

Report to	Housing Advisory Board
	5 th March 2026
Agenda No. & Title	Item 7 2026-27 Budgets and Business Plan
Purpose of the Report	For information report outlining current position re HRA Budget for 2026-27, and 30-year Business Plan.
Status	For information
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Appendices	n/a
Background Documents	Cabinet Budget Report – 11 th February 2026
Recommendation/s	The meeting should note that the HRA Budget for 2026-27 was agreed by Cabinet on 11 th February 2026. Alongside the in-year budget a 3-year indicative budget in line with the Council's Medium Term Financial Strategy, and to maintain consistency with the General Fund has been prepared. In addition, the HRA Capital Plan for 2026-27 was agreed, as well as again a 3-year indicative budget in line with the General Fund Capital Plan. An indicative 30-year Business Plan has also been prepared, but it should be noted that this presents a far more challenging picture in terms of balancing future service need with resources.
Corporate Plan Objective	<input checked="" type="checkbox"/> Satisfied Tenants <input checked="" type="checkbox"/> Quality Homes <input checked="" type="checkbox"/> United Communities
Risk Implications	<p>There is a risk that the council breaches its duty to ensure that the HRA does not go into deficit.</p> <p>Ongoing risks exist in relation to external impacts on the cost of service delivery. The impact of inflation, for example, resulting in increased costs to the service through cost of materials, contracts, and other building costs; the volatility of energy costs, to both tenants and to the council; and pay increases etc.</p> <p>Rental income is the main income source for the housing service. The impact of tenant debt and reduced income (through rent and other</p>

	housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning.
Risk Controls and mitigations	<p>A number of mitigations have been put in place;</p> <ul style="list-style-type: none"> • Ongoing monitoring of annual revenue and capital budgets • An action plan to reduce rent arrears and increase income collection • Efficiency savings targets have been built into the business plan to ensure the plan is brought back to a positive cash balance • A review of all management costs to ensure value for money • A review of the 30 year investment plan
Assets and Liabilities	
Resource Implications	The decision to agree the HRA Budget for 2026-27, ensures that there is a balanced budget in place to deliver housing services moving forward, and to deliver services that match the ambitions of Cabinet and tenants.
Customer Impact	Covered in full budget report
EDI Implications	N/A
Sustainability and Environmental Implications	N/A
Privacy/Data Protection	N/A
Colleague Impact	N/A
Stakeholder Communications and Reputational Impact	N/A
Next Steps	<p>The next steps are to;</p> <ul style="list-style-type: none"> • Improve rent collection and reduce rent arrears to ensure the

income coming into the HRA is maximised

- Identify efficiency savings within the housing service to reduce management costs and reduce capital expenditure.
- Carry out a review of service charges to ensure that they are being fairly charged and collected.

Housing Revenue Account (HRA) Budget 2026-27

Introduction

One of the key roles of Cabinet is to agree and set the rent increase and the HRA Budget for the coming year. The timing of this process within the Council's overall budget schedule is critical, because once the rent increase is agreed, all the necessary changes must be made to systems, along with testing to ensure everything is correct so that tenants can be written to informing them of their rent charges for the coming financial year. It is a statutory requirement that tenants must be given a minimum of 28 days' notice of these changes before they are implemented. Cabinet agreeing the HRA Budget for 2026-27 on the 11th of February 2026 ensures that there is sufficient time to carry out all necessary testing and have everything in place for the coming year. This briefing note looks at the key core elements that impact budget setting both in-year and for the long-term.

HRA Budget and Capital Plan 2026-27

HRA 2026-27

HOUSING REVENUE ACCOUNT(HRA) - HRA BUSINESS PLAN 2026-29

	<u>2025/26</u> <u>Forecast</u> <u>Outturn</u> £m	<u>2026/27</u> <u>Draft</u> <u>Budget</u> £m	<u>2027/28</u> <u>Draft</u> <u>Budget</u> £m	<u>2028/29</u> <u>Draft</u> <u>Budget</u> £m
INCOME				
Rental Income - Dwellings	-37.103	-38.633	-40.516	-42.347
Convergence Impact	0.000	0.000	0.000	0.000
Charges for Services and Facilities	-1.067	-1.126	-1.160	-1.194
Non-Dwelling Rents	-0.181	-0.219	-0.219	-0.219
Interest and Investment Income	-0.810	-0.664	-0.434	-0.395
Contributions Towards Expenditure	-0.005	-0.005	-0.005	-0.005
Contribution from Balances	0.000	-9.081	-5.517	0.000
Total Income	-39.166	-49.728	-47.850	-44.160
EXPENDITURE				
Supervision and Management	12.271	12.665	12.811	12.963

Special Services	1.660	1.333	1.359	1.387
Repairs and Maintenance	9.157	11.409	11.412	11.426
Revenue Support to Strategic Investment	0.000	8.500	5.250	0.000
Depreciation/Major Repairs Reserve(MRR)	8.988	9.167	9.442	9.725
Debt Interest and Debt Management Expenses	4.179	5.293	5.875	6.153
Debt Repayment / Debt Set Aside	0.105	0.000	0.000	0.000
Bad Debt Provision	0.567	0.565	0.593	0.619
HRA Share of Corporate and Democratic Core Costs	0.400	0.418	0.426	0.435
Empty Homes Council Tax Costs	0.200	0.200	0.200	0.200
Impact of RTB changes on Allowable Debt	0.000	0.178	0.481	0.482
Contribution to Balances	1.639	0.000	0.000	0.770
Total Expenditure	39.166	49.728	47.850	44.160
Net Expenditure	0.000	0.000	0.000	0.000
HRA Reserves				
Balances Brought Forward	-16.747	-18.386	-9.305	-3.788
In-Year	-1.639	9.081	5.517	-0.770
Balances Carried Forward	-18.386	-9.305	-3.788	-4.558

APPENDIX 1 - PROPOSED HOUSING REVENUE ACCOUNT (HRA) CAPITAL INVESTMENT PLAN 2026-29

<u>Programme Title</u>	<u>2025-26 FORECAS I OUTTURN £000</u>	<u>2026-27 BUDGE I £000</u>
HRA Schemes	25,000	31,261
Made up of:		
Disabled Adaptations	1,892	1,200
Externals - Windows & Doors, re-pointing, Lintels etc (Re-programming and Re-provision)	954	1,885
Externals - Roofing etc - (Re-programming and Re-provision)	4,394	595
Internals - Kitchens & Bathrooms, Heating etc (Re-Programming & Re-provision)	1,291	1,395
Garage Colonies (Re-programming & Re-provision)	103	2
Communal Areas (Re-Programming, Re-provision & New Provision)	1,523	974
Garage Sites	0	100
Major Refurbishment Works - Sheltered Estate	0	2,000
Major Refurbishment Works - Bathrooms, WCS, Showers etc	0	775
Major Refurbishment Works - Kitchen & Kitchen Extraction	0	2,799

Major Refurbishment Works - Heating and Hot Water	0	2,015
Major Refurbishment Works - Cladding, External Decoration, Lintels, Porches etc	0	353
Major Refurbishment Works - Doors, Front Door, Rear Doors, Flat Entrance Doors	0	364
Major Refurbishment Works - Windows	0	969
Major Refurbishment Works - Roofing, including rainwater goods, soffits, loft insulation etc	0	420
Carbon Reduction Schemes - Sustainability Improvement Measures	9,338	5,600
Compliance Measures:-		
Asbestos Removal	30	250
Fire Risk Assessment (FRA) Type 3 Remediation Works	1,263	1,500
Boiler Replacements	140	140
Ad Hoc Renewals raised by Compliance Team	1,005	800
Capital Works delivered by Responsive Repairs Team:-		
Ad Hoc Renewals raised by Repairs Team	374	600
Drainage & Guttering	0	200
Stairlift Renewals	0	20
Structural Works - Various Properties	475	300
Asset Management Team Measures:-		
Advanced Design (Planning & Delivery)	100	125
Miscellaneous Renewals raised by Asset Management Team (AMT)	500	250
Stock Condition Surveys	200	0
Capitalised Salaries	858	1,100
Other Capital Elements:-		
IT Strategy - Housing Systems Upgrade/Enhancement/Replacement	0	660
Development:-		
New Build (The Elms)	0	500
Acquisitions (School Street/Seedfield)	560	2,620
Refurbishment - bringing properties back into use (Eton Hill Flats & Bronte Ave)	0	750

TOTAL: HRA INVESTMENT PLAN 2026-29

25,000

31,261

FINANCING:-

RTB Capital Receipts - Retained	560	3,120
Commuted Sums (S106)	0	0
RTB Capital Receipts - Other	2,407	0
Revenue Contributions	0	8,500

Grant Income	2,330	0
Depreciation/Major Repairs Reserve	8,988	9,167
Borrowing	10,715	10,474
TOTAL:FINANCING	25,000	31,261
	0	0

Key Elements of the Budget

There are a number of key elements that need to be considered when putting together the HRA Budget and Business Plan, all of these are covered in more detail in the Cabinet Budget report so we will just touch briefly on them here:

- Rental Income and Service Charges

- National Social Rent Policy set by Government for 10 years – CPI (@Sept) + 1%
- CPI September 2025 was 3.8% - hence recommended rent increase for 2026-27 – 4.8%
- Rent Convergence – pushed back to April 2027 due probably to inflation being above target.
- From April 2027 – rent increase will be maximum of CPI + 1% + £1
- From April 2028 – rent increase will be maximum of CPI + 1% + £2
- Will continue until all rents have “converged” and reached Formula/Target Rent. Will take at least 10 years for all Bury properties to converge. If that happens should by then be eligible to collect an estimated £4m extra per annum in rent.
- (Approx £1.2m of collected rent is handed over to Springs TMO for management and maintenance of just under 300 properties they manage).

- Other Income

- Service Charges/Garage Rents – increasing by 4.8% same as rents.
- Estate Shops etc – income depends on specific negotiated leases for each property and when they were let, subject to periodic review.

- Interest on Balances

- HRA share of investment interest earned on short-term balances – will reduce significantly over next few years, partly because of downward trend in Bank of England Base Rate, but also because a significant proportion of HRA balances will be used over the next two years to help fund the Capital Investment Plan.

- Asset Management Plan (to determine Capital requirements)

Council has had stock condition survey work undertaken over the last 18 months which is still being finalised but has been used to feed the Lifespan Asset Management System operated

by the Council. This has been used to give indicative figures to feed into the 30-year HRA Business Plan, but it is acknowledged that there is still work to be done to firm up the quality of the long-term data and information coming out of the system.

The Council as part of the restructure of the Asset Management Team within Housing Services, is recruiting resource to enable it to develop an internal stock condition survey team. This is so that the data can be constantly updated and fed into the AMS to give us better quality long-term data. The long-term efficacy of the Lifespan system is also being looked at to see if a more suitable alternative is needed.

In terms of the short-term budgets a much more resource-intensive process was undertaken to ensure that we have a Capital Plan for the next three years which addresses the most pressing issues facing our existing stock. This will see a total of circa £60m invested in the existing stock over the next 3 years, and circa £10.8m invested in new build, acquisitions and refurbishment to bring stock back into use.

- **Depreciation**

Technically this is supposed to represent the amount of investment required to maintain the existing stock at the Decent Homes standard, but as the estimated charge for 2026-27 stands at just over £9.000m, it can quickly be seen that this is way short of the resources required just to maintain the existing stock, which is in the region of £27.000m for 2026-27.

- **Treasury Management Strategy (TMS)**

Self-financing - £78.000m of additional debt to buy out of subsidy.

Lack of investment and lack of a clear TMS in relation to the HRA, means that we have little room for flexibility re financing for Capital Plan. Limited revenue balances will be depleted over next few years, meaning without additional resources, and reduced costs the Council's HRA debt will increase considerably over the medium to long-term.

- **Supervision and Management Costs**

£12.665m – total costs of managing the HRA and running the Housing Management Service.

This includes all of the costs that relate to Housing being part of the wider Council and includes all central services provided to Housing e.g. Legal, HR, Finance, ICT etc, plus share of costs for the Democratic process have to be incurred and these are significant, and Housing has little control over these costs which are allocated centrally.

- **Repairs and Maintenance Costs**

Recognised on return of STH to the Council that the Repairs and Maintenance function was not fit for purpose. Hence, following management restructure and a Zero-Based Budgeting exercise significant additional resource has been put into the budget, which will see over £11.400m spent on this service in 2026-27. This investment starts to recognise the implications of improved Fire Safety measures, and the implications of Awaab's Law which impacts on service delivery and available resources.

All of these issues have been factored into producing a balanced budget for 2026-27 and in

producing balanced indicative budgets for the following two years in line with the Council's Medium Term Financial Strategy (MTFS).

HRA 30-Year Business Plan

As part of the budget process a refreshed plan was produced in consultation with Abovo-Consult who provide our Business Planning model. This is an indicative long-term plan which in an ideal world would balance. As it currently stands for Bury Council we have managed to produce a plan which balances for the first 20 years, before it then succumbs to mounting pressures and goes into deficit., which the HRA cannot legally do at that point.

However, it should be noted that even small changes in levels of resources collected, or small cost savings now in the early years of the plan can have a massive impact on being able to balance the plan in the long-term. This is critical to try and make inroads into a scenario that increasingly starts to rely more and more on borrowing to finance the Capital Investment Plan.

We have started on this journey by starting to look at efficiency targets over the next 4 years, with a current savings target already built into the plan of a saving of £0.500m per annum, resulting in a £2.000m reduction in the cost base as a minimum target over that period. This is just the start of a major challenge for the authority to get costs under greater control, maximise all sources of available revenue, to enable us to provide the best possible service to our current and future tenants.