

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2026/27

12 FEBRUARY 2026

REPORT OF CABINET MEMBER: CLLR MARK REACH - CABINET MEMBER FOR GOOD HOMES

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WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue and capital budgets for 2026/27, and the 10 year indicative capital programme to 2035/36, as detailed in Appendices 1 to 4 and taking account of the funding shown in Appendix 5.

Despite the continuing budget challenges outlined in the Budget Options report in November 2025, and further pressures arising since the November report, this report proposes a budget for 2026/27 and business plan to achieve the Council's policy objectives to go greener faster, to support healthy communities and maintain the commitment to deliver 1000 new homes. Funding to go greener faster has been maintained and the changed new homes strategy to move towards buying as well as building is already seeing increased numbers of new homes for the council. The balanced budget has been achieved by identifying approximately £1.1m of savings in 2026/27 with minimal impact on service delivery.

Energy costs remain significantly higher than historic levels and continue to impact on many of the most vulnerable residents in our homes. To mitigate the additional energy costs for residents; to improve energy efficiency ratings; and to promote de-carbonisation of our council homes, the business plan retains the significant investment in retrofitting the stock, and, subject to award of grant funding, proposes introducing technology-based measures for properties that cannot achieve EPC-C ratings by economic fabric measures.

The report proposes a 4.8% increase in rents, based on September CPI of 3.8% plus 1%. No additional increase for rent convergence is currently proposed as, at the time of writing the report, no announcement from government had been made and

therefore insufficient time to properly consult and implement such a change for 2026/27 and will therefore be considered for 2027/28.

The HRA Budget remains sustainable and viable over the 30-year period whilst the Council adds to the housing stock through new build or acquisition and continues to invest in the existing stock.

The timetable for local government reorganisation means that the council is expected to become part of a unitary council from 1 April 2028. Therefore, forecast capital expenditure beyond that date only includes projects to which the council will be contractually committed as well as estimated future capital works to the housing stock beyond the transition. Also included are the council's forecast housing new build programme, and commitment to achieving EPC-C ratings on all properties by 2030/31. Similarly, the HRA Business Plan continues to show the expected revenue income and expenditure for managing the housing stock beyond the transition date. However, decisions relating to the HRA after April 2028, unless contractually committed, will be the decisions of the new unitary authority.

#### RECOMMENDATIONS:

##### That Cabinet recommend that Council:-

1. Note the HRA Financial Plan operating account, including annual working balances, as detailed in Appendix 6.
2. Approve the 2026/27 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
3. Approve the proposed capital programme for maintenance, improvements and renewals totalling £162.7m.
4. Approve capital expenditure and delegate to the Strategic Director with responsibility for housing authority to enter into necessary contracts for the 2026/27 capital programme of £22.8m, as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4.
5. Approve a change in approach to delivery of retrofit installation of solar panels and batteries to achieve best value for money following the decision by the Department for Energy Security and Net Zero to withhold Social Housing Decarbonisation Fund grant on battery installations, as outlined at para 11.56 to 11.63.
6. Approve the proposed 10 year capital programme for new homes totalling £202.8m, and expenditure of £21.8m in 2026/27, as detailed in appendix 4 of the report in accordance with Financial Procedure Rule 7.4,

7. Approve the financing of the HRA Capital Programme as detailed in Appendix 5, (noting the planned repayment of borrowing following the 1000 homes programme).
8. Approve the revenue savings target of £1.13m at appendix 7, which was outlined to Cabinet in November 2025 (CAB3523) and includes additional savings as outlined at para 11.32-11.38.
9. Authorise the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing to approve buybacks of individual former HRA properties sold under the Right to Buy during 2026/27, following positive financial appraisal, utilising the unallocated New Homes budget (see para 11.26).
10. Subject to the acceptance of the expression of interest to the Local Authority Housing Fund (LAHF) round 4:
  - a. Authorise the Strategic Director with responsibility for Housing to enter into a revised Memorandum of Understanding with Ministry of Housing, Communities & Local Government to secure additional LAHF funding.
  - b. Delegate authority to the Section 151 Officer to approve capital expenditure (subject to financial appraisal, in accordance with Financial Procedure Rule 7.4) of up to £12m to purchase up to 30 properties between 2026/27 and 2029/30 using the approved HRA unallocated new build budget, to be part-financed by LAHF grant with any balance via prudential borrowing.
  - c. Authorise the Corporate Head – Asset Management and the Strategic Director with responsibility for Housing to purchase up to 30 properties. (Para 11.74-11.78)
11. Approve the average rent increase for 2026/27 for all affordable, Shared Ownership and social housing of 4.8% based on the September 2024 CPI figure of 3.8% +1% (Para 11.6-11.8).
12. Approve amendments to HRA tenant service charges in 2026/27 to reflect cost recovery based on 2024/25 actual costs (see para 11.41 to 11.45).
13. Note that the draft HRA Business 30-year Plan is viable and sustainable and has the capacity to support the delivery of 1,000 new affordable homes.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

#### 1.1 Greener Faster

Carbon reduction measures are in place through investment of over £40m in the existing stock, ensuring that all properties meet EPC-C or above by 2031; that energy efficiency measures are incorporated in the design and construction of new build properties; and that energy efficiency is a key criteria when considering acquisitions of new properties.

#### 1.2 Thriving Places

Delivering affordable accommodation allows people to live and work within the district and contribute to the local economy.

#### 1.3 Healthy Communities

The wellbeing of residents is considered within the design of new properties and new homes are designed to be energy efficient and to ensure needs of residents are met. Tenant satisfaction measures are in place and regularly monitored.

#### 1.4 Good Homes for All

The HRA business plan, and its links with the Housing Development Strategy aims to increase the stock of affordable homes across the Winchester district, meeting the council's objective to provide a range of tenures to meet demand.

#### 1.5 Efficient and Effective

One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey, improving communication and self-service options for tenants/residents, and efficiency of services.

#### 1.6 Listening and Learning

Housing tenants are directly involved in decisions regarding services provided, through the work of Tenants and Council Together (TACT), the councils tenant involvement group and through regular tenant and leaseholder digital surveys, capturing wider tenant views. The service continues to review options to provide improved customer experience, better engagement and increased satisfaction with services provided.

### 2 FINANCIAL IMPLICATIONS

#### 2.1 Financial implications are fully detailed in section 11 of the report and accompanying appendices.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under Part VI of the Local Government and Housing Act 1989, any local authority that owns housing stock is obliged to maintain a Housing Revenue Account (HRA). The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. 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.
- 3.2 The Council is required to prepare proposals each year relating to the income 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 designed to demonstrate that the housing revenue account is sustainable. The report sets out information relevant to these considerations.
- 3.3 Section 76 of the Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.

### 4 WORKFORCE IMPLICATIONS

- 4.1 As part of additional savings proposals being brought forward, a vacancy management target of 2% is being introduced to the HRA. This will require careful management to achieve with minimal impact on services, as it may impact on, for example, ability to engage interim resources. Some minor changes to the existing establishment are also noted which are intended to make better use of resources while providing a small saving to the HRA. Other than this, there are no proposed changes to the staffing establishment proposed within this report.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 To meet one of the key principles of the council plan, the HRA is required to provide sufficient financial resources to both maintain existing stock to decent homes standard and to enable new affordable housing to be obtained to help meet local demands.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 To date, three meetings have taken place with TACT members to explain the challenges the HRA is facing including a meeting held on 4<sup>th</sup> February which is after the dispatch date of this report to Scrutiny Committee. Relevant outcomes from this meeting will be provided verbally. TACT members were consulted on options to address these pressures which assisted with the formulation of the savings plan. The TACT Board meeting in November also covered the proposed rent increase of 4.8%.

- 6.2 In addition, a consultation paper was circulated to over 4,000 tenants and leaseholders to seek views on how the HRA should prioritise expenditure, and the proposed measures to address cost pressures. The survey was advertised and drop-in sessions were held in sheltered housing schemes and city offices to assist tenants. A total of 291 responses were received, a significant improvement on the response rate in 2025/26 (13 responses).
- 6.3 The results of the survey demonstrated that tenants were generally in favour of most of the savings identified in the Options report. A small number of savings, in particular those relating to sewerage charges and cost recovery, demonstrated that approximately half of respondents were in favour and approximately half disagreed. Tenants were also asked for their ideas on potential future savings, to which there were a number of responses which will be considered in more detail in 2026/27.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 This year's 30-year business plan maintains significant resources to fund the retrofit programme of works. As of December 2025, 71% of the housing stock is EPC C and above. A further 125 properties (2.5% of the stock) are expected to be upgraded to an EPC C by 31st March 2026. 280 properties in 2026/27 and 378 in 2027/28 are expected to be upgraded, meaning that at least 87% of stock will meet EPC-C or above by March 2028. This forecast is based on a review of retrofit delivery and a proposed change in the way in which Retrofit will be delivered (paragraph 11.57 to 11.62 refers).
- 7.2 The Business Plan also funds the provision of retrofit officers responsible for the delivery of the retrofit programme to drive this increased programme.
- 7.3 The Housing Service considers environmental factors when preparing and developing major projects e.g., working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. The housing service holds data in respect of its tenants' protected characteristics. Whilst there is no evidence to suggest the budget proposals and services within it would adversely affect those with protected characteristics, it is recognised that some tenant households will be impacted differently by the same budget objectives and associated services.
- 8.2 The 2026/27 budget's operational decisions being presented in this paper include investment in maintaining decent homes and increasing the supply of affordable housing designed to have a positive impact on customers. Other options designed to have a positive impact on customers include investment

in energy efficiency that will benefit those tenants with high energy costs, and fire safety improvements which will improve the safety of residents in blocks in the event of a fire.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All proposals set out in this report and the Capital Programme will be subject to individual data protection impact assessments where required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p>Financial Exposure</p> <p>Risks, mitigation, and opportunities are managed through regular project monitoring meetings.</p> <p>Insufficient new build sites are identified to assign RTB 1-4-1 receipts financing to and RTB receipts are required to be repaid to Central Government with a compounded interest penalty based on current rates.</p>	<p>New build Schemes are financially evaluated and must pass financial hurdles and demonstrate VFM. Total Scheme Costs contain provision for contingency on build costs and on fees for new build developments that take account of potential residual development and sales risk.</p> <p>RTB 1-4-1 are closely monitored so in-year targets for new builds are known.</p>	<p>The HRA holds annual minimum levels of reserves based upon operating turnover and capital programme spend.</p> <p>Government introduced measures during 2025 to improve flexibility in the use of RTB receipts, and proposed changes to the scheme which minimise this risk.</p>
Exposure to challenge		

<p>The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered both for existing stock and also within planning of future new build projects</p>	<p>Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.</p>	<p>To create new housing developments within new guidelines and drawing on innovative thinking.</p> <p>To take advantage of new legislative requirements to improve service delivery</p>
<p>Reputation</p> <p>Failure to put resources in place to meet minimum requirements within the legislative framework; failure to provide resource for new legislative requirements will adversely impact reputation</p> <p>Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.</p>	<p>Business planning tools with regular updates are utilised to make sure resources are available to complete projects. Budgeting for the HRA is closely linked to service planning and all service heads are involved in the budget setting process. Regular monitoring against budgets ensures new issues are picked up early.</p>	
<p>Property</p> <p>That Council owned dwellings fail to meet decent home standards That more robust standards are introduced but not effectively implemented</p>	<p>An effective programme of future works and sound financial planning ensures that resources are available to ensure standards are met and then maintained. A full stock condition survey is being undertaken to ensure a full understanding of the stock and to inform future works and business plans That repairs staff are</p>	<p>Self-Financing provides certainty around future resource allocations and facilitates better supply chain management</p>

	adequately qualified to ensure legislation is understood and planned in.	
<p>Community Support</p> <p>Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.</p>	Regular communication and consultation are maintained with tenants and leaseholders on a variety of housing issues. The Council consults with local residents and stakeholders on proposed new build schemes.	Positive consultation brings forward alternative options that may otherwise not have been considered.
<p>Timescales</p> <p>Delays to new build contracts may result in increased costs and lost revenue.</p>	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions.	
<p>Project capacity</p> <p>The HRA can borrow funds in addition to utilising external receipts and reserves, but it must be able to service the loan interest arising</p>	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively.	The Council inputs and monitors government consultation on the use of RTB receipts and potential capital grant funding.
<p>Local Government Reorganisation</p> <p>The impact of local government reorganisation on the HRA specifically is not yet known. However, there is a risk that decision making beyond September 2026 may be delayed if authorisations</p>	Capacity exists in the Business Plan working balance to ensure planning for transition of the HRA to a new authority is resourced, and consideration will be given to the resource	Being part of a larger unitary authority may present new opportunities such as additional potential sites for new build housing projects.

are required from Secretary of State and/or the new organisation.	requirement during 2025/26.	
Other		

## 11 SUPPORTING INFORMATION:

- 11.1 The HRA Business Plan and budget options report 2026/27 provides the background to the 2026/27 HRA budget. This report was reviewed by Scrutiny on 13 November 2025 and subsequently approved by the Cabinet at its meeting on 19 November 2025. TACT representatives were briefed and invited to comment at both committees. The paragraphs below summarise the content of that report, progress and other issues to raise since that date.

### **Economic Outlook:**

- 11.2 At the beginning of 2025, CPI inflation had reduced to 2.8%, and subsequently increased over the course of the year, to 3.8% in September 2025, largely driven by food and energy prices, before easing back to 3.2% in November 2025. This is in line with Bank of England expectation that the increase in inflation during 2025 was temporary and, in the medium term, will fall back to the target rate of 2%. Construction industry BCIS inflation during 2025 has been relatively stable at 2.3% as at Quarter 2 2025
- 11.3 Bank of England base rate at the beginning of the year was 4.25%, and over the course of the year has fallen back to 3.75% as at December 2025. Although further base rate reductions are possible, it is unlikely that interest rates will be as low as they were prior to 2021. Borrowing costs are not determined by the base rate, but by the yield on gilts, which are influenced by government policy decisions and other economic factors. Despite the base rate reductions, the cost of PWLB borrowing has remained well above 5% since the Summer. The preferential rate for HRA borrowing is to be extended to 31<sup>st</sup> March 2027. The Government has committed as part of its spending review to making available low interest loans for housebuilding and this will be considered when more detail becomes available.
- 11.4 The investment required for new homes remained high during 2025/26. Ongoing development of business cases for new build, particularly for complex sites, demonstrated construction costs, excluding overheads, of up to £5,500 per square metre for complex sites, making the cost of construction (excluding land) for an average 90sqm 3-bedroom property between £450,000 and £500,000. At the same time the cost of borrowing that the council can access remains high, whilst new affordable rents have increased only in line with inflation plus 1% in recent years.

- 11.5 The economic outlook causes the annual HRA Business planning process to remain challenging.

### **Rent Increases**

- 11.6 The council sets its rents in line with the Rent Standard and the Regulator of Social Housing's rent setting guidelines. The basis of rent setting is September CPI+1% for 2026/27, a 4.8% rent increase for all tenants as outlined in CAB3523.
- 11.7 Rent setting policy, specifically for convergence of social rents to address the disparity between formula rents and actual social rents was consulted on by the government during summer 2025. An announcement was initially due in the November budget however this was delayed to January 2026. The government have now announced that registered providers will be able to increase weekly rents for Social Rent properties below formula by up to an additional £1 on weekly rents each year over and above CPI+1% from 1 April 2027, and by up to an additional £2 on weekly rents each year over and above CPI+1% from 1 April 2028, until formula rent is reached. Convergence will therefore be addressed as part of the business planning process for 2027/28.

**Table 1- indicative weekly rents in 2026/27 compared to 2025/26 for existing tenants.**

#### **Social Rents**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom	Total
Avg Wkly Rent 2025-26	91.34	111.16	127.77	144.33	155.23	188.09	176.1	127.14
Avg Wkly Rent 2026-27	95.91	116.73	134.09	151.36	162.82	197.11	184.55	133.43
increase per week @ 4.8%	5.00%	5.01%	4.95%	4.87%	4.89%	4.80%	4.80%	4.95%

#### **Affordable Rents**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom	Total
Avg Wkly Rent 2025-26		162.71	199.69	235.94	266.84	259.08	254.6	200
Avg Wkly Rent 2026-27		171.6	210.21	248.57	279.91	271.51	266.82	210.66
increase per week @ 4.8%		5.46%	5.27%	5.35%	4.90%	4.80%	4.80%	5.33%

- 11.8 The average HRA social rent for new tenancies from April 2026 will reflect the fact that new rents will converge to the current formula rent. The current policy for new affordable rent tenants will be let provisionally at 80% of market rent only if the property meets the required minimum energy efficiency requirements.

**Table 2 – Average Weekly rents for new social lets**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2025-26	98.23	116.24	133.94	151.53	165.11	187.32	182.65	133.39
Avg Wkly Rent 2026-27	102.94	121.82	140.35	158.79	173.04	201.39	191.41	139.756748
increase per week @ 4.8%	4.79%	4.80%	4.79%	4.79%	4.80%	7.51%	4.80%	4.77%

### **Repairs and maintenance**

- 11.9 The capital programme makes provision for major repairs and refurbishment of the existing housing stock to decent homes standard. Investment is based on an asset management plan and the information recorded in the council's property management database. The database records the expected lifecycle replacement costs of key components and expected works to meet energy efficiency standards. This informs the detailed Capital Programme for 2025/26; the likely investment requirements for the following 5 years; and ultimately over the thirty-year plan. A full stock condition survey is underway, and the outputs of this survey will be available in mid-2026, for inclusion in the 2026/27 business planning process.
- 11.10 In addition to planned major repairs, reactive repairs and void refurbishment costs are budgeted for as a revenue expense. Challenges associated with repairs and maintenance were outlined in detail in the budget options report CAB3523, but in summary arise from the procurement of the repairs contract in 2026 and changes to the regulatory environment.
- 11.11 To bring the housing stock up to the required energy efficiency standard of EPC C identified by 2030-31, investment of £45m was previously built into the business plan, of which £41.8m remains within the capital programme.

### **Interest on borrowing**

- 11.12 Interest rates are a key cost driver in the HRA business plan and, as at 31 March 2025, the HRA's Capital Financing Requirement (unfinanced prior spend) was £212.6m, of which £154.5m is external debt, fixed at PWLB interest rates averaging 3.2%, and the balance of £58.1m is internally borrowed (offset against reserve balances and working capital). PWLB rates are not directly linked to the Bank of England base rate but are set at a margin over government gilt yields, which continue to remain higher than the period of historically low rates since 2008. The current cost of financing external debt is £5.2m per annum, and internal borrowing estimated at £2.8m in 2025/26.
- 11.13 This debt came about through self-financing arrangements for the HRA introduced in 2012. A proportion of this existing debt, £85m, will need to be refinanced between now and 2042, of which £35m falls within the next 5 years. The HRA, unlike the General Fund, has no requirement to set aside funding for debt repayment. However, the HRA contributes to the Capital programme each year through the Major Repairs Allowance.
- 11.14 In addition to existing debt, the proposed plan includes provision to meet the Council's objective of delivering 1000 homes by 2031/32, a significant proportion of which will be funded by prudential borrowing. The HRA business plan currently assumes contributions will be made to the repayment of debt associated with 1000 homes programme following completion in 2031/32, to demonstrate that the additional new build is affordable to the HRA in the long term.

- 11.15 The cost of long-term government borrowing has softened slightly since the compilation of the Options paper in November, with a reduction in the Bank of England base rate to 3.75% on 18<sup>th</sup> December. At the time of writing, PWLB rates varied between 4.75% for 5 year borrowing and 6.1% for 50 year borrowing. As a result, the long term cost of borrowing assumption has reduced from 6% to 5.75%. However, the cost of borrowing remains elevated when compared to the previous ten years and remains a key risk to the HRA. The table below demonstrates the impact of an increase or decrease in the borrowing rates on the working balance.

	2026.27	2027.28	2028.29	2029.30	2030.31
Deficit / surplus 6% borrowing	-3,589,563	-2,069,087	-1,339,234	-1,304,474	-328,048
Deficit / surplus 5.75% borrowing	-3,526,694	-1,920,814	-1,116,871	-1,002,922	-219,106
Deficit / surplus 5.5% borrowing	-3,469,886	-1,778,793	-900,963	-708,035	197,270
Deficit / surplus 5.25% borrowing	-3,410,047	-1,633,646	-681,827	-409,815	617,087

- 11.16 The current discount of 0.2% on HRA borrowing expires on 31<sup>st</sup> March 2026, and government have confirmed it will be extended to 31<sup>st</sup> March 2027. The current assumption for the average cost of borrowing over the life of the business plan at 5.75% is therefore considered prudent.

### **Digitisation and Customer Journey**

- 11.17 One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey. There is a need to modernise the provision of services to customers through the introduction of better digital access. Over the last 2 years a total of £1.6m has been made available in the business plan to resource the repairs procurement contract, and to ensure resources are available to facilitate investment in systems to enable this objective to be achieved.,
- 11.18 Following feasibility works, the proposal is to invest in the existing MRI software to move to a cloud hosted solution, and to implement additional modules for reporting (Agora), Customer Central, which is a purpose built Customer Relations Management system to better manage customer data, Safer Communities for more effective management and reporting of Anti-Social Behaviour and Domestic Abuse, and Service Charging, to better collate cost data and ensure greater accuracy and transparency in setting service charges. The anticipated ongoing additional cost is £0.16m, which has been built into the budget and ongoing in the business plan. Although there is an ongoing cost, there will be associated savings of £0.11m as the existing Keystone system and IMS reporting systems will no longer be required added to the business plan. This is reflected in the savings table at appendix 7.
- 11.19 In addition to the system investment, there will be a corresponding requirement for internal resource to assist with data migration, training, project management and other related costs. The expected cost of this resource is £0.15m, to be funded from the one-off investment budget of £2m agreed in the 2023/24 business plan.

- 11.20 In addition, work on the re-procurement of the repairs and maintenance contract is ongoing as the current contract expires in 2026 and is subject to a separate report (CAB3473). The business plan allows for associated costs of £0.3m for mobilising the contract following expected award in early 2026/27.
- 11.21 The remaining balance of the £2m one-off investment fund agreed in 2023/24, after accounting for the above commitments, is £0.25m.

### **Rising Costs of New Build Housing**

- 11.22 The cost of building new homes remains high and, while the pace of inflation has now slowed, this doesn't mean that costs have gone down; merely that the pace of increases has slowed. At the same time, the cost of borrowing remains high.
- 11.23 Under the self-financing regime, prior to the escalation in construction cost and when interest rates were low and stable, and construction costs more affordable, it was possible to construct or acquire properties financed through rents. However, this is no longer possible without heavy subsidy from Right to Buy receipts, s106 affordable housing contributions or government grants, and ultimately, once these funding streams are exhausted, it will fall to wider rent payers to subsidise new build. It is therefore important that proposed new build projects are affordable to the HRA.
- 11.24 The primary financial assessment in the evaluation of new homes is a Net Present Value (NPV) calculation of all future income and expenditure over a 35-year period, discounted to current prices. This calculation uses the current cost of capital as the discount factor. In addition, the council's standard model includes the residual social value of the housing at the end of the business plan period on the basis that the asset has been well maintained and has a future use and value. There are other criteria such as gross income covering the cost of borrowing, but the NPV calculation is the key criteria. If it is positive then the scheme or development is worth undertaking as it adds value, if negative then it requires additional subsidy from within the HRA over and above external grant funding or available capital receipts.
- 11.25 Given the expected long term reduction in Right to Buy sales, the business plan forecasts the level of borrowing increasing in the medium term. The changes to RTB and retention of more stock, combined with the extension of CPI+1% rent policy gives more capacity within the business plan to borrow.
- 11.26 The following principles are therefore considered for future viability modelling, and further work to explore this will take place alongside the existing modelling in 2025/26 while more experience of the new regime is gained and understood:
- 1) Application of RTB or other subsidy to the point where viability is achieved, and prioritisation of the use of potentially fewer RTB receipts,

- 2) Modelling at Social rent in line with the Housing Development Strategy; but where this is detrimental to the HRA, that affordable rent level at the greater of LHA rates or 70% market rents or, where relevant energy efficiency criteria are met, to a maximum of 80% market rent.
- 3) That the output of the appraisals are modelled within an updated business plan prior to approval, and that where borrowing is required, the project can contribute to the future repayment of debt as well as the interest cost
- 4) Confirmation that the HRA can support the level of subsidy from the HRA required by specific projects after all other available sources of finance are applied, and where the repayment of debt cannot be financed from additional rent alone.

11.27 Since 2024/25, the Council has been placing a greater emphasis upon acquiring s106 affordable housing. This has proved successful, with a number of acquisitions agreed in 2024/25 and reflected in the capital programme between 2025/26 and 2027/28. The indicative capital programme includes unallocated budget for developments for which business cases are currently being developed, and in addition, assumed costs for both potential acquisitions and new build properties for which business cases have not yet commenced.

11.28 As part of the acquisition strategy, the Council has the option to buy back former Council Houses previously disposed of through Right to Buy. An internal process has been developed to assess the relative housing need, strategic fit and financial viability of potential buybacks. Since 2024/25, two buybacks have been completed and specific budget for two further purchases remains. Further buybacks, subject to meeting criteria for strategic fit, housing need and financial viability, can be funded from the unallocated New Homes budget.

11.29 In the 2025/26 HRA budget report, authority was delegated to the S151 Officer, in consultation with the Strategic Director with responsibility for Housing, to ensure the council can make timely decisions where the process for acquiring buybacks is time constrained, with decisions required within a set timescale. It is proposed to maintain that delegation in 2026/27.

11.30 Although there are sufficient projects in the capital programme between 2025/26 and 2027/28 to ensure retained Right to Buy 141 receipts are fully utilised, there will still be a need to successfully apply the retained RTB 1-4-1 receipts that will be generated in the future. There are restrictions on how RTB 1-4-1 receipts can be applied, however restrictions are now significantly less than in previous years and were outlined in detail in the Options report in November.

11.31 The HRA business plan has capacity to fund delivery of the 1,000 homes programme by 2032/33. Consideration will be given to the future delivery of new homes beyond 2032 in the 2026/27 business plan, but the model

currently demonstrates that all new borrowing associated with the 1000 homes programme is affordable, and that debt repayment associated with new build and the proposed capital programme can be made over the life of the plan.

### **HRA Savings requirement - cost pressures and savings targets**

- 11.32 The budget options report presented to Cabinet in November 2025 (CAB 3523) detailed significant cost pressures within the HRA, particularly for repairs and maintenance. At that time, a savings requirement of £1m was identified.
- 11.33 In addition to the cost pressures identified in the Options report, additional investment requirements in the MRI system, including a specific module for Service Charging to improve accuracy and transparency in setting service charges, and the Agora reporting module, have been built into the business plan and budget.
- 11.34 No further significant cost pressures have been identified since November.
- 11.35 One of the key savings proposed in the November options report (CAB3523) concerned rent convergence, for which an announcement was expected in the November budget. However, this has been postponed to January 2026, which means it will be too late to properly consult and implement for 2026/27. This has therefore been removed from the proposed business plan savings for 2026/27 for consideration for the 2027/28 budget instead. However, this has meant that further savings were also required to compensate for this.
- 11.36 Some of these savings (£0.45m) have been achieved through changes to assumptions, particularly reducing the assumed cost of borrowing following the base rate reduction in December 2025, and reprofiling of the capital programme following review of the retrofit SHF programme (paras 11.57 to 11.62 refers).
- 11.37 In addition to assumption changes, a number of additional budget savings totalling £0.35m have also been identified, outlined and explained at appendix 7. The most significant is the introduction of a vacancy management target of £0.1m, based on vacancy rates experienced over the preceding years. Achievement of this target will require careful monitoring of vacant posts and a restriction on the use of agency staff funded from vacant posts. These additional savings to be discussed with TACT board in February and expected to have minimal impact on services provided.

11.38 The identified savings were consulted on more widely, through a tenant survey and TACT board. It is critical that these savings are achieved, as failure to do so will reduce borrowing headroom and would result in significant cuts to the capital programme. Progress against achieving savings will be monitored through the course of 2026/27, and further proposals explored if the current proposals are not delivered.

### **Asset disposals**

11.39 The business plan includes proceeds of disposals to date in 2025/26. These disposals relate to the disposal of Barnes House in December 2025, and the expected disposal of Cornerhouse expected by March 2026. The disposals of these sites have provided valuable capital receipts to support the HRA, with a consequent reduction in borrowing cost.

11.40 The business plan assumes that the HRA will identify and dispose of £2.5m of surplus social housing assets over the next six years, an average of £0.5m per annum. These assets will be identified by looking at their long-term fit in terms of demand/cost to maintain and suitability to retro fit to required standards.

### **Service charges**

11.41 The HRA has been moving towards cost recovery since the principle was agreed in the 2024/25 budget setting process, and charges were set in 2025/26 to reflect cost recovery unless this would result in excessive increases, for which a 5%/£5 cap was applied.

11.42 Cost recovery take place on an arrears basis, where the charges in the current year will be based on the prior year cost, unless there are exceptional circumstances. The table below summarises the current costs of providing services, compared with the current income recovery through the proposed service charges.

Cost Category	Explanation of charge	No. of Properties	Proposed average charges pw	actual cost incurred 24/25	Leasehold income 2026/27	Tenants/Shared Ownership income 2026/27	Total Income 2026/27
Alarm charge	Service, Maintenance and callouts for telecare alarms	810	£0.94	£39,565	£0	£39,593	£39,593
Grounds Maintenance	Contribution to grass cutting and grounds maintenance in communal areas	1605	£0.91	£78,941	£3,431	£76,159	£79,591
Water Charges	Water supply charge for general needs communal kitchens; water utility costs for sheltered housing and temporary accommodation	322	£4.31	£70,533	£0	£72,093	£72,093
Cleaning	Cleaning costs for communal areas across General Needs, Temporary accommodation and Sheltered Housing	1560	£1.67	£156,699	£19,414	£135,734	£155,148
Utilities	Electricity and gas for communal areas in sheltered housing and temporary accommodation	1655	£3.20	£290,270.30	£12,772	£275,005.87	£287,777
Estate Visits	Charges for planned inspections of blocks	1554	£1.61	£161,335.32	£20,598	£138,677.39	£159,276
Sheltered Charges	Management charges for sheltered and extra care	459	£8.10	£208,498.00	0.00	£208,907.29	£208,907
Furniture, Fittings etc.	For new and replacement furniture in sheltered and temporary accommodation	537	£1.19	£34,923	£0	£33,109	£33,109
Contracts	Servicing and repair contracts for communal amenities such as appliances, bin chutes, doors, lifts, gutters etc	1006	£2.65	£140,000	£27	£138,477	£138,503
Heating	Heating charges for Eastacre, Milford, Whitewing and Matilda houses	143	£5.48	£38,615	£0	£40,731	£40,731
Fire safety	For fire risk assessments, fire extinguishers in specific blocks	382	£1.38	£28,000	£0	£27,353	£27,353
TA Charges	Management charges for temporary accommodation	79	£18.61	£74,061	£0	£76,440	£76,440
Walpole Road service charges	Council Tax charges for Walpole Road properties	2	£9.07	£943	£0	£943	£943
WHT for pump	For services provided by Winchester Housing Trust at Barron Close	4	£14.18	£3,686	£0	£2,949	£2,949
Affordable service charges	Grounds Maintenance and management charges for affordable rented properties	82	£5.70	£24,288	£0	£24,288	£24,288
Affordable pump charges	Contribution to running costs of pumps at Kiln Cottage and Symonds close, properties with basement water storage where pump is used to circulate water within the properties	14	£7.86	£5,727	£0	£5,725	£5,725
Council tax	Charge for Council Tax on specific Temporary Accommodation sites	39	£5.04	£11,128	£0	£10,228	£10,228
Average Insurance	Service charge for average insurance costs on shared ownership properties	119	£2.62	£38,092	£30,166	£16,209	£46,375
Management Fee	Charge for management costs associated with shared ownership properties	71	£1.72	£73,753	£59,033	£6,342	£65,375
Pump	Contribution to running costs of pumps for social rent properties with basement water storage where pump is used to circulate water within the properties	69	£1.05	£3,778	£0	£3,778	£3,778
Catering Costs	Service charge to leaseholders and shared owners for catering provision at Chesil Lodge	8	£43.76	£18,204	£0	£18,204	£18,204
Kitchen Equipment	Service charge for maintaining and replacing kitchen equipment at Chesil Lodge	8	£0.11	£308	£0	£47	£47
Evinox	Heating and hot water provision at Chesil Lodge	8	£1.86	£719	£0	£774	£774

11.43 The table demonstrates that the proposed service charges for 2026/27 recover the costs incurred in 24/25 (the last full year for which costs are available). The average proposed charge across all chargeable properties for each charge category is provided in the table above.

11.44 It is recognised that a move to full cost recovery could result in an excessive increase between years. However, there are no significant increases at an individual property level and some charges will reduce where costs have reduced, or where over-recovery would otherwise have resulted.

11.45 The table above also demonstrates the level of income receivable from leaseholders where applicable.

### **Housing Revenue Account Budget 2025/26**

- 11.46 Details of the proposed budgets are shown in Appendices 1 and 2 and the larger item adjustments highlighted in the subjective summary in Appendix 2 are shown below:
- 11.47 Employees – The 2026/27 budget is £6.6m, an increase of £0.43m on the 2025/26 budget. The employee budget includes the full year effect of the 2025/26 pay award, and a provision of 3.5% for the 2026/27 pay award. The staffing budget takes into account amendments to the staffing structure during 2025/26, and capitalisation of staff time to retrofit and the Woodman Close new build project where relevant. Vacancy management savings of £0.1m has been built in as a working assumption as part of additional savings required following the government decision to postpone rent convergence decision. This will require careful management of vacancies and use of temporary staff to ensure target is met. There is also one-off budget in 2026/27 relating to the implementation of the new repairs contract, and fixed term resource to support upgrades to the Housing Management IT systems.
- 11.48 Premises – The 2026/27 budget is £10.8m, an increase of £0.88m on the 2025/26 budget. The main changes relate to repairs and voids of £1m, which reflects increasing costs associated with an increase in void turnover, and reflecting legislative changes such as Awaab's Law as outlined in the Options report (CAB3523). This is partially offset by savings on utility costs as identified in the savings at appendix 7. Inflationary increases on council tax on void properties are also factored in.
- 11.49 Supplies & Services and Third Party Payments – The Supplies and Services line is £2.85m, an increase of £0.4m over the 2025/26 budget. The increase is largely associated with one off consultancy costs for the repairs procurement mobilisation, and housing management system upgrades. The 2026/27 budget also reflects savings on tenant engagement and reductions in supported housing advertising and hospitality budgets. The Third Party Payment budget is reduced by £0.05m reflecting the anticipated saving to hoarding budget, both of which are outlined in appendix 7.
- 11.50 Support Services – The support services budget has increased by £0.03m to £3.43m. General inflationary increases have been accounted for and are largely offset by a reduction in the cost of procurement support following the completion of procurement input into the repairs contract procurement process in early 2026/27.
- 11.51 Net Interest – The 2025/26 budget reflects the net interest cost of anticipated HRA borrowing of £7.9m. It assumes gross interest costs of £8.8m, of which £6.4m relates to external borrowing and £2.4m relates to internal borrowing. Gross costs are offset by interest on balances of £0.9m. Borrowing costs have increased by £0.85m on the 2025/26 budget. Although there is no new borrowing anticipated in capital financing for 2026/27, the estimates reflect a

reduction in cash balances as capital receipts and major repairs allowance are used up to fund the capital programme, and refinancing of loans in 2026/27 at a higher rate. The estimate also assumes that the unallocated budget for new build, for which business cases are still being developed, will be utilised. However, if the unallocated budget is not utilised, anticipated borrowing costs will reduce. Anticipated interest rates for new borrowing are currently assumed at 5.75%. The impact of changes to borrowing rates are outlined from paragraph 11.12.

- 11.52 Depreciation – The depreciation charge estimated on the basis of the prior year charge and anticipated increase in the current year. The budget for 2026/27 is £11.08m, an increase of £0.52m on the budget for 2025/26. The actual cost of depreciation will reflect the value of the HRA operational assets, the anticipated capital spend and the changes in the number and value of HRA dwellings and non-HRA dwellings at year end.
- 11.53 External Income – The 2026/27 budget is £39.5m, an increase of £1.56m on the budget for 2025/26. This largely reflects the proposed rent increase of 4.8% from April 2026, together with associated changes in service charges and other income.

## **HOUSING SERVICES CAPITAL PROGRAMME**

### **Major Repairs**

- 11.54 The 10-year forward financial projection for major repairs is based on data held on the replacement cycle of key components, held within the Council's asset management database. It also includes provision for works to meet energy efficiency standards.
- 11.55 HRA properties are maintained to decent homes standards, with the property services team managing the upkeep of properties taking into consideration current stock condition information. In order to manage the maintenance, improvement and renewal programme effectively, the property services team need to have the flexibility to substitute projects and re-balance expenditure between repair budgets. The 10-year housing services capital programme allocates £89.9m towards major repairs to HRA dwellings based on the investment requirements of the asset management plan between 2025/26 and 2035/36.

## **Climate Emergency**

- 11.56 A key element of the council's Climate Neutrality Action Plan includes additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions. The updated housing services capital programme includes funding towards climate change of £41.874m, including provision for inflation.
- 11.57 In December 2025 the Department for Energy Security and Net Zero (DESNZ) issued an announcement, requesting that no Solar Batteries are installed under the Wave 3 funding scheme until further notice due to a review of battery certification. Following this announcement the Retrofit team carried out a review of the Social Housing Decarbonisation Fund (SHF) Programme and associated costs. The review investigated the efficiency of the PAS 2035 delivery, the costs incurred due to the administration required to abide formally to PAS 2035, costs incurred by procurement, design, and specification of the improvements. Various delivery options were profiled including
- Removal of batteries as an improvement within Wave 3 and the impact this has on the 'Solar Use and Maintenance' payment
  - Move towards a Single measure delivery due to the complexities associated with multiple improvements within a home at the same time
  - Review of the enabling works associated with Retrofit and their escalating costs
  - Review of the additional costs associated with the administration for PAS 2035 reports and surveys
- 11.58 It has been proposed by the Retrofit team that Winchester City Council relinquish the funding from DESNZ due to the loss in revenue caused by the hold on battery installations. This decision will allow Retrofit and Planned Maintenance to collaborate in a more rational manner without the pressure to deliver at pace to meet funding milestones, and in particular avoid large costs associated with ad hoc enabling works with Retrofit Contractors. This strategy provides an opportunity for Planned Maintenance to undertake Retrofit enabling works under a dedicated programme and procurement exercise, unlocking hard to treat homes. This allows the Retrofit team to focus on the easier to treat homes and move to a single measure delivery on the harder to treat properties.
- 11.59 Delivering improvements that can incrementally be installed based on ease of installation and points gained to achieve EPC e.g. Solar and Ventilation installed first prior to Cavity Wall insulation and Loft Insulation which requires a substantial amount of enabling works. This will allow Planned Maintenance team more time to prepare harder to treat properties Ready for Retrofit.
- 11.60 The single measure programme allows the team to procure contractors that are experts within their fields avoiding the larger contractors who use non-local SME's and increase costs to do this. The larger contractors also tend to utilise a lot of time to recruit sub-contractors which causes unnecessary

delays. The most significant benefit of this change is that there is an estimated saving of £400k despite the loss of the SHF funding, this saving will allow Retrofit to increase delivery and retain staff to support this increase. The table below demonstrates the loss of funding and the way in which savings are achieved:

	Year1	Year2	Year3	Project
	£'m	£'m	£'m	£'m
<b>Loss of Funding received</b>	<b>1</b>	<b>1.2</b>	<b>1.2</b>	<b>3.5</b>
Savings on PAS 2035 Contractors	(0.7)	(0.9)	(0.8)	(2.4)
Reduced measures & defects	(0.1)	(0.3)	(0.3)	(0.6)
CLC Uplifts on PAS 2035, measures removed & defects	(0.2)	(0.3)	(0.3)	(0.7)
Administration allocated to Dept Energy Security and Net Zero reporting	0.0	0.0	0.0	(0.1)
Renegotiation of contract frameworks	(0.2)	(0.2)	(0.2)	(0.6)
<b>Funding shortfall / (savings)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>

- 11.61 The Retrofit Team will continue to use PAS 2035 as a quality standard but will not require the intense admin associated with SHF Funding therefore saving time and costs. The targets for the next 3 years will incrementally increase which is made possible through the enabling works that will take place under Planned Maintenance. Targets are 125 properties in the remainder of 2025/26, 280 properties in 2026/27 and 378 properties in 2027/28. This equates to 15.5% of the stock that is EPC D and below as opposed to the original 13% originally associated with SHF.
- 11.62 Procurement within the Retrofit Team for the capital spend scheduled in appendix 3 and in relation with the revised delivery strategy proposed, will be in accordance with Financial Procedure Rule 7.4, suitable Frameworks will be utilised in accordance with the Public Contract Regulations and the council's Contract Procedure Rules.
- 11.63 The proposed approach forecasts a further 125 properties (2.5% of the stock) to be upgraded to an EPC C by 31st March 2026, 280 properties in 2026/27 and 378 in 2027/28, meaning that at least 87% of stock will meet EPC-C or above by March 2028.

### **Sewage Treatment Works**

- 11.64 Following the delivery of upgrades at Northington and The Goodens sewage treatment plants, the Council has secured nutrient credits and is in the process of selling credits to developers. At the time of writing this report, a total of £0.272m cash receipts had been received from sales to date, with a

further £0.63m committed, and these proceeds will be reinvested in the sewerage treatment plants, generating further credits.

- 11.65 Investment in the first wave of sewage treatment plants designed to reduce the high running costs of specific plants were built into the 2024/25 budget and are currently being progressed, with one site (Check which) completed, and further sites expected to progress in 2026/27.
- 11.66 Further provision for improvement works, funded through both the generation of nutrient credits and funding from Partnership for South Hampshire (PfSH), was agreed in September 2024. The proposed budget includes additional investment of £0.6 for a second wave of proposed sites, in addition to the ongoing investment requirements of the HRA sewage treatment works, subject to agreement of business cases.

### **New Build Capital Programme**

- 11.67 The “Good Homes for All” council plan priority emphasises the council’s commitment to new homes and the HRA New Build Programme is key to delivering this objective. A new Housing development strategy has also been adopted during 2025/26, which has informed the HRA business planning process.
- 11.68 The New Homes capital programme includes approved budgets for the development of properties at Woodman Close, and ongoing acquisitions of new properties at Hazeley Road and Kings Barton.
- 11.69 The programme also includes the remaining provision for buy backs of former Council Houses agreed at Cabinet in September 2024, which agreed to the purchase of up to 4 properties, of which two properties have been acquired. A delegation is in place for the s151 Officer, in consultation with the Strategic Director with responsibility for Housing, to acquire further buy backs subject to viability assessment utilising the unallocated new homes budget.
- 11.70 The budget assumption for unapproved schemes includes provision for acquiring new affordable housing within the Central Winchester Regeneration site. This represents an opportunity for the HRA to acquire up to 40 units of affordable housing and meet a housing need. However, to facilitate this an appropriation of the existing car park site at St Peters will be required.
- 11.71 The HRA Capital programme includes provision for existing and emerging opportunities, sufficient to finance the achievement of the council’s target to deliver 1000 new council homes by 2032.
- 11.72 To date, 333 new homes have been delivered, and a further 151 are currently in progress at Kings Barton, Woodman Close and Hazeley Road. The 10-year forward financial projection has identified a capital expenditure requirement of £202.8m, including approved schemes totalling £39.2m and an unapproved provision of £163.6m to cover schemes for which business cases are

currently being developed, or schemes as yet unidentified. Application for additional housing grant will be considered for all future developments where appropriate.

- 11.73 Delivery of new homes is dependent on the identification and acquisition of suitable s106 sites, as well as land and appropriate sites to develop. The new build programme assumes steady delivery of unallocated schemes and small sites to optimise available funding and cashflow within the HRA. There is an unallocated budget of £4.3m for 2026/27, but if required additional funding may be brought forward from future years subject to robust business case.
- 11.74 In December 2025, the Council was offered the opportunity to submit an expression of interest to secure further funding from the Local Authority Housing Fund (LAHF) for additional homes for resettlement and temporary accommodation, for delivery between April 2026 and March 2030.
- 11.75 An expression was submitted, and a response to the expression of interest is expected in March 2026. The expression of interest would support the acquisition of up to 30 properties over 4 years of which 20 intended for temporary accommodation and 10 for Afghanistan resettlement scheme and for which the WCC contribution would be budgeted for by utilising the unallocated budget line.
- 11.76 The council are encouraged to deliver 50% of these properties as new homes (new build). There is a 10% uplift to the base grant for any new homes purchased. The base grant is calculated on 40% of median purchase prices in Winchester, which according to O&S Statistics is £494,475. A further £21,000 is also awarded and is intended for conveyancing, refurbishment but may also be contributed to purchase cost.
- 11.77 Expenditure would be subject to meeting criteria, including financial viability, and suitability of the property in terms of location and size, level of refurbishment required and suitability for conversion to Temporary Accommodation.
- 11.78 Confirmation of successful application is not expected until March 2026, and therefore the exact award is not yet known. It will be confirmed in the finalised Memorandum of Understanding. Proposed spend is based on estimates of property purchases to a maximum of 30 put forward in the expression of interest.
- 11.79 The Business plan supports the delivery of the existing 1,000 Homes programme, but beyond the completion of the programme reverts to the repayment of borrowing, which demonstrates that there is capacity in the business plan to repay the associated borrowing, thereby demonstrating that the programme is affordable and sustainable. The principle of future new build, in the context of other key HRA priorities, will be debated at the EHP

Committee in February 2026, which will inform the business planning process for 2026/27.

### **HRA Capital Programme Funding**

11.80 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2025/26 to 2035/36. This shows a prudential net borrowing requirement of £141.4m (or 39% of total programme funding), the planned reinvestment of RTB receipts £27.8m (8%), the application of Major Repairs Allowance £138.9m (recycled depreciation funding of 37%), the investment of shared ownership receipts and other asset sales £39m (11%), the application of S106 funding £15m (4%) and grants/contributions of £2.4m (1%).

### **12 OTHER OPTIONS CONSIDERED AND REJECTED**

12.1 The council could consider investing less in customers' homes than is required to achieve the regulatory requirement of EPC C by 2030. This is not recommended as it would breach the regulatory requirements and in addition would not support the council's policy objective of being greener faster.

12.2 The council could also seek increased revenue savings than those identified in this report so as to provide investment capacity in the HRA. At this time the level of revenue savings identified is challenging, and further savings are likely to lead to a reduction in the quality of service delivered. Investment in improving the digital access to services may generate efficiencies in the future that can be realised without detriment to services. Therefore, increased revenue savings are not recommended at this time.

### **BACKGROUND DOCUMENTS:-**

#### **Previous Committee Reports:-**

##### **Previous Committee Reports: -**

**CAB3523 – HRA Business Plan and Budget Options – November 2025**

**CAB3516 – HRA Outturn 2024/25 – September 2025**

**CAB3490 – HRA Budget 2025/26 – February 2025**

**CAB3479H – Social Housing regulation – February 2025**

**CAB3478 – HRA Business Plan and Budget options – November 2024**

**CAB3465 – HRA outturn 2023/24 – September 2024**

**CAB3445 – HRA Budget 2024/25 – February 2024**

APPENDICES:

Appendix 1 – 2026/27 HRA Budget Service Summary

Appendix 2 – HRA 2026/27 Budget Subjective Summary

Appendix 3 – Housing Management Capital Programme 2025/26 to 2035/36

Appendix 4 - New Build Capital Programme 2025/26 to 2035/26

Appendix 5 Capital Financing 2025/26 to 2035/36

Appendix 6 – Operating Account summary

Appendix 7 - Proposed Savings 2026/27

## Appendix 1 – 2026/27 HRA Budget Service Summary

	25/26	25/26	26/27
<b>Housing Revenue Account:</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Original Budget</b>
	<b>per CAB3490</b>		
<b>Service Summary</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Housing Management General</b>			
Housing Management	(584,691)	(584,691)	(695,183)
Tenant Welfare	(548,277)	(548,277)	(430,026)
HRA General	(3,221,111)	(3,221,111)	(3,027,772)
HRA Policy	(564,373)	(564,373)	(543,883)
HRA IT Projects	(210,000)	(210,000)	(320,000)
Income Services	(457,929)	(457,929)	(489,361)
Tenants Involvement	(243,706)	(243,706)	(236,821)
Vacant Dwellings	(174,400)	(174,400)	(202,273)
New Build Programme Support	(813,235)	(813,235)	(810,879)
	<b>(6,817,722)</b>	<b>(6,817,722)</b>	<b>(6,756,199)</b>
<b>Housing Management Special</b>			
Communal Services	147,379	147,379	126,331
Foxglove House	406,340	406,340	433,000
Disabled Adaptations	(193,009)	(193,009)	(194,029)
Estate Maintenance	(843,473)	(843,473)	(909,620)
Community Safety (HRA)	(291,415)	(291,415)	(208,122)
Homelessness	(109,213)	(109,213)	11,185
Home Ownership	502,040	502,040	520,174
Sewage Works	(433,371)	(433,371)	(414,433)
Sheltered Housing	(276,948)	(276,948)	(628,103)
	<b>(1,091,670)</b>	<b>(1,091,670)</b>	<b>(1,263,618)</b>
<b>Repairs</b>			
Responsive Maintenance	(4,322,318)	(4,322,318)	(4,389,985)
Voids	(1,764,950)	(1,764,950)	(2,497,900)
Cyclic	(1,463,867)	(1,463,867)	(1,743,647)
Retrofit (Revenue)	(110,393)	(110,393)	(705,157)
Assets & Planned Maintenance	(1,015,633)	(1,015,633)	(900,117)
Sub - total Repairs Works	<b>(8,677,161)</b>	<b>(8,677,161)</b>	<b>(10,236,806)</b>
Repairs Administration	(2,012,394)	(2,012,394)	(2,197,157)
	<b>(10,689,555)</b>	<b>(10,689,555)</b>	<b>(12,433,963)</b>
Debt Management Expenses	(12,576)	(12,576)	(12,576)
Interest Payable	(8,322,000)	(8,322,000)	(8,823,000)
Depreciation of Fixed Assets	(10,562,055)	(10,562,055)	(11,087,199)
	<b>(18,896,631)</b>	<b>(18,896,631)</b>	<b>(19,922,775)</b>

<b>Rents and Other Income</b>			
Dwelling Rents	33,965,769	33,965,769	35,680,067
Garage Rents	56,092	56,092	56,092
Investment Properties	199,656	199,656	199,656
Other Rents and Income	74,047	74,047	84,047
Interest Receivable	1,170,000	1,170,000	830,000
	<b>35,465,564</b>	<b>35,465,564</b>	<b>36,849,862</b>
<b>(Surplus)/Deficit for year on HRA Services</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>(Increase)/ decrease in HRA Balance</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>HRA Working Balance</b>			
Opening Balance	15,950,672	15,950,672	13,648,672
Add Q2 forecast Deficit/(Surplus)	(2,302,000)	(2,302,000)	(3,526,694)
<b>Projected Balance at Year End</b>	<b>13,648,672</b>	<b>13,648,672</b>	<b>10,121,978</b>

## Appendix 2 – HRA 2026/27 Budget Subjective Summary

<b>Housing Revenue Account:</b>	<b>25/26 Original Budget per CAB3490 £</b>	<b>25/26 Revised Budget £</b>	<b>26/27 Original Budget £</b>
<b>Subjective Summary</b>			
Employees	(6,207,476)	(6,207,476)	(6,637,980)
Premises	(9,940,886)	(9,940,886)	(10,820,060)
Transport	(150,817)	(150,817)	(163,396)
Supplies & services	(2,467,210)	(2,467,210)	(2,855,964)
Third party payments	(142,600)	(142,600)	(91,500)
Support Services	(3,401,277)	(3,401,277)	(3,431,342)
Net Interest	(7,152,000)	(7,152,000)	(7,993,000)
Depreciation on Fixed Assets	(10,562,055)	(10,562,055)	(11,087,199)
External income	37,994,307	37,994,307	39,553,747
<b>Surplus/(Deficit) for year on HRA Services</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>Increase / (decrease) in HRA Balance</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>HRA Working Balance</b>			
Opening Balance	15,950,672	15,950,672	13,648,672
Add Projected (Deficit)/Surplus	(2,030,014)	(2,030,014)	(3,526,694)
<b>Projected Balance at Year End</b>	<b>13,920,658</b>	<b>13,920,658</b>	<b>10,121,978</b>

## Appendix 3 – Housing Management Capital Programme 2025/26 to 2035/36

Housing Services Programme	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
	Original Budget.	Sept revised Budget.	Forecast	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scheme Name/Description</b>														
Major Repairs	(8,570)	(7,492)	(6,309)	(10,653)	(8,766)	(9,480)	(9,582)	(9,735)	(5,665)	(7,416)	(6,874)	(8,114)	(7,371)	(89,965)
<b>Major Repairs</b>	<b>(8,570)</b>	<b>(7,492)</b>	<b>(6,309)</b>	<b>(10,653)</b>	<b>(8,766)</b>	<b>(9,480)</b>	<b>(9,582)</b>	<b>(9,735)</b>	<b>(5,665)</b>	<b>(7,416)</b>	<b>(6,874)</b>	<b>(8,114)</b>	<b>(7,371)</b>	<b>(89,965)</b>
														0
Estate Improvements	(432)	(432)	(350)	(104)	(108)	(111)	(114)	(118)	(118)	(121)	(125)	(128)	(132)	(1,528)
Sheltered Housing	(74)	(248)	0	(953)										(953)
Chesil Lodge Solar Panels				(60)										(60)
<b>Improvements &amp; Upgrades</b>	<b>(506)</b>	<b>(680)</b>	<b>(350)</b>	<b>(1,117)</b>	<b>(108)</b>	<b>(111)</b>	<b>(114)</b>	<b>(118)</b>	<b>(118)</b>	<b>(121)</b>	<b>(125)</b>	<b>(128)</b>	<b>(132)</b>	<b>(2,541)</b>
														0
Disabled Adaptations	(719)	(719)	(700)	(751)	(773)	(796)	(820)	(845)	(870)	(896)	(923)	(951)	(979)	(9,305)
Asbestos and Fire rectification (reactive)	(300)	(300)	(300)	(150)	(150)									(600)
Fire remedial works (Planned)	(1,000)	(1,250)	(1,000)	(500)	(547)	(554)	(570)	(588)	(605)	(623)	(642)	(661)	(681)	(6,971)
Fire Safety Compartmentation	(2,001)	(2,001)	(2,001)	(2,012)	(2,045)	0	(0)	0	(0)	(0)	0	(0)	(0)	(6,059)
Climate Change Emergency	(5,936)	(5,506)	(3,100)	(6,055)	(7,818)	(7,659)	(8,765)	(8,478)						(41,874)
Victoria House Sewerage Connection	(516)	(516)	0	0										0
Sewerage Treatment Works (STW)	(479)	(479)	(250)	(810)	(725)	(796)	(125)	(129)	(133)	(137)	(141)	(145)	(150)	(3,542)
STW - Nutrient Mitigation	(407)	(407)	0	(407)										(407)
STW - Nutrient Mitigation (PFSH)	(700)	(700)	(136)	(350)	(350)									(836)
<b>Other Capital Spending</b>	<b>(12,058)</b>	<b>(11,878)</b>	<b>(7,487)</b>	<b>(11,035)</b>	<b>(12,408)</b>	<b>(9,804)</b>	<b>(10,281)</b>	<b>(10,039)</b>	<b>(1,608)</b>	<b>(1,657)</b>	<b>(1,706)</b>	<b>(1,758)</b>	<b>(1,810)</b>	<b>(69,594)</b>
<b>Unapproved Schemes</b>														
Sewerage Treatment works additional schemes						(600)								
<b>Total Housing Services Capital Programme</b>	<b>(21,134)</b>	<b>(20,050)</b>	<b>(14,146)</b>	<b>(22,805)</b>	<b>(21,282)</b>	<b>(19,995)</b>	<b>(19,976)</b>	<b>(19,892)</b>	<b>(7,391)</b>	<b>(9,194)</b>	<b>(8,705)</b>	<b>(10,000)</b>	<b>(9,313)</b>	<b>(162,700)</b>

### Appendix 4 New Build Capital Programme 2025/26 to 2035/26

<b>New Build Programme &amp; Other Capital</b>	<b>2025/26 Original Budget.</b>	<b>2025/26 Sep Revised.</b>	<b>2025/26 Latest Forecast</b>	<b>2026/27 Budget.</b>	<b>2027/28 Budget.</b>	<b>2028/29 Budget.</b>	<b>2029/30 Budget.</b>	<b>2030/31 Budget.</b>	<b>2031/32 Budget.</b>	<b>2032/33 Budget.</b>	<b>2033/34 Budget.</b>	<b>2034/35 Budget.</b>	<b>2035/36 Budget.</b>	<b>Total Budget.</b>
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scheme Name/Description</b>														
<b>Approved Schemes</b>														
LAHF Property Acquisition		(531)	(531)											(531)
Lower Brook St car park		(40)												
Southbrook Cottages														
Woodman Close		(978)	(200)	(1,957)										(2,157)
Property Buybacks	(980)	(1,048)	(210)	(838)										(1,048)
Hazeley Rd Twyford	(915)	(915)	(915)	(915)										(1,830)
Kings Barton all Phases	(3,360)	(20,000)	(20,000)	(8,600)	(5,000)									(33,600)
<b>Total Approved Schemes</b>	<b>(5,255)</b>	<b>(23,512)</b>	<b>(21,856)</b>	<b>(12,310)</b>	<b>(5,000)</b>									<b>(39,166)</b>
<b>Unapproved Schemes</b>														
ComerHouse	(900)													
Woodman Close	(978)													
Minden Rd						(3,400)								(3,400)
Appropriation St Peters Car Park							(3,400)							(3,400)
Affordable Housing Central Winchester							(5,500)							(5,500)
Morgans Yard					(115)	(1,763)								(1,878)
Unallocated 1000 homes	(6,065)	(6,434)		(4,292)	(18,603)	(13,765)	(31,817)	(44,890)	(36,098)					(149,465)
<b>Total Unapproved Schemes</b>	<b>(7,943)</b>	<b>(6,434)</b>		<b>(4,292)</b>	<b>(18,718)</b>	<b>(18,928)</b>	<b>(40,717)</b>	<b>(44,890)</b>	<b>(36,098)</b>					<b>(163,643)</b>
<b>Total All Schemes</b>	<b>(13,198)</b>	<b>(29,946)</b>	<b>(21,856)</b>	<b>(16,602)</b>	<b>(23,718)</b>	<b>(18,928)</b>	<b>(40,717)</b>	<b>(44,890)</b>	<b>(36,098)</b>					<b>(202,809)</b>

## Appendix 5 Capital Financing 2025/26 to 2035/36

	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
HRA Capital Programme Funding	Original Budget	Sept Revised Budget	Latest Forecast	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	0	3,338	0	0	19,682	15,084	40,103	46,274	20,272	0	0	0	0	141,415
RTB 141 Receipts	3,673	5,500	8,884	1,436	1,479	1,524	1,570	1,618	1,666	1,716	1,768	1,821	1,875	25,358
Other RTB Receipts	549	2,112	2,112	14	21	28	35	43	51	59	68	77	86	2,595
Capital Receipts - Shared Owner	4,000	1,659	1,659	351	4,543	4,753	2,914	3,176	7,720	7,416	2,328	0	0	34,860
Capital Receipts Other	623	1,753	1,753	500	500	500	500	500	0	0	0	0	0	4,253
Nutrient Credits				400	400									800
LAHF Grant		934	934	0	0	0	0	0	0	0	0	0	0	934
Homes England Grant				645										
PfSH Grant	700	700	135	350	215									700
S106	0		0	1,050	6,000	5,000	3,000	0	0	0	0			15,050
Major Repairs Reserves	24,787	34,000	20,526	34,660	12,160	12,034	12,570	13,171	13,780	2	4,541	8,102	7,352	138,897
<b>Funding Total</b>	<b>34,332</b>	<b>49,996</b>	<b>36,003</b>	<b>39,406</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>365,507</b>
Housing Services	21,134	20,050	14,146	22,805	21,282	19,995	19,976	19,892	7,391	9,194	8,705	10,000	9,313	162,700
New Build	13,198	29,946	21,856	16,602	23,718	18,928	40,717	44,890	36,098	0	0	0	0	202,809
<b>Capital Programme Total</b>	<b>34,332</b>	<b>49,996</b>	<b>36,002</b>	<b>39,407</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>365,509</b>

## Appendix 6 – Operating Account summary

Winchester City Council HRA Business Plan Operating Account (expressed in money terms)																			
Income					Expenditure								Net Operating (Expenditure) £,000	Repayment of loans £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest payable £,000	Surplus (Deficit) c/fwd £,000	
Year	Year	Net rent Income £,000	Other income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Other Revenue spend £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000							
1	2025.26	36,087	204	1,406	37,697	(12,905)	(10,592)	(8,081)	(765)	(580)	(32,924)	(8,052)	(3,279)	(0)	(3,279)	15,950	978	13,649	
2	2026.27	38,066	228	1,334	39,628	(13,237)	(11,087)	(8,754)	(1,411)	(680)	(35,169)	(8,822)	(4,362)	0	(4,362)	13,649	835	10,122	
3	2027.28	40,848	235	1,394	42,476	(13,559)	(11,547)	(8,963)	(436)	(680)	(35,186)	(9,514)	(2,224)	0	(2,224)	10,122	303	8,201	
4	2028.29	43,428	242	1,457	45,126	(13,958)	(12,034)	(9,191)	(176)	(691)	(36,049)	(10,438)	(1,361)	0	(1,361)	8,201	244	7,085	
5	2029.30	46,305	249	1,500	48,054	(14,368)	(12,570)	(9,415)	(179)	(701)	(37,233)	(12,035)	(1,213)	0	(1,213)	7,085	211	6,082	
6	2030.31	50,837	256	1,545	52,639	(14,791)	(13,171)	(9,661)	(183)	(712)	(38,517)	(14,532)	(410)	0	(410)	6,082	191	5,862	
7	2031.32	53,613	264	1,592	55,468	(15,226)	(13,780)	(10,091)	(187)	(722)	(40,006)	(16,706)	(1,244)	0	(1,244)	5,862	170	4,789	
8	2032.33	57,720	272	1,639	59,631	(15,674)	(14,480)	(10,534)	(190)	(733)	(41,611)	(17,660)	360	(731)	(371)	4,789	385	4,803	
9	2033.34	60,401	280	1,688	62,369	(16,135)	(15,203)	(10,936)	(194)	(744)	(43,212)	(17,599)	1,558	(1,752)	(195)	4,803	797	5,405	
10	2034.35	61,668	289	1,739	63,695	(16,610)	(15,477)	(11,355)	(198)	(755)	(44,394)	(17,494)	1,807	(2,442)	(635)	5,405	1,102	5,872	
11	2035.36	64,166	297	1,791	66,255	(17,098)	(15,755)	(11,789)	(202)	(766)	(45,611)	(17,662)	2,982	(3,921)	(939)	5,872	1,369	6,301	
12	2036.37	64,265	306	1,845	66,417	(17,602)	(16,039)	(12,240)	(206)	(778)	(46,864)	(17,464)	2,088	(3,277)	(1,188)	6,301	1,593	6,706	
13	2037.38	65,598	315	1,900	67,813	(18,120)	(16,328)	(12,709)	(210)	(790)	(48,156)	(17,493)	2,165	(3,614)	(1,449)	6,706	1,769	7,027	
14	2038.39	66,953	325	1,957	69,235	(18,654)	(16,621)	(13,195)	(214)	(802)	(49,486)	(17,271)	2,478	(4,086)	(1,607)	7,027	1,951	7,370	
15	2039.40	68,332	334	2,016	70,682	(19,203)	(16,920)	(13,699)	(219)	(814)	(50,855)	(17,020)	2,808	(4,656)	(1,848)	7,370	2,193	7,715	
16	2040.41	69,735	344	2,077	72,156	(19,769)	(17,225)	(14,223)	(223)	(826)	(52,266)	(16,740)	3,151	(5,078)	(1,927)	7,715	2,391	8,179	
17	2041.42	72,532	355	2,139	75,026	(20,351)	(17,535)	(14,767)	(227)	(838)	(53,719)	(16,391)	4,916	(7,195)	(2,279)	8,179	2,593	8,493	
18	2042.43	72,617	365	2,203	75,186	(20,951)	(17,850)	(15,332)	(232)	(851)	(55,216)	(16,227)	3,742	(6,190)	(2,448)	8,493	2,892	8,937	
19	2043.44	74,097	376	2,269	76,742	(21,568)	(18,171)	(15,919)	(237)	(863)	(56,759)	(15,856)	4,128	(6,742)	(2,614)	8,937	3,079	9,402	
20	2044.45	75,603	388	2,337	78,328	(22,204)	(18,498)	(16,528)	(241)	(876)	(58,348)	(15,446)	4,534	(7,491)	(2,957)	9,402	3,235	9,679	
21	2045.46	77,137	399	2,407	79,944	(22,859)	(18,831)	(17,160)	(246)	(890)	(59,986)	(15,001)	4,958	(8,015)	(3,058)	9,679	3,480	10,101	
22	2046.47	78,700	411	2,480	81,591	(23,533)	(19,170)	(17,817)	(251)	(903)	(61,674)	(14,524)	5,393	(8,700)	(3,307)	10,101	3,774	10,568	
23	2047.48	81,835	424	2,554	84,812	(24,227)	(19,515)	(18,499)	(256)	(916)	(63,413)	(14,184)	7,215	(10,737)	(3,522)	10,568	4,093	11,139	
24	2048.49	81,911	436	2,631	84,978	(24,941)	(19,866)	(19,207)	(261)	(930)	(65,206)	(13,586)	6,186	(10,055)	(3,869)	11,139	4,352	11,622	
25	2049.50	83,562	449	2,710	86,721	(25,677)	(20,223)	(19,943)	(267)	(944)	(67,054)	(12,984)	6,683	(10,890)	(4,206)	11,622	4,635	12,051	
26	2050.51	85,244	463	2,791	88,498	(26,435)	(20,587)	(20,706)	(272)	(958)	(68,958)	(12,340)	7,200	(11,518)	(4,319)	12,051	4,901	12,633	
27	2051.52	86,957	477	2,875	90,309	(27,215)	(20,957)	(21,499)	(277)	(973)	(70,921)	(11,655)	7,733	(12,445)	(4,712)	12,633	5,116	13,038	
28	2052.53	90,409	491	2,961	93,861	(28,018)	(21,334)	(22,322)	(283)	(987)	(72,945)	(11,096)	9,821	(14,631)	(4,811)	13,038	5,355	13,582	
29	2053.54	90,482	506	3,050	94,037	(28,845)	(21,717)	(23,177)	(288)	(1,002)	(75,031)	(10,668)	8,339	(235)	8,104	13,582	5,780	27,465	
30	2054.55	92,288	521	3,141	95,950	(29,697)	(22,108)	(24,065)	(294)	(1,017)	(77,181)	(10,661)	8,108	0	8,108	27,465	6,426	41,999	

## Appendix 7 - Proposed Savings 2026/27

Savings proposal title	Revenue	Capital		Notes
Lower Brook Street car park	10			Formation of 5 car parking spaces following demolition of dilapidated garage. License income in respect of those new spaces, once completed is expected to generate circa £10k per annum which is currently not budgeted.
Sheltered housing / advertising	20			Reducing non essential spends that wider HRA tenants are subsidising, and can be achieved by making smarter decisions around what, when and where adverts are placed.
Tenant welfare / hoarding budgets	60			Currently there is £141k budgeted for CAB money advice and for hoarding support. In 2024/25, total expenditure against that budget line was £80k, with similar level of spend in 2025/26 forecast. The proposal is to reduce the existing budget to match the existing level of spend, and to ensure that maximum value is being obtained where support is given.
Sewerage charges increase	25			The wider HRA currently subsidises the cost of providing sewage treatment to a number of properties not connected to mains sewers. The intention is to move to cost recovery through a managed increase in fees of 10% per annum until cost recovery is achieved site by site to reduce and eventually eliminate the wider subsidy.
Neighbourhoods budgets	52			These budgets were built into the HRA budget to support neighbourhood wardens. However it is not clear what these budgets were specifically set up for (as the officers concerned have now left), there has been no expenditure against them since 2023/24 and are therefore demonstrably not required. It is proposed to delete these budgets, there will be no impact on services provided as a result of this proposal.
Tenant engagement budgets to match current spend	20			The tenant engagement budget currently stands at £244k, which covers the tenant partnership team, and a wider budget of £50k for wider tenant engagement activity, which covers costs Covers costs linked to tenant engagement activities such as Housing Improvement workshops, TACT Board, community and digital hubs, ongoing training support for involved tenants (assume this comes out of this budget for things like South Coast training), marketing and design work to promote events. The underspend on the wider budget in 2024/25 was £20k, and forecast for 2025/26 is similarly underspent. The proposal is to realign the budget into line with current spend activity.
Utility	100			This proposal relates to utilities budgets for electricity, gas, water and cleaning. Following the Ukraine war in 2022, energy prices increased significantly. Utility budgets for communal electricity and gas were significantly increased, however there was at the time significant uncertainty about the longer term cost of energy and how this would impact on the cost of communal electricity and gas. However, with the benefit of two full years costs since then, the utility budgets have been reassessed in line with those outcomes and has allowed a reduction in cost budget of £0.1m.
Westgate Place	40			Westgate Place was previously leased at a peppercorn to A2 Dominion. The property will be brought back into use as TA, which will bring in a rent stream of £40K per annum not currently budgeted. This will also reduce a pressure on the General Fund housing budget through mitigation of demand for bed and breakfast emergency accommodation.
Estates Improvements		250		This is a capital programme reduction. The estates improvements has in the past provided for neighbourhood improvements, such as bike stores, bin sheds etc. However it is a discretionary budget and the HRA needs to focus its resources on meeting statutory obligations for building safety and maintaining decent homes standards. In reducing the budget we will be focussing on projects that deliver outcomes to a wider cohort of residents rather than scheme specific activities that benefit just those living at that specific scheme.

<b>Savings and changes to budget assumptions identified since November Options report</b>			
Vacancy Management Target	100		Historic turnover in the HRA has equated to 2% of salary budget.
New Homes Feasibility Budget	50		The New Homes feasibility budget has been reduced to match the planned activity for 2026/27.
Keystone software budget	40		The associated cost for Keystone will no longer be required following the upgrade of MRI to include an asset management module. This saving will be applied to meet ongoing additional costs MRI following upgrades planned for 2026/27.
IMS reporting system	70		The associated cost for IMS reporting will no longer be required following the proposed purchase of Agora reporting solution. This saving will be applied to meet ongoing additional costs MRI following upgrades planned for 2026/27.
Vacant posts review	24		Two vacant posts in Tenancy Sustainment and New Homes delivery are to be reviewed and regraded at a lower grade to enable more cost effective delivery.
Discretionary Housing Payments topup	30		The UK government is considering replacing the current Discretionary Housing Payment (DHP) scheme and the Household Support Fund (HSF) in England with a new, combined Crisis and Resilience Fund (CRF). A topup from the HRA is therefore no longer required in future. Payments will not be reduced but instead managed within the General Fund.
Capitalisation of staff time	25		Following the agreement of the new build at Woodman Close, a proportion of officer time relating to the delivery of the project may be capitalised.
Sewerage plant cost reductions	20		Progression of works commencing at Furzeley Corner is expected to reduce running costs by £20k from 2026/27.
Reprofiling of the capital programme	450		The retrofit budget has been reprofiled in accordance with the review outlined at paragraph 11.57. The capital budget for Retrofit has not been reduced, but is profiled with a higher level of spend in future years. This has reduced the associated net borrowing cost in 2026/27.
Reduced cost of borrowing assumed			The cost of borrowing assumed for the November options report was 6%. This has been reduced to 5.75% following base rate reduction in December 2025 and securing refinanced borrowing at a more favourable rate during December 2025.
<b>Savings proposed but not yet built in to the budget:</b>			
Service charge cost recovery	100		The HRA has committed to a model of full cost recovery through service charging. However, full cost recovery has not yet been achieved and, although charges were increased in 2025/26, some charges were capped at £5 / 5%. The estimated gap between costs and income is £0.1m currently.
Reducing frequency of external redecoration	50		Currently the frequency for external redecorations is 5 years. The annual cost of redecorations is approximately £0.5m average per annum. Reducing the cyclical frequency of redecorations may be possible through, for example, better quality materials than were historically available, and would result in a significant cost saving that can be reinvested to support damp & mould or other essential safety upgrades.
Section 20 review process	TBC		The purpose of reviewing the section 20 process is to ensure the process is working effectively to ensure adequate notice is given to leaseholders, and to ensure the HRA is maximising cost recovery from leaseholders and thus reducing the cost impact on the wider HRA. The £20k is a broad estimate at this stage.
Rent convergence	TBC		In June 2025, the government announced that it will implement a convergence mechanism as part of the new rent settlement. The government announced in January 2026 that authorities may apply £1 per week from April 2027 and £2 per week from April 2028 until convergence is achieved.