

Cabinet – 3 December 2025

Medium Term Financial Plan – Housing Revenue Account Update

Purpose	For Decision
Classification	Public
Executive Summary	<p>This report</p> <ul style="list-style-type: none">• Presents the latest medium-term financial plan (MTFP) of the Housing Revenue Account.• Considers the ongoing development of the Housing Revenue Account (HRA) MTFP including the factors that will influence its delivery and that of the annual budget strategy 2026/27.• Details the ongoing budget planning process and timeline for key financial reports.
Recommendation(s)	<p>Cabinet is asked to:</p> <ol style="list-style-type: none">1. note the revised MTFP forecasts, as outlined within the report and appendix 1.2. endorse the approach taken to set the Revenue Maintenance and Capital Programme Budgets for 2026/27.
Reasons for recommendation(s)	<p>To comply with accounting codes of practice and best practice which requires councils to have a rolling multi-year MTFP.</p> <p>To provide Cabinet with the latest high-level overview of the MTFP.</p> <p>To consider the ongoing development of the MTFP and consider the factors that will influence its delivery and that of the annual budget strategy to support the delivery of a balanced budget for 2026/27.</p>
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron - Finance & Corporate Councillor Steve Davies – Housing

Strategic Director(s)	Alan Bethune - Strategic Director Corporate Resources (Section 151 Officer)
Officer Contact	Paul Whittles - Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. The Council has a legal requirement to set an annual fully funded balanced budget and must plan its finances over the medium-term period.
2. The Council's financial strategy seeks to achieve a medium-term financial position ensures the alignment of overall resources to statutory duties and corporate priorities. Financial stability over the medium-to-long term is underpinned the Council's 30 year HRA business plan, with its development supported by third party expertise. The financial strategy for the HRA requires due consideration to national rent setting policy and changes in legislation. HRA resource will be required over the short-medium term to facilitate the orderly transition of services into the new unitary authority as part of Local Government Reorganisation.
3. Actions need to continue on the development of future years' budgets. To support this work, it is necessary that an assessment is made of the likely financial scenario based upon latest available information. The October MTFP Scene Setting report is now updated for changes (including any Council decisions) and reviews undertaken since.
4. It is essential that Members remain mindful of the longer-term implications of the decisions taken during the budget-setting process. While immediate ambitions and pressures may necessitate important choices, these decisions can have lasting effects on service sustainability, financial resilience, and the Council's ability to deliver on strategic priorities. This year, in particular, the impact of decision must be carefully considered to avoid unintended consequences in future years.

Economic Commentary

5. The Chancellor delivered the 2025 Autumn Statement on 26 November 2025. Due to the timing of this report, the impact on the Council is still being assessed and will be incorporated into future iterations of the MTFP.
6. The Bank of England's base rate remains at 4.00% following the last 0.25% reduction in August. Changes to the base rate can negatively impact the Council's interest earnings from investments and

conversely can reduce the cost of borrowing required to support our Capital Programme. The latter is of particular relevance to the HRA in regard to the borrowing required to finance the delivery of the Capital Programme.

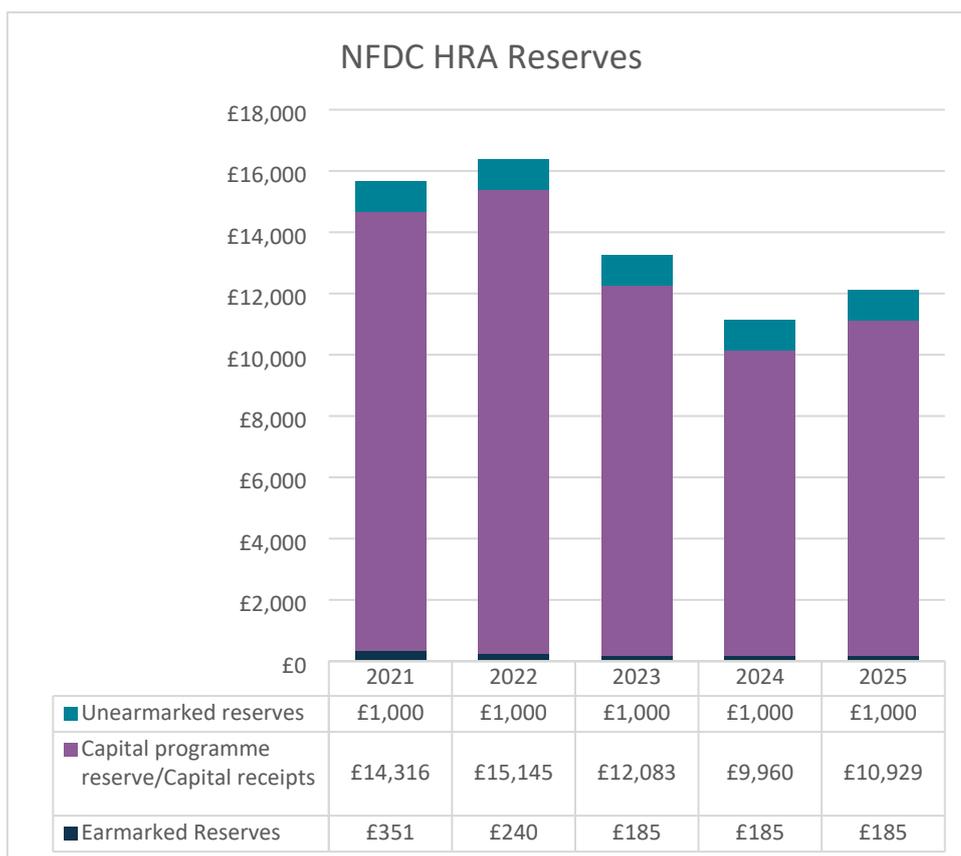
7. CPI (Consumer Price Index) inflation is above the Bank of England's ongoing 2% target. As at September 2025 inflation was 3.8% compared to 1.7% a year earlier.
8. Based on the 2025/26 National Employers Pay Award, the MTFP assumes a 3.2% pay award increase in future years. The MTFP also includes a separate pay award contingency (£111,000) to enable the Council to respond to additional pay related matters or adverse variations in the current assumptions.
9. The Council's overall financial planning needs to consider inflation and the current cost of living faced by its residents and tenants when making difficult decisions on proposed Council Tax, Rent and Fees and Charges.

The Housing Revenue Account (HRA)

Update Medium Term Financial Plan (Appendix 1)

10. The October Medium Term Financial Plan - Scene Setting report outlined a reduction in resources to support the HRA Capital Programme of £0.970 million over the period to 2029/30.
11. Significant changes since the October reported position are limited at this time to the outcome of the triannual review of the pension fund and the ongoing successful returns on investments. the contributions required from the council's HRA will be reduced by £200,000 per annum.
12. The HRA has reserves of £11.114 million including:
 - a. £1.000 million unearmarked reserves
 - b. £10.929 million for housing acquisitions, developments and the wider HRA capital programme.

13. **Figure 1 – NFDC HRA Reserves**



Annual Maintenance and Capital Programme

14. The Housing Senior Management Team utilise an evidenced based approach when it comes to the construction of the annual revenue funded planned and cyclical maintenance budgets. The reactive budget is largely based on trend data from previous years but can obviously fluctuate year-on-year.
15. The Capital programme contains the Major Repairs programme, the Acquisitions and Development Budget and the HRA disabled facilities adaptations. Senior Housing Managers work very closely with the Principal Service Accountant during the budget preparation period to establish maintenance and programme budgets that can be assessed as sustainable and affordable over the long-term. The full programmes will continue to be worked on until the necessary consultation period, as outlined in later sections of this report.
16. The proposed capital programme to 2029/30 and its associated financing will be fully explored in the updated Capital Strategy for 2026/27.

Budget Consultation

17. The Tenants Involvement Group (TIG) will receive a full briefing on the Council’s proposed HRA budget when they meet in January. The

Housing and Communities Overview and Scrutiny Panel will then receive the comments of the TIG when they scrutinise the budget later in January.

Reporting Timeline

18. It is important that the Medium-Term Financial Planning of the HRA supports the ambition of the Council and remains driven by the objectives set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. An updated timeline is set out in Table 1, paragraph 19, which supports the development of the MTFP, through to the final setting of the 2026/27 budget.

19. Table 1 – Reporting Timeline

Item	Date	Meeting	Report
1	20 November 2025	<i>Resources and Transformation Overview and Scrutiny</i>	• <i>Financial Strategy Task and Finish Group feedback</i>
2	26 November	<i>Housing portfolio holder briefing</i>	• <i>Budget update</i>
3	3 December 2025	<i>Cabinet</i>	• <i>Medium Term Financial Plan (MTFP) Update</i>
4	8 January 2026	Tenant Involvement Group (TIG)	• Budget update
5	21 January 2026	Housing and Communities Overview and Scrutiny	• Proposed Housing Revenue Account (HRA) Budget 2026/27
6	23 January 2026	Audit Committee	• Investment Strategy • Treasury Management Strategy
7	4 February 2026	Cabinet	• Capital Strategy 2026/27
8	18 February 2026	Cabinet	• HRA Budget and the housing sector capital expenditure budget

Corporate plan priorities

20. The Council's HRA Medium Term Financial Plan sets out to align the financial resources available to meet and deliver on Statutory duties and Corporate Plan Priorities. More will be done on this as the budget preparation process evolves, heading towards the February 2026 adoption date.

Options appraisal

21. The Council's HRA Medium Term Financial Plan sets out to provide options in the ultimate achievement of a balanced budget. The HRA needs to demonstrate its ability to meet its required revenue expenditure through the rent it levies to its tenants and residents. Key to a sound MTFP is that decisions are taken in the context of the medium-long term, not the short-term.

Consultation undertaken

22. Internal consultation between finance officers, service managers and budget holders has informed the latest assumptions included in the report and will continue throughout this process.
23. Additional consultation with partners, external stakeholders, the Financial Strategy Task and Finish Group and portfolio holders will continue during the lead up to the February 2026 decision.

Financial and resource implications

24. This is a financial report; therefore, all financial and resource implications are contained within the body of the report.

Legal implications

25. The council has a fiduciary duty to its tenants to be prudent in the administration of the funds on their behalf and an equal duty to consider the interests of the community which benefit from the services it provides.
26. The HRA is a ring-fenced account, which means that rents levied from its properties cannot subsidise General Fund related activities. Officers and Councillors must be assured that this ring-fence is being strictly applied when setting the annual HRA budget.
27. It is the responsibility of councillors to ensure the council sets a balanced budget for the forthcoming year. In setting, such a budget councillors and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities. In essence, this is a direct reference to ensure that Council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.
28. The Council must give tenants 28 days' notice regarding changes to rent levels, and any standard increases are currently capped at CPI+1% per annum. In practice this means notice must be given no later than the start of March for a full financial year's impact.

Risk assessment

29. None at this stage.

Environmental / Climate and nature implications

30. The HRA includes funding to support decarbonisation by upgrading homes to EPC C standard by 2030 and net zero carbon by 2050.

Equalities implications

31. None at this stage.

Crime and disorder implications

32. There are no direct implications regarding crime and disorder as a result of this report.

Data protection / Information governance / ICT implications

33. There are no direct implications regarding data protection, information governance or ICT as a result of this report.

Appendices

Appendix 1 – Housing Revenue Account Medium Term Financial Plan 2026-2030 - Summary of Budget Requirement 2026/27-2029/30

Background Papers:

Cabinet 21 February 2024 – Budget Reports 2024/25

Housing Revenue Account Budget and the Housing Public Sector Capital Expenditure Programme 2024/25

Cabinet 1 October 2025

Medium Term Financial Plan – Scene Setting

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN 2026 - 2030

SUMMARY OF BUDGET REQUIREMENT 2026/27 - 2029/30

	2026/27	2027/28	2028/29	2029/30
	Forecast	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
Pay & Price Increases				
Pay Award (assumed 3.2%)	310	310	310	310
Increments	80	80	80	80
Pension Revaluation	-200	0	0	0
Prices (third party contracts, utilities etc)	500	500	500	500
Total Pay & Price Increases	690	890	890	890
Other Budget adjustments				
Internal/External Financing Costs of Capital Programme -Interest	600	650	370	0
Internal/External Financing Costs of Capital Programme -Principal	240	260	150	0
Total Other Budget adjustments	840	910	520	0
Cumulative Impact of Expenditure Increases and Adjustments	1,530	3,330	4,740	5,630
Ongoing Savings and Income Generation				
Rent Increases @ CPI +1%	-1,030	-1,060	-1,090	-1,120
Development Programme net of Right to Buy	-150	-250	-220	-20
Interest Receivable	40	30	10	0
Total Ongoing Savings and Income Generation	-1,140	-1,280	-1,300	-1,140
Cumulative effect of Savings and Income Generation	-1,140	-2,420	-3,720	-4,860
Additional(-)/Reduced Resources to support Capital Programme	390	910	1,020	770