

CABINET

Housing Revenue Account and Capital Programme 10 February 2026

Report of Chief Officer for Housing & Property and the Chief Officer Resources (Section 151 Officer)

PURPOSE OF REPORT				
To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision		12 th December 2025		
This report is public				

RECOMMENDATIONS OF Councillor Jackson

- (1) That for existing council housing tenancies rents will increase by 4.8% (CPI + 1%) from 6th April 2026 in accordance with statutory requirements.
- (2) That for new council housing tenancies starting within 2026/27 from 6th April onwards, rent flexibility will be applied where applicable, being 5% above 'formula rent'¹ for general needs housing and 10% above 'formula rent' for supported housing, in line with statutory flexibilities². Where rent flexibility is not applicable, rents will be set at 'formula rent' on re-let.
- (3) That garage rents be increased at CPI +1% in line with dwelling rents.
- (4) That the minimum level of HRA unallocated balances be retained at £750,000 from 01 April 2026, and that the full Statement on Reserves and

¹ The principle of reletting properties within year at 'formula rent' is in line with previous years. This applies to properties whose rent has not already achieved the government's 'formula rent' – a calculation to produce a social rent based on local conditions and circumstances. The fact that the average rent increase between 2025/26 and 2026/27 is not *exactly* 4.8% is explained by the fact that some properties within year increase to 'formula rent' and therefore increase the figures used for comparison.

² Within the rent policy statement on rents for social housing, councils can charge social rents at 5% above the formula rent as calculated by the rent restructuring formula. If an authority opts to apply the flexibility, it can only be applied at re-let, so does not directly affect any current tenants. Lancaster City Council does not currently apply this flexibility, but in doing so, recognises the significant additional investment, required across the housing stock

Balances as set out at Appendix E be endorsed and referred on to Budget Council for approval.

- (5) That a delegated decision to approve the tender of three programmes of work (over £200K and key decisions over £250K) during 2026/27 can be made by the Chief Executive (as per 7.4 below) and in line with procurement rules.
- (6) That subject to the above, the resulting Housing Revenue Account budget for 2026/27 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.

1. Introduction

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.
- 1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities, contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions. Whilst the outcome of Local Government Reorganisation is yet unknown, it will be expected that the Council continues to support our tenants and provide decent homes throughout the transition period in line with regulatory requirements.
- 1.4 Council housing provides decent, secure homes that are affordable to households on low to modest incomes. Across the country, though, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available³. As such Lancaster City Council joined over 100 other Councils in signing the 'Securing the Future of Council Housing' report⁴ commissioned by Southwark Council in 2024, setting out a practical, long-term plan for government to support the much needed improvements and

³ According to the most recent government Social Rent Convergence consultation: [How to implement Social Rent convergence - GOV.UK](#) reports: *In aggregate across all 162 Local Authority Registered Providers (LARPs) with Housing Revenue Accounts, spending has exceeded turnover in 4 of the past 5 years, leading to a corresponding decrease in aggregate reserves as they are used to cover the shortfall in the ring fenced account (July 2025).*

NB: The Council has received new burdens funding of around £16K per annum since 2023 in the implementation of Tenant Satisfaction Measure data collection, and £19K in 2025 to support with the work around Residential Personal Emergency Evacuation Plans for residents who require them.

⁴ [Securing the Future of Council Housing](#)

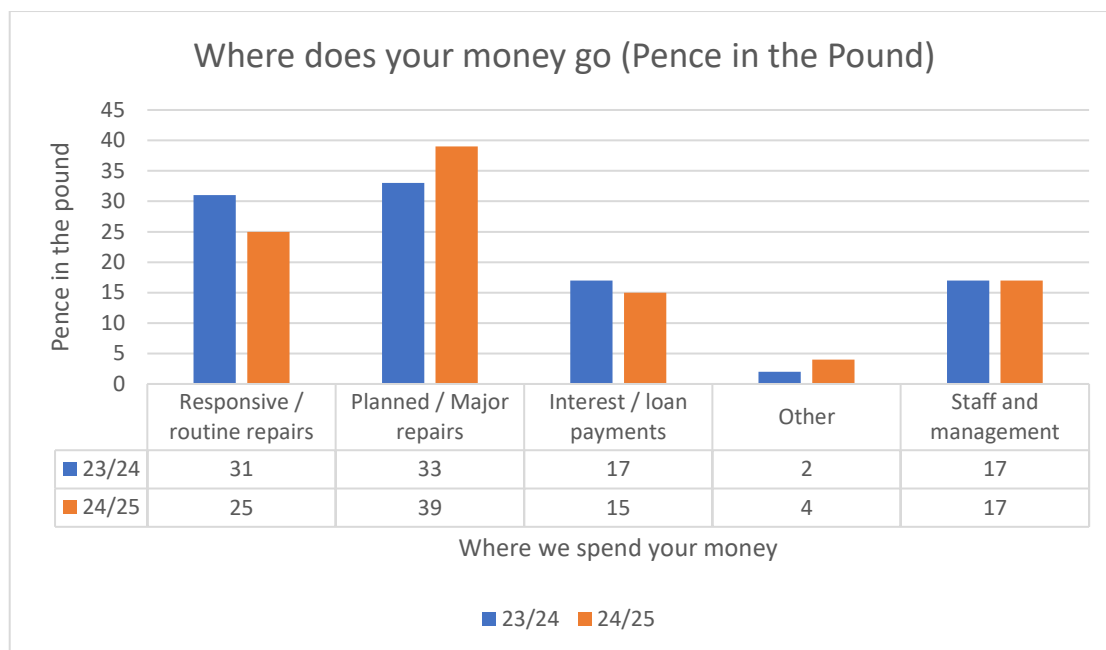
growth of Council Housing, and is a key member of the newly formed Association of Directors of Housing which seeks to share information and lobby government on the state of Housing Revenue Accounts and wider housing matters.

- 1.5 Over the past few years the Council has sought to meet these increasing demands including, for example, through fire remediation and other compliance improvements; increased support for tenants; an increased focus on housing health and safety including improvements to damp and mould reporting and removal; specialist community safety services; increased tenant engagement and through increased provision of a face-to-face community presence in preparation for the new regulatory regime. This is whilst continuing to seek to maintain stock decency and address both the Council's and government's ambitions of increasing social housing. A key focus over the coming 12 months will be to develop our response to the Competence and Conduct standard⁵ which comes into force towards the end of 2026 as another new requirement placed upon housing providers.
- 1.6 It should be noted that within a number of financial years since the HRA self-financing settlement of 2012 the ability of the Council to raise rents in line with inflation has been restricted. For four years between 2016/17 and 2019/20 a government mandated rent reduction of 1% year-on-year was imposed. In addition, for the financial year 2023/24 the maximum rent increase was capped by the government at 7% for existing tenants, falling short of inflation which was running at 10.1% in Sept 2022 – the figure which would normally be used for the purpose of rent setting for the following April. These restrictions have removed tens of millions of pounds from the life of the HRA 30-year business plan. Over the summer of 2025 the government consulted on the implementation of rent convergence⁶, on the basis of either £1 or £2 per week, whilst the outcome of this was expected to be announced during the Autumn 2025 statement, this was delayed until 28th January 2026) The commitment from Government has been that rent convergence can be implemented but not until 2027 at £1pw, followed by £2pw from 2028 onwards, therefore leaving rents to continue to fall further behind over this period. Nonetheless, even at the higher £2pw this increase falls short to support the requirements placed upon housing providers and investment needed in stock currently.
- 1.7 The chart below, using year-end figures from 2024/25, gives an indication of how income received by the Housing Service is spent. For every pound of income, we have seen an increase to a more proactive approach to our work with around forty per cent of tenant's money contributing to planned and major repairs; a quarter is spent on responsive repairs; and the remaining third funds staff and management, interest and loan payments, and other costs.⁷

⁵ [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

⁶ [How to implement Social Rent convergence - GOV.UK](#)

⁷ For clarity, 'Staff and Management' refers to costs including employees, premises, supplies and services (software, subscriptions, bank charges etc), support services (internal recharges) and transport (officer travel expenses).



2. Achievements and Challenges 2025/26

2.1. Key achievements:

- The Housing Support Team continued to support council tenants to sustain successful tenancies by, for example:
 - Securing an additional £667,458.10 in income through the three quarters of the year through benefit and other income maximisation work
 - Carrying out 245 Tenancy Health Checks, so far this year
 - 100% of supported tenancies remained active after 12 months.
- Plans to redevelop a number of existing garage sites for small scale Council Housing development has taken another step forward with the successful award of MHCLG grant for Hastings Road to get the Council to a start on site position alongside funded support from the Council Housebuilding Support Service.
- The Council Housing Income Management Team has continued to deliver sector leading performance, supporting tenants to successfully manage their rent accounts and sustain tenancies. Key achievements include:
 - Maintaining excellent performance around current tenant rent arrears
 - Providing 46 new tenants with furniture packages to help sustain their accommodation.)
- Mandatory Tenant Satisfaction Measures (TSM) survey carried out, showing improvements in satisfaction across the majority of survey questions compared to the previous 12 months. Whilst satisfaction has dropped slightly down 1% on last year – it remains 4% higher than the previous year. Whilst four measures are now well placed at over 80% satisfaction (Safe Home, Repairs in the last 12 months, Kept Informed, and Treating residents fairly and with respect). Overall benchmarking our

results is likely to place Lancaster City Council in the top 25% of local authorities nationally.

- Full in-house planned and responsive repairs service delivered, projecting an estimated 12,000 repairs completed across the year, around 100 kitchens replaced on a planned programme, and delivery of wider planned and capital programmes of works contracted out.
- Implementation of Awaab Law requirements in October 2025 improving our handling and reporting of damp and mould cases.
- High levels of compliance and reassurance against all key areas (gas, electrical, water, asbestos, fire, lifts, smoke and CO detection).
- Reviews and updates of a range of service policies and strategies, to be found on the Council Housing web pages⁸, including review of our Tenancy Strategy and the development of a new Vulnerability Policy.
- Continued development and delivery of programmes of works which deliver in line with the Council's climate emergency ambitions (see section 3 below). The Council secured £797,893 match funding from government's Warm Homes programme – improving the energy efficiency of c100 council homes raising to EPC C over the next three years.
- Successfully implemented the rehousing policy of residents residing within Bridge House, whilst simultaneously undertaking repair / corrective work to the outside of the building ensuring its safety prior to decommissioning.
- Development of a Skills and Training Development Strategy in preparation for the Competence and Conduct Standard later in 2026.
- Tenant-led scrutiny panel continues to go from strength to strength – in the past 12 months a review of block cleaning followed by a report and recommendations has been completed, the group have now commenced a review of the voids process completed by the Council⁹.
- Wide range of community engagement activities supported including residents' groups; summer community fun day; litter picks; garden competition; community gardens, skip days; Independent Living Scheme trips to Fleetwood, the Lakes and Blackpool, Christmas gatherings; and consultation events.

2.2. The strategic direction of the housing service continues to be delivered in response to:

- Wider Council priorities,
- The Regulator for Social Housing
- The Housing Ombudsman's requirements
- Changing legislation and anticipated changing legislation

2.3. Significant challenges are being faced by the housing service in the context of the current and changing landscape around social housing regulation. Expectations on service delivery continues to increase coupled with a challenging financial picture. Of particular note linked to regulation is:

- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the third year of data collection – see 2.1 above. The results and a formal action plan are reported annually to the Regulator of Social Housing¹⁰.

⁸ www.lancaster.gov.uk/housing/council-housing/about-us/our-policies

⁹ www.lancaster.gov.uk/housing/council-housing/my-neighbourhood/tenants-voice/scrutiny-panel

¹⁰ Information about the Tenant Satisfaction Measures, our collection method and results can be found at www.lancaster.gov.uk/housing/council-housing/about-us/tenant-satisfaction

- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files from the Building Safety Regulator is awaited.
- Ofsted-style inspections from the Regulator of Social Housing were introduced from April 2024, on a four-yearly cycle for all landlords¹¹. As at the time of writing Lancaster City Council has just commenced discussion with the Regulator around our inaugural inspection.
- A renewed focus on the customer complaints process through the introduction of a joint complaints code between the Housing Ombudsman and the Local Government and Social Care Ombudsman, including a mandatory submission of self-assessments and annual reports¹².
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments.
- Awaab's Law¹³ was introduced on 27th October 2025 – mandating housing providers to deal with reports of damp and mould within prescribed formats and timescales. The further extension of this into other Housing Health and Safety Rating System hazards is expected later this year.
- Since 1st December 2025 new social housing tenancies are required to have a 5-yearly electrical inspection completed with transitional arrangements for tenancies from before this date. As of the end of 2025, 99.97% of our homes and 100% of our communal areas meet the required standards.

Looking ahead:

- From 6th April 2026 – the Council will be required to implement Residential Personal Emergency Evacuation Plans (RPEEPS)¹⁴ for relevant residents in specified buildings.
- From October 2026 – the Competence and Conduct Standard¹⁵ will be implemented – driving increased professionalisation of the sector, including mandatory qualifications for certain staff. Further details on how this will be implemented by the Regulator of Social Housing is awaited.
- Throughout the second half of 2025, MHCLG consulted on Minimum Energy Efficiency Standards (MEES)¹⁶ in the social rented sector, focussing on requiring all homes to reach minimum EPC 'C' by 2030, this was confirmed in MHCLG's policy statement at the end of January 2026. More information on what we are doing to meet this target can be found in Section 3 below.

¹¹ [Regulatory judgements and enforcement notices - GOV.UK](#)

¹² More information about how we handle complaints and our performance can be found here: www.lancaster.gov.uk/housing/council-housing/about-us/performance/complaint-handling-performance

¹³ [Awaab's Law: Guidance for social landlords - GOV.UK](#)

¹⁴ [Residential PEEPs: Factsheet - GOV.UK](#)

¹⁵ [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

¹⁶ [Improving the Energy Efficiency of Socially Rented Homes in England - GOV.UK](#)

- During the same period, MHCLG also consulted on and confirmed changes to a reformed Decent Homes Standard¹⁷ from 2035, further details of this are not yet known.

The service will continue to keep abreast of forth-coming changes and plan accordingly.

2.4. In line with the above, expected key strategic priorities for 2026/27 are:

Priority	
A sustainable district	<ul style="list-style-type: none"> • Continued investment across the council's housing stock - see section 3 below. • Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard – unless specifically exempt), supported through funding bids where available. • Delivery of new energy efficient units of accommodation on Hastings Road.
An inclusive and prosperous local economy	<ul style="list-style-type: none"> • Provision of apprenticeship opportunities for local residents and seek opportunities to promote housing career pathways to local young residents, both through us and our contractors. • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contracts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions. • Seeking funds through government to invest in and increase our stock. • Creation of service agreement between Council Housing and Public Realm to ensure delivery of grounds maintenance and other public realm services in line with tenant priorities – including improved transparency for tenants around this service delivery.
Happy and healthy communities	<ul style="list-style-type: none"> • Supporting the work and continued development of resident scrutiny groups and Tenant Voice, co-creating opportunities for residents to contribute meaningfully to service development and the decision-making process. • TPAS accreditation – to ensure delivery of resident engagement adheres to best practice and is responsive to regulatory requirements around customer focus and the 'Tenant Voice'. • Continued development and delivery of services in line with regulatory requirements and the specific outcomes of the Consumer Standards.

¹⁷ [Consultation on a reformed Decent Homes Standard for social and privately rented homes - GOV.UK](https://www.gov.uk/government/consultations/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes)

	<ul style="list-style-type: none"> • Continued focus on reporting, recording, and remedial actions in line with Awaab's Law, ensuring adherence to Government requirements around timescales and other requirements to address problems, ensuring our residents live in damp and mould free homes. • Continued support of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks. • Continued investment in our housing stock ensuring homes are safe and hazard free. • Development of asset management programmes across housing stock following stock condition survey's – ensuring data is kept up to date. • Facilitating (and funding) community specific, community led projects where possible. • Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock. • Continue to develop and improve the way the Council delivers and reports on its block cleaning approach. • Developing a smaller, stronger neighbourhood approach to housing management.
A co-operative, kind and responsible council	<ul style="list-style-type: none"> • Continued preparation for a forthcoming inspection from the Regulator of Social Housing. • Investing and developing in our staff – with a focus on the forthcoming Competence and Conduct Standard • 'Place-based' working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood, including through the extension and further roll out of neighbourhood community plans. • Implementation of phase 1 delivery of comprehensive new housing management IT systems. • Working with and listening to resident groups about what's important to them, whilst supporting and encouraging others to be established. • Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations. • Ensuring Housing Ombudsman self-assessments are kept up to date. • Ensuring residents have opportunity to raise complaints and that the service listens, takes action, learns and shares information. • Review opportunities to undertake tenant census. • Focussed attention on triangulation of performance data and outputs from this.

	<ul style="list-style-type: none"> • Deliver against our Tenant Satisfaction Measure action plan. • Be mindful of and support on-going Local Government Reorganisation approach, whilst ensuring tenants are at the heart of future delivery.
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3. The Council Housing Response to the Climate Emergency

3.1. Council Housing has continued its programme of carbon reduction, energy efficiency measures and upgrades during 2025/26.

Energy Performance Certificate (EPC) Band C Housing Stock

The Council is in year 5 of an 8-year programme of 'fabric first' led energy improvement works across our Council stock. Our aim is to raise the energy performance rating of all Council Housing properties to a minimum 'C' rating by 2030 in line with Government requirements. This year the Council has secured £797,893 Warms Homes match funding to improve energy efficiency in circa 100 properties. This follows recent improvements to c130 properties using Social Housing Decarb Fund and LAD funding.

Currently the Council reports around 790 properties as below the EPC 'C' target – although the Council is keeping a close eye on legislative changes coming through Minimum Energy Efficiency Standards (MEES)¹⁸ including anticipated amendments to EPC calculations which will likely result in homes requiring reassessment and / or falling below the SAP rating figure to achieve EPC 'C'. The Council will continue to provide ongoing and additional improvements through the range of measures listed below, as well as ongoing support for those who live in properties which fall below the 'C' rating.

Void property, energy retrofit improvements

We will continue our major void programme which includes a significant energy performance retrofit component, following a fabric first rationale installing insulation and efficiency measures. We will build on the successful strategy this year and aim to return all Void properties for re-letting at a minimum 'C' rating and take all opportunity to exceed this standard. In 2025/26 we have completed 74 major voids so far.

Government decarbonisation scheme

Through 2025/26, the Council has continued delivery of energy improvement measures using external funding:

- The Social Housing Decarb Fund Wave 2.1 programme was concluded. This has added matched co-funding of approximately £700k throughout the total duration of the project to our existing capital programme for energy efficiency works. This funding enabled us to fit:
 - 65 homes with Solar Panels
 - 20 homes with External Wall Insulation
 - 2 homes with Cavity Wall Insulation
 - 8 homes with Internal Wall Insulation
 - 18 homes with High Heat Retention Storage Heaters

¹⁸ www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england

- 1 home with Low Energy Lighting
- 18 homes with Lithium-ion batteries
- 4 homes with Room in Roof insulation
- Improved windows to 2 homes
- Improved doors to 4 homes
- Successfully secured £797,893 match Government funding of Warm Homes monies through the Liverpool City Region Combined Authority consortia to improve c100 homes over the next three years.

Whole House Improvement programme

2025/26 will see delivery of at least 15 whole house improvements delivering significant improvement in energy performance to a current 'C' EPC rating, which equates to a potential 25% reduction in annual carbon emissions and lower bills for tenants.

This project will continue but with increased funding through 2026/27, addressing low performing properties picked up through the void property process, in recognition of the challenging properties conditions the team is seeing when properties become void.

Loft Insulation

The minimum standard for loft insulation is to achieve at least 300mm. 2025/26 has seen phase 2 of the Ryelands roofing programme completed in addition, top-ups are completed through void maintenance, ensuring that all new tenancies achieve the 300mm standard.

Learning from energy improvements, insulation work will include sloping soffits and lagging exposed pipework and water storage, future proofing against pipe bursts we have experienced during the recent episodes of very cold weather.

BRE heat loss modelling calculates that 25% of heat energy is lost through roofs, which demonstrates the contribution of this low cost but effective energy saving insulation measure to our carbon reduction strategy.

Solar Panel Installations

Installations to 65 properties were completed through funding from Social Housing Decarb Fund Wave 2.1 programme referred to above. The Energy Support Officer continues to ensure there is strong tenant engagement with the project. Connection to the ORSIS system enables remote monitoring and information to help tenants adapt to the new technology and achieve the maximum benefit from the installation. Through work alongside the Councils Climate Change Team, funding for a 10Kwh battery storage unit on one property as part of a research project was also secured.

Gas Partnership, boiler replacement programme

We will continue with the boiler renewal programme to replace aged and inefficient gas boilers with state of art energy efficient modern gas appliances providing cost effective instantaneous hot water. This provides more efficient heating with improved control, and affords a higher-level thermal comfort for tenants, with reduced carbon emissions.

During 2025/26 a total of at least 189 'A' rated gas boilers will be installed by our gas partner EMCOR.

Energy Support Officer

The energy crisis affects all households but is adversely impacting our low income and vulnerable tenants.

The energy support service seeks to support all new tenancies providing energy advice and managing a busy referral service for any existing tenants who would like support and advice, alongside managing works and tenant relations within government match-funded projects. Within the first 9 months of the year over 230 home visits have been completed to provide invaluable energy related advice to council tenants. Support includes:

- Information around usage of storage and water heaters
- In home demonstrations
- Telephone support for grant applications
- Tariff support and advice
- Boiler temperature and thermostat resets
- Referrals to specialist advisors at Green Rose, LEAP and Citizens Advice Bureau supporting with incorrect tariffs, misbilling and incorrect day/night rate assignments
- Referrals to the Energy Ombudsman for incorrect billing
- Utility account set-ups
- Support with debt write offs
- Benefit entitlement checks

Collaboration with Strathclyde University

The Council is participating in an innovative research collaboration with Strathclyde University, funded by the Centre for Net Zero – High Density Buildings. To date four households have engaged with the project locally with each household receiving a 10 or 15 kWh battery alongside ORSIS monitoring, enabling the collection of real-time performance data, alongside Vericon digital monitoring collecting data on:

- Boiler usage
- Solar Panel generation
- Carbon dioxide levels
- Humidity levels
- Internal temperatures

The research will enable the Council to evaluate the effectiveness of real-time digital monitoring in identifying conditions associated with damp and mould. This approach could then be rolled out across the Council housing stock to support the investigation and management of damp and mould cases, strengthening compliance with the requirements of Awaab's Law.

Property Conversions / new properties

We have adopted an EPC 'A' rating as the benchmark for all new properties and ground up conversions and will take all affordable opportunities to exceed this standard and to incorporate low carbon and renewable technologies.

As a tangible demonstration of our commitment to new low carbon housing, this is the standard for any future developments. This year we have completed four new units of Independent Living Accommodation at Alder Grove which utilise highly energy efficient modular construction and have achieved EPC 'A'.

Electrification of Repairs and Maintenance Service (RMS) fleet vehicles

Currently 61% of the RMS fleet¹⁹ are now electric, with charging points provision having been created at White Lund Depot and Heaton House, Lancaster and an increased number of charging points across the district are now provided through the work of the Council's Energy and Sustainability Team.

4. Rent Setting

- 4.1. As a registered provider of social housing the Council adheres to the Regulator of Social Housing's 'Rent Standard.' Housing rents are set in line with the Government's Rent Policy Statement.
- 4.2. For the financial year 2026/27, the Regulator of Social Housing has confirmed that the Council has the freedom to increase rent by a maximum of CPI+1% (CPI is the Consumer Price Index). Following the outcome of the Government's consultation process with the provision of a longer-term (10 year) settlement, +1% has also been included through to 2035/36. For rent setting purposes for 2026/27, the September 2025 CPI figure of 3.8% is used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England's Monetary Policy Committee). Following the outcome of the Government's consultation²⁰ – Rent Convergence will not be applied in 2026/27 and has not been incorporated into the figures presented.
- 4.3. As set out in the recommendations, through the provisions laid out in the Policy Statement on Rents for Social Housing²¹, it is proposed that from 2026/27, for the first time the Council will go beyond 'formula rent'²² for new tenancies upon relet through the application of rent flexibility, being 5% above 'formula rent' on general needs properties and 10% above 'formula rent' on supported housing (including independent living housing), in light of the significant additional investment needed across housing stock.
- 4.4. All Council rents are 'social rent' and sit well below the Local Housing Allocation (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC).²³ We estimate that around 80% of tenants are in receipt of some form of HB or UC, in addition to this, those tenants who receive any proportion of help with their housing costs through HB or UC should also have some entitlement to the Council's council tax support scheme.
- 4.5. Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:

¹⁹ Calculated on figures across the fleet within the whole of the Housing and Property service.

²⁰ [Outcome to consultations on future social housing rent policy and Social Rent convergence - GOV.UK](#)

²¹ [Policy statement on rents for social housing - GOV.UK](#)

²² Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Regulator of Social Housing.

²³ It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element of UC being paid directly to tenants it is not fully clear the exact number.

- Void levels and re-let times (equating to void rent loss/uncollectable rent)²⁴ In addition, changes to Council Tax rules on empty homes came into effect from 1st April 2024 meaning a 200% rate on homes empty for more than 12 months. This impacts the HRA in relation to long term voids empty as a result of regeneration projects.
- Right to Buy (decrease in housing stock); as at Q3 a total of 40 Right-To-Buy completions have taken place in 2025/26. These sales have generated gross proceeds of £3.1M, of which a proportion is due to HM Treasury (unless we re-invest as retained ("1-4-1") receipts, as described below at 10.8) with the balance being reinvested in housing stock through the capital programme. Further to the recent changes to the RTB scheme, estimates assume 10 completions in 2026/27 with 3 completions per year thereafter.²⁵

For further details about risk factors see Appendix F.

4.6. Therefore, in line with government policy Cabinet is now advised to set average council rents for current tenants as follows²⁶:-

Property Type	2025/26	2026/27
General	£93.91	£98.79
Independent Living and Supported	£89.01	£93.95

This is nearly half of the average within the private rented sector locally which has an average rent of £181pw (ONS data). Whilst in 2024/25 – available data from governments national dataset on social housing lettings indicates that Lancaster remains affordable and lower than the median across the country which is £113pw (this figure includes council and housing association homes, General Needs and Supported Housing).

4.7 For new tenants applying formula rent plus an additional 5% (general needs) or
10% (supported housing) flexibility, average rents would be²⁷:

²⁴ Empty homes are currently relet within target times, which minimises void rent loss, however major voids (those which require significant works, including renewal or replacement of major elements) and properties subject to planned capital projects (such as the Mainway project) have a negative impact on void rent loss.

²⁵ Recent changes to legislation have seen RTB discounts reduce for applicants. Prior to this change we experienced a large number of applications which have then followed through to completion within 2025/26, with 40 already completed this year so far and 7 currently working through the system. Despite the change in legislation a small number of applications (11 since December 2024) have continued to be received since the changes came into force (4 of which have subsequently been withdrawn / refused). Additionally housing providers are required to write to tenants every 5 years to inform them of their right to purchase their home and therefore some further increases in the short-term have been built into budget assumptions.

²⁶ Note that the figures are presented on a 52-week basis.

Note: Specific rents vary depending on property type / area / size: for general needs between £70.01 (for a bedsit at Mainway) and £150.37 (for a 3-bedroom adapted bungalow in Lancaster), and for Independent Living between £72.65 for a bedsit at Beck View and £116.58 for a two-bed flat at Artlebeck Close.

²⁷ Note that the figures are presented on a 52-week basis.

Property Type	General Needs	Independent Living and Supported
	2026/27	2026/27
Actual (existing (tenants)	£98.79	£93.95
Formula (re-lets)	£109.24	£99.96
Rent flexibility 5% (General Needs), 10% (Independent Living and Supported)	£114.70	£109.96

4.8 The Council recognises that it is important that council homes are kept as affordable as possible. However, due to increasing costs, new requirements and costs of maintaining our stock (as outlined within the report), it is important that the additional revenue is secured and in advance of rent convergence decisions. The table below indicates income differences through the different approaches²⁸.

	General Needs	Independent Living and Supported	Combined
Potential additional income moving to formula	£89,117.60	£17,501.12	£106,618.72
Potential additional income including rent flexibility	£135,697.54	£46,609.47	£182,307.01
Difference between rent flexibility and formula ²⁹	£46,579.94	£29,108.35	£75,688.29

The additional income (£75,688.29) over a full year is equivalent to:

- 2 x Customer Service Advisors, or
- 17 new roofs, or
- 22 void turnaround costs.

²⁸ This information is based on the following assumptions: 71% of 310 re-lets, split 164 relets for general needs and 56 relets for independent living / supported. The total figures are also based on a full year's income whereas re-lets occur throughout the year.

²⁹ For budget setting purposes income indicated from this line has not been included within the budget presented.

5. Other Charges

- 5.1. For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.
- 5.2. Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2026/27.
- 5.3. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 4.8% in 2026/27), to help keep charges affordable.³⁰ However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis³¹.
- 5.4. For 2026/27 across all housing stock average service charges will see a marginal increase of 0.5%.³² Within this average is a variation between charges applied to Independent Living (0.5% increase) and General Needs (0.4% increase). Average service charge costs can be seen in the table below.

	2025/26	2026/27 ³³
Avg weekly service charge per dwelling (General Needs)	£10.72	£10.76
Avg weekly service charge per dwelling (Independent Living)	£50.14	£50.39
Combined avg weekly service charge (total weekly service charge divided by total number of dwellings)	£26.50	£26.54

The changes in service charge are factored based on changes with costs mostly associated with: door entry systems, gas and electricity to communal blocks, CCTV, repairs and maintenance to communal areas, and staffing costs.

- 5.5. It is estimated that around 80% of council tenants are in receipt of either Housing Benefit (HB) or Universal Credit (UC). Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within independent living or community alarmed properties.
- 5.6. With regard to garage rents, it is recommended that garage rents be

³⁰ Source: Policy statement on rents for social housing – Dec 2022

³¹ Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020

³² Subject to further fluctuations in cost of service delivery

³³ For the purposes of rent and service charge setting 2026/27 is a 52-week year (with service charges collected over 48 weeks).

increased by CPI +1% in line with dwelling rents. Benchmarking indicates that previous rent freezes (between 2020/21 and 2024/25) have brought rents more in line with other providers as intended, that occupancy rates are stable, and rent increases are now appropriate to ensure required maintenance of garages.

6. Revenue Expenditure

6.1. The future years' estimates for 2026/27 alongside the following four financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B.

6.2. The key areas are listed as follows: -

- Salary costs are now forecast to be around £126K lower than previously estimated, due to changes in employer pension contributions, see section 6.4.
- Additional costs of £256K relating to the implementation of new housing management software, funded by a one-off transfer to the ICT and Systems Improvement Reserve.
- Self-financing loan principal of £1,041K to be repaid via Major Repairs Reserve, see section 6.5.
- Depreciation charge increase of around £490K, see section 6.6.

6.3. The table below lists the major assumptions that have been made for the 2026/27 budget.

	2026/27
Fees & Charges	3.80%
Inflation – Pay	3.00%
Employer Pensions Contribution	8.10%
Inflation – General (Minor Cost Centres)	3.80%
Inflation – Insurance	10.00%
Electricity	24p/kwh
Gas	3.5p/kwh
Interest Rate - Investments	4.00%

6.4. The current rate for employer's pension contributions is 16.3%. Following discussions with the Lancashire County Pension Fund, the fund is performing well and the advice is to reduce future contributions to 8.1%. This is consistent with other districts across Lancashire.

6.5. Further to consultation with technical experts and external audit, utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment has now been taken built into the estimates presented. This was previously funded by an appropriation from the revenue account, and therefore the change reduces pressure on unallocated balances.

6.6. Following work being carried out to review varying aspects of the calculation of depreciation, the current projections are based on latest quinquennial valuations and the application of an existing use value - social housing (EUV-

SH) adjustment factor of 35% of market value. As provided for within the Stock Valuation for Resource Accounting guidance issued in November 2016, the s151 Officer has exercised his discretion in varying the adjustment factor from the recommended 40% for the North West region. This decision will be subject to external audit.

- 6.7. In summation, the 2026/27 revenue budget projected surplus is £526K, which is £237K higher than the previously projected £289K reported in February 2025. The revised projection is largely due to the points described above (see section 6.2), notably a reduction in employer pension contributions, additional costs relating to the implementation of new housing management software, funding of the self-financing loan principal from the Major Repairs Reserve and an increase in depreciation charges.

7. Capital Expenditure

- 7.1. The ten-year capital programme is included at Appendix C.
- 7.2. The key changes to the programme from last year's reported position are included at Appendix D.
- 7.3. Future years' capital expenditure needs to be informed by the completion and analysis of a full stock condition survey – to date around 86% of properties have been surveyed. Whilst expenditure within 2026/27 reflects the priority areas coming from that survey, further refinement of capital expenditure is required and will be reflected in subsequent years' capital programmes in due course. None the less information gained already suggests that over £60M of investment in our homes is needed over the next 10 years and demonstrates the requirement to ensure rental income is maximised.
- 7.4. Certain programmes of work (value over £200K and key decisions over £250K) will be advised during 2026/27 and it was confirmed that the Chief Executive be delegated to approve tender of these contracts as per procurement rules. Chief Executive sign off will be sought on a case-by-case basis. Key decision notices will be provided where required.

The programmes of work will be:

- Reroofing to various flat blocks on the Greaves and Hala Estates, and in the City Centre
 - Smoke alarm installations on a 10-year rolling programme
 - Whole House Major Voids works and refurbishment.
- 7.5. The capital programme includes some provision for cyclical programmes of work on Mainway. Work is underway to define the scale and nature of this in the context of the ongoing Mainway regeneration project.
- 7.6. Newly introduced for 2026/27, the HRA now has a development pool for capital schemes and projects supported in principle, but that required further development (including the preparation of a full business case), scrutiny and approval before they can progress. Due to the nature of the schemes considered during this budget-setting process, and their dependence on having adequate capital resources available without a requirement for the council to borrow, they have not been incorporated into the estimates but are presented in aggregate at the base of Appendix C, for memorandum only. The route for approval will be via the normal governance route including agreement from the Capital Assurance Group prior to consideration by Cabinet, whilst ensuring that sufficient funding resources are in place. Should the schemes require borrowing and the business case supports the repayment of such borrowing, then any impact on the council's Treasury

Management Strategy will need to be considered on an ongoing basis prior to approval.

8. Future Developments

8.1. The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress in line with the new Social and Affordable Housing Programme. The Council has also successfully secured consultancy support alongside some grant support from the Council Housingbuilding Support Service (CHoSS). The focus for the next twelve months will seek:

- To go out to tender and appoint a developer to deliver new social affordable housing on Skerton School site.
- Depending on the outcome of the tender appoint a developer for the next phase for bringing new housing across the Mainway site.
- Achieve a start on site for 4 x new units of housing on Hastings Road.
- With the support of CHoSS, bringing forward a positive planning application on Dorrington Road for c.8 new units of accommodation on a current garage site.
- Work alongside a Registered Provider to secure new housing on a key development through a turn-key approach utilising Right-to-Buy receipts.

9. Provisions, Reserves and Balances

9.1. After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £750K from 01 April 2026 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

9.2. In calculating the minimum level of HRA Balances, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in the table below.

Risk	Symptom of Risk	Balance Required £M
Increased Demand for Services	1% Increase in Net Revenue Expenditure	0.150
Recession results in additional reduction in Rental Income	2% Reduction in Income	0.350
Natural Disaster such as Flood etc	Additional Unexpected Expenditure	0.150
Additional Uncertainty with Respect of the Cost Of Living	Additional Unexpected Expenditure	0.100
Aggregate Overspend if all of the above risks were to happen		0.750

9.3. Draft statements on all reserves are attached at Appendix E(i) and Appendix

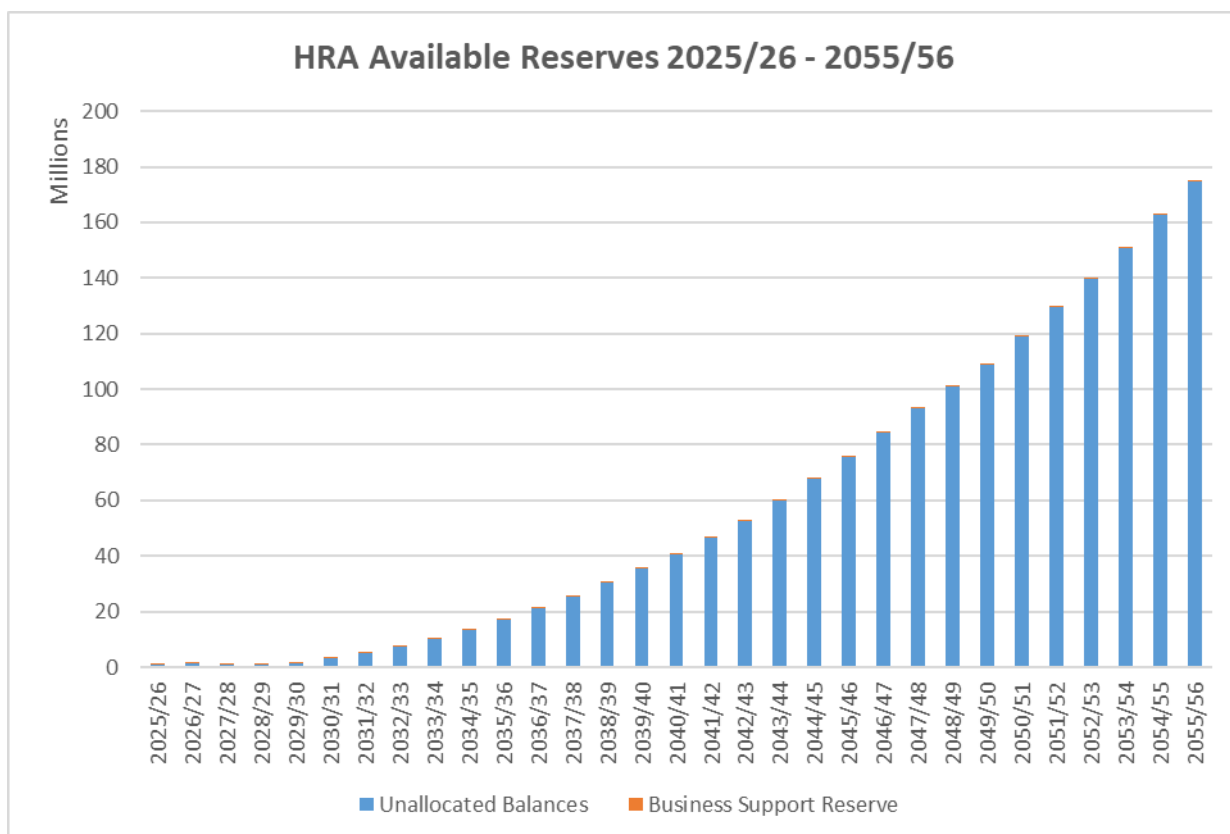
E(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

10. Business Planning & Future Risks

10.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2025 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	30 Year Cumulative Total £'000
Business Support	119	119	119	119	119	119	119
Unallocated Balances	103	391	1,021	1,439	2,228	3,447	128,516
Projections as at February 2025	222	510	1,140	1,558	2,347	3,566	128,635
Business Support	190	190	190	190	190	190	190
Unallocated Balances	770	1,296	875	802	1,369	3,085	174,857
Projections as at February 2026	960	1,486	1,065	992	1,559	3,275	175,047
Overall Movement (Adverse) / Favourable	738	976	(75)	(566)	(788)	(291)	46,412



- 10.2. The unallocated balance is currently £804K, £54K above the recommended minimum level. The balances shown above are now based on 2025/26's Quarter 3 projected outturns, as presented in the Delivering Our Priorities report elsewhere on this agenda. Based on current assumptions, at no point within the 30-year business plan do they breach the £750K lower limit as detailed in section 9.1.
- 10.3. The Business Support Reserve has a current unallocated balance of £190K. Additional earmarked reserves exist (see Appendix E(i) for more details). These reserves are earmarked for specific purposes, but not formally ring fenced.
- 10.4. The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2026/27, with an additional 1% above CPI increase now being included in assumptions through to 2035/36, in line with the recent Government Policy Statement on a 10-year settlement.
- 10.5. As previously discussed, in line with the Regulator of Social Housing's guidance, rents have been set at CPI+1%. Largely due to fluctuations in CPI, partly off-set by high levels of Right to Buy sales, 2026/27's rental income from dwellings is now forecast to be approximately £85K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2036/37 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.
- 10.6. Due to the changes to the calculation of depreciation charge referred to above, along with the utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment, the currently proposed capital programme requires additional contributions from revenue to the Major Repairs Reserve. It is estimated that £93K of useable capital receipts and £28K within

the Major Repairs Reserve be held by 31 March 2030. This will be reviewed when the profile of future capital spend is prepared, following further refinement of subsequent years' capital programmes.

- 10.7. It is also worth noting that as at 1 April 2025, £1,441K of Retained Right to Buy ("1-4-1") receipts were held, to be used for increasing housing stock. It is anticipated that of this balance, £795K will be used to fund ad-hoc acquisitions with the proposed Capital Programme as Appendix C also including the acquisition of new build units on a turn-key approach. Following changes made by Government, our "1-4-1" balance will continue to replenish, dependent on future RTB sales.
- 10.8. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix F.

11. Options and Options Analysis (including risk assessment)

- 11.1. The options with regards to rent setting are set out under section 4, the maximum permitted increase being CPI+1% for current tenants, with flexibility of an additional 5% / 10% above formula rent for new tenancies. By applying this increase, it allows for a budget that can deliver on the Council's and Governments ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and wider legislative requirements.
- 11.2. In relation to garage rents, it is recommended that an increase in line with dwelling rent increases is appropriate and will support maintenance requirements without adversely impacting occupancy levels.
- 11.3. With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed and coherent with the legislative and regulatory requirements of a Registered Provider.
- 11.4. The options available in respect of the minimum level of HRA balances are to retain the level at £750K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.
- 11.5. The options available in respect of the Capital Programme are:
- i) To approve the programme in full, with the financing as set out;
 - ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.
- 11.6. Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

	Option 1: Set housing and garage rent levels as	Option 2: To propose alternatives to those
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	set out in this report, and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme	outlined in Section 11 above
Advantages	Increased rental income supports the Council to deliver against its Regulatory requirements and ensuring homes are safe and decent.	Unknown
Disadvantages	Increased rent levels for tenants, and new tenants.	Would require further options analysis.
Risks / Mitigation	The HRA budget set out in this report is sustainable in the long term. The risks associated with Option 1 are outlined in Appendix F – Risks and Assumptions.	Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to unlimited fines and being 'named and shamed' by government.

12. Officer Preferred Option (and comments)

- 12.1. **Option 1:** Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme, as set out and refer onto full Council.
- 12.2. The budget headlines were presented to the Tenants Voice meeting of 29th January 2026 who were broadly in agreement with the proposals described, including the rent increase and understood the rationale for such. There was, however, a range of debate which should be noted including:
- Residents were keen to understand how we would seek to increase housing stock – replacing homes lost through Right-to-Buy
 - Residents also noted that they did not want to see their rent money being offset to repair homes though tenant damage and wanted to understand the re-charge process in such instances.
 - Officers committed to providing details of planned maintenance and capital programmes be presented to a future meeting of the Tenant Voice.
- 12.3. The budget headlines and the wider context of housing finances were also presented and discussed at the Council Housing Advisory Group (CHAG) on 29th January 2026, who were supportive and understood the financial challenges and requirements faced within the HRA. Residents were keen that within their new rent letters that they saw the difference in what they had paid before as a comparator.

13. Conclusion

- 13.1. The report highlights challenges faced within the current economic climate, particularly in the context of the increased regulatory and legislative requirements being placed on the social housing sector.
- 13.2. The longer-term financial forecasts contain numerous estimates and assumptions, and the service remains attuned to the risks contained within Appendix F, and in particular the impacts of further legislative and regulatory change which could affect business planning within the HRA.
- 13.3. The Council's Housing Service remains ambitious, while continuing to operate

a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The proposals set out in the report will have positive impacts on residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups. See Appendix G – Equality Impact Assessment.

Climate: as per section 3, the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix G for additional positive impacts.

Wellbeing & Social Value: positive impacts identified. See appendix G for details.

Health and Safety: the Council Housing dedicated Compliance Team focusses on monitoring and maintaining compliance against core areas of legislation within council dwellings specifically gas, electrical, legionella, lifts, asbestos, fire, smoke and CO2 detection and fire door testing. The dedicated budget around this work supports compliance. Compliance against all areas remains strong.

Community Safety: The approach to a dedicated ASB provision for Council Housing tenants and continued engagement and review of ASB provision with Resolve will see a positive impact for local residents.

LEGAL IMPLICATIONS

Rent setting is subject to statutory requirements. Officers must ensure that rent setting is done in accordance with relevant statutory requirements.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None identified

Information Services:

None identified

Property:

None identified

Open Spaces:

None identified

S.151 OFFICER'S COMMENTS

Like all councils, Lancaster City is experiencing increased financial pressures and heightened uncertainty as a result of the ongoing cost of living crisis. This situation has had a significant impact on key areas of expenditure. The challenges are especially acute within the Housing Revenue Account (HRA), which has faced rising costs, sustained high demand for services, and a reduction in income due to the effective capping of rent increases.

In response to these pressures, substantial work has been carried out throughout the year to preserve the integrity of the HRA and to maintain an appropriate level of reserves. This includes specific efforts to address the increase in the depreciation charge by applying a 35% Existing Use Value – Social Housing discount. In addition, actions have been taken to repay self-financing loan principal amounts using the Major Repairs Reserve. Both represent substantial changes in approach from previous years, resulting in material changes and will be subject to review by the Council's External Auditor.

The Local Government Act 2003 imposes clear obligations on the Section 151 Officer to provide an annual report regarding the strength of the estimates contained within the Council's budget, as well as the adequacy of the Council's reserves. This statutory duty ensures that the financial planning and resilience of the Council are subject to robust and regular scrutiny. In practice, the recommendation of a minimum level of unallocated reserves serves as an early indicator that the Council may be encountering financial pressures. Should the reserves approach or fall below this threshold, it signals the need for prompt action to address any deterioration in the Council's financial position.

For the 2026/27 financial year, the Section 151 Officer has established a minimum level of Housing Revenue Account (HRA) unallocated balances at £0.750 million. This benchmark is intended to safeguard the integrity of the HRA and provide a buffer against unforeseen financial challenges.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS

See Appendices A-G

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Ref: HRA Budget Report