

**2026/27 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 10 FEBRUARY 2026
JO TO REVIEW**

Risk area	Details
Self-financing	<p>Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit.</p> <p>To deliver this, robust business and financial planning arrangements are maintained, including the production of a 30-year business plan. Assumptions around factors such as rent setting and inflation factors are built into this.</p>
Cost of service delivery in current climate	<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 for example.</p>
Rent Policy	<p>As a Registered Provider of Social Housing the Council adheres to the Regulator of Social Housing's 'Rent Standard'. Rents are set in line with the Government's 'Rent Statement'.</p> <p>2026/27 has seen the Government commit to a longer-term approach with a ten-year rent settlement at CPI+1% as the maximum rent increase permissible. Within the Council's 30-year business plan it is currently assumed that CPI + 1% (equaling 3%) will be in place for years 2-10, with 2% in subsequent years in line with corporate assumptions about inflation.</p> <p>It should be recognised that future government policy in this area can have a significant impact on rent and therefore income levels.</p> <p>Government guidance will be kept under review to ensure any future assumptions about rental income are accurately informing business planning.</p> <p>Government have also committed to rent convergence of an additional £1pw in 2027/28 and £2pw thereafter, however this has not been included within current year's budget forecast assumptions.</p> <p>An internal audit was completed at the end of 2024/25 into 2025/26 confirming rent setting process robustness, a number of actions are yet to be implemented which were on hold awaiting the outcome of government consultations on rent setting.</p> <p>It may be prudent for internal audit to review the rent setting approach again within another 12 months taking into account changes included within this report.</p>
Income Recovery	<p>Rental income is the main source of income for the housing service. The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning.</p>

	<p>Wider cost-of-living issues such as increased energy costs create financial pressures for tenants and present a risk to assumed income. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt.</p> <p>Void (empty home) levels create additional rent loss. Fast, efficient turnaround of void properties, to reduce void rent loss, remains a priority.</p> <p>Supportive, proactive, and data driven service delivery in this area continues to protect income streams as much as possible and promote successful tenancies. This service area is monitored weekly to ensure the risk is managed and is reported on as a corporate KPI.</p> <p>Recharges such as rechargeable repairs continue to be reviewed as a priority area of work as well as effective schedule of rate setting for RMS to ensure appropriate cost recovery.</p> <p>Debt recovery is being reviewed across the Council by internal audit throughout 2026.</p>
Reduced demand	<p>Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for all types of council housing stock is currently high. Following the re-registration of applications during 2024/25 with the implementation of a new system went live the Council has c1,500 residents now registered for re-housing. In 2025 – the Council approved its new Allocations Policy, outlining how it intends to let properties.</p> <p>The potential for ‘difficult to let’ schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues.</p>
Stock reduction	<p>The rate of Right to Buy (RTB) sales has historically been relatively low compared to historic levels of sales; however, in the last twelve months the Council has seen a significant spike with 40 completions within the first three quarters of the year, following the rush for applications in the run up to right-to-buy discount changes. Moving forward the budget planning process had assumed 10 Right to Buy Sales in 2026/27 and 3 per year thereafter.</p> <p>Any sales lead to future projected rental income levels being reduced. As many costs are fixed, this results in an adverse impact on the revenue position. Recent government changes mean that the previously returned HM treasure share of RTB receipts can be retained for five years to help support replenishment of our social housing with the balance being re-invested in housing stock through the capital programme.</p> <p>To offset the loss of homes through RTB the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, delivery of specialist adapted and older persons housing units, and scoping other sites and opportunities to realise a ‘pipeline’ of potential development.</p>
Additional capital requirements	<p>Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements.</p> <p>In response to the Building Safety Act (2022) and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, smoke and carbon monoxide detection) activities began during 2021/22.</p>

	<p>Increased capital and revenue investment continues to be committed to this area. The City Council is keeping abreast of anticipated forthcoming changes from future requirements within Awaabs Law, Minimum Energy Efficiency Standards (2030) and a revised Decent Homes standard (2035).</p> <p>Commitment to a ten-year programme of energy efficiency improvements and upgrades across all housing stock remains in place, in response to the Council's declared climate emergency and in preparation for Minimum Energy Efficiency Standards, where possible match funding requests with government have been successful / submitted.</p> <p>Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. Much of the City Council's stock is ageing, which poses further risk. Requirements to maintain stock decency are reflected in the 30-year HRA Business Plan, although over the next ten years it is likely to face a short fall in funds available as outlined within the budget report. Details of a revised Decent Homes Standard are not yet known and therefore costs have not yet been factored in but will undoubtedly put additional pressure on the Housing Revenue Account. Completion of a full stock condition survey informs asset management planning moving forward – currently at 86% completion, with plans to increase this moving forward through additional in-house capacity as well as funding available to outsource those required and review on a periodic basis.</p> <p>For future development works to provide new affordable homes, including Skerton School and garage site developments, project work remains ongoing to define the options available, although funding has not been provided – except for grant awarded from the Council Housebuilding Support Service for bringing forward Hastings Road (4 units). To deliver these projects will likely require borrowing against the HRA and will be subject to the council decision-making process.</p>
Service Resilience	<p>A number of external factors (weather events, etc.) remain as financial and practical risks to delivery of the housing service. The service participates actively in the Council's resilience activities and planning and has developed robust processes to mitigate such risk.</p> <p>Provision and maintenance of IT represents an additional risk to service resilience. Support and maintenance of current IT infrastructure to deliver current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk, although with major infrastructure becoming end-of-life the successful delivery of a reserve-funded multi-year full ICT replacement project is underway with completion of phase 1 planned for Autumn 2026.</p>
Effect of legislation/ regulation	<p>Implications of new (or changes to existing) legislation / regulation can present challenges and are monitored and reflected in service review, budget setting where practicable and improvement planning.</p> <p>The Social Housing Regulation Act 2023, the refresh of associated regulatory standards, and the increased scope of the Housing Ombudsman Service represent the most significant overhaul of the social housing sector for over a decade.</p> <p>New powers granted to the Regulator of Social Housing demand a greater tenant focus within service delivery, with particular focus on the security,</p>

	<p>safety and condition of social homes and the ability of residents to meaningfully influence service delivery and decision making.</p> <p>From April 2024 the regulator has embarked on a programme of 'Ofsted-style' inspections for social housing providers, it is now known that Lancaster City Council will have its inspection within the first half of 2026.</p> <p>The new regulation raises the required standards within social housing and creates the conditions for significant practical and reputational risk. Since 2021/22 the HRA budget has incorporated costs in response to this, investment in compliance work being chief among them, and continues to be responsive to the requirements of the Social Housing Regulation Act and associated guidance through operational service delivery and strategic action planning.</p> <p>Key staff attend sector body meetings to keep abreast of regulatory changes.</p>
Future Developments	<p>The City Council continues to have ambitions for the development of its own new affordable / social rented homes, which it is seeking to progress. Developments will be subject to the council's decision-making process and are referenced in the 'Additional Capital Requirements' section above.</p>
Data integrity	<p>To meet strategic objectives and keep tenants safe, strong oversight of risks and appropriate controls to manage them is needed. This is not possible without up-to-date and comprehensive data, covering all assets and liabilities (asset management through stock condition surveys), the safety and quality of tenants' homes (including health and safety compliance), tenant complaints and the status of repairs and maintenance work.</p> <p>Through the introduction of the new ICT system data will be able to be more effectively managed and in preparation discussions are underway to conduct a 'tenant census' so up to date tenant information can be included and to help the council better understand the diverse needs of tenants</p>