

Meeting of the Cabinet – 29th January 2026

Joint Report of the Group Director of Housing and Assets and the Interim Director of Resources/Section 151 Officer

2026/27 HRA Medium Term Financial Plan and Rent Setting 2026/27

INTRODUCTION

- 1.1 This report sets out the proposed budget for 2026/27 and the medium-term financial plan 2026/27 - 2030/31. The HRA budget forms part of the Council's overall budget that will be presented to Cabinet on 11 February and Full Council on 23 February for approval.
- 1.2 A key element of the HRA budget setting process is to agree the proposed rents and service charges for the following year. To allow sufficient time for bills to be issued to residents, there is a need for the decision to be taken ahead of the wider budget although this report will be appended to the final budget report for completeness.

Recommendation

2. That Cabinet be asked to recommend to Full Council:
 - That the proposed 2026/27 budget be approved
 - To approve the increase in rents for HRA dwellings by 4.8% from 1 April 2026
 - To approve average service charges of £7.64 from 1 April 2026
 - To authorise the Group Director of Housing and Assets, in consultation with the Cabinet Members for Housing and Homelessness and for Development and Regulation, to apply the increase in rents for HRA dwellings by 4.8% from 1st April 2026 (paragraphs 6.1-6.5)
 - To authorise the Group Director of Housing and Assets, in consultation with the Cabinet Members for Housing and Homelessness and for Development and Regulation, to apply the

agreed service charges as set out in the report from 1st April 2026 (paragraphs 8.1-8.3)

- To approve the public sector housing revised capital budgets for 2026/27 to 2030/31 attached as Annex 1 and the associated funding arrangements, noting consultation arrangements outlined in paragraphs (12.1-12.4).

Background

- 3.1 The HRA is a ring-fenced revenue account and deals with landlord functions associated with public sector housing. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.
- 3.2 The Council is required to set a budget for the forthcoming financial year and, in line with best practice, produce a medium-term financial plan. In setting the annual budget, a number of factors are taken into consideration, and these are set out in the report.

HRA 2025/26 Monitoring Position

- 4.1 Monitoring is carried out on a monthly basis and reported to Cabinet on a quarterly basis. A summary of the forecast position for 2025/26 based on information available at the end of Period 9 (December 2025) is set out below.

Revenue

- 4.2 There is a forecast surplus of £0.103m at the end of the 2025/26 financial year and this will be added to reserves. Details of the budget are set out at Table 1 and the subsequent paragraphs.

Table 1 – HRA 2025/26 Forecast as at 31 December 2025

Housing Account	Revenue	2025/26 Budget	2025/26 Forecast	Forecast (Under)/Over spend
		£m	£m	£m
Dwelling Rents		(104.485)	(104.573)	(0.088)
Non-Dwelling Rents		(0.915)	(0.950)	(0.035)
Service Charges		(4.856)	(3.887)	0.969
Total Income		(110.256)	(109.410)	0.846
Repairs & Maintenance		29.102	26.288	(2.814)
Housing Management & Tenant Participation		10.176	8.058	(2.118)
Homelessness, Strategy and Re-settlement		5.329	4.044	(1.285)
Management & Supervision		16.121	15.440	(0.681)
Depreciation & Amortisation		29.365	29.310	(0.055)
Provision for Bad Debt		0.110	0.110	(0.000)
Direct Revenue Financing		0.800	8.300	7.500
Other Expenditure		1.781	1.838	0.057
Total Expenditure		92.784	93.026	0.242
Net Cost of Housing Services		(17.472)	(16.477)	0.995
Capital Financing Charges				
Interest Paid		18.826	18.642	(0.184)
Interest Received		(1.366)	(2.268)	(0.902)
Net (Surplus)/Deficit		(0.012)	(0.103)	(0.191)
Contribution (from)/to Reserves		0.012	0.103	0.91
Total Net HRA Budget		0.000	0.000	0.000

4.3 The key variances are:

Income

The rental income budget is reporting a shortfall on income of £0.846m. This is due to:

- a shortfall on service charges of £0.905m due to a delay in the commencement of the additional cleaning and grounds

maintenance services. This is offset by a corresponding underspend on expenditure related to the delivery of the service.

- actual voids and high-cost void sales being lower than the budgeted (£0.088m) and this, together with additional non-dwelling income (£0.035m), is creating a small surplus.

Expenditure

There is an overspend of £0.242m on total expenditure. This is made up of:

- an underspend of (£2.814m), on the repairs and maintenance budget due to procurement delays with subcontractors, some efficiency savings, and staffing savings.
- an underspend of (£2.118m) in Housing Management & Tenant Participation, of which (£0.905m) relates to the reduction in expenditure linked to the service charges. In addition, there are (£1.118m) of vacancy savings held due to the planned introduction of the target operating model from 2026/27, and (£0.095m) of various other savings.
- An underspend on Homelessness, Strategy and Re-settlement (£1.285m) due to vacancy savings of (£0.800m), and efficiencies totalling (£0.485m).
- An underspend of (£0.681m) on Management and Supervision due to further vacancy savings.
- Direct revenue financing costs are forecasting an additional of £7.500m due to in-year underspend being used to reduce the amount of borrowing needed to support the capital programme.

Capital Programme

- 4.4** The Capital budget was set in February 2025 based on the delivery of the longer-term outline Housing Strategic 30-year plan. The Capital programme is forecasting

an underspend of £33.622m which is 43% of the Capital Programme. Of this, circa £9m is as a result of improved contractor management and more efficient delivery of the staffing and operating models being implemented within the service. Further information is set out at Table 2.

Table 2 – 2025/26 Capital Programme forecast as at 31 December 2025

HRA Capital Programme 2025/26	2025/26 Budget	2025/26 Forecast	2025/26 Variance
	£m	£m	£m
Maintenance			
Repairs & Voids	17.000	9.621	(7.379)
Assets			
Future Major Works	22.200	13.468	(8.732)
Exceptional Extensive Works	9.960	5.431	(4.529)
Non-Key Components	1.983	2.060	0.077
New Housing Developments and Acquisitions	21.500	10.712	(10.788)
Assets Professional Fees	5.900	3.629	(2.271)
Net Budget	78.543	44.921	(33.622)

4.5 The reasons for the variances are:

- Repairs and Voids are expected to underspend by (£7.379m). The budget was set based on initial findings from the stock condition surveys carried out on all housing stock, however following a more detailed review of the work required efficiencies have been identified.
- Future major assets works are forecasting to underspend by (£8.732m). The budget included £3.480m for major repairs/replacement of flat & pitched roofs, an area of historical under investment, but spend has been delayed by contractor availability. Spend and contractor resources have been targeted on 27 emergency full roof replacements. Specific archetypes where issues are prevalent and repairs are challenging to implement will be targeted in the future programme.
- Lift repairs £1.200m, and kitchen and bathroom repairs, with a budget of £4.157m, have been delayed due to subcontractor capacity and the need to re-procure.
- Exceptional Extensive works which relate to Adaptations, Fire safety remedial works, Asbestos works and achieving Energy Performance Certificate (EPC) rating of C or above are forecast to

underspend by (£4.529m) mainly due to unforeseen delays following procurement in the summer.

- Non – Key components relating to the upgrading of heating systems for compliance is forecast to overspend by £0.077m.
- New Housing Developments and Acquisitions, relating to building developments funded by Right to Buy house sales and grants, is forecast to underspend by (£10.788m). This is due to delays in a large development project as a result of unforeseen underground works required at Swan Street. Challenging market conditions are creating difficulties for predicting purchases.
- Asset professional fees are forecast to underspend by (£2.271m) due to vacancies and efficiencies and slippage on the capital programme.

4.6 There is no request to increase the future years programme with any of the current year slippage, as there is sufficient budget in the programme to fund the planned works in future years.

4.7 There is no negative impact on building safety or compliance as a result of the forecast underspend in 2025/26, although it is acknowledged that works are not being undertaken resulting in the (£33.622m) underspend during the current financial year. The revised capital programme is set out later in the report.

4.8 Housing services are in the final stages of the procurement process for a number of new contracts which will support the delivery of the planned capital programme in 2026/27 onwards, including but not limited to contractor support for planned works, responsive repairs, and building safety works.

4.9 The reduced forecast spend during 2025/26 will result in lower levels of prudential borrowing.

Funding of the Capital Programme

4.10 The capital programme budget is funded through several areas as set out in table 3 below as per approved budget. Due to the reported underspend, the funding profile has been updated, and this is set out at Table 3.

Table 3 - Funding of the 2025/26 capital programme

HRA Capital Financing – variance to budget	2025/26 Approved Budgeted	2025/26 Revised	Variance
	£m	£m	£m
Revenue Transfer (Depreciation)	29.200	29.200	0.000
Section 106 monies	0.214	0.214	(0.000)
Capital Receipts	27.475	6.644	(20.831)
Grants	1.128	0.563	(0.351)
Reserves	18.026	0.000	(18.026)
Revenue Contribution to Capital	0.800	8.300	7.500
Borrowing	1.700	0.000	(1.700)
Total	78.543	44.921	(33.622)

4.11 The key changes are:

- A reduction in the use of Capital receipts from £27.475m to £6.644m in 2025/26.
- A reduction in use of grants by (£0.351m) due to a repayment of Local Authority Housing Fund 3 grant and the delays on Swan Street, meaning less use of Homes England funding.
- Removal of the need to fund expenditure from reserves (£18.026m).
- Additional revenue contributions to capital of £7.500m as reported in paragraph(s) 4.3.
- Borrowing is no longer required for 2025/26 based on the revised requirement. This will improve the overall financial resilience of the HRA.

Reserves

4.12 Table 4 summarises the HRA reserve balances that takes account of the changes set out earlier in the report. Overall reserves are forecast to increase from £56.354m at the start of the year to £67.639m by the end of the year.

Table 4 – Forecast Reserves Position at the end of 2025/26

Reserves	Opening Balance 25/26	Forecast Additions/ (Reductions)	Forecast Closing Balance 25/26
	£m	£m	£m
HRA Revenue un-ringfenced (General)	12.051	0.103	12.154
HRA Revenue (Ringfenced)	3.925	0.000	3.925
HRA Capital (General sales)	23.017	13.695	36.712
HRA Capital (Ringfenced Right To Buy)	17.361	4.438	21.799
Total	56.354	18.236	74.590

- 4.13 HRA un-ringfenced revenue reserves are forecast to be 11% of income. This is in line with the target balance to maintain financial resilience. The general revenue reserve target level has been set based on agreement following the budget approval in 2023/24.
- 4.14 Ringfenced revenue reserves include £3.097m of resettlement grant, held to support families relocating to Dudley through nationally administered resettlement programmes. This has been funded through Ministry of Housing, Communities and Local Government grants and the remainder will support these families for future years.
- 4.15 HRA General capital reserves are forecast to increase by year end but are expected to be fully depleted by 2036/37, based on current capital programme expenditure forecasts, as these are used as part of the financing of the capital programme. Capital Reserves have been built using non-Right to Buy sales and revenue contributions.
- 4.16 Ringfenced HRA capital reserves relate to right to buy receipts that must be reinvested in new council homes within a five-year time scale. The capital programme ensures receipts are spent within the required timescales and not at risk of loss. The use of Capital Receipts to fund the Capital Programme has increased over the years due to an increase in right to buy sales which have been more than originally predicted over the last few years, largely due to a spike in applications in advance of the reduction in right to buy discounts.

This use of receipts has reduced the need to borrow, and the loss of property through the right to buy has also resulted in a reduction in planned maintenance requirements.

DRAFT 2026/27 HRA BUDGET AND MEDIUM-TERM FINANCIAL PLAN (2026/2027 to 2030/2031)

5.1 The proposed draft HRA budget for 2026/27 and the medium-term financial plan (MTFP) to 2030/31 is set out in table 5 below. The budget is based on a number of assumptions as follows:

- A rent increase to the maximum 4.8% for 2026/27 and assumed increases of 3% from 2027/28 onwards
- Service charges at an average of £7.64 per week
- Pay increases of 3.5% in 2026/27
- A reduction in employer superannuation rates in line with those advised as part of the triennial review. This has generated a recurring saving of £2.429m.
- Impact of the triennial review that will result in lower superannuation contribution rates from 2026/27 onwards
- Inflationary increases of 2%
- There is no assumption included for rent convergence in the proposed figures below due to the fact that government guidance has not been made available.

Table 5 – Proposed 2026/27 Budget and Draft Medium term Financial Plan (2026/7 - 2030/31)

Housing Revenue Account	Estimated Budget 2026/27 £m	Estimated Budget 2027/28 £m	Estimated Budget 2028/29 £m	Estimated Budget 2029/30 £m	Estimated Budget 2030/31 £m
Dwelling Rents	(108.443)	(111.037)	(113.044)	(115.325)	(117.916)
Non-Dwelling Rents	(1.004)	(1.106)	(1.135)	(1.165)	(1.196)
Service Charges	(3.753)	(3.850)	(3.951)	(4.055)	(4.161)
Total Income	(113.200)	(115.993)	(118.130)	(120.544)	(123.273)
Repairs & Maintenance	28.592	30.476	29.996	30.575	31.186
Housing Management &	9.099	9.354	9.541	9.732	9.927

Tenant Participation					
Homelessness, Strategy and Re-settlement	4.301	4.424	4.512	4.602	4.694
Management & Supervision	19.958	20.404	20.812	21.229	21.653
Depreciation & Amortisation	29.912	30.515	31.117	31.719	32.322
Provision for Bad Debt	0.110	0.110	0.110	0.110	0.110
Direct Revenue Financing	1.900	1.400	2.200	3.000	3.600
Other Expenditure	1.936	1.983	2.033	2.067	2.103
Total Expenditure	95.807	98.665	100.322	103.033	105.594
Net Cost of Housing Services	(17.393)	(17.328)	(17.808)	(17.511)	(17.679)
Capital Financing Charges					
Interest Paid	19.682	19.362	19.835	19.703	20.026
Interest Received	(2.274)	(2.130)	(2.118)	(2.255)	(2.354)
Net (Surplus)/Deficit	0.015	(0.096)	(0.091)	(0.063)	(0.007)
Contribution (from)/to Reserves	(0.015)	0.096	0.091	0.063	0.007
Total Net HRA Budget	0.000	0.000	0.000	0.000	0.000
Reserves balance brought forward	(12.154)	(12.139)	(12.235)	(12.326)	(12.389)
Reserves balance carried forward	(12.139)	(12.235)	(12.326)	(12.389)	(12.396)

Total Debt	492.816	492.816	492.816	492.816	492.816

- 5.2 Income forecasts include a 2% void allowance to reflect periods of non-occupation. When properties are re-let, rents are uplifted to formula rent, ensuring compliance and maximising income recovery.
- 5.3 Expenditure budgets are aligned to service delivery plans and assume successful implementation of the Target Operating Model from 2026/27, delivering efficiency savings and operational resilience.
- 5.4 The Target Operating Model seeks to embed an efficient, compliant and customer focused service delivery model. This includes investment in service areas where required to deliver council priorities and to improve customer experience and satisfaction. The model includes investment in the council's anti-social behaviour services, remodelling and investing in staffing resources supported by appropriate technology and deterrents to support the management of anti-social behaviour in the council's homes and more widely in our communities. This additional investment has been built into the target operating model costs and as such will not create any additional budgetary pressures.
- 5.5 To reduce the reliance on borrowing in future years and, taking into account the revised capital programme:
- Depreciation and amortisation contributions rise from £29.912m in 2026/27 to £32.322m by 2030/31,
 - Direct Revenue Financing contributions start at £1.900m in 2026/27, peaking at £3.600m by 2030/31
- 5.6 This will result in debt servicing levels of approximately 15.9% by 2030/31 and will support longer term financial sustainability as costs of capital are met from within the HRA budget.
- 5.7 Annual contributions increase reserves from £12.154m in 2026/27 to £12.396m by 2030/31. This is maintaining the reserves at approximately the 11% target that was set and agreed in 2023/24.

Rent Increase

- 6.1 The government consulted on future social housing rent policy between October and December 2024, following which it was announced (as part of the Spending Review) that there will be a 10-year rent settlement for social housing from 1 April 2026 in which rents will be permitted to increase by September CPI+1% per annum.
- 6.2 September CPI as announced on 22nd October 2025 was 3.8% which would allow weekly rents to be increased by up to 4.8% compared to 2025/26 levels.
- 6.3 It is recommended that the full rent increase of 4.8% is implemented from 1 April 2026. This will ensure that income is maximised thereby ensuring sufficient funds to support investment in works identified through the Stock Condition Surveys. These have previously been reported on to Scrutiny Committee, Cabinet and Council.
- 6.4 Table 6 illustrates the impact of a 4.8% rent increase. The current average rent for 2025/26 is £99.18. The proposed increase of 4.8% for 2026/27 will increase average weekly rents to £103.94, an average increase of £4.76 per week.

Table 6 – Impact of the 4.8% rent increase

2025/26 Average Weekly Rent (£)	Rent increase %	Proposed Average weekly rent (£)	Weekly Increase on 25/26
£99.18	+4.8%	£103.94	£4.76

- 6.5 Annex 3 details the income that would be lost if the recommended increase not agreed, and either reduced, or no uplift was agreed.

Rent Convergence

- 7.1 During the consultation on future social housing rent policy the government received clear feedback that the level of investment in new and existing social housing needed to deliver the government's ambitions will not be unlocked unless Social Rent convergence is implemented.

- 7.2 Convergence would allow rents for social rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI+1% limit, until they 'converge' with formula rent. Formula rent refers to the formula that is used to calculate the rent that may be charged for a given property when it is let to a new tenant.
- 7.3 The government therefore confirmed at the latest Spending Review that it will implement a convergence mechanism as part of the new rent settlement. The consultation proposes that rents can be increased by either £1, £2 or £3 a week over and above CPI+1%.
- 7.4 The details of precisely how, and at what level, this mechanism will be implemented was expected to be confirmed in January 2026 following the release of the Autumn Statement. No detail has been received and therefore, there are no plans for rent convergence from 1 April 2026.

Service Charges

- 8.1 In January 2025 fixed service charges were introduced at an average rate of £8.73 a week on a full cost recovery basis. Service charges are calculated using known contract costs and estimates based on averages of past spends. The services provided are reviewed each year and charges are adjusted based on the latest cost information. This was frozen for the 2025/26 financial year.
- 8.2 It is recommended that service charges are implemented at a reduced average of £7.64 for the 2026/27 financial year. This takes account of efficiencies made by the council such as a reduced cost of providing the grounds maintenance service, and the fluctuation of energy prices. These efficiencies can therefore be passed on to tenants.
- 8.3 For 2026/27 the average service charge is estimated at £7.64 per week for tenants in homes with communal areas. The difference to 2025/26 service charge rates is shown below in table 8. When service charges were introduced in January 2025, £0.200m was set aside to support tenants who were concerned about their ability to pay the extra charge. A sum of £0.200m will be set aside in 2026/27.

Table 8 – Proposed Service Charges 2026/27

Average Charge 2025/26	Service Charge 2026/27	Weekly decrease on 25/26
£8.73	£7.64	(£1.09)

PUBLIC SECTOR HOUSING CAPITAL PROGRAMME 2026/27 - 2030/31

9.1 The proposed and recommended draft HRA budget for 2026/27 to 2030/31 is shown in table 9 below. The draft programme has been revised to ensure decency and compliance are met whilst remaining affordable and ensuring financial viability. In addition, this approach aims to ensure the programme is realistic and deliverable and avoids the significant slippage experienced in the current financial year.

Table 9 – Proposed Public Sector Housing Capital Programme 2026/27 - 2030/31

	2025/26 latest £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Maintenance Repairs & Voids	9.621	8.700	8.960	9.230	9.510	9.800
Assets						
Future Major Works	13.468	23.050	22.950	21.070	21.070	21.491
Exceptional Extensive Works	5.431	8.850	9.750	9.500	9.500	9.690
Non-key components	2.060	2.500	2.200	2.200	2.200	2.200
New Housing Developments and Acquisitions	10.712	16.166	10.000	10.000	5.000	5.000
Assets professional fees	3.629	4.200	4.330	4.460	4.590	4.682
Total	44.921	63.466	58.190	56.460	51.870	52.863

9.2 The revised capital programme focuses on:

- Ensuring regulatory compliance and building safety
- Ensuring compliance with the Decent Homes Standard
- Improving the condition and safety of existing homes
- Investing in new homes that meet required standards and address current gaps in housing need
- Ensuring adequate investment in void properties to reduce void loss and meet an acceptable void standard.

9.3 It is recommended that Cabinet approve the revised capital programme and associated funding as detailed in Annex 1 (Tables 3 and 4).

9.4 The programme forecasts £63.466m of capital expenditure in 2026/27, and £327.770m to the year 2030/31, inclusive of 2025/26. A summary of the key areas of spend are:

- Future Major Works
 - The planned programme focuses on the systematic replacement of key housing components based on their estimated lifespans. The successful delivery of these works will significantly reduce non-decency rates, with a target of achieving non-decency levels of no more than 1% in future years.
 - Headline Estimated Replacements: Approximately 3,600 kitchen and bathroom upgrades will be completed across tenants' homes over the next five years, 1,500 roof replacements for houses are scheduled, 4,000 homes will receive new double-glazed windows, 6,250 heating system upgrades, 2,200 electrical rewires.
- Exceptional Extensive Works
 - The allocation of £47.290m over the next five years is based upon the following:
 - A realistic projection of demand from the Occupational Therapy team. This funding will support major adaptations, including bathroom installations and domestic lift provisions, benefiting approximately 350 tenants annually. Current average waiting times across the service are around six months, and the budget has been designed to maintain this level of progress.

- In line with government targets, all new lettings must achieve an Energy Performance Certificate (EPC) rating of C or above by 2028, with all let properties meeting this standard by 2030. The Savills stock condition surveys estimate an investment requirement of £8.500m over the next five years to deliver these improvements. Additionally, a grant of approximately £2.815m has been secured from the West Midlands Combined Authority (WMCA) to be committed over the next two years. This budget will enable interventions across circa 4,551 properties to achieve a minimum EPC rating of C.
- Fire safety remedial works identified through Fire Risk Assessments (FRAs), compartmentation surveys, or following inspections by DMBC fire officers. This investment ensures the continued safety of both high-rise and low-rise housing stock.
- Asbestos works, which is linked to planned works delivery and will facilitate the completion of the works planned. Other minor works included subsidence & property conversions.
- Non-key components
 - Over the next five years, a planned investment of £11.3m will be allocated to capitalised repairs and upgrades of heating systems across our housing portfolio. This is designed to ensure full compliance with current regulatory standards while improving energy efficiency and tenant comfort.
 - As part of these upgrades, even routine replacements, such as installing a new radiator, will incorporate the installation of Thermostatic Radiator Valves (TRVs). These valves provide tenants with greater control over individual room temperatures, promoting more efficient heating management, aiming to reduce overall energy consumption and, consequently, lower fuel costs for residents.
- New Housing Developments and Acquisitions
 - The acquisition of new housing stock is highly dependent on market conditions and the willingness of property owners to sell to the authority. To support this, £40m of ring-fenced retained Right to Buy receipts has been allocated to deliver a mix of new-build homes on land already owned by the Housing Revenue Account (HRA) and acquisitions that help mitigate delivery risks.
 - Starting April 2026, Homes England grants will be available for both acquisitions and new-build projects, which can be combined with existing resources. It is anticipated that 300 new

homes will be delivered or will be in progress over the next five years.

- 75 new homes at the Swan Street development will be completed late 2026 which will take up the rest of the budget provision.
- Assets professional fees relating to the required staffing costs to deliver the capital programme have been adjusted to help ensure the successful delivery.

Estimates, Assumptions & Risk Analysis

10.1 The proposals in this report are based on several estimates, assumptions, and professional judgements, which are subject to continuous review. Key risks are:

- Investment required to maintain compliance with the Decent Homes Standard increases beyond what is currently planned
- That pay and non-pay inflation increase beyond the forecast creating additional financial pressure
- That cash limited non-pay budgets will be managed to absorb any price inflation not specifically provided for in 2026/27 and any inflationary pressures in 2026/27 and thereafter will be no more than the amount provided for;
- Interest rates increase over time and the cost of borrowing increases as a co
- Central establishment charges change based on the outcome of annual reviews.
- Unplanned expenditure (including any resulting from demographic, legislative or case law pressures) or shortfalls in income, exceeds reserves available to support this type of expenditure

10.2 The assumptions set out above are subject to uncertainty. In the event that outcomes are more negative than the assumptions in this report, then action (to reduce levels of expenditure or increase income) may become urgent.

PRELIMINARY BUSINESS PLAN

- 11.1 The HRA Preliminary Business Plan sets out our priorities and the resources available to deliver them over the next 30 years. The financial modelling is based on a set of assumptions, including factors such as the amount of rent received, the number of properties that will become empty, the number of properties that are likely to be sold under Right to Buy and the cost of repairs and maintenance, planned works and housing management.
- 11.2 Annex 2 is a summary of the proposed 30-year budget for the Housing Revenue Account. This is to be reviewed and updated accordingly depending on inflationary pressures and governmental policy changes. It does not assume any income from rent convergence, but similar with the above, when a property is void, rent is put back to the appropriate level.
- 11.3 The Business Plan provides a baseline position, showing what can be delivered with the money currently forecast to be available to the HRA over the period of the Plan. The focus will be to invest in our existing homes and replace our stock with new homes, focusing on quality of provision and meeting identified demand.
- 11.4 The Business Plan seeks to ensure that we meet our aim of maintaining reserves with less than £0.500m being contributed to reserves at each 5-year interval. This gives the council assurance we can respond positively and proactively to future regulatory changes and unforeseen pressures. When appropriate, revenue contributions to capital expenditure will be made to reduce capital borrowing and associated revenue contributions while ensuring that reserves remain at our target levels.
- 11.5 The Business Plan has also been subject to sensitivity analysis to show what might happen if the current assumptions change. Whilst any shortfall caused by some of these changes can be managed, for example by carefully timing of our planned works, lower rent increases and higher interest rates would impact significantly on the viability of the HRA demonstrating the importance of consistently maximising rental income and taking all reasonable steps to reduce capital borrowing. This can be seen in annex 3 of the report.

- 11.6 The outcome of the modelling is that, based on current assumptions, the HRA is sustainable for the coming 30-year period and existing homes can be managed and maintained to a good standard for the duration of the plan. Whilst the model does include a level of borrowing after year 5, there is currently no proposal to pay off some of the principal debt.
- 11.7 The Business Plan has been reviewed alongside other key strategic documents and our new Housing Strategy and Asset Management and Investment Strategy.

Budget Consultation

- 12.1 Drop-in sessions for tenants have been arranged in a number of venues across the borough to discuss any questions and concerns they may have about their rent and service charges. Tenants are able to request a telephone call if they are unable to attend a drop-in session or would prefer a separate conversation. Officers will also meet with involved customer groups to discuss the proposed rent and sundry charges for 2026/27 and the priorities in the HRA budgets, including the capital programme.
- 12.2 The 2026/27 budget proposals were presented for scrutiny by Housing and Assets Scrutiny Committee on 15th January 2026.
- 12.3 The proposals were also discussed at the Housing Assurance Board in November 2025.
- 12.4 Throughout discussions the main theme of conversation focuses upon affordability for customers and the need to ensure appropriate advice and support for customers who may be financially impacted by the proposals.

Finance

- 13.1 This report is financial in nature and relevant information is contained within the body of the report.

Law

- 14.1 HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in

Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing. The HRA also has to be mindful of the Department of Levelling Up, Housing and Communities guidance on the operation of the HRA ring-fence published in November 2020.

Risk Management

15.1 The Group Risk Register recognises a number of risks associated with the contents of this report, as set out below:

- **R.590** Failure to maintain the quality of existing housing stock through planned, cyclical, and responsive maintenance services, impacting on the viability of the Housing Revenue Account.
- **R.591** Failure to deliver a responsive repairs service that complies with the right to repair act and demonstrates value for money.
- **R.592** Failure to meet identified housing need.
- **R.593** Failure to effectively manage Housing Revenue Account and general fund budgets.
- **R.611** Failure to meet the Regulator of Social Housing's relevant Consumer and Economic Standards.

15.2 The forecasts and proposals in this report seek to mitigate these risks through a robust and planned capital programme.

Equality Impact

16.1 The proposals consider the Council's Policy on Equality and Diversity and an Equality Impact Assessment on the proposed rent increase has been completed and is attached at Annex 4.

16.2 This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure are intended to promote independence and improve quality of life for protected groups.

Human Resources / Organisational Development

17.1 The spending controls include controls over recruitment.



Commercial / Procurement

18.1 This report relates to our statutory functions as a social housing landlord and there are no direct commercial implications.

18.2 The spending controls include controls over letting of contracts.

Environment / Climate Change

19.1 Individual projects and major schemes are assessed for their environmental impact before they commence. The Council declared a Climate Emergency in July 2020 and has a goal to become carbon net zero by 2030. It is also committed to addressing United Nations Sustainable Development Goals, including those relating to poverty, health and wellbeing and reducing inequalities.

Council Priorities and Projects

20.1 This report relates to our statutory functions as a social housing landlord and will contribute to the health, wellbeing, and safety of our tenants. Through the destination of choice priority of the 2022-25 council plan, housing which is affordable and accessible is a key outcome. This will be achieved through investment and maintenance of the council's housing stock. This report also reflects the importance of financial sustainability which will be a key council priority for the coming year.

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Annex 1 – Capital Programme and Financing

Proposed capital programme 2025/26 to 2030/31

	2025/26 latest £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Maintenance Repairs & Voids	9.621	8.700	8.960	9.230	9.510	9.800
Assets						
Future Major Works	13.468	23.050	22.950	21.070	21.070	21.491
Exceptional Extensive Works	5.431	8.850	9.750	9.500	9.500	9.690
Non-key components	2.060	2.500	2.200	2.200	2.200	2.200
New Housing Developments and Acquisitions	10.712	16.166	10.000	10.000	5.000	5.000
Assets professional fees	3.629	4.200	4.330	4.460	4.590	4.682
Total	44.921	63.466	58.190	56.460	51.870	52.863

Proposed Capital Financing

HRA Capital Financing	2025/26 latest	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m	£m
Revenue Transfer (Depreciation)	29.200	29.800	30.400	31.000	31.600	32.200
Section 106 monies	0.214	0.000	0.000	0.000	0.000	0.000
Capital Receipts	6.644	24.115	24.261	23.260	17.270	10.645
Grants	0.563	2.815	0.000	0.000	0.000	0.000
Reserves	0.000	4.836	2.129	0.000	0.000	6.418
Revenue Contribution to Capital	8.300	1.900	1.400	2.200	3.000	3.600
Borrowing	0.000	0.000	0.000	0.000	0.000	0.000
Total	44.921	63.466	58.190	56.460	51.870	52.863
Reserves						
Capital (General sales etc.)	36.712	32.218	30.283	31.475	33.653	27.235
Capital (Ringfenced RTB)	21.799	21.456	21.263	21.220	26.331	31.596
Total	58.511	53.674	51.546	52.695	59.984	58.831

Annex 2
Proposed HRA 30-year revenue budgets

	Years 1-5 £m	Years 6-10 £m	Years 11-15 £m	Years 16-20 £m	Years 21-25 £m	Years 26-30 £m
Dwelling Rents	(565.765)	(633.500)	(720.836)	(815.692)	(925.718)	(1,050.279)
Non-Dwelling Rents	(5.605)	(6.474)	(7.393)	(8.455)	(9.681)	(11.099)
Service Charges	(19.770)	(22.521)	(25.709)	(29.406)	(33.692)	(38.660)
Total Income	(591.140)	(662.495)	(753.938)	(853.553)	(969.091)	(1,100.038)
Repairs & Maintenance	150.825	165.537	188.285	218.274	253.040	293.342
Housing Management & Tenant Participation	47.653	52.692	59.933	69.479	80.545	93.375
Homelessness, Strategy and Re-settlement	22.533	24.918	28.342	32.856	38.089	44.156
Management & Supervision	104.056	114.939	130.735	151.558	175.697	203.681
Depreciation & Amortisation	155.584	171.645	189.512	209.387	231.368	255.459
Provision for Bad Debt	0.550	0.550	0.550	0.550	0.550	0.550
Direct Revenue Financing	12.100	32.800	53.500	60.800	68.000	71.900
Other Expenditure	10.122	11.069	12.063	13.157	14.365	15.696
Total Expenditure	503.422	574.150	662.920	756.060	861.655	978.158
Net Cost of Housing Services	(87.718)	(88.345)	(91.018)	(97.492)	(107.436)	(121.880)
Capital Financing Charges	0.000	0.000	0.000	0.000	0.000	0.000
Interest Paid	98.608	100.094	103.071	110.059	120.833	133.130
Interest Received	(11.131)	(11.988)	(12.190)	(12.769)	(13.499)	(11.352)
Net (Surplus)/Deficit	(0.241)	(0.239)	(0.137)	(0.202)	(0.102)	(0.102)
Contribution (from)/to Reserves	0.241	0.239	0.137	0.202	0.102	0.102
Total Net HRA Budget	0.000	0.000	0.000	0.000	0.000	0.000
Reserves balance brought forward	(12.154)	(12.3958)	(12.634)	(12.771)	(12.973)	(13.075)
Reserves balance carried forward	(12.395)	(12.634)	(12.771)	(12.973)	(13.075)	(13.177)
Total Debt	492.816	492.816	502.816	523.616	552.516	595.216
Total debt servicing % of income	15.9%	14.4%	13.1%	12.4%	12.2%	12.0%

Annex 3 – Impact of rent increase, rent convergence and sensitivity analysis

Lost income based on Rent Increase

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Dwelling Rents	£m	£m	£m	£m	£m	£m	£m
4.8% Increase	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4% Increase	2.898	3.210	3.610	4.043	4.538	5.085	23.384
3% Increase	8.275	9.247	10.484	11.822	13.365	15.102	68.295
2% Increase	13.652	15.285	17.356	19.598	22.193	25.120	113.204
1% Increase	19.030	21.321	24.229	27.376	31.022	35.138	158.116
0% Increase	24.409	27.361	31.098	35.156	39.850	45.156	203.03

This table shows the compounding loss of income as a result of not approving the recommended full rent increase of 4.8% in 2026/27. An assumed rent increase of 3% is built into future years from and inclusive of 2027/28, which is subject to review each financial year.

Illustration purposes only - Additional income based on Rent Convergence

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30
£1 convergence	£m	£m	£m	£m	£m	£m
5-year increased income	(6.608)	(10.603)	(12.388)	(14.358)	(16.644)	(19.295)
Cumulative increased income	(6.608)	(17.211)	(29.598)	(43.956)	(60.600)	(79.895)
£2 convergence						
5-year increased income	(8.352)	(10.794)	(12.543)	(14.538)	(16.852)	(19.537)
Cumulative increased income	(8.352)	(19.146)	(31.689)	(46.227)	(63.079)	(82.616)
£3 convergence						
5-year increased income	(8.909)	(10.823)	(12.548)	(14.544)	(16.859)	(19.545)
Cumulative increased income	(8.909)	(19.732)	(32.280)	(46.824)	(63.684)	(83.229)

This table shows the compounding additional income as a result of approving rent convergence at the governments advised rate, expected January 2026.

HRA Sensitivity Analysis

Scenario	Description	Cost or (saving) to the HRA £m					
		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Interest rates +1%	Increases interest costs & increased interest on reserves	(0.875)	0.867	4.922	11.909	22.490	37.183
Interest rates - 1%	Decreases interest costs & decreased interest on reserves	0.837	(0.911)	(4.663)	(10.779)	(19.935)	(33.167)
Management costs +5%	For example, increased staffing, supplies, or recharge costs	1.850	2.044	2.257	2.492	2.752	2.978
Management costs -5%	For example, reduced staffing, supplies, or recharge costs	(1.852)	(2.044)	(2.258)	(2.493)	(2.753)	(2.979)
Repairs & Maintenance costs +5%	For example, increased materials, fuel, or sub-contractor costs	1.586	1.751	1.933	2.136	2.357	2.551
Repairs & Maintenance costs -5%	For example, reduced materials, fuel, or sub-contractor costs	(1.588)	(1.753)	(1.937)	(2.138)	(2.361)	(2.555)

This table shows the impact of various factors upon the Housing Revenue Account revenue position across the 30-year business plan.

Interest rates sensitivity assumes a 1% increase or decrease for all years of the plan.

Management costs and Repairs and Maintenance costs assume a 5% increase or decrease in year 1 and show the compound effect of this.