MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: Council		**REPORT NUMBER: XXXX**
FROM:	**Councillor Janet Pearson, Cabinet Member for Finance**	**DATE OF MEETING: 26 February 2026**
OFFICERS:	**Melissa Evans, Director, Finance & Commissioning & Procurement** **Mandeep Bhogil, Interim Director, Housing**	**KEY DECISION REF NO. Item No.**

HOUSING REVENUE ACCOUNT (HRA) 2026/27 BUDGET AND 30 YEAR BUSINESS PLAN

1 PURPOSE OF REPORT

1.1 The purpose of this report is to present the HRA Revenue and Capital Budget for 2026/27 and the 30 Year Business Plan.

1.2 To enable Members to consider key aspects of the 2026/27 HRA Budget, including council house rent levels and service charges.

2 OPTIONS CONSIDERED

2.1 The Housing Revenue Account Budget for 2026/27 is an essential element in achieving a balanced budget and sustainable medium-term position, therefore no other options are appropriate in respect of this.

3 RECOMMENDATIONS

That Council approves:

3.1 The HRA Budget proposals for 2026/27 set out in this report.

3.2 That a CPI + 1% increase of 4.8% for social rents, equivalent to an average rent increase of £5.03 for social rent and affordable rent of £7.45, a week be implemented.

3.3 That the RPI increase of 4.5% in garage rents be implemented.

3.4 That sheltered housing service charges and utility charges are spread over 4 years to achieve full recovery cost. Equivalent to £2.88 a week increased service charge, £0.77 a week increased heating charge and £0.88 a week increased water charge. That a General Needs service charge on blocks be implemented at an average £8.92 per week, per tenancy in a block.

3.5 That the rent tolerance of 10% on Sheltered Accommodation properties be approved in line with guidance received from Trowers & Hamlins.

3.6 That in principle, Right to Buy (RTB) receipts should be retained within the Housing Revenue Account to enable continued development and acquisition of new council dwellings.

REASON FOR DECISION

To bring together all the relevant information to enable Council to approve the 2026/27 HRA budget.

4 KEY INFORMATION

Background

4.1 The Council is obliged to maintain a longer-term business plan for the HRA which shows its revenue and investment plans are sustainable and appropriate, taking full account of the planned capital investment. The Council has a legal duty to ensure the HRA remains solvent and to review the account throughout the year.

4.2 The HRA Business plan as shown in Appendix A sets out the Councils long-term investment strategy to maintain the quality of its housing stock. The plan will be reviewed, at least, annually and uses current levels of income and expenditure information and projects this for the next 30 years applying several key assumptions. These are in relation to the anticipated stock changes arising from right to buy sales, acquisitions and known new build and regeneration plans, the number of void properties, the policy on rent and service charge increases, repairs and maintenance and property management costs, capital investment requirements based on stock condition information and forecast borrowing costs. It also sets out our aspirations and priorities; these are further detailed in our Homes and Housing Strategy.

4.3 The HRA and the services that the Council provides for its tenants and leaseholders are more relevant and important than ever with the Social Housing (Regulation) Act 2023 introducing a new regulatory framework, supported by a greater emphasis on residents' engagement. The HRA must ensure its management function is strong, and both anticipates and meets the needs of all its residents.

4.4 The Council's current HRA Business Plan presents a financial picture over the longer term (a thirty-year period as required under the self-financing regime). The business plan is used to plan and understand any potential borrowing requirements which are needed to adhere to Social Housing Regulations such as the Consumer Standards and the Decent Homes Standard.

4.5 The housing landscape looks very different to previous years following the introduction of new legislation such as the Regulatory Standards. Further legislation is expected this year, this includes Decent Homes two, which relates to the thermal comfort been updated and included in the plan. Members should be aware that due to financial constraints In January 2024 Members agreed to the funding of a full stock condition survey which has now been completed. The capital cost over the 30 years has been updated in the business plan.

4.6 A significant number of challenges have been placed on the HRA Business Plan because of:

- The imposition of a social rent cut of 1% per year, for four successive years commencing April 2016. This was a significant deviation from what was promised when the rent settlement was set in 2012. This is largely the reason for our financial challenges.

- Increased buildings compliance and regulatory requirements, particularly post Grenfell and including new targets for carbon neutrality.
- Increased Right to Buy sales last year prior to the reduction in discounts.
- The impact of Brexit / Covid on inflation in general and particularly on the cost of construction / repairs in terms of materials and labour.
- Ukraine situation and global gas/electricity prices.
- Changes to regulatory standards.
- Further upcoming legislation including Decent Homes Standard 2
- Increased reporting requirements, more information gathering, and improving service offer to tenants is putting further pressures on systems and system teams.
- A below inflation (10.1% CPI) cap on rent increases of 7% in 2023/24.

Commented [J(1]: I don't understand what this means?

Commented [JS2R1]: @David White are you able to improve the wording on this? It is with regards to the work your team has been doing.

Commented [DW3R1]: Hi @Jeni Smithies - I didn't write this but have reworded to make more sense.

4.7 Following a period of five years that saw annual 1% rent reductions, which ended in March 2020, councils were allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Subject to compliance with the Regulator of Social Housings Rent Standard, this has begun to mitigate the impact of the 1% reduction on the 30-year plan. However, the cost-of-living crisis led to the Government making a change to the rent settlement in 2023/24 and capping the increase at 7%. This is again against the backdrop of aging stock which requires urgent investment.

4.8 The removal of the HRA Debt Cap from 29 October 2018 means that local authorities can borrow to fund new homes without worrying about breaching this cap. Any borrowing will be subject to the Council adhering to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.

4.9 Central Government issued the 2024/25 rent standard in January 2024, this stated that a maximum of 7.7% increase could be applied to social rents. This for Mid Suffolk, like all other councils, has been difficult given the cost-of-living crisis. Like the general fund, the HRA has both a revenue pot and a capital pot. If rents do not increase by the full amount available other difficult decisions will need to be made, these may include a reduction in the speed and level of repairs carried out and a reduction in services. Members will be aware that significant ongoing investment is required to provide safe dry homes for our residents therefore reducing repairs or services is not recommended.

4.10 The long-term position in relation to the 30-year business plan, currently indicates that our position will not now be sustainable for the full 30 years following the Government's decision to implement a step change in rent convergence. The plan stays above the minimum reserve balance until 2053/54.

4.11 Officers, led by the Director of Housing and Director of Finance & Procurement will work to ensure the HRA business plan is sustainable and can cover its interest payments over the next 30 years. It is important to note that the reasons for the challenges around the HRA account are complex and date back to 2002. The majority of Councils are in a similar position, and the sector continues to lobby Central Government.

4.12 Our ongoing financial challenges are likely to continue, this is particularly concerning the sheer number of damp, mould, and roofing works required. In addition, all possible income streams will need to be considered if we are going to meet our legal requirements and provide safe, dry and warm homes.

Commented [J(4]: I can't get a meaning from this. Are we saying that we will focus on damp mould and roofing or are we saying that we can't actually address these problems?

Commented [JS5R4]: @Janet Pearson (Cllr) apologies, I did not write this part and agree that it didn't make sense. This has now been amended.

2025/26 Budget and Forecast Outturn

4.13 On 27 February 2025 the Council set the HRA Budget for 2025/26, showing a deficit of £2.108m to be funded from reserves.

4.14 The 2025/26 quarter two budget monitoring report shows a forecast outturn deficit of £1.622m, a favourable variance of £486k against the budgeted deficit of £2.108m

2026/27 Budget Proposals

4.15 In preparing the budget for 2026/27 the various headings have been thoroughly reviewed against the forecast for 2025/26, to ensure that they are set on a robust basis for next year.

4.16 The budget for 2025/26 was a deficit of £2.108m, the budget position for 2026/27 is a deficit of £906k, a decrease of £1.202m. The main reasons for this change are shown in Table 1.

Table 1: Budget changes

	£'000	£'000
2025/26 Deficit		**2,108**
Pressures		
Premises Insurance direct to HRA rather than via recharges from the General Fund	392	
Salary increases	347	
Consultancy Services	158	
Disrepair Costs	150	
Interest Payable	142	
Depreciation	129	
Damp and Mould Surveys	111	
IT Software Maintenance	97	
Health and Safety Buildings	96	
Asbestos Survey & Reinspection	95	
Subsidence Costs	75	
Insurance Excess payment	75	
Legal Expenses	70	
Purchase of Equipment, Tools & Materials	69	
Valuation and audit fees	57	
Software Licenses - Line of Business	50	
Employers NI	48	
General Fund recharge to HRA	36	
Transport Insurance	28	
Other inflationary increases	31	
Total Pressures		**2,256**
Savings/additional Income		
Rental income – based on 4.8% increase	(1,130)	
Housing Rechargeable Works	(584)	
Property Repairs, Maintenance & Alterations	(396)	
Contract: Heating	(332)	

	£'000	£'000
Employers Pension	(272)	
Agency Staff	(250)	
Contract: Electrical Testing	(128)	
Voids Contract	(94)	
Corporate Recharges Out	(93)	
Rates Payable	(67)	
Garage income - based on 4.5% RPI increase	(57)	
Car leases	(54)	
Total Savings/additional Income		**(3,458)**
Total Net decrease		**(1,202)**
2026/27 Deficit		**906**

4.17 Table 2 shows the Councils expenditure has decreased by £216k and income has increased by £1.132m.

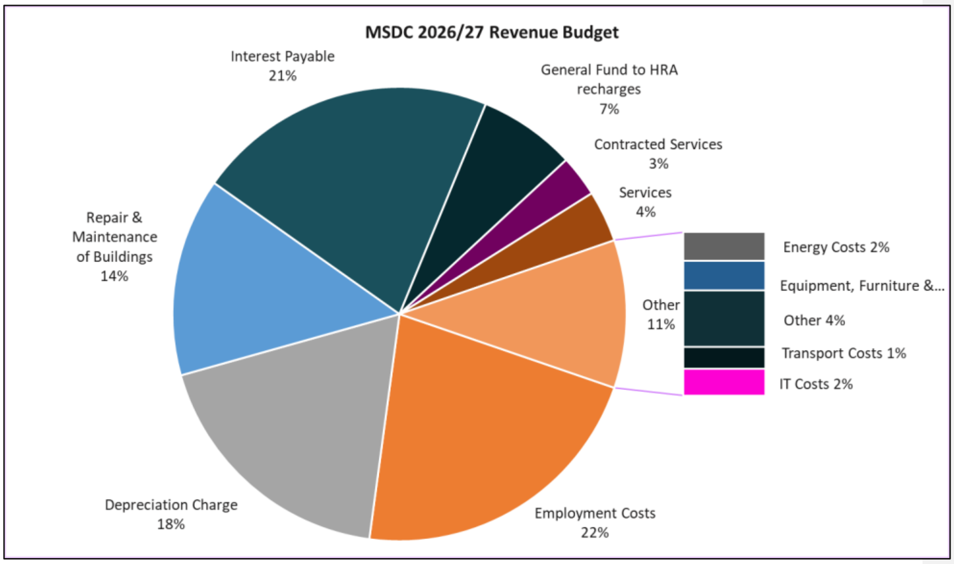
Table 2: Summary of Budget and Q2 Forecast 2025/26 vs Budget 2026/27

Mid Suffolk District Council	2025/26 Budget (£'000)	Q2 Forecast (£'000)	2026/27 Budget (£'000)	Budget Movement (£'000)	
Income	**(21,340)**	**(20,984)**	**(22,472)**	**(1,132)**	
Rent Receivable	(20,229)	(19,952)	(21,416)	(1,187)	Applied September CPI (3.8%) plus 1% and corrected prior year incorrect budget codes. Assumed 1.25% voids rate.
Service Charges	(1,094)	(1,008)	(1,056)	38	Service Charge calculations based on costs from October 2024 to September.
Other Income	(17)	(23)	(1)	17	One off Grant for Tenants Forum last year.
Expenditure	**18,589**	**17,462**	**18,373**	**(216)**	
Employment Costs	5,228	4,937	5,111	(117)	3% salary increase plus incremental increases, partially offset by reduction in pension contributions.
Cleaning	52	84	73	21	
Compensation payments to Tenants	51	58	37	(14)	Disrepair damages split out from Compensation payments and recorded within Repair & Maintenance of Buildings
Corporate & Democratic Core	218	218	182	(36)	
Contracted Services	784	497	690	(94)	Voids budget reduced due to contract in place.
Energy Costs	457	448	427	(30)	Reduction in Energy costs following overestimation of costs for 25/26.
General Fund Recharge to HRA	1,399	1,420	1,435	36	Insurance charged directly to HRA (see Rents, Rates & Premises Insurance).
HRA Recharge to General Fund	(5)	-	-	5	Charges no longer split out following move to new job management system.
IT Costs	311	388	410	99	New Job Management System and reflection of above inflation increase for 25/26 and 26/27.
Other Supplies & Services	36	114	180	143	Damp and Mould Surveys and external auditors for Compliance
Rents, Rates & Premises Insurance	157	71	451	294	Insurance to be charged directly rather than via GF to HRA recharge
Repair & Maintenance of Buildings	4,401	3,277	3,308	(1,093)	Removal of the one off million for 2025/26 and split of works with Services for Asbestos works

Mid Suffolk District Council	2025/26 Budget (£'000)	Q2 Forecast (£'000)	2026/27 Budget (£'000)	Budget Movement (£'000)	
Services	463	955	856	393	Additional Asbestos works and Consultancy work
Tools, Equipment, Furniture & Materials	390	439	449	59	Updated to Trades team contract value for Tools and Equipment
Transport Costs	341	305	325	(16)	Reduction as per information from Fleet Manager
Bad Debts	106	50	109	3	0.52% of income
Depreciation	4,200	4,200	4,329	129	As per latest valuation on Asset register
Operating (Surplus)	**(2,751)**	**(3,521)**	**(4,099)**	**(1,348)**	
Interest Receivable	(143)	(221)	(139)	4	Interest due on PWLB loans and internal borrowing
Interest Payable	5,002	5,364	5,144	142	Interest on Operating Account and Right to Buy receipts
Deficit for Year	**2,108**	**1,622**	**906**	**(1,202)**	

4.18 Chart 1 shows the breakdown of costs for the 2026/27 budget totalling £23.378m, the largest being employee costs and interest payable.

Chart 1: 2026/27 Revenue Expenditure Budget



4.19 Tables 3 and 4 show the increasing stock numbers and rent increases following the latest developments.

Table 3: Stock numbers

Mid Suffolk District Council	Existing Stock	Development Stock	RTB Sales	Closing Stock
Rental Stock	**3,390**	**43**	**(6)**	**3,427**
Social Housing	2,751	-	(6)	2,745
Affordable	310	43	-	353
Supported (Sheltered)	280	-	-	280
Temporary Accommodation	44	-	-	44
Homelessness	5	-	-	5
Sales Stock	**77**	**32**	**-**	**109**
Shared Ownership	77	32	-	109
Total	**3,467**	**75**	**(6)**	**3,536**

Table 4: Rental income

Mid Suffolk District Council	Existing Rent	New Additions	Budget 2026/27	Rate of increase
	£'000	£'000	£'000	
Social Housing	16,000	-	16,000	CPI + 1%
Affordable	2,627	251	2,878	CPI + 1%
Supported (Sheltered)	1,375	-	1,375	CPI + 1%
Temporary Accommodation	275	-	275	CPI + 1%
Homelessness	23	-	23	CPI + 1%
Shared Ownership	444	155	599	RPI + 0.5%
Void Losses	(256)	(2)	(258)	
Non-Dwelling Rents	526	-	526	
Total	**20,013**	**403**	**21,416**	

Commented [J(6]: actually having queried the column heading I'm now not clear what this table is showing?

Commented [JS7R6]: @Janet Pearson (Cllr) this table shows the split of rental income, but the heading wasn't the best. I have amended this.

4.20 Of the Council's 3,463 current tenants, 722 (20.85%) that we know of are in receipt of Housing Benefit and 1,528 (44.12%) in receipt of Universal Credit. As Universal Credit is paid direct to the tenant, rather than the landlord, the Council no longer knows the total number of tenants in receipt of support to pay their rent. Due to the Local Housing Allowance increasing, tenants will not need to find the additional rent as this will be paid for from the increased allowance.

4.21 In calculating the 2026/27 budget, the following assumptions have been made:

Table 5: Budget Assumptions

Category	Assumption
Dwelling Rents	The average 2 bed weekly social rent will increase by £5.03, from £104.73 to £109.76. For affordable housing, the weekly 2 bed rent will increase by an average of £7.45 from £155.23 to £162.68
Voids	Remain at 1.25%
Non-Dwelling Rents	Garage rents are being increased in line with RPI (4.5%).
Other Income	3.8% allowed for increase on Leasehold Service charges (to be calculated February/March 2025)
Sheltered Service Charge	An average capped increase of £2.88 per week or £12.46 per month
Heating Charge	An average decrease of £0.77 per week or £3.32 per month
Water Charge	An average increase of £0.88 per week or £3.83 per month
General Needs Service Charge	Average weekly charge of £8.92 per tenancy in a block
Expenses	Annual inflation rate of 3.8%

Category	Assumption
Salaries	An Annual Pay Award of 3% has been assumed. In addition, incremental increases within the Scale Points of each Grade have been applied which equates to on average a 2% increase.
National Insurance	The Employers National Insurance contribution is currently 15% above the threshold of £5,000.
Pensions	The Employers Pension Contribution has decreased from 26% to 16.4% from 2026/27 onwards. This is following the recent review which takes place every three years as part of the external Actuaries' revaluation of the Pension Fund.
Utilities	No increase – kept in line with Q2 forecast
Supplies	Annual inflation rate of 3.8%
Interest Rates	Internal borrowing rate set to 3.75% and external borrowing at 5.5%
Bad Debt Provision	0.52% of rental income
Depreciation	Based on the latest stock valuation of the current assets.
RCCO	Revenue Contribution to Capital has been removed to offset the increase in cost of service and depreciation charge as depreciation can be used to fund capital expenditure.

Rent

4.22 From April 2026 when a Sheltered property is relet, the rent will increase to the target plus an additional 10%. This 10% increase applies only once; if the property becomes vacant again, the rent will remain at the target plus 10%, with no further increases.

4.23 A 5% rent tolerance was introduced to the general needs properties in 2025/26.

Service Charges

4.24 As part of our ongoing project to enhance service charge setting, we have been examining all costs associated with running and maintaining our housing scheme and assets. We have identified several recoverable charges that were not previously billed. We recognise the importance of considering affordability for tenants. With 46% of tenants in sheltered housing not in receipt of housing benefits, we must balance fairness (ensuring services are not funded by general rental income) with affordability - we need to ensure we meet regulatory expectations and consider the impact on more vulnerable groups. Therefore, we need to review potential cost-saving measures for running the schemes and providing services that tenants need, for full cost recovery to be affordable. This work will begin in 2026/27.

4.25 For the 2026/27 Sheltered Service Charges we are going to adopt the same approach as last year, we note that using this method will not result in full cost recovery, however we aspire to achieve this within 4 years. In order to achieve this, we need to review the service provision and assets to ensure that it is fit for purpose and the costs are affordable.

4.26 The proposals for this year's costs using last year's methodology are:

- That a capped (over 4 years) 8% increase for sheltered housing service charges, equivalent to £2.88 a week, be implemented.
- That a 0.4% increase for sheltered housing utility charges, equivalent to £0.12 a week be implemented.

- The total Sheltered Service Charge income will reduce next year following the de-sheltering of Manns, Thedwastre and The Croft.

4.27 We are currently undertaking a full review of all orders/costs to ensure we are setting charges appropriately.

Salaries

4.28 Table 6 outlines the projected staffing costs, incorporating an assumed Annual Pay Award of 3% and average incremental progression of 2% within grade scale points. Employer contributions include National Insurance at 15% above the £5,000 threshold and employers pension contributions, which reduce from 26% to 16.4% from 2026/27 following the triennial actuarial review of the Pension Fund.

Table 6: Salaries

Service Area	2025/26 Budget	Pay Award 2025/26 Variance (0.2%)	Pension Change (26% to 16.4%)	Growth/ Saving	Pay Award 3%	Increments	2026/27 Budget	Total Pressure/ Saving	Sal Rech to Capital
Finance	86,997	171	(6,011)	(3,981)	2,348	1,947	81,471	(5,526)	-
Housing Solutions	64,172	126	(4,442)	-	1,824	1,363	63,043	(1,129)	-
HRA General Management	219,690	(88)	(15,053)	20,029	6,209	4,669	235,455	15,765	-
HRA Housing Repairs and Maintenance	1,624,960	2,920	(112,219)	13,175	42,427	11,050	1,582,313	(42,647)	-
Property Asset & Compliance	943,467	1,847	(65,111)	100,562	29,697	18,084	1,028,546	85,079	(353,859)
Regulatory Support Services	408,661	806	(28,261)	33,313	12,616	7,861	434,997	26,336	-
Strategic Property & Development	93,099	181	(6,417)	58,166	4,391	2,782	152,201	59,102	(97,562)
HRA Housing Management	1,389,208	2,736	(92,695)	23,921	40,379	10,974	1,374,522	(14,686)	-
Grand Total	**4,830,254**	**8,698**	**(330,209)**	**245,185**	**139,892**	**58,729**	**4,952,549**	**122,295**	**(451,422)**

Commented [J(8]: How does this table relate to the employment costs figures in table 2C?

Commented [JS9R8]: @Janet Pearson (Cllr) this table is salaries only, where as employment costs include NI, pension and training etc.

Reserves

4.29 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.

4.30 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.

4.31 The 2026/27 budget position means that the Council will reduce its Strategic Priorities Reserve by £906k, compared to the 2025/26 forecast reduction in reserves of £2.1m.

4.32 The balance of all strategic reserves at 31 March 2027, as a result of the budget proposals, is forecast to be £2.654m, which equates to £774 per property. This is dependent on the Q2 forecast being met and the new build programme being delivered on target in the current financial year. Full details of the Councils earmarked reserves are shown in table 7.

Commented [J(10]: I don't understand what this means?

Commented [JS11R10]: @Janet Pearson (Cllr) If the new build programme is not achieved on time then the rents will not come in (as has happened this year) and it will effect the income and reduce the strategic reserves further. I have amended this slightly to try and make it clearer, because adjustments were made in the Q2 forecast.

Table 7: Earmarked reserves

Reserves	Balance at 31 March 2025 £'000	Forecast Balance at 31 March 2026 £'000	2026/27 Budget Deficit £'000	Forecast Balance at 31 March 2027 £'000
Working Balance	(1,000)	(1,000)		(1,000)
Strategic Reserves	(5,202)	(3,560)	906	(2,654)
Total Reserves	**(6,202)**	**(4,560)**	**906**	**(3,654)**

4.33 The Council holds £1m in the working balance which equates to around £300 per property.

Capital

4.34 The proposed capital programme for 2026/27 is shown in the Table 8.

Commented [J(12]: The years in this para and the years in the name of table 8 and the headings in the table don't tie up?

Commented [J(13R12]: Same comment for table 9

Table 8: HRA Capital Programme 2026/27 to 2027/28

Description	2025/26 Original Budget £'000	2025/26 Revised Budget £'000	2025/26 Forecast £'000	2026/27 Budget Requirement £'000	2027/28 Budget Requirement £'000	2028/29 Budget Requirement £'000
Planned Maintenance						
Roofing	3,096	3,096	1,000	1,753	1,792	1,822
Window and Door Replacement	686	686	1,120	813	829	846
Central Heating	758	1,313	800	1,344	1,043	1,064
Bathrooms	538	538	400	363	268	274
Garages, Forecourts & Stores	8	8	25	1,003	1,023	1,044
Insulation	12	12	340	303	309	316
Water Mains	-	-	-	65	66	68
Kitchens	1,161	1,161	250	862	879	896
Major Voids	-	-	450	200	204	208
Electrical Works	-	-	25	150	153	156
Fire Doors	7	7	100	333	332	354
Fire Detection (FRA)	291	291	222	367	296	104
Emergency Lighting	38	38	-	38	15	16
Warden Call	39	39	-	10	10	10
Fire Compartmentation Works	-	-	17	258	255	260
Mechanical BMS SHUS's	-	-	-	30	-	-
LOLER Lift and roller shutters upgrades	-	-	-	25	-	-
Mechanical Heating upgrades SHUS's	-	-	-	100	-	-
Electrical upgrades SHU's	-	-	-	60	61	62
Water Hygiene upgrades	-	-	-	20	20	21
Misting system purchase/installations	-	-	-	10	10	10
Weston Court fire escape path	-	-	-	130	-	-
Planned Maintenance	**6,635**	**7,190**	**4,749**	**8,237**	**7,565**	**7,531**

Description	2025/26 Original Budget £'000	2025/26 Revised Budget £'000	2025/26 Forecast £'000	2026/27 Budget Requirement £'000	2027/28 Budget Requirement £'000	2028/29 Budget Requirement £'000
Other Responsive Maintenance Work						
Rewiring	406	406	100	826	530	541
Roads and Paths	21	21	100	155	158	161
Dampness & Condensation	46	46	76	117	119	122
Sheltered Units - Compartmentation	1,244	1,244	940	1,511	1,836	31
Major Improvements			100	109	111	113
Structural Works	51	51	51	60	61	63
Sewage Treatment Works				115	117	120
Unadopted Drains & Sewers	248	248	248	-	-	-
Asbestos Improvements	98	98	126	163	166	170
Other Responsive Maintenance Work	**2,114**	**2,114**	**1,741**	**3,056**	**3,098**	**1,321**
Decarbonisation Match Fund	2,383	2,809	2,809	2,895	884	-
Social Housing Decarbonisation Match Fund	**2,383**	**2,809**	**2,809**	**2,895**	**884**	**-**
Other Work						
Environmental	218	572	200	212	216	221
ICT Projects	550	616	616	310	136	138
Council House Adaptions	538	538	538	563	574	586
Other Work	**1,306**	**1,726**	**1,354**	**1,085**	**926**	**945**
New Build						
New Build/Acquisitions	-	4,365	750	-	-	-
Mendlesham New Build	-	894	894	-	-	-
Paddock House	2,469	3,469	1,600	4,094	-	-
Stowmarket Middle School	-	166	166	-	-	-
Cedars Park C and D, Stowmarket	75	455	480	-	-	-
Lorraine Way, Bramford	1,407	1,407	254	-	-	-
Harleston Corner, Harleston	-	14	14	-	-	-
New Build	**3,951**	**10,771**	**4,159**	**4,094**	**-**	**-**
Total	**16,387**	**24,610**	**14,812**	**19,367**	**12,473**	**9,797**

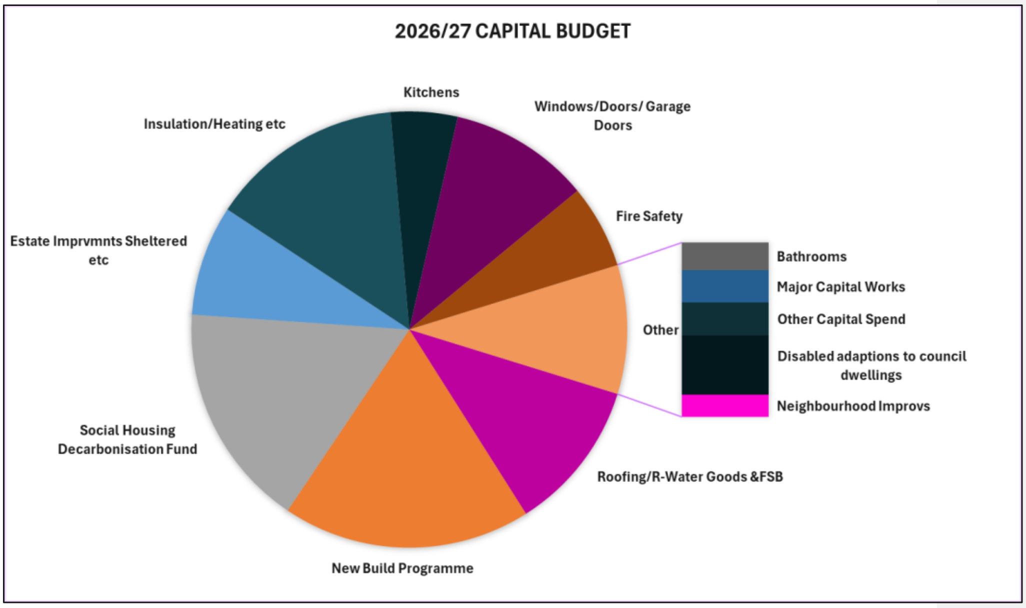
Table 9: HRA Capital Financing 2026/27 to 2028/29

Commented [J(14]: The totals of this table are different to the totals of table 8?

CAPITAL PROGRAMME 2026/27	2025/26 Budget	2025/26 Q2 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
HRA Financing	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Decarbonisation Grant	-	-	406	518	-
Commuted Sums	-	-	-	-	-
RTB Receipts	1,314	1,648	546	-	-
Other RTB Receipts	44	44	149	154	158
Other Capital Receipts	563	1,532	2,780	-	-
Major Repairs Reserve	4,200	4,200	4,329	4,416	4,504
Revolver Borrowing	18,489	7,388	11,156	7,386	5,134
Total HRA Capital Financing	**24,610**	**14,812**	**19,367**	**12,473**	**9,797**

4.35 The Capital Programme for 2026/27 totals £19.367m, chart 2 shows a breakdown of planned spend, the largest being new build programme, social housing decarbonisation and insulation/heating.

Chart 2: 2026/27 Capital Budget



4.36 The Capital budget includes the wave 3 funding from the Social Housing Decarbonisation Fund.

4.37 The Capital Programme has been strategically developed to ensure compliance with both EPCC and Decent Homes targets. We are on track to achieve EPCC by 2028/29, providing a one-year buffer ahead of the 2030 deadline. In terms of Decent Homes, the team is focused on reducing the current 15% of MSDC non-decent properties to 4.7% next year. By the end of the following year, we anticipate being on course to meet our long-term target of 1%. The only potential delays relate to properties requiring structural monitoring, such as those affected by subsidence, which necessitate extended assessment periods.

4.38 The only remaining development next year will be Paddock House.

4.39 Following the 2024 Autumn Statement, in which the Government announced a significant reduction in Right to Buy (RTB) discounts, we revised our budgeted RTB sales for 2025/26 down to six. However, due to processing times on existing applications, actual activity has been higher than anticipated, with 14 completions recorded in the first half of this year. This spike is expected to be temporary, with volumes forecast to fall sharply next year. Under the new policy, the maximum cash discount, previously £136k will reduce substantially to between £16k and £34k, depending on location. The intention behind this change is to help preserve the existing stock of social housing and ensure that homes sold under RTB can be replaced more effectively.

4.40 The current agreement on spending Right to Buy receipts includes several key provisions aimed at enhancing the flexibility and effectiveness of using these funds for replacement housing:

- Extended Timeframe: Local authorities now have five years to spend new and existing Right to Buy receipts, up from the previous three years.

- Increased Contribution: The maximum permitted contribution from Right to Buy receipts to replacement affordable housing was increased from 50% to 100% for the financial years 2024/25 and 2025/26.

- Use with Section 106 Contributions: Right to Buy receipts can now be used alongside Section 106 contributions, which are funds developers must provide for community benefits.

- Acquisition Cap Lifted: The cap on the percentage of replacements delivered as acquisitions each year has been lifted for the same two-year period.

- Retention of Receipts: Local authorities are no longer required to return a proportion of the receipts from Right to Buy sales, allowing them to better replace homes sold under the scheme

These measures are designed to give local authorities more freedom in using their Right to Buy receipts to address housing needs effectively.

5 RENT SETTING REGIME

5.1 The introduction of Formula rent by the Labour Government in 2002 aimed to align rents in social housing (both local authority and housing association properties) over a ten-year period. The formula considered factors like property values and local earnings, with a "bedroom weighting" to better reflect the value of different properties.

5.2 The goal was to eliminate arbitrary rent differences and create a more equitable system for tenants. Since then, the approach to rent setting has evolved, including changes under subsequent governments, but the initial framework laid the groundwork for how social housing rents are determined today.

5.3 The introduction of Rent convergence in 2002 aimed to address historical discrepancies in rents across comparable properties, ensuring that rents reflected a national formula based on property values and local earnings.

5.4 Current rent levels in Mid Suffolk. The practice of rent convergence ended in 2015. This left properties below the current social rent level (Target) rent.

5.5 The rent reduction of 1% starting in April 2016 for four years and the rent cap of 7% in 2023/24 exacerbated this.

5.6 The introduction of rent Tolerance has its roots in housing policy, beginning during the period of large-scale stock transfers (LSVTs). During this period, Councils started to transfer properties to housing associations; several advantages, including private finance and decent homes funding, prompted this. The Government actively encouraged the introduction of Tolerance because this led to a higher value of housing stock, so when the housing association purchased it, the Government would have less debt to write down.

5.7 The application of Tolerance is standard practice in the Housing Association sector. However, in recent years, councils have been using the option to fund upgrades and improvements.

5.8 The rent set may include an upward Tolerance – "Rent Flexibility" – of 5% of formula rent where accommodation is not supported. For supported housing, the upward Tolerance level is 10% from April 2026.

5.9 Mid Suffolk faces increasing financial challenges. This is against the backdrop of further financial pressures, such as Awaab's Law and the evolving Decent Homes Standard. The investment needed to bring the Councils properties up to a good standard could lead to further pressures. There is also a lack of provision in the business plan to retrofit properties and blocks of flats. The current financial position remains a concern and is as follows:

- The business plan only maintains the minimum balance of £1m until year 29.
- The Council requires significant additional income to meet the emerging requirements of tenants and the Regulator.

6 BUSINESS PLAN ASSUMPTIONS

6.1 The following assumptions have been made in the business plan:

- Updated employee costs incl. pension changes
- Rent Convergence at £1 per week for 2027/28 and £2 per week from 2028/29 (see below details)
- Capital budget based on data from the stock condition survey and revised with latest plans.
- Voids set at 1.25%
- MSDC GF Capital Receipt from sale of land at Needham Market former offices that was not developed.
- 5% tolerance added to Social Housing relets
- 10% tolerance added to Sheltered Housing relets
- Reduction in Right to buys reduced to 6 per year until 2035/36, when it is assumed that the scheme will end
- Build programme to complete in 2026/27

Rent Convergence

Background

6.2 Rent convergence refers to the process of aligning social housing rents with government-defined target rent levels.

Government Consultation

6.3 In the summer, the government launched a consultation proposing two options for annual rent increases to support convergence:

- £1 per week

Commented [J(15]: What is this assumption?

Commented [DF16R15]: Checking with Holly Brett.

Commented [DF17R15]: This is the sale of needham market HQ which is in the HRA not GF

Commented [J(18R15]: so is it the £3m we have in the GF?

Commented [ME19R15]: @David Feveyear-Ward can you confirm please

Commented [DF20R15]: Yes although it is not specifically referenced, it was previously in the 'Ambition' programme

- £2 per week

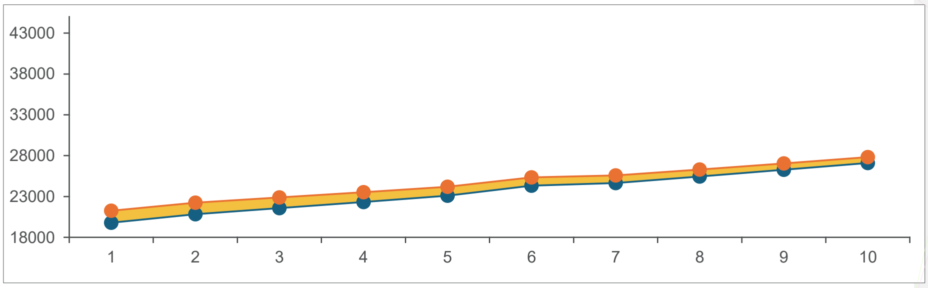
These incremental uplifts were intended to provide a structured pathway to achieve target rents over time.

Current Position

6.1 The decision on which option to implement was expected in the Autumn Statement but was delayed until 28 January 2026. The government have confirmed that a £1 increase will be allowed for the 2027/28 followed by a £2 increase thereafter. The impact on the business plan is an adverse movement in 2027/28 of £130k on gross rent. The impact of the £1 compounds over the life of the plan and results in the plan dropping below the minimum working capital balance in the last two years of the plan (year 29 and 30).

6.2 In reality this will not happen as measures by the Housing Team will have been taken to avoid dropping below the minimum working capital balance. The business plan provides us with an opportunity to plan for these events and ensure mitigations are in place well ahead of time to avoid dropping below the £1m balance.

Graph showing difference between budgeted Rental Income and income without convergence



£5.13m less income over 30 years without rent convergence

7 LINKS TO OUR PLAN FOR MID SUFFOLK

7.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in Mid Suffolk's Plan. Specific links are to ensure we are financially responsible with public money.

8 FINANCIAL IMPLICATIONS

8.1 These are detailed in the report.

9 LEGAL IMPLICATIONS

9.1 There are none that apply.

10 RISK MANAGEMENT

10.1 Key risks are set out below:

Commented [J(21]: This graph would benefit from reducing the top end of the scale of the y axis.

Commented [J(22R21]: also the x axis scale only goes up to 10, not 30?

Commented [DF23R21]: We can action this, just need to find the source file which I can't find at the moment

Commented [ME24R21]: @Janet Pearson (Cllr) we will need to get the consultant to change this for us - will update for the Council version

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference*
HRA: Mid Suffolk District Council may fail to be financially sustainable	2	4	Continued monitoring and reporting of the Councils financial position including actual and reserves. Cabinet briefings to review position and budget options. External value for money audits. Development of robust HRA Business plan (over 30 years) Reduction of development programme to save costs Building services transformation programme Benchmarking and reviewing each service within directorate to realise any savings, decreased customer touchpoints and decreased value for money Regular meetings with Dir of Housing, Finance Business Partner and Business Plan Consultant to ensure 30 year business plan is current and accurate Tactical management team review of LGR requirements	Strategic Risk Register SRR008MSDC

11 CONSULTATIONS

11.1 Consultations have taken place with the Director, Heads of Service and other Budget Managers as appropriate.

12 EQUALITY ANALYSIS

12.1 The Director and Heads of Service will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

13 ENVIRONMENTAL IMPLICATIONS

13.1 The Councils strategic priorities state that environmental and social responsibilities will be at the heart of all the work the Council does. Directors, Heads of Service and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.

13.2 In support of the Councils commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken in relation to the housing and sheltered accommodation stock. These are set out in more detail below.

13.3 The new homes ‘design and technical specification’ that incorporates carbon saving solutions and improve energy efficient standards for all new homes built by the Council and its Growth Company, has now been adopted by the Council.

13.4 A review of Social Housing solar systems performance is underway and will be used to further inform social housing energy generation.

13.5 Social Housing - we are following a programme of energy retrofits to the poorest performing properties rated with an Energy Performance Certificate rating of E and below, with a view to submitting further match funding bids to the Government’s Social Housing Decarbonisation Fund (SHDF). A five-year programme of energy retrofits is under development aimed at raising all social housing to an Energy Performance Certificate rating of C or above.

14 APPENDICES

Title	Location
30 Year Business Plan	Appendix A

15 BACKGROUND DOCUMENTS

MCa/25/38 Housing Revenue Account (HRA) Financial Monitoring 2025/26 Q2 Outturn

MCa/25/36 Housing Revenue Account (HRA) 2026/27 Draft Budget and 30 Year Business Plan

MC/25/34 Housing Revenue Account (HRA) Business Plan 2026/27

MCa/25/49 HRA and 30 Year Business Plan

Retained Right to Buy receipts and their use for replacement supply: guidance - GOV.UK

16 REPORT AUTHORS

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