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| Report To: | Council |
| Date: | Wednesday 28 th January 2026 |
| Subject: | HRA Business Plan and Asset Management Strategy |
| Purpose: | To adopt the Housing Revenue Account (HRA) Business Plan 2026-2056 and HRA Asset Management strategy 2026-2035 |
| Key Decision: | Yes |
| Portfolio Holder: | Portfolio Holder for Strategic and Operational Housing |
| Report Of: | Vikki Cherry, Assistant Director – Housing |
| Report Author: | Vikki Cherry, Assistant Director – Housing |
| Ward(s) Affected: | (All Wards) |
| Exempt Report: | No |

Summary

This report introduces the Council's Housing Revenue Account (HRA) Business Plan 2026 - 2056.

Over the last 18 months, Officers have worked closely with Savills to model the business plan on updated stock condition data and new requirements in response to significant changes in the social housing landscape, including rising inflation, increased investment needs, and higher borrowing costs, while maintaining long-term financial sustainability.

The work has determined that the Housing Revenue Account is sustainable over the 30-year period based on the assumptions regarding future costs. This is considered a substantial achievement for the Council at a time when finances are under pressure across the social housing sector.

The HRA Business Plan will be updated on an annual basis, to ensure it reflects the most up to date operating costs and capital programme costs.

This report also introduces the HRA Asset Management Strategy 2026-2035. The purpose of the Strategy is to provide an action plan based on the recommendations from the HRA Business Plan and to set a five-year capital investment programme. The Asset Management Strategy will be used to set budgets each year and will be

updated on an annual basis. This will ensure that it remains current in the ever-changing environment of social housing.

Both documents are evidence led, informed by surveys of the Council's housing stock over the last 18 months and feedback from Tenant and Member consultations.

Recommendations

That Council:

- a) Adopts the HRA Business Plan 2026-2056.
- b) Delegates minor operational and legislative amendments to the HRA Business Plan 2026-2056 to the Assistant Director for Housing in consultation with the s151 Officer and the Portfolio Holder for Strategic and Operational Housing
- c) Adopts the HRA Asset Management Strategy 2026-2035.
- d) Delegates minor operational and legislative amendments to the HRA Asset Management Strategy 2026 – 2035 to the Assistant Director for Housing in consultation with the s151 Officer and the Portfolio Holder for Strategic and Operational Housing.

Reasons for Recommendations

Section 76 of the Local Government and Housing Act 1989 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account that avoids a deficit, whilst using robust and valid assumptions.

Furthermore, there is a statutory requirement for the Council to review the 30-Year Business Plan for the HRA on an annual basis. The purpose of this exercise is to keep the long-term financial viability of the HRA under regular review.

Other Options Considered

The Council is required to ensure that HRA income and expenditure are balanced over 30 years. No other alternatives were considered.

To not adopt the Asset Management Strategy. This option is not recommended as the Strategy provides a clear plan to implement recommendations from the HRA Business Plan.

1. Background

- 1.1 Produced in partnership with Savills, the Council's 30 Year HRA Business Plan sets out how the Council will best use the resources of the Housing Revenue Account to maintain and enhance council housing stock.

- 1.2 The Business Plan recognises the challenging landscape for social housing including:
- Substantial increases in capital investment needs within social housing driven by high levels of inflation, updated stock condition data and revised investment assumptions.
 - Rising demand for day-to-day and responsive repairs post-Covid, changes in fire safety regulations following Grenfell, the continued spotlight placed on the condition of social housing by the Housing Ombudsman and introduction of Awaab's Law (October 2025, with further phases due).
 - Inflationary pressure nationally increasing development costs.
 - Continued high levels of interest rates available from the PwLB (at three times what they were less than 3 years ago).
 - Government consultations on changes to the Decent Homes Standard and the introduction of a Minimum Energy Efficiency Standard (MEES) anticipated to be implemented during 2026.
- 1.3 In 2024, more than 100 stock holding Councils (including South Holland) signed up to the "securing the future of social housing" campaign raising concerns about the danger of HRA finances, with a £2.2bn black hole in councils' national housing budgets expected by 2028.
- 1.4 Despite these pressures, the Business Plan confirms that the HRA can afford all currently planned expenditure over the next 30 years, but in doing so will experience an increase in its debt levels in order to deliver the largest investment programme in the history of South Holland's HRA.
- 1.5 Over the life of the plan, the HRA is projected to generate £854.5m income and invest £235m in the housing stock. This includes £142m financed through borrowing, which factors in the existing £67.5m debt originally taken out in 2012 as part of the self-financing settlement. (Latest stock valuation was £257.4 million at 31 March 2025).
- 1.6 The overall stock investment profile as financed within the business plan equates to an average of £62,100 investment per property (at today's prices), which is in line with benchmarks for authorities of a similar size to South Holland. Investment is necessary to meet government expectations regarding energy efficiency standards and ongoing investment required in HRA sewage treatment works.
- 1.7 While borrowing is required, the plan operates with capacity for additional investment within this metric. This is considered a substantial achievement for the Council at a time when finances are under pressure across the social housing sector.
- 1.8 Delivery of the HRA Business Plan will be supported by an Asset Management Strategy. The purpose of the Strategy is to set an accurate capital programme for the next five years ensuring our tenants live in good quality, efficient homes. It also demonstrates how this proposed spend will help to keep homes safe, compliant and decent. It sets out a clear action plan and projects to help inform future investment in HRA assets.

- 1.9 Both documents are considered financial planning documents, setting out the capacity of the HRA and will be used to support drafting of the HRA Budget, Capital Programme and Medium Term Financial Strategy.
- 1.10 The HRA Business Plan and Asset Management Strategy will be updated on an annual basis, to ensure they reflect the latest stock condition data, operating costs and capital programme costs. The annual update will be based on consistently applied methodology and assumptions.

2. Report

2.1 Business Plan

2.2 The Council has a clear and evidence-based understanding of the Council's income and expenditure over a 30-year period.

2.3 The Business Plan:

- Is based on up to date data, including component decency, HHSRS and energy assessments.
- Supports continued investment into the stock.
- Continues to provide for investment into services to support transformation plans, controlling them to real terms levels (i.e. increasing with inflation) at a time when rents are set to increase at a higher rate.
- Allows a limited but significant programme of development or acquisition which will see our stock grow following decades of declining numbers through right to buy sales.

2.4 The Plan is fully financed across the 30 years, remaining within the “golden rule” of an Interest Cover Ratio of at least 1.25%, so that there is a cushion to ensure interest can be paid in the event of unexpected cost increases. Factoring in a substantial increase in investment towards achieving EPC C by 2030 for all homes, completing investment works to HRA sewage treatment facilities, and ensuring that the Council is able to deliver life cycle replacement programmes.

2.5 The Business Plan is an evidence led document, informed by latest stock condition data and views of tenants and Members. It contains a series of evidence led policy recommendations with resilience measures incorporated to mitigate identified risks, including stress testing in a manner that the Regulator of Social Housing requires of housing associations.

2.6 Within 2026/27, net costs of management and repairs (after taking into account service charges and non-rent income) represents 63p of every £1 of rent income collected. We know that this is relatively high compared to benchmarks and will keep opportunities to seek greater efficiencies under regular review, including exploring ways to enhance the performance of sewage treatment works and assessing recharges for internally commissioned services.

2.7 The methodology assumes borrowing as the “financing of last resort”. This approach offers the best value for money for the HRA business plan, especially at a time when interest rates are at a relatively high level.

2.8 Asset Management Strategy

2.9 A key element of the Business Plan is the Asset Management Strategy. The Strategy sets out plans for the management and maintenance of HRA housing stock over the long term, and in particular an Investment Plan to 2035.

2.9 Objectives of the Strategy are to:

- Continue to grow knowledge and understanding about housing stock and neighbourhoods
- Bring stock to revised Decent Homes Standard by 2035
- Meet Minimum Energy Efficiency Standards by 2030 and beyond
- Set a high standard for neighbourhoods and invest to that standard.

2.10 Multiple consultation events were held with Members and tenants during Autumn 2025, seeking views around prioritising investment including:

- Extension of lifetimes of key components
- Whether the Council should maintain a stock replacement, acquisition and/or development programme. If so, the balance between investment in the existing stock and new homes
- The importance of investment in the neighbourhood and environment
- The importance of investment in disabled aids and adaptations
- Whether there is a role for regeneration and development of “obsolete” / high-cost homes.

2.11 In summary, tenant feedback was as follows:

- Support extending lifecycles for kitchens, bathrooms, and boilers so long as quality is high; avoid unnecessary replacements of components.
- Safety and quality of existing stock should take priority over new homes, though future-proofed builds on brownfield sites are welcomed.
- Strong support for aids and adaptations and improved bathroom accessibility.
- Raise void property standards and review asset performance; dispose or redevelop homes where costs are excessive.
- Mixed views on fencing, but external areas should remain attractive.
- Council support for home and garden maintenance where needed, with recharges for property neglect.
- Support for sustainability and improved energy efficiency of homes.

2.12 Councillor priorities were as follows:

- Support for extending lifecycles of kitchens, bathrooms, and heating systems so long as they remained in good condition.
- Support for a stock replacement/acquisition programme on the basis that investment in existing stock is prioritised and consideration around selling high-cost or isolated properties to reinvest in newer stock. New build / acquisition programme should be focussed on property types which meet local housing need.
- Strong support for improving neighbourhoods (fencing, landscaping, communal areas), recognising the impact on wellbeing and estate appearance.
- Support for ongoing investment in aids and adaptations.

- Role for regeneration where properties are costly to maintain or have poor energy efficiency, supporting exploring redevelopment opportunities/disposal of units.
- Additionally, members had a strong interest in solar panels (based on resident feedback) and welcomed the re-introduction of support/incentives for downsizing.

2.13 In response to the feedback received, the Strategy incorporates the following:

- Extension to life cycles of key components such as kitchens and bathrooms by 5 years, whilst retaining those that are beyond the national standard (i.e. roof repairs). This approach continues to model lifecycles shorter than the maximum Decent Homes lifetimes and reduces expenditure over 30 years by £16m. (The existing Investment Plan will be continued to 2030 as there are already contracts and suppliers in place and fully procured for the programme. Revised lifecycles will be introduced no later than 2031, aligned with the renewal of contracts).
- Provision for an acquisition/development programme of 5 homes per annum within the MTFs followed by up to 20 homes per annum thereafter on the assumption that 40% grant funding is available.
- Investment into energy efficiency extended to achieve EPC C for all stock by 2030. Additional programmes totalling £3.7m commencing during 2027 to allow time for procurement.
- Ongoing investment for disabled aids and adaptations of over £5.4 million during the current MTFs and £3m modelled every 5 years thereafter.
- Conducting an Asset Performance Evaluation during the period of the Strategy to analyse in detail the financial performance of properties to identify which properties may be prohibitively high cost to repair, or where properties may be obsolete and in need of replacement.
- Consulting tenants and members on the approach to recharges as part of the review of the Housing Repairs and Fitness for Habitation Policy during 2026/27.

2.14 This strategy relies on additional revenue from rental income and borrowing. Nevertheless, the level of borrowing remains sustainable within the context of HRA business planning, and the ability to fully fund the programme offers strong assurance that the Asset Management Strategy is underpinned by robust core data and is financially viable.

2.15 The Asset Management Strategy includes an action plan setting out a commitment to achieve these ambitions of the Strategy. Updates will be provided to Cabinet and tenants annually as part of the annual refresh.

2.16 Modelling the HRA Business Plan and Asset Management Strategy

2.17 The Strategy is based on assessments and analysis of a variety of data and information sources, including:

- Stock condition survey – stock condition data from surveys completed within the last 18 months on 75% of the stock has been used to model the Plan and Strategy. (At the point of writing the report, the Council had up to date stock condition data on 90% of properties and continues to work

- towards 100%.)
- Resident survey – engagement and consultation was held with tenants to understand their priorities for investment.
 - Energy efficiency – up to date energy performance data has been included, along with details of properties included in our Warm Homes programmes. As at the point of writing the report c.1,200 properties were outside of the Warm Homes Programme, at band D or below.
 - Sewage Treatment Works – At the point of consulting Members and Tenants, modelling was based on survey findings from sites conducted in 2023, involving highly cautious assumptions. A further exercise has since taken place, with the existing maintenance contractor providing estimates for like-for-like replacements at today's prices. These figures have been incorporated into the business plan. This method is considered more accurate than the earlier conservative estimate of £500k per site, though a 25% contingency has been included.

3. Conclusion

- 3.1. The Council's 30-Year HRA Business Plan and supporting Asset Management Strategy provide a robust, evidence-based framework to safeguard and enhance the quality of council housing for the long term. Despite significant financial pressures across the social housing sector, the Plan demonstrates that South Holland can fully fund its commitments. This includes meeting government standards on energy efficiency, maintaining compliance, and improving neighbourhoods, all underpinned by prudent financial modelling and stress testing,
- 3.2. The Strategy reflects the priorities of tenants and Members, balancing investment in existing stock with a modest development programme, embedding sustainability and accessibility at its core. By extending component lifecycles, targeting energy improvements, and planning for regeneration where necessary, the Council ensures value for money and resilience. Annual updates will maintain accuracy and transparency, ensuring these plans remain responsive to changing conditions.
- 3.3. Together, these documents set a clear path for maintaining safe, decent, and efficient homes, supporting community wellbeing, and securing the future of social housing in South Holland.

Implications

South and East Lincolnshire Councils Partnership

None.

Corporate Priorities

The HRA Business Plan and Asset Management Strategy deliver the corporate priorities of efficiency and effectiveness:

- delivering good quality and value for money services, in line with customer needs and
- meeting the financial challenges facing the sector.

The documents also deliver the local priority of engaging with housing tenants to help shape service delivery in the district.

Staffing

None.

Workforce Capacity Implications

None.

Constitutional and Legal Implications

The HRA Business Plan and Asset Management Strategy are considered part of the Council's Policy Framework and must be formally adopted by the Full Council.

Expenditure and income relating to property and income listed in section 74 of the Local Government and Housing Act 1989 which includes housing held under Part II of the Housing Act 1985 must be accounted for in the Housing Revenue Account (HRA). The HRA is a ring-fenced budget. The HRA should be self-funding and continuous review of the position of the HRA is required to ensure this.

Data Protection

None.

Financial

The main conclusion from the Business Plan is that the Housing Revenue Account is sustainable over the 30-year period based on the assumptions regarding future costs.

In order to protect the HRA, the Council will need to continue to maximise income to the HRA, ensuring that actual rent increases are in line with maximum amounts permitted by Government policy.

The HRA Business Plan has been prepared with careful consideration of how best to provide resilience against financial risk without compromising the ability of the HRA to deliver its strategic objectives.

Risk Management

The HRA Business Plan and Asset Management Strategy has been produced by housing finance specialists, Savills. The documents have been prepared with careful consideration of how best to provide resilience against financial risk without compromising the ability of the HRA to deliver its strategic objectives.

Sensitivity analysis has been undertaken on the financial assumptions made in the business plan in a form expected by the Regulator of Social Housing on housing associations. The key areas that could impact on the projections set out in the business plan are rental increases arising primarily from the associated government policy relating to this and inflation affecting future expenditure levels. These are largely outside of the Council's control and are risk areas that the Council continues to monitor. Changes in these areas (for example, government policy leading to a period in which rents cannot be increased) would directly impact the monies available for investment.

There are also financial sensitivities relating to voids and the loss of income and additional expenditure associated with this as well as potential bad debts. Income performance is reported to Housing Compliance and Performance Clinic on a monthly basis of which the Director for Communities and Portfolio Holder for Strategic and Operational Housing attends.

The HRA Operational Risk Register and Corporate Risk Register have been reviewed to ensure the risks mentioned in the Strategy are recognised.

Stakeholder / Consultation / Timescales

Multiple engagement events were held with Members and tenants during Autumn 2025. Outcomes of events are summarised in the main body of this report. Appendix C provides further detail on tenant engagement.

The HRA Accountant (PSPSL), s.151 Officer, Monitoring Officer, Senior Leadership Team, Portfolio Holder for Strategic and Operational Housing and wider Cabinet Members have been consulted throughout the development of the HRA Business Plan and Asset Management Strategy.

The (Interim) Strategic Finance Manager (PSPSL) and Treasury and Investment Manager (PSPSL) have been consulted and involved in the final drafting of documents.

Joint Performance Monitoring Panel and Policy Development Panel was consulted on 13th January 2026. The following points were discussed:

- Whether an alternative plan had been considered to avoid the Council going into further debt. The plan is fundable, sustainable and delivers on all of our principal objectives. The methodology assumes borrowing as the “financing of last resort” offering the best value for money for the HRA. The plan will be reviewed annually, and while borrowing is included, grants and potential rent-setting policy changes may reduce reliance on debt.
- If divesting HRA housing stock had been considered. A stock transfer had not been considered as part of this work.
- Due to the investment programme required for sewage treatment works, whether there had there been underinvestment in sewage treatment works and pumping stations and whether assets would fail before funding was available. An intensive maintenance contract was in place, all sites had been surveyed independently approximately two years ago and are subject to ad-hoc inspections by the Environment Agency. While a capital programme was not in place at present, the existing Medium-Term Financial Strategy had a contingency for capital investment, and the programme would commence during 2026/27.
- Members queried whether South Holland Homes should be brought into the HRA. The acquisition of the units by the HRA was subject to ongoing discussion. Tenants consultation would be necessary, however they would benefit from additional rights under the HRA.
- Clarification sought around disposal of ‘high-cost’ homes and whether properties had already been identified. An asset performance evaluation would commence during 26/27 to identify properties that are costly to maintain or obsolete. Findings would be reported back to councillors. No properties had been identified to date.
- The impact of investment in properties on stock valuation. Impact is limited as valuations are based primarily on rental income rather than component upgrades.

- Clarity sought around why management and repairs costs were considered high when compared to other authorities. This was predominantly due to costs relating to the management and maintenance of sewage treatment works, which were unique to South Holland. Efforts to reduce running costs were planned for 26/27.
- Whether resourcing arrangements were appropriate to deliver the plan. Existing resources were considered appropriate. The majority of the capital programme is delivered through external contractors, with the Council's primary role being contract management.

Scrutiny acknowledged the huge amount of work that had taken place to produce the report and thanked all involved. Members commented on the general uncertainty of planning for a 30-year period and stressed the need for ongoing monitoring. Both financial and human resources needed to be reviewed annually to avoid slippage and ensure programme delivery. The committee agreed that this feedback should be relayed to Cabinet and Council for consideration.

Cabinet was consulted on 20th January 2026 and supported adoption of the Business plan and Asset Management Strategy. It was requested that the wording regarding investment was amended, ensuring it was clear that investment equated to an average of £62,000 per property. (Documents presented to Council have been amended to reflect this request).

Reputation

The HRA Business Plan and Asset Management Strategy was produced by housing finance specialists, Savills.

The HRA Business Plan operates within a political environment therefore changes in both national and local policy can have a major impact and influence on the plan. The HRA Business Plan will be updated on an annual basis, to ensure it reflects the most up to date operating costs and capital programme costs. The annual update will be based on consistently applied methodology.

Contracts

None. Delivery of the HRA capital programme will be in line with the Council's contract procedure rules.

Crime and Disorder

None. The HRA Business Plan recognises the benefit in investing in the wider housing environment in order to support safe, resilient and cohesive communities.

Equality and Diversity / Human Rights / Safeguarding

In finalising the HRA Business Plan and Asset Management Strategy, the Council must comply with the public sector equality duty as set out in S149 of the Equality Act.

An Equality Impact Assessment has been carried out (see Appendix D). Our analysis demonstrates that the proposed HRA Business plan and Asset Management Strategy shows minimal potential for discrimination, and we have taken all opportunities to advance equality subject to continuing monitoring and review.

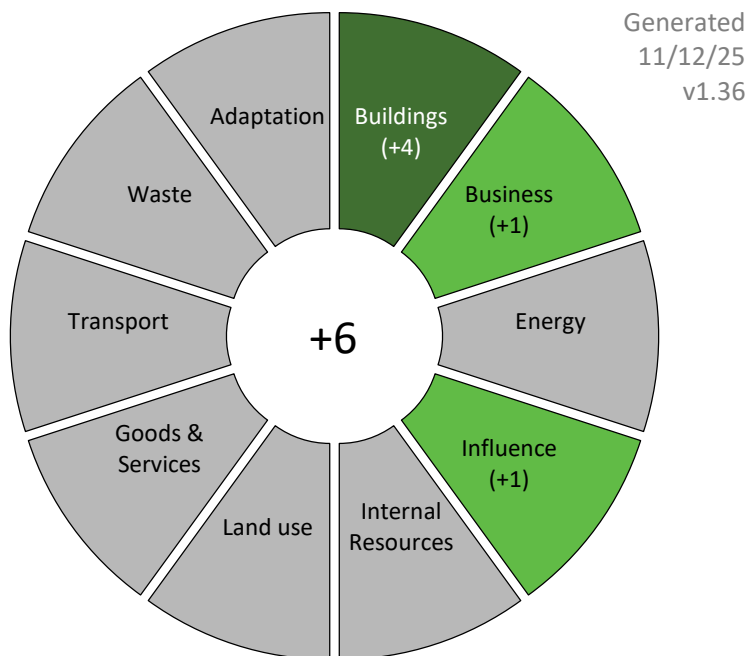
Health and Wellbeing

The HRA Business Plan and Asset Management Strategy include budgets for investment in homes to ensure disabled aids and adaptations are readily available to support vulnerable tenants to live safely and independently in their homes.

Climate Change and Environment Impact Assessment

The HRA Business Plan has positive implications for climate change and environmental impact, incorporating energy efficiency upgrades to homes, ensuring that all properties within the HRA achieve an EPC rating of C or higher by 2030, in alignment with current government guidelines.

The Plan does not deliver a carbon neutral outcome as significant external funding would be required. This is the case for the wider housing sector.



The Partnership has committed to being Net Zero by 2040 (14 years and 0 months away).

Acronyms

CPI - Consumer Price Index.

HRA - Housing Revenue Account.

MHCLG – Ministry of Housing, Communities and Local Government

MTFS – Medium Term Financial Strategy

Appendices

Appendices are listed below and attached to the back of the report:

Appendix A – HRA Business Plan 2026-2056

Appendix B – HRA Asset Management Strategy 2026-2035
Appendix C – Tenant consultation outcome report.
Appendix D – Equality Impact Assessment

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

Chronological History of this Report

| Name of Body | Date |
|--|-------------|
| Joint Performance Monitoring Panel and Policy Development Panel | 13/1/2026 |
| Cabinet | 20/1/2026 |

Report Approval

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