



HRA Business Case Review – draft final report

December 2025

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1 Introduction

Background

- 1.1 Campbell Tickell (CT) were commissioned by Thurrock Council to undertake a review of the Council's Housing Revenue Account (HRA) Business Plan. The review was originally a comprehensive deep-dive into the HRA but following the inception meeting was changed to a "critical friend" review of the HRA business plan, whilst still retaining an in-depth review of asset management. This purpose of the review is to ensure that the HRA Business Plan remains financially sustainable, aligns with legislative and policy requirements, and supports the delivery of strategic Council and housing objectives.
- 1.2 Thurrock Council owns and manages almost 10,000 Council homes. Last year up to 33,000 repairs to these properties took place as well as a major repairs programme and ongoing compliance work to ensure Council tenants and leaseholders are kept safe.
- 1.3 The HRA is a ring-fenced account for local authority housing finance. It records income and expenditure related to council-owned housing and related assets. This review sought to evaluate the current financial position, long-term business plan and identify potential risks and opportunities.

Objective of the Review

- 1.4 More specifically, the objectives of the review were to: -
 - Assess the current financial health of the HRA;
 - Evaluate the assumptions and robustness of the 30-year HRA Business Plan;
 - Assess asset management and investment strategies;
 - Identify opportunities for improving efficiency and value for money and
 - Consider the implications of relevant legislative and policy changes.

Methodology

- 1.5 Following an inception meeting on 16 September 2025, CT undertook the following activities:
 - Review historical and projected income and expenditure.
 - Analyse voids and bad debt provision.
 - Evaluate the capital programme, including planned maintenance and new development.

- Benchmark performance against similar authorities or housing providers.
- Assess financial governance, controls and reporting processes.
- Engage with key internal stakeholders and
- Present interim findings to the council's senior leadership.

2 Legal & Regulatory Context

Introduction

- 2.1 Thurrock's Housing Revenue Account (HRA) exists within a wider framework of legal requirements, policy directives, and regulatory structures which collectively influences how it manages its housing stock, plans major works, sets rents, and maintains financial viability. Understanding this is fundamental to the future sustainability of the service, the council's ability to comply with regulations, and its capacity to provide quality services to tenants.

The Legal Framework

- 2.2 The workings of the HRA are dictated by the *Local Government and Housing Act 1989*, which created ring-fencing requirements. This specified that the HRA must remain separate from the council's General Fund, ensuring that council housing is self-financing and that councils cannot use HRA surpluses for general purposes or subsidise HRA deficits from other income streams.
- 2.3 The *Localism Act 2011* reformed HRA financing by abolishing the subsidy system and introducing self-financing from April 2012 onwards. As part of this transition, councils took on additional debt in exchange for retaining all their rental income. This laid the groundwork for greater investment in existing stock and, in many cases, new housing development.
- 2.4 Also of note is the *Housing Act 1985* which established the legal framework for secure tenancies and tenant rights, including the Right to Buy. These provisions directly impact HRA business planning, as councils must account for stock loss through sales and manage the resulting capital receipts within prescribed rules.

Rent Policy and Regulation

- 2.5 The Regulator of Social Housing (RSH) sets the *Rent Standard*, which proscribes the rents that councils may charge – this acts as a constraint as councils cannot independently set rents in correspondence with their own business plans. The period 2016-2020 saw the introduction of annual rent reductions, whilst more recent policy permits annual increases up to CPI + 1% - a position which will be in place for the next decade.

- 2.6 A consultation on rent convergence was held between July and August 2025 as part of the ten-year rent settlement for social housing. This consultation sought views on the mechanism for allowing rents currently below formula rent to increase by an additional amount each year beyond the CPI + 1% limit until convergence is achieved. The Government is expected to announce the outcome of this consultation in January 2025 – with either a £2 or £3 per week policy being the likely options going forward. From the data contained within the HRA Business Plan model we have reviewed, the Council currently has a gap between actual average rents and average formula rents in excess of £5 per week and rent convergence could result in over £2.5m p.a. additional income. The actual benefit to the Council would depend on the extent to which the transition to formula rents as properties were relet had already been taken into account in the financial models.

Regulatory Oversight and Standards

- 2.7 Local authorities with retained housing stock are considered ‘registered providers’ under *the Housing and Regeneration Act 2008*. Through this act, the RSH derives the power to set regulatory standards which local authority landlords must meet. In addition to the Rent Standard are four consumer standards, as follows – *Safety & Quality; Tenancy; Neighbourhood & Community; and Transparency, Influencing & Accountability*. These standards are now pro-actively monitored and inspected of all social landlords.
- 2.8 The *Building Safety Act 2022* also created significant new legal duties on councils as building owners, particularly for higher-risk buildings. Compliance with this Act may require substantial investment in fire safety works, building assessments, and ongoing safety management systems. Such duties may place considerable pressure on HRA budgets, often requiring reprioritisation of planned improvement programs or additional borrowing, which may impact on the HRA’s capacity to undertake development or regeneration activity.

Quality and Decency Standards

- 2.9 Under the *Decent Homes Standard*, Councils must ensure their homes meet criteria requiring homes to be safe, in a reasonable state of repair, have modern facilities, and provide a reasonable degree of thermal comfort. Since their introduction in 2001, these standards have influenced major works programs and planned maintenance, forming a core part of HRA business planning.
- 2.10 The government launched a consultation on reforming the Decent Homes Standard between July and September 2025. Key proposed changes include shifting focus towards the physical condition of homes (as opposed to timescales for replacement of components), introducing new criteria for damp and mould remediation, and new requirements relating to floor coverings.

2.11 *Awaab's Law*, introduced via the *Social Housing (Regulation) Act 2023* sets statutory timeframes for landlords to investigate and remedy reported health hazards including damp and mould. Councils must now respond to reports within specified periods and complete remedial works within prescribed timescales. This legislation has significant operational and financial implications for HRA business planning, especially around repairs and surveying.

The government also launched a consultation between July and September 2025 proposing to introduce *Minimum Energy Efficiency Standards* for social housing, setting a target of EPC C by April 2030, with the standard incorporated into proposals for a revised Decent Homes. The implementation of MEES represents another significant cost pressure for HRAs, requiring capital investment in insulation and heating measures. As with building safety, this could impact on the ability of the HRA to fund development and regeneration activity.

3 Current Financial Health of HRA

- 3.1 We received a copy of the HRA Business Plan model that had been used for the purposes of setting the Council's 2025/26 budget. We undertook an initial review of the model to assist in assessing the current financial health of the HRA. Our team are very familiar with the model, having assisted in developing the original model some years ago.
- 3.2 We reviewed the entire model from the base underlying budget assumptions and economic assumptions used to project the respective cashflows to the operation of the model itself and use of the functionality available within the model to automate some of the calculations. It became apparent from our review work that the HRA budget for 2025/26 was only partly based on the business plan model and that some elements, mainly around capital expenditure and capital financing had been assessed separately from the HRA model.
- 3.3 The HRA BP model itself at that point was not completed correctly, particularly in respect of the capital investment programme and capital financing, to the extent that the model was not fit for purpose to use as a basis for projecting the health of the HRA. Many of the assumptions being used within the model were reasonable, but there were some significant areas of concern regarding the level of capital expenditure and the financing assumptions, where additional borrowing was assumed to be used to fund expenditure despite other specific capital reserves being available, where remedial action was required to produce a model that functioned correctly and could be relied on for forecasting purposes.

- 3.4 Various meetings and workshop sessions were held with the Council's finance team to discuss how the model might be improved to enable it to be used for budgeting purposes. This includes the use of the model's built-in functionality to calculate any additional borrowing requirements and ability to repay debt over time. Following this initial review work, our recommendation was that for the purposes of budget setting, the Council did not overcommit to new development or regeneration schemes. This position would be revisited following the outcome of our review work and in the context of the next iteration of the business plan, once the budget had been agreed.
- 3.5 The Council decided that the existing version of the HRA BP model was to be adjusted for the known issues and updated assumptions and used to develop a budget for 2026/27 and a 5-year Medium Term Financial Plan (MTFP) forecast. Thurrock was to discuss with the model's provider (Housing Finance Specialists Ltd.) whether it would be possible to update the model to the most up to date version.
- 3.6 Once this work had been completed, the results of our review work, including the substantial piece of work around asset management, would inform the process of developing a full 30-year HRA Business Plan, which would take place post-agreement of the 2026/27 budget. Any "quick wins" arising from our review work could potentially be factored into the 2026/27 budget process, subject to the reporting timings aligning with those of the budget setting process.

4 Asset Management

Stock Condition

- 4.1 A key part of our review work and critical to assessing the financial health of any housing organisation is gaining an understanding of the housing stock and the level of investment required to maintain the stock at a minimum of the Decent Homes Standard. This is typically set out as a programme of expenditure based on an investment plan arising from the asset management strategy and ultimately reflecting the lifecycle and other capital expenditure requirements based on the organisation's stock condition survey information.
- 4.2 Officers acknowledge that they only have stock condition survey information within the last five years on 30% of the stock. The surveys were undertaken in 2022 by MLCS3, who produced an extrapolation covering the full asset number. CT understands that surveys have now been commissioned for the remaining stock to be surveyed over the next two years.

- 4.3 The lack of a full asset survey is likely to mean that there are unknown Housing Health and Safety Rating System (HHSRS) defects within the unsurveyed 70%. Although the likely incidence and costs can be predicted, the location of the defects are not known and therefore cannot be resolved.
- 4.4 The Decent Homes position is based on the surveys and knowledge of historic elemental replacements. Again, while this is a reasonable way to assess actual non decency, it is difficult to address issues when the data is extrapolated. Despite this, Thurrock has invested significantly to address non decency and other end of life renewal requirements. It has also presented information on the homes brought to a 'decent' standard since 2024 and projections for the next five years. CT suggests that the future numbers look low (see 4.15 - 4.20 below) and as a result recommends that Thurrock revisits its projections to check the data.

Investment

- 4.5 The MLCS3 report from December 2022 produces proposed investment projections over 5 and 30 years. Its five-year investment projection for the period 2022 to 2026 was £16.9m. MLCS3 provided a table showing five-year distribution of costs across various elemental headings.
- 4.6 The MLCS3 projections exclude overheads, profit and internal management costs and VAT. Thurrock officers have advised that they are budgeting for an extra 12% p.a to allow for these. It has not factored for VAT as the Council can fully recover this.
- 4.7 Thurrock officers have also advised that for kitchen, bathroom and heating replacements, the average unit cost to be charged by Mears, its current delivery contractor, is lower than the MLCS3 average – see Table 1 below. This should mean that there are potential savings on the projected MLCS3 costs.

TABLE 1

	Mears Rate	MLCS3 Allocation	Difference
Kitchen (Medium)	£6,167.98	£6,228.00	£61.02
Bathroom (3 piece)	£3,470.64	£3,930.00	£459.36

Procurement

- 4.8 The Mears contract for general repairs and maintenance delivery is ending in March 2026. A new contract is currently being procured. The comparative costs of the new contract compared to the current rates will impact on forward projections of expenditure.

Investment levels

- 4.9 It is acknowledged that Thurrock has undertaken significant investment in its stock in recent years, particularly through its Transforming Homes investment programme. Thurrock provided the details in Table 2 below indicating expenditure of £26m over 4 years. This is £9m more than the MLCS3 projections after 4 years.
- 4.10 It is not clear whether the additional investment is pre-empting investment that MCLS3 has identified for future years or if the expenditure has been incurred, in addition to the MLCS3 projections, in order to complete the work to the nine tower blocks. For the purpose of this HRA business case review, CT is assuming that the extra cost is on the tower blocks and the expenditure that MLCS3 has identified as being required in future years still needs to be incurred at the same level and rate of investment.

TABLE 2

	Roofs Replaced	Roofs Replaced £m	Window/ Balcony Doors Replaced	Window/ Balcony Doors Replaced £m	Kitch Replaced	Kitch Replaced £ m	Bath/WC Replaced	Bathroom Replaced £m	Elec Upgrade	Elec Upgrade £m	Heat	Heat £m
Year 9	485	5.88	496	3.3	267	1.2	413	1	411	0.4	192	0.3
Year 10	130	2.4	135	1.7	141	0.8	155	0.6	229	0.4	96	0.2
Year 11	86	1.3	95	1.1	36	0.3	41	0.2	136	0.2	54	0.1
Year 12	140	1.8	146	2	45	0.3	54	0.2	91	0.1	48	0.1
Total	841	11.4	872	8.1	489	2.6	663	2	867	1.1	390	0.8

MLCS3 Report

- 4.11 CT has some concerns with the MLCS3 projections set out in its Executive Summary Report from December 2022. For example, it indicates expenditure of £20.7m on kitchens over 30 years. However, based on Thurrock managing 9,900 homes, if every kitchen is replaced once in 30 years, at an average cost of £6,000, it will require expenditure of £59m. Similarly, the MLCS3 30 year projected expenditure on heating and plumbing is £27.7m. Assuming that each of the 8,587 boilers (domestic servicing volume) will need replacing only once, at average cost of £3,500, this will cost £30m. This ignores any communal upgrades and assumes a single boiler replacement. Assuming a 15 year or even 20-year life, some boilers will need replacing twice. In addition, the MLCS3 costs do not include overheads etc.
- 4.12 For the purposes of this review, CT is assuming that the MLCS3 costs are correct. We recommend that Thurrock revisit the MLCS3 costs with its consultant.
- 4.13 CT has produced Table 3 below, using information provided by Thurrock on its Decent Homes elemental replacement figures over seven years. We have analysed the proposed expenditure of £13m on elemental upgrades over the next seven years. The average costs CT has used in the table below are based on average actual costs that Thurrock is quoting. Comparing this expenditure with the life cycle renewal costs, Thurrock appears to be underinvesting by £32.9m.

TABLE 3

Financial Year	No. Properties	No. Elements	Cost £m	Elements Replaced		
				Kitchens	Bathrooms	Boiler
24/25	1312	1673	7.3	627	267	171
25/26	133	135	0.7	82	46	7
26/27	224	225	0.8	26	81	108
27/28	239	250	1.5	201	45	4
28/29	57	57	0.3	42	10	5
29/30	50	51	0.3	30	14	2
30/31	423	434	2.4	310	119	5
Total	2015	2825	13.3	1318	582	302
Life cycle replacement over 7 years				3465	2310	4007
Difference				2147	1728	3705
Average Unit Value 24/25 £				6,000	3930	3574
Potential Underspend £m				12.9	6.8	13.2
Total Potential Underspend £m				32.9		

4.14 The apparent underspend may be because Thurrock committed significant investment in upgrading these elements within the last fifteen years, meaning that fewer elements reach the end of their life in the next seven years. Even if this is the case, these elements are likely to need replacing at life end, within the 30-year programme, hence CT's concerns on the 30-year cost projections by MLCS3.

Revenue Budget

4.15 The details provided by Thurrock show that the revised 2024/25 revenue budget of £14m was overspent by £424,360 (3%). The main overspend was £1.1m on voids, which resulted from the costs of void clearance on the Blackshot Towers and £400,000 of Legal Fees for disrepair claims.

4.16 The 2025/26 budget was set 9.6% higher than the 24/25 outturn. The current overspend this year is projected at £1,167,189 (7% of budget). Over half of this (£595,000) is due to the void recharges associated with mothballing Blackshots and alternative treatment approaches for cases of damp & mould such installation of PIV units, internal wall insulations.

Cyclical Redecorations

4.17 The revenue overspends in the last two years have been offset by a further pause in the cyclical redecoration programme. This could create a problem for the future, as costs may be higher when the redecoration is delivered, due to more extensive pre-decoration repairs being needed and the deterioration of assets. It is acknowledged that delaying cyclical redecoration is common practice among social landlords. CT recommends increasing the estimated unit costs for redecoration by 10% when the programme is planned to resume.

Repairs WIP

4.18 CT has been advised that Mears are virtually up to date in delivering responsive repairs. Less than 6% of repairs are overdue. This is positive as it means that Thurrock does not need to provide contingency funds to catch up on repairs delivery.

Compliance

4.19 Thurrock appears to be achieving good levels of compliance across all areas, with the exception of electrical testing and water quality. The report is thorough in that it covers a full range of measures. However, it does not use the 'comment' column to record mitigations which would aid understanding. The comment column should be used for this.

Electrical testing

- 4.20 The overall reported compliance level at Q2 2025 is 98.4%, which is reasonable, but could be improved. CT would expect the level to be consistently above 99%. It is accepted that there may be access issues preventing 100%, but these need to be detailed with mitigating actions. The significant concern is that Thurrock is reporting that 24 properties have not been tested in the last 10 years. There is no comment on the reasons why access is not being achieved. These properties need to be urgently tested, with stated actions on the Compliance report to achieve access.

Water Quality

- 4.21 Testing is behind programme. CT understands that a new contractor has been appointed and a complaint delivery programme is now in place to achieve compliance. CT has not seen the programme.

Fire Safety

- 4.22 There appears to be three high priority actions outstanding at St Cedds. CT notes the situation has improved over recent months, but the report does not indicate what is being done to resolve this non-compliance.

FRA Budget

- 4.23 The budget for Fire Risk Assessments (FRA) was significantly underspent in 2024/25 with only 25% of the budget being spent. Similarly, in 2025/26 the projected outturn of £200,000 is only 65% of the budget allocation. FRAs appear to be fully compliant, and this appears to be an over provision. The 25/26 Q2 position statement document notes that the underspend needs to be recycled and used elsewhere, but this does question the budget setting after such a significant underspend last year.

Capital Investment

- 4.24 Thurrock is underspending on its capital programmes and not achieving budget allocations. In 2023/24, it underspent by £300,000 on its carbon reduction programme on three blocks and spent £2.2m of a £5m budget on its tower block refurbishment programme. Similarly, in 2024/25, it spent £31m against a budget of £39.4m. The new development budget underspent by £3m on its Local Authority Housing Fund as this did not get started. Although £20.8m was invested in the Transforming Homes programme, there was an underspend of £4m across the Tower block refurbishment (£3.2m) and Decarbonisation Wave 2 funding (£1.9m). Both areas of investment have been carried forward to 2025/26 for funding.

4.25 It is acknowledged that expenditure on investment can easily be disrupted, but it does question Thurrock's capacity to deliver its programmes.

Block Regeneration

4.26 Thurrock has identified that it has high rise blocks at Blackshots that are no longer viable and has commenced a programme of mothballing, pending approval to regenerate. The three blocks have had residents decanted and now stand empty. There is provision of £100m in the future capital programme.

Cost of mothballing

4.27 There are potential significant financial impacts of mothballing, including rent loss, security costs, higher council tax. As there appears to be no immediate prospects of the regeneration scheme starting, Thurrock needs to ensure that it adequately provides for these costs for the next few years.

5 HRA Business Plan Review

Benchmarking

5.1 Following the initial review work on the HRA BP we have undertaken some benchmarking analysis of Thurrock with the Housemark peer group provided by the Council. The analysis covered:

- Housing Management costs
- Repair & Maintenance costs
- Provision for depreciation (Major Repairs Reserve contribution used to fund HRA investment expenditure)
- Level of HRA balance projected at the end of the 2025/26 financial year

5.2 The benchmarking data is set out in Table 4 below. There is a commentary on the benchmarking data and how the Council's data compares to that of its peer group.

Table 4

Organisation Name	Organisation Stock Size	Cost per unit				Ranking			
		Housing Management	Repairs & Maintenance	Depreciation	HRA Balance	Housing Management	Repairs & Maintenance	Depreciation	HRA Balance
Canterbury City Council	5062	£2,011	£1,637	£830	£494	4	7	10	6
Central Bedfordshire Council	5403	£1,763	£1,691	£1,524	£925	9	6	6	3
Epping Forest DC	6376	£1,847	£2,403	£1,761	£0	5	1	5	11
Great Yarmouth Borough Council	5764	£1,799	£1,526	£729	£513	6	10	11	5
LB of Brent	8091	£2,682	£2,336	£2,002	£297	2	2	2	8
LB of Havering	9355	£3,150	£1,590	£1,773	£3,200	1	9	4	1
South Cambridgeshire DC	6003	£1,476	£1,384	£2,000	£453	11	11	3	7
Thurrock BC	9790	£2,571	£1,615	£1,182	£584	3	8	8	4
Warwick District Council	5710	£1,579	£1,752	£1,210	£263	10	5	7	9
West Lancashire BC	5794	£1,767	£1,962	£1,064	£185	8	4	9	10
Winchester City Council	5128	£1,787	£2,046	£2,060	£2,469	7	3	1	2

- 5.3 **Housing Management** costs per unit are relatively high when compared to the peer group, ranking 3rd most expensive. There are two London Boroughs included in the peer group, and both of these have management costs greater than those of Thurrock. Given the Council's location on the outskirts of London, there may be a regional element to the level of cost. As with any high-level benchmarking exercise, it is possible that the services included in the overall "housing management" classification may not be identical. Nonetheless, we would recommend undertaking a detailed review of the service in order to determine whether there are any particular areas where costs appear disproportionately high.
- 5.4 **Repairs & Maintenance** costs per unit are at the lower end of the peer group, ranking 8th out of the 11 authorities. Whether or not this is the appropriate level of expenditure will be linked to the long-term investment provision. Many organisations will try to achieve a ratio of between 60:40 and 70:30 of capital investment expenditure to revenue repairs and maintenance. This will vary between organisations, and to an extent will depend on how much elemental replacement (usually capital expenditure) is covered by revenue voids works budgets as this can distort the ratios.
- 5.5 **Depreciation provision** per unit is relatively low compared to the peer group. This provision is intended to be an amount set aside from the revenue account to reflect the reduction in value of the housing assets as a result of various building components such as roofs, kitchens, bathrooms, heating systems, electrical systems etc. becoming "used up" over time. The intention is that the provision is a transfer of revenue funds to the Major Repairs Reserve. This should then be used to help fund major investment works to replace components at the end of their lifecycles.
- 5.6 Most local authorities use what is known as "component accounting" to calculate the required level of depreciation provision. This breaks down the value of a property into a range of components plus a residual structure element, which are then used to calculate the provision using the replacement lifecycles of each component. The Council's depreciation provision is calculated using an allowance per unit, which appears to have been derived from the unit rates used for the 2012 HRA self-financing settlement calculations.
- 5.7 The provision included within the HRA BP at the moment is insufficient to cover the cost of the long-term annual investment programme. This would suggest that the provision is probably too low, as we would generally expect it to be sufficient to cover lifecycle replacements. We would recommend that this is revisited and a link made to the investment needs of the existing stock, once

this has been finalised following our review work and the outcome of the additional stock condition survey work.

- 5.8 **The level of HRA balances** projected to be retained is relatively high, ranking 4th in the comparison with the peer group. Looking ahead, the Council should determine the appropriate level of balances to be retained, and these should be used in projecting the HRA over the life of the business plan. This will help to ensure a prudent approach to expenditure and financial management of the HRA. It will require a minimum level of balances to be maintained before resources can be allocated to revenue expenditure items such as contributions towards capital expenditure or additional capital financing costs resulting from borrowing decisions
- 5.9 In addition to the above benchmarking, we have reviewed the provisions for void rent losses and bad debts within the business plan model. The provision for void rent losses is initially on the high side at 3.8%, though is projected to reduce to 2.5% in 2026/27, which is more in line with the rates experienced in other HRAs we have reviewed. The bad debt provision looks to be reasonable given the size of the stock and the rent roll.

HRA Business Plan Review

- 5.10 Following the initial review of the budget version of the HRA BP model outlined above and the subsequent dialogue with the Council's finance team, Thurrock produced an updated version of the model to reflect the discussions and review of assumptions necessary to reflect the latest regulatory and economic requirements.
- 5.11 We discussed and reviewed the revised version of the model with members of the finance team. Our opinion is that the model has now been completed correctly and that the majority of the underlying assumptions and economic assumptions are a sound basis for producing the Council's 2026/27 budget and MTFP. However, this version of the model did not include the Blackshots regeneration scheme due to uncertainty as to the affordability of this scheme. In addition and as has been set out in section 4 above, in our opinion the investment costs included in the model, particularly those relating to the lifecycle replacement costs of building components derived from the existing stock condition survey, are not at the level they need to be to ensure that the Council is able to adequately maintain its stock and continue to meet the Decent Homes Standard.
- 5.12 Whilst the model we reviewed appears to show a sustainable HRA position, we would recommend revisiting the investment programme in the context of the stock condition survey to ensure that the provision is adequate. Additionally, from the benchmarking exercise highlighted in 5.1 to 5.8, it is not clear whether

the provision for Repairs & Maintenance is at an appropriate level. This should be reviewed in the context of the investment provision in the model. However, it is noted that the Council has fairly comfortably been able to manage its Repairs & Maintenance expenditure within the levels of the current budget. Therefore, for the purposes of setting a budget for 2026/27, current expenditure levels would appear to be reasonable.

- 5.13 Following discussions within the Council, a decision was made internally to incorporate the Blackshots regeneration scheme to assess whether this might be affordable within the business plan, and a further version of the model was therefore produced.
- 5.14 We reviewed this updated model and discussed it with members of the finance team. The model showed that the inclusion of the regeneration scheme would result in HRA balances reducing to virtually zero over the period to 2033/34, as a result of no minimum balances being specified in the model and the additional borrowing costs on the debt required to finance the regeneration programme. This in itself would not be a recommended approach as it would leave little room for manoeuvre should there be any adverse movements in the business plan assumptions.
- 5.15 Additionally, the model did not assume any repayment of HRA debt, with the consequence that the model was projected to be carrying in excess of £300m throughout most of the business plan period. We acknowledge that the principal purpose of the business plan was to inform the budget for 2026/27 and the associated 5-year MTFP, but we would recommend that future versions of the business plan make use of the model's functionality to calculate debt repayment where funds permit.
- 5.16 Given the issues already raised in respect of the sufficiency of the investment costs included in the previous version of the model, any increase in those costs could result in the business plan falling into a negative balance situation, which is not legally permissible as the Council has a duty to avoid a negative balance on the HRA.
- 5.17 Our recommendations at this stage are that a level of minimum balances be reinstated in the HRA and that costs and borrowing assumptions relating to the Blackshots regeneration scheme be reviewed in the context of the long-term viability of the HRA BP model. This is due to the current uncertainty around investment requirements for existing stock which still need to be clarified and determined.

6 Conclusions

- 6.1 In conclusion, it was clear from the commencement of our review that the HRA Business Plan model was not being used effectively; it had not been completed correctly and was not fit for purpose to inform future budget setting. The model itself is a robust business planning tool that has been around for a number of years, and if used effectively should produce a sensible set of projections to determine the long-term viability of the HRA. Our initial review identified a number of areas for review, and the majority of these have been reflected in the updated versions of the model.
- 6.2 The underlying operating assumptions used to produce the updated version of the model appear to be reasonable. However, following our review of the asset management (see section 4), we have reservations around the levels of investment expenditure included within the business plan, and linked to this, the levels of revenue Repairs & Maintenance provision within the model.
- 6.3 In terms of capital financing, the level of the depreciation provision appears to be on the low side, and this should be reviewed alongside the investment requirements.
- 6.4 Given the issues regarding the level of investment expenditure contained within the model, our opinion is that the Council should not at this stage overcommit to new development or regeneration schemes whilst the investment needs of the existing stock are being finalised and the HRA capacity established.

7 Recommendations

HRA

- 7.1 Detailed review of Housing Management to determine whether there are any specific areas that are disproportionately expensive
- 7.2 Review Repairs and Maintenance in the context of the finalised investment requirements
- 7.3 Review depreciation provision in the context of the long-term HRA investment requirements. It should be noted that this would result in a transfer of revenue resources to a capital reserve to ensure that sufficient reserves are available to fund the long-term investment needs of the stock, and will therefore reduce the ability of the revenue account to finance additional borrowing.
- 7.4 HRA balances should be reviewed once a firm set of HRA modelling data is agreed. Agreed balance should assist in controlling future spend.

- 7.5 Review the costs and borrowing decisions relating to the Blackshots regeneration scheme to ensure long term viability of the HRA BP model for the purposes of producing a budget and a business plan
- 7.6 Include repayment of debt assumptions in future iterations of the business plan.

Asset Management

- 7.7 Review the future number of homes becoming non decent as current projections look low
- 7.8 Review with MLCS3 the cost projections in the report as these do not appear to allow for life cycle cost replacement
- 7.9 Increase the unit cost of cyclical redecorations by 10% to provide for additional pre decoration repairs due to delays in decoration delivery.
- 7.10 Use the 'comments' column on the Compliance monitoring spreadsheet to record actions and mitigations where compliance is not currently achieved
- 7.11 Undertake EICR tests on the 24 outstanding dwellings that have not been tested in the last 10 years and record actions to gain access, using legal recourse as necessary
- 7.12 Ensure that revenue budgets reflect the costs and loss of rent from the mothballed Blackshots blocks

8 Sources

8.1 The following sources were used to compile this report:

- Corporate Plan 2024 – 2029
- Housing Strategy 2022 – 2027
- Housing Asset Management Strategy 2022 – 2027
- Tenant Satisfaction Measures 2024/25
- Q1 Finance Report – September Cabinet
- Q4 Provisional Financial Outturn 2024/25 – July Cabinet
- HRA Rent Setting & Budget – February 2025 Cabinet
- HRA Capital Outturn 2023/24
- HRA Capital Outturn 2024/25
- HRA Revenue Outturn 2024/25
- Capital Expenditure Forecast 2025 - 32
- Compliance Report Q2 2025
- Maintenance Expenditure 2024/25 & 2025/26
- Repairs Performance Dashboard 5 December 2025
- Gas Servicing – November 2024 Cabinet
- MLCS3 Executive Summary December 2022
- Non-Decent Home data
- Housing Development – Garage Sites
- Housing Works Procurement Delivery Model – May Cabinet
- Email from Saheed Mohamed Ullah 11.11.25
- Email from Jessica Smith 29.10.25

About Us

Campbell Tickell is an expert leadership consultancy for organisations tackling the challenges that shape lives, communities and futures. We provide high quality services, problem-solving and advice, primarily to charitable, not-for-profit and public sector organisations. We are committed to delivering positive social benefit through our work.

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