significant debt gap. As a result, it is necessary to apply an additional financial safeguard.
- 7.14 Future borrowing would be drawn down on a fixed rate basis, with the rates effectively locked in at the point of drawdown. On that basis, the HRA exposure to variable rates risk is low as such provided schemes are progressed on sound Value for Money criteria, the key financing risk is on the sustainability of the net operating incomes derived from the existing asset base. To mitigate this risk, a target has been set to maintain a working reserve balance of at least 10% of operating income for the life of the plan.

#### **7.15 HRA Working Balance 2025/26 (£ million)**



- 7.16 As set out above, in all years the minimum balance exceeds the 10% target, which indicates that the Council is forecast to maintain an adequate reserve to manage revenue risks and sustain the projected borrowing profile.
- 7.17 The Business Plan makes provision for the repayment of some treasury debt. It would be prudent, in future Business Plans, once projects have been completed, to make provision to reduce debt levels. This level of debt needs to be sustainable in the long term and supported through the Council's Treasury Management policy.
- 7.18 Furthermore, the Council can refinance some of the debt portfolio later, when rates are lower, reducing the long-term financing costs on the HRA. No assumptions about this have been made.
- 7.19 The plan demonstrates a broadly similar outcome to the previous iteration, reflecting ongoing economic uncertainty and regulatory changes. While the debt gap has narrowed, it remains significant. Adequate reserves are forecast to be maintained to manage risk on operating income and the ability to service the associated debt. Although debt is forecast to peak at a lower level, it is forecast to fall slower in the plan's duration than in the previous forecast.
- 7.20 In respect of the regeneration programme, the Council maintains a significant degree of control over both the timing and commitment of capital spend. Aside from Park Rise, the remaining sites are still in the pre-construction phase, with the bulk of the capital commitment linked to construction dependent on future decisions. Any decision to proceed would be based on sound Value for Money considerations, taking account of the general economic outlook and the sustainable and long-term interest of the HRA and Council. In practice, the Council retains significant control here as it has the ability, as necessary and appropriate, to direct the shape, extent, phasing and pace of the regeneration programme.
- 7.21 The HRA business plan forecast has set out the modelling and shows both forecasts for reserve balances, forecast debt (HRACFR) and future potential borrowing capacity. The plan is based on a relatively sound financial basis but given the potential for greater than normal variances in respect of rent increases, inflation and interest rates this could be considered an "initial" plan. Therefore, this must be seen as a position statement rather than something on which to make firm strategic decisions.

## **REASONS AND OPTIONS**

### **Reasons for the Decision**

The Council is required to set the housing rent, service charges and a budget in accordance with the Local Government and Housing Act 1989, and to set a budget that is not in deficit.

### **Alternative Options Considered**

There are no alternative options in so far as setting a budget is concerned. There are however options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as the rent and service charge increases, budget growth and major works programme proposals. The rationale for the levels of investment and levels of charges are contained within the body of this report.

## IMPLICATIONS AND RISKS

### Financial implications and risks:

#### HRA Revenue

This report largely concerns the financial implications and risks concerning the setting of the HRA budget for 2026/27 and the revision of the figures for the 30-year Business Plan. The HRA is sufficiently robust to generate a minimum estimated annual working balance reserve of £37.6m at the end of 2026/27.

As of 31 March 2025, there was a general reserve balance of £34.4m reserves, alongside £8.2m major repairs reserve, a capital reserve balance of £5.2m alongside a bad and doubtful debt provision of £4.9m.

The key economic indicators underpinning the updated projections for the 30-year HRA Business Plan remain broadly unchanged. But it is likely the reversal of the negative shifts in the economic situation will take longer to reverse. These factors are expected to continue to exert cost pressures on the capital and revenue budgets in the short to medium term.

The forecast for council borrowing rates indicates they will stay elevated for an extended period, with the anticipated long-term borrowing cost rising to 5.0% throughout the plan's duration. This increase is particularly noteworthy considering the extensive scale of the Council's Regeneration program. During the construction phase, this situation becomes especially pertinent, as the Council will need to commit substantial capital and bear the related financing expenses until the new homes are finished and ready to be let.

The economic situation continues to have a broadly negative impact on the Regeneration Programme, mainly due to the need to include a second staircase in buildings over 18 metres and persistent inflationary pressures within the construction industry. As a result, additional expenses are expected to materialise across the entire programme. The cost increases will increase reliance on securing capital subsidy from the GLA. In addition, the changes to the 'Right to Buy' are likely to significantly dampen demand resulting in a lower level of usable receipts, albeit with a higher level of retained homes.

In recognition of the pressures faced by the Council, the phasing of the regeneration programme has been reviewed to extend the delivery period and thereby reduce the peak borrowing exposure.

These factors, alongside the continued revenue pressures, highlighted in the main report result in a challenging financial outlook, with notable implications for both the Debt Gap and Minimum Reserve estimates. While the base plan sets out a sustainable financial position, a small adverse movement in the assumptions would render the plan unviable unless correction action is put in place.

The sensitivity analysis sets out the potential financial risks, particularly around the level of reserves. But the Council has the levers in place to adjust and recalibrate to head off the significant risk. The key lever is a potential rephasing of the regeneration programme,

designed to reduce the level of borrowing exposure, if sufficient capacity is available to service the debt.

As such, it is necessary to implement a series of measures to bring one of both key financial metrics back within target. These will include the following measures:

- Reduce level of regeneration and capital spend commitments – delaying or cancelling discretionary commitments.
- Review of management cost structure and service charge recovery.
- Consider financing strategy – mixture of long and term borrowing.
- Full / partial implementation of rent convergence
- Review of charges for temporary accommodation

The Government has introduced a 10-year affordable housing programme, which has an emphasis on producing more social-rented homes. The Government also have ambitions to produce more affordable rented homes with reduced grant rates for homes. This is reflected in the GLA's approach to affordable housing in London. In a period where construction costs have risen and are still rising, this introduces some viability challenges.

#### Review of the core stock capital programme

Analysis of the Core Stock Capital Programme: The core capital maintenance and replacement programmes are experiencing a structural financing deficit of approximately £22 million annually for the first 5 years and falls to an average of £16 million over the life of the plan. This deficit arises because the capital maintenance and replacement budgets surpass the designated revenue contributions, leading to an ongoing borrowing need. While this investment is needed to maintain existing revenues and therefore would be applied against an ever-increasing level of associated borrowing.

#### Rent Rises

Over the past five years, rent increases have adhered to a formula of CPI (Consumer Price Index) plus 1%. The Government recently confirmed rents will be uplifted by CPI + 1% for a further 10 years.

#### Interest Rates

Borrowing costs remain a key risk to the plan's sustainability. A sustained, 25 basis point increase above assumed borrowing rates would add £9m in revenue pressure over ten years. Sufficient reserves are available to manage risk and mitigations would be deployed to restore the HRA back into balance.

Borrowing costs will continue to be closely monitored, with mitigations in place to optimise and reduce exposure, including:

1. Re-profiling capital spend – Delaying or pausing major investments, including regeneration projects.
2. Optimising the treasury position – Using a mix of short- and long-term debt to take advantage of lower rates when available.

#### Projection

The Debt Gap will remain substantial in the early stages, reflecting the significant investment in estate regeneration. As the new homes are delivered, this gap is expected to narrow.



Nonetheless, during the investment phase, it will be crucial to closely manage the delivery of the regeneration programme and its associated risks. This careful management is essential to ensure the sustainability of the HRA position until the new homes are completed and delivered.

The Table below sets out the impact of the continuing adverse economic environment on the HRA. In particular, higher interest rates are placing significant pressure on the account, alongside the expiry of the 40 basis point discount on HRA borrowing on 31 March 2026.

An announcement on the extension of the discount is anticipated in February 2026, in advance of the launch of the 2026-36 Affordable Housing Grant Programme. For the purposes of planning, it has prudently been assumed that the concession is not extended. In response to recommendations arising from the CIPFA external assurance review (August 2024), an assessment has been undertaken of those elements of the capital programme funded through borrowing that contribute to the Council's revenue pressures. The findings of this review are set out in Exempt Appendix 5 and identify gross capital savings of £196 million (£121.8 million net). As a result, forecast peak borrowing has been reduced by approximately £115 million.

While significant savings have been delivered through a review of the Regeneration Programme, these have been offset by an increased provision within the core capital programme alongside additional management resourcing to support hostel and temporary accommodation.

The savings have resulted in a reduction in the number of funded affordable homes, which will have an adverse impact on the cost of mitigating future homelessness pressures on the General Fund. As such, work will continue to assess options to reintroduce these homes. This will include engagement with the GLA and Central Government to seek greater flexibility on grant funding, alongside work to deliver construction cost efficiencies. The unit outputs arising from the current new build programme are set out in Appendix 4

**TABLE – HRA BP Forecast Approved v Proposed to 2053/54**

<b>HRA BP Forecast to 2053/54</b>	<b>Movement £ million</b>	<b>Net £ million</b>	<b>Notes</b>
<b>HRA BP 2025/26</b>			
Closing Debt		438.1	
Reserves		-17.8	
<b>Net Debt 2053/54</b>		<b>420.3</b>	
<b>Movements</b>			
Opening General & Major Repair Reserves	-38.1		Slippage / Underspends 2024/25
Non-Dwelling Income	-4.4		Improved void management
Rental Income	128.9		Reduced scale of regeneration outputs
Operational Costs Net of service charges	53.5		Increased level of resourcing for Homeless and Temporary Accommodation
Core Capital Programme	85.4		Increased regulatory demands (Awaabs law, etc)

## Cabinet 28th January 2026

Net Regeneration Programme	-121.8		Review of regeneration programme reducing commitments
Financing costs Reduced scale of capital programme	-165.4		Reducing scale of regeneration programme, reducing exposure to elevated financing costs
Finance cost increase rates	216.1		Assumption 40 basis point discount will expire on 31 March 2026 alongside a general upward movement in rates.
<b>Movement</b>		<b>154.2</b>	
<b>HRA BP 2026/27</b>			
Closing Debt		591.6	
Reserves		-17.1	
<b>Net Debt 2053/54</b>		<b>574.5</b>	

### Other options considered

The possibility of halting all regeneration activities after fulfilling current contractual commitments was considered. In this scenario, all further regeneration efforts beyond the year 2025/26 would be paused. This would allow for the completion of Park Rise sales programme but would result in the suspension of projects on other sites, including Waterloo & Queen Street, Bridge Close, Chippenham Road, and Farnham & Hildene.

Ceasing progress on these projects would jeopardise the investment in planning, masterplan and design work on regeneration sites, which amounts to c. £28 million. Additionally, halting the new regeneration programme would likely have a substantial negative impact on the General Fund, leading to increased homeless pressures and a lost opportunity to increase the Council Tax revenue base.

Given the reduction in RTB discounts, it is likely the HRA would lose fewer homes to RTB, increasing the likelihood of a sustainable financial position if regeneration activities were to cease. But doing so would not alleviate the growing need for affordable housing.

### TABLE – KEY METRICS

	2025.26 Plan	2026.27 Plan
Debt Gap	£321m 2029.30	£315m 2030.31
Ratio Revenue Reserves to Operating Income (Minimum) – Target 10%	10.5% 2038.39	11.0% 2034.35
<b>Key Assumptions</b>		
Regeneration Schemes	Review Reflecting effect of building regulations and re-profiling	Review Reflecting effect of building regulations and re-profiling
Rent Increase 2026.27	3.30%	4.80%

Rent Increases Post 2024.25	CPI + 1% for 9 years, CPI thereafter	CPI + 1% for 9 years, CPI thereafter
PWLB long-term borrowing cost	3.70%	5.0%
Internal Financing Rates	Prevailing PWLB rates	Prevailing PWLB rates

## **Risks**

### **Legal implications and risks**

Under Part VI of the Local Government and Housing Act 1989 (“the 1989 Act”), any local authority that owns more than 200 units of housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority’s own housing stock. It is a ring-fenced account within the authority’s General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.

Under Section 74 of the 1989 Act, the Council is required to keep a separate Housing Revenue Account of sums falling to be credited or debited in respect of its housing stock. Sections 75 and 76 of the 1989 Act set out the rules for establishing and maintaining that account.

By Section 76 of the 1989 Act, the Council is required in January and February each year to prepare, and make available for public inspection, proposals relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

Section 76 of the 1989 Act also places a duty on local housing authorities: (a) to ensure that the annual budget for their HRA avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) if it seems that an end-of-year deficit may occur, to take all reasonably practicable steps to avoid it. The proposed HRA budget fulfils these requirements. Putting it simply, the Housing Revenue Account must be maintained in balance throughout the year and the Council is under a duty to prevent a debit balance in the HRA pursuant to Section 76 of the Act 1989.

The report seeks approval for major investment estimates in relation to a variety of schemes in relation to HRA capital expenditure and the HRA Major Works Capital Programme. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures that provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council’s statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular, the maintenance and repair of dwellings may be considered consistent with the Council’s repairing obligations under Sections 9A and 11 of the Landlord and Tenant Act 1985.

The Regulator of Social Housing may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision

for minimum or maximum levels of rent or levels of increase or decrease of rent). The current Rent Standard allows for a rent increase of CPI +1% and so the proposed rent increase as set out within in this paper is in line with the Rent Standard.

Once Cabinet decides on the setting of the rents in respect of the Council's housing stock, notices of variation will be served on the tenants pursuant to section 103 of the Housing Act 1985 to give them notification of the changes in rent which will come into effect from 6th April 2026.

The Equality Act 2010 requires the Council to comply with the public sector equality duty when carrying out its functions and have due regard to the need to eliminate discrimination and advance equality of opportunity. By carrying out an Equality Impact Assessment in reaching such decisions as introducing charges to tenants, the Council is seeking to ensure that the Council complies with the Public Sector Equality Duty. Further details regarding the Public Sector Equality Duty are set out below in the section relating to Equalities, implications and risks.

The remaining legal implications are set out in the main body of this report.

### **Human Resources implications and risks**

There are no HR implications arising from this report.

### **Equalities, implications and risks**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010.
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An equalities impact assessment has been carried out and is attached as Appendix 3. Of note, central government influences rent levels and the rent increases proposed within this report will be affordable to households on welfare benefits. Furthermore, best practice and guidance dictates that service charges should be set at a level that covers the cost of providing the service to which the charge relates. Therefore, the Council cannot operate in an unfettered way within regard to the rents and service charges it sets. That said, the Council has examined the proposals in this report from an equalities perspective.

The proposed rents and eligible service charges fall within applicable benefits allowances. This means that residents who rely on income-related benefits — our most vulnerable — are protected from having to pay any top-up from their personal living elements or other income streams.

The investment in new homes through the HRA will benefit those in housing need in the borough and will therefore have a positive impact on households with protected characteristics. With the higher percentage of people with disabilities and disadvantages, the ongoing partnership working and future opportunities for engaging with those groups to improve overall health and wellbeing is essential.

The Council will monitor the impact of the increase across protected characteristics. We will ensure that anyone affected by the increase has equal access to advice and information in relation to income maximisation should they be unable to meet their rent/service charge liabilities. We will follow the guidelines set out in the income maximisation policy. The EqHIA will be updated in 6 months with information provided through the monitoring process and if required further activity will be undertaken to mitigate any adverse impact.

### **Health and Well-being implications and risks**

Good quality, affordable and safe housing is vital in supporting good physical and mental health.

This report proposes increases in charges to social housing tenants to ensure the continuing financial sustainability of the HRA. The HRA funds a range of activities that directly benefit the health and wellbeing of local residents. It funds the delivery of new high quality affordable housing and thereby alleviates levels of overcrowding and households living in poor housing. It also funds the maintenance of existing stock to ensure that properties do not fall into disrepair and expose tenants to consequent risks to health e.g. associated with damp and mould. Ensuring that the HRA continues to be sufficiently funded through increased tenant charges is therefore an important step to sustaining the associated health and wellbeing benefits.

Rents charged in Havering are relatively low and will remain so after the proposed increases. Nonetheless, any increase in charges is likely to put additional financial stress on residents given the ongoing cost of living crisis. Vulnerable residents such as the elderly and those on low incomes make up the majority of tenants. Most will be shielded from the impact of the proposed increase in charges by a proportionate increase in benefits. Residents with incomes and or savings marginally above the threshold for housing benefits are most likely to struggle to cover the additional charges. These residents will be proactively signposted to available support and advice to ensure they receive any benefits available to them.



## APPENDICIES

<b>Appendix 1a</b>	2026/27– 2030/31 HRA Major Works.
<b>Appendix 1b</b>	2026/27– 2030/31 HRA Regeneration and Acquisition Programme.
<b>Appendix 2a</b>	HRA Projections from Business Plan - Years 1-10.
<b>Appendix 2b</b>	HRA Capital Investment Requirement Projection from Business Plan
<b>Appendix 3</b>	Equalities & Health Impact Assessment.
<b>Appendix 4</b>	New Build Homes Delivery Programme
<b>Appendix 5</b>	HRA Capital Programme Review (Exempt - not for publication)