



Committee and Date

Council

26th February 2026

Item

Public



Social Housing Rent and Service Charges 2026

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Cabinet Member (Portfolio Holder):

Cllr James Owen

1. Synopsis

This report seeks approval from Shropshire Council for the 2026/27 Housing Revenue Account (HRA) rent levels and service charges, in line with statutory requirements, Government policy, and the comprehensive service charge review undertaken by Shropshire Towns and Rural Housing (STaR Housing).

Failure by the Council to set a lawful budget and rent for its housing stock by 26th February would have a consequence that the Council could not make administrative arrangements to send letters of notice to tenants of their rent increase at least four weeks prior to the start of the next financial year. A delay caused by a call in would seriously prejudice the Council and the public's interest.

Shropshire Council currently has 4,159 homes managed on its behalf by Shropshire Towns and Rural Housing (STaR Housing). Under the management agreement, which began in 2013, STaR Housing operates as the Council's arm's-length management

organisation. The Council’s housing stock is predominantly post-war, traditional, low-rise accommodation, with the majority of homes located in the Oswestry and Bridgnorth areas.

The report outlines:

- The requirement to apply the 4.8% rent increase set by Government policy (Consumer Prices Index CPI September 2025 + 1%).
- The proposed introduction of updated service charges based on actual cost recovery + 15% management and administration fee (excluding sewage).
- The outcomes of the statutory consultation on rent charging and service charge structure, where 94% of respondents raised no objection.
- The Government’s newly announced staged rent convergence mechanism (£1/week from 2027/28 and £2/week from 2028/29). The expected increase of £0.660m HRA income through the proposed rent and service charge adjustments.

The proposals ensure continued financial viability of the HRA, full cost recovery for services, and compliance with all regulatory requirements.

2. Executive Summary

- 2.1 The Council must set rents and service charges for 2026/27 in accordance with the Government’s Rent Standard. With CPI (September 2025) confirmed at 3.8%, rents may increase by 4.8% from 6 April 2026. Applying the full uplift is essential to maintain HRA financial stability, given that rental income represents 93% of HRA revenue.
- 2.2 A statutory consultation was undertaken with tenants as part of the rent and service charge review in relation to the changes from 48 weeks to 52 week rents, with 94% of respondents raising no objection to the proposals.
- 2.3 A full review of all service charges has been undertaken to modernise charging arrangements, increase transparency, and correct long-standing cost under-recovery. It is proposed that charges should now be set using actual cost, plus a 15% management and administration fee, except for sewage where CPI+1% applies for affordability reasons.
- 2.4 The review increases service charge income from £1.174m in 2025/26 to £1.913m in 2026/27, providing the necessary revenue to fund service delivery.

Table1: Average Rent Impacts (1% and 2% increases) – (For information - Social rent is set at the lowest, government-regulated levels to ensure maximum affordability, while affordable rent is permitted at up to 80% of market rent, making it higher but still below typical private sector costs)

Stock Type	Current Average Weekly Rent (£)	+1% Increase (£/wk)	New Rent (£/wk)	+2% Increase (£/wk)	New Rent (£/wk)
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Social Rent 1 bed	87.74	0.88	88.61	1.75	89.49
Social Rent 2 bed	101.20	1.01	102.21	2.02	103.22
Social Rent 3 bed	111.16	1.11	112.27	2.22	113.39
Social Rent 4 bed	119.66	1.20	120.85	2.39	122.05
Affordable Rent 1 bed	92.64	0.93	93.57	1.85	94.50
Affordable Rent 2 bed	125.20	1.25	126.45	2.50	127.70
Affordable Rent 3 bed	134.90	1.35	136.25	2.70	137.60
Affordable Rent 4 bed	179.91	1.80	181.71	3.60	183.51

These figures illustrate how percentage-based rent changes translate into real terms for tenants. For most property types, a 1% uplift equates to between £0.88 and £1.35 per week, while a 2% uplift equates to between £1.75 and £3.60 per week, depending on property size. This supports clearer understanding of the financial impact of the Rent Standard uplift and the proposed staged rent convergence mechanism.

- 2.5 The Government has published a formal Direction setting out the statutory rules for reintroducing staged rent convergence from 2027/28. This Direction will allow the Council to implement additional uplifts of £1/week in 2027/28 and £2/week in 2028/29.

3. Recommendations That Council:

- 3.1 Approve an increase to Social and Affordable rents of 4.8% from 6 April 2026, in line with Government rent policy.
- 3.2 Approve the adoption of the Government's staged rent convergence mechanism — following the publication of the formal Government Direction setting out the statutory rules for implementation — which will allow:
- an additional £1/week uplift from 2027/28, and an additional £2/week uplift from 2028/29.
- 3.3 Approve revised service charges for 2026/27, calculated on the basis of:
- Actual cost of service delivery
 - Plus 15% management and administration fee (excluding sewage)
 - Over 52 weeks.
- 3.4 Approve the draft HRA revenue and capital budgets for 2026/27 as shown in Appendices 2 and 3.

- 3.5 Delegate authority to the Section 151 Officer or Deputy and relevant Service Director of Communities & Customer, in consultation with the relevant Portfolio Holder, to finalise rent and service charge implementation and issue statutory notifications.

Report

4. Risk Assessment and Opportunities Appraisal

4.1 **Key Risks** - The proposed rent and service charge setting for 2026/27 has been assessed against key financial, operational, legal, and regulatory risks. This section sets out the primary risks associated with the proposals, together with mitigation measures, and identifies the opportunities created through adoption of the updated rent and service charge framework.

4.1.1 **Failure to set rents and service charges correctly** - Incorrect or non-compliant rent and service charge calculations could result in breach of statutory and regulatory duties. This includes the requirement to set HRA rents in accordance with the Government Rent Standard and ensure that service charges reflect actual costs incurred.

Mitigation:

- Calculations are aligned with the Government Rent Standard (CPI +1%).
- Service charges have been fully reviewed and recalculated using actual costs plus a 15% management and administration fee.
- Cross-checking and validation undertaken by STaR Housing, Finance Business Partners, and the Service Director.

4.1.2 **Breach of statutory notice periods** - Failure to obtain Council approval in time could risk the Council's ability to issue the statutory minimum 28 days' notice of rent and service charge changes.

Mitigation:

- A timetable has been developed providing 39 days' notice, exceeding statutory requirements.
- Early approval sought to meet all deadlines.
- Close monitoring of letter production and despatch schedule.

4.1.3 **Under-recovery of service costs** - Historic arrangements resulted in significant under-recovery across several service areas, particularly open-space maintenance, communal utilities, fire safety systems, and lifts. Continuing with outdated charging models would jeopardise the long-term financial sustainability of the HRA.

Mitigation:

- Revised methodology ensures charges reflect actual service delivery costs.
- A 15% management/admin fee added to all applicable categories.
- Annual review cycle to avoid a return to under-recovery.
- Property-level cost modelling for grounds maintenance and utilities.

- 4.1.4 **Increased service charges may disproportionately affect tenants not in receipt of Housing Benefit or Universal Credit**. While 75% of tenants receive some form of benefit support, a minority may face financial strain.

Mitigation:

- STAR Housing Income Team will offer advice, early intervention, and hardship fund support.
- Charges are based on cost recovery and are not profit-generating, ensuring fairness under the Landlord and Tenant Act 1985.
- Benefit-eligible service charges remain fully recoverable for tenants on HB/UC.
- A Stage One Equality, Social Inclusion and Health Impact Assessment (ESHIA) has been undertaken (Appendix 4). The assessment identified no high negative impacts requiring a Stage Two assessment and concluded that impacts are neutral or low positive overall, with mitigation in place for groups who may experience short-term affordability pressures during the transition. Ongoing monitoring and targeted tenant support arrangements are in place to address any emerging issues.

- 4.1.5 **Inaccurate rent or service charge modelling due to changes in employer pension contributions** - Some 2026/27 service charges cannot be finalised until employer pension contribution rates are confirmed.

Mitigation:

- Provisional charges calculated using latest available cost information.
- Final charges to be confirmed once pension data is released, with delegated authority for technical adjustments.
- Governance checks in place before submitting final schedules for approval.

- 4.1.6 **Non-compliance with emerging legislation** (Awaab's Law, Consumer Standards, Decent Homes 2) - Insufficient income to fund property safety works, energy efficiency upgrades or other compliance measures could place the Council at risk of regulatory intervention.

- Awaab's Law is a new legal requirement introduced after the death of the young child Awaab Ishak. It places strict duties on social landlords to investigate and fix damp and mould within set timescales, strengthen evidence requirements, and ensure tenants are kept safe through faster, more accountable repairs processes.
- Consumer Standards are regulatory standards set by the Regulator of Social Housing covering safety, quality of homes, transparency, engagement with tenants, neighbourhood management and how landlords handle complaints. From April 2024 these standards have become more detailed and enforceable, with routine inspections.
- Decent Homes 2 is the Government's forthcoming update to the Decent Homes Standard. It will introduce new expectations around building safety, energy efficiency, damp and mould prevention, and the quality and modernisation of homes.

Mitigation:

- Proposed rent increases and full cost-recovery charging ensure adequate funding for compliance work.
- Programme of investment set out in the HRA Business Plan supports ongoing compliance.
- Risk monitored through regular reporting to senior management and Members.

- 4.1.7 **Delay in finalising responsibilities for grounds maintenance land parcels** - Work is underway to confirm which land parcels should remain HRA-funded and which should transfer to the General Fund.

Mitigation:

- Joint review with Shropshire Council Street Scene teams to confirm land ownership responsibilities.
- Revised estimates prepared pending final confirmation.
- Service charges updated accordingly once decisions are formalised.

- 4.1.8 **Increased voids or arrears resulting from charge changes** - Significant changes in service charges could create concerns among tenants unfamiliar with new cost structures. This could impact rent collection or tenancy sustainment.

Mitigation:

- STaR Housing Income Team will undertake enhanced tenant communications.
- Case-by-case affordability support provided.
- Transition to 52-week rent cycle improves affordability and smooths payments.

4.2 Opportunities

- 4.2.1 Improved financial sustainability for the HRA - Implementing full rent and service charge recovery supports the long-term resilience of the HRA, ensuring essential services and compliance-related investment can continue.
- 4.2.2 Transparent, fair, and modernised service charge structure - The review replaces outdated and opaque categories (e.g. "SERV") with clearly itemised charges. This enhances tenant understanding and aligns with Consumer Standards as per the regulator of Social Housing.
- 4.2.3 Stronger alignment to regulatory expectations - By ensuring rents follow the Rent Standard and service charges reflect actual costs, the Council significantly reduces the risk of regulatory breaches under the Regulator of Social Housing.
- 4.2.4 Greater readiness for Decent Homes 2 and Awaab's Law - Improved cost recovery enables investment into building safety, energy efficiency and responsive repairs, supporting compliance with forthcoming legislation.

- 4.2.5 Better use of the STAR Management Fee - By recovering the cost of communal and property-based services appropriately, the STAR Management Fee can be reprioritised toward front-line housing services.
- 4.2.6 More accurate future financial planning - The staged rent convergence mechanism (from 2027/28) provides clearer medium-term forecasting and supports continued financial modelling, scenario testing, and strategic planning.

5. Financial Implications

- 5.1. The Housing Revenue Account (HRA) is a ring-fenced account and must be managed in accordance with statutory obligations, ensuring that income and expenditure relate solely to the Council's retained housing stock. Rental income remains the single most significant revenue stream, accounting for approximately 93% of total HRA income, and therefore the proposed rent increase is essential to maintain financial sustainability.
- 5.2. The Government Rent Standard permits an annual increase of CPI (September 2025) + 1%, resulting in a 4.8% uplift for 2026/27. Failure to apply this increase would reduce HRA income by £1.032m in the coming financial year, materially impacting the Council's ability to:
- Fund the repairs and maintenance programme
 - Comply with statutory safety requirements
 - Meet capital programme commitment.
 - Sustain service delivery under the management agreement with STaR Housing

Applying the full rent uplift contributes to an overall projected increase of £1.760m in HRA income from 2025/26 to 2026/27, inclusive of rent and service charge changes. Illustrative examples of how 1% and 2% rent changes are translated into weekly amounts for different property types are provided in the Executive Summary table 1.

- 5.3 A comprehensive review of service charges undertaken in 2025 identified significant historic under-recovery across multiple service areas. From 2026/27, charges will be calculated using actual service delivery costs plus a 15% management and administration fee (excluding sewage, which will increase by CPI+1% for affordability reasons).

The financial impact of the revised methodology includes:

- Increase in total recoverable service charge income from £0.927m to £1.389m, reflecting a £0.462m improvement.
- Major increases in areas such as grounds maintenance (£0.088m → £0.223m), heating and water (£0.017m → £0.060m), and IHM (£0.508m → £0.654m).

This uplift is essential to ensure services no longer operate at a deficit and that the STaR Management Fee can be directed toward frontline delivery rather than subsidizing under-recovered costs.

- 5.4 Approximately 75% of tenants receive Housing Benefit or Universal Credit, meaning eligible service charge increases will be covered through the benefits system and will not adversely affect most households.

For tenants not in receipt of benefits, STaR Housing will provide targeted affordability support, including hardship fund access and proactive engagement.

- 5.5 The Government's revised staged mechanism for rent convergence — the process of gradually bringing current rents up to their target formula levels, with around 75% of tenants having these adjustments covered through Housing Benefit or Universal Credit and support available for those who do not — applying:

- £1 per week from 2027/28, and
- £2 per week from 2028/29,

Replaces earlier expectations of a £2 uplift from 2026/27. Appendix 2 shows a medium-term summary of the Housing Revenue Account, which at the time of preparing this report does not reflect the impact of rent convergence. Indicative modelling incorporating the revised rent convergence mechanism estimates £5.5m of additional HRA income over the first five years. This uplift would provide essential capacity to support building safety, Decent Homes and energy efficiency investment and enable a reduction in the level of borrowing required for this investment as currently indicated for 2029/30 and 2030/31 as shown in Appendix 3. However, as can be seen from Appendix 2, the significant contributions of revenue financing for capital expenditure over the 5-year period are resulting in the need for the HRA revenue reserve to support expenditure budgets over the next 5 years.

The level of contributions from revenue to capital expenditure reduces from 2029/30, which necessitates the proposed property investment programme to be financed from borrowing or external grants opportunities instead, however the need for this proposed level of borrowing should be mitigated in these latter years due to the anticipated increased rental income from rent convergence. Full modelling will be presented to a future full council in the 2026 HRA Business Plan.

- 5.6 The Council declared a financial emergency on 10 September 2025, and all non-essential expenditure across the organisation is being reviewed. While the HRA is ring-fenced, its sustainability relies on prudent rent and service charge setting. Any reduction in expected income would compromise the ability to:

- Maintain Decent Homes Standard
- Deliver EPC C by 2030
- Comply with Awaab's Law and Regulatory Consumer Standards
- Fund planned investment in existing stock and supported housing services

Borrowing within the HRA remains governed by the debt cap agreed at Council in February 2025, and future investment relies on maintaining a viable business plan. Based on the 2026/27 budget submitted for approval, and as can be seen from Appendix 2, HRA reserves are forecast to reduce from £16.124m on 1 April 2026 to £14.055m million by 31 March 2027. By 31st March 2031 these are estimated to reduce to £4.076m.

Capital financing for stock investment, sustainability measures and building safety works is supported primarily through the Major Repairs Reserve and revenue contributions. Sustainable borrowing is expected to commence from 2029/30, aligned with Business Plan projections, however as per paragraph 5.5, it is intended to mitigate the need for borrowing at the levels shown following appraisal of the impact of rent convergence

6. Climate Change Appraisal

6.1. Carbon Offsetting or Mitigation - The HRA Business Plan includes significant investment in measures that reduce carbon emissions from Council homes. These include improvements to insulation, installation of air source heat pumps and increased use of solar photovoltaic (PV) panels. Such measures directly contribute to lowering energy consumption and emissions across the housing portfolio.

The proposed rent and service charge adjustments ensure the necessary income is available to maintain and expand these programmes. This is particularly important given the Council's statutory and regulatory obligations relating to energy efficiency, damp and mould prevention, and building safety arising from Awaab's Law and the emerging Decent Homes 2 framework.

6.2. Climate Change Adaptation - The Council's investment plans incorporate interventions that make homes more resilient to climate impacts, such as:

- Insulation upgrades to protect against more extreme temperatures
- Improved ventilation systems to mitigate damp, mould and condensation risks
- Flood resilience measures in vulnerable areas

The updated service charge structure—particularly for communal heating, electricity, water, and building safety systems—ensures resources are available to operate and maintain these systems effectively.

6.3 Energy and Fuel Consumption - The proposed investment trajectory anticipates a reduction in household energy consumption due to:

- Improved insulation
- Air source heat pumps
- More efficient communal energy systems
- The long-term transition to modern, low-carbon heating technologies

The move to a 52-week rent and service charge cycle also supports household budgeting, enabling more consistent payment patterns and potentially reducing peak financial stress that can exacerbate fuel poverty.

The Council's commitment to achieving EPC C for all homes by 2030 will also deliver measurable reductions in carbon output across the housing stock

6.4 Renewable Energy Generation - The HRA Business Plan supports the installation of renewable energy technologies across new and existing homes. A growing proportion of properties are already equipped with air source heat pumps and solar PV, and this is planned to increase year-on-year.

As of December 2025, at least 15% of Council homes are already fitted with renewable technologies, with further rollout planned as part of ongoing capital investment programmes.

Service charges for communal energy systems (such as future air source heat pump installations) will ensure that the operational costs of low-carbon systems are correctly and sustainably funded.

6.5 The rent and service charge proposals for 2026/27 play a critical enabling role in delivering Shropshire Council's climate change commitments by:

- Supporting decarbonisation and improved energy efficiency
- Funding climate-resilient upgrades to homes
- Ensuring transparent and sustainable charging for communal energy systems
- Reducing fuel poverty risks through improved budgeting structures
- Facilitating ongoing investment in renewable energy technologies

These measures collectively ensure that the HRA continues to contribute positively to Shropshire Council's climate change objectives while maintaining and improving the quality, safety and sustainability of homes for tenants

7. Background

7.1. The Housing Revenue Account (HRA) is a statutory ring-fenced account through which the Council manages the finances associated with its retained housing stock. Income and expenditure must relate solely to landlord services provided to Council tenants, with rental income forming the primary revenue stream. Approximately 93% of total HRA income is derived from dwelling rents, demonstrating the critical importance of accurate and compliant rent-setting to ensure the long-term sustainability of the account.

7.2. The Government's Rent Standard sets out the framework for annual rent increases for local authorities and registered providers. Rents may rise by CPI (September) + 1%, unless a national rent cap is applied. CPI for the 12 months to September 2025 was 3.8%, which allows a maximum permissible uplift of 4.8% for the 2026/27 financial year. There is no Government-imposed rent cap for 2026/27, meaning the full uplift may be applied.

Shared Ownership rents continue to be calculated at 2.75% of the landlord's share at the time of purchase. From the following April, rents are reviewed annually in line with the terms set out in the lease. As additional shares in the property are purchased, rent will decrease proportionally, based on the original property value.

The Government has confirmed a revised approach to rent convergence — the mechanism used to bring actual rents into line with formula rents over time. After several years without convergence uplifts, the Government announced on 28 January 2026 that it will reintroduce convergence from 2027/28 through staged increases of £1 per week in 2027/28 and £2 per week in 2028/29. This replaces earlier assumptions and marks the formal restart of convergence from 2027/28. This policy shift is particularly significant for Shropshire Council, where 96% of rents remain below target, meaning the majority of properties qualify for future

convergence adjustments. Based on current modelling, the revised convergence mechanism is expected to generate an additional £5.5 million in rental income over the next five years, supporting the Property Investment Programme and reducing the level of borrowing otherwise required.

- 7.3. STaR Housing, as the Council's arms-length housing management organisation, administers rent-setting calculations, service charge modelling, and tenant consultation activities on behalf of the Council. A detailed rent setting and service charge review process takes place annually, with governance overseen by STaR Housing's Board, Shropshire Council officers, and portfolio holder.

A tenant consultation process was undertaken as part of the rent setting and service charge review. STaR Housing issued consultation information to all affected tenants, outlining the proposed rent increase, the updated service charge methodology, and the reasons for the changes. Tenants were provided with opportunities to respond through written feedback and survey responses. All responses were reviewed as part of the decision-making process. Overall, 94% of respondents raised no objection to the proposals, indicating strong tenant understanding and acceptance of the changes.

- 7.4 Shropshire Council continues to work with STaR Housing to meet its core landlord responsibilities aligned with the consumer standards and regulatory framework. Agreed actions are in place to ensure continuous improvement.

While there is a solid foundation in several operational areas, the current regulatory environment demands sustained improvement. Continued close collaboration between the Council and STaR Housing will be essential to address the identified gaps, strengthen compliance, and ensure the Council is in a positive position for regulatory inspection.

It is important to note the operating environment is becoming increasingly challenging due to strengthened regulatory requirements (including Awaab's Law, updated Consumer Standards and the forthcoming Decent Homes 2 framework), which will require sustained investment and robust governance. Performance has also been delivered against a backdrop of historic under-recovery of service charges and wider financial pressures across the Council.

For 2026/27, STaR Housing has undertaken a comprehensive review of service charges, examining every category of chargeable service, including communal utilities, grounds maintenance, fire safety compliance activities, lifts and automated doors, management company recharges, cleaning contracts, and aids and adaptations servicing. The review concluded that historic practices had led to significant under-recovery of costs, with several charges not reflecting the true cost of service delivery. The updated methodology moves service charges to actual cost recovery plus a 15% management and administration fee (excluding sewage), ensuring full cost transparency, equity, and legal compliance.

The service charge review also identified estates and land parcels currently maintained through the HRA, but which may sit outside HRA responsibility. STaR Housing is working with Shropshire Council's Street Scene Team to re-establish correct responsibility for these areas before finalising 2026/27 charges.

STaR Housing is funded via a Management Fee and a Works fee paid from the HRA. The Management Fee is proposed to increase by 4.8% in line with rent increases, as it has in previous years and capital works costs will continue to be recharged to the HRA and Housing Capital programme as and when they are incurred.

7.5 Shropshire Council declared a financial emergency on 10 September 2025, indicating severe financial pressures across the authority. On 28 January 2026 the Government announced a series of reforms affecting affordable housing. These include reintroduction of staged rent convergence uplifts, access to low-cost borrowing, revisions to the Decent Homes Standard, strengthened Minimum Energy Efficiency Standards, changes to Section 106 policies, and creation of a national Social Housing Taskforce. STaR Housing and Shropshire Council are assessing the impact of these measures, with full analysis to be included in the 2026 HRA Business Plan.

While the HRA is legally ring-fenced and not directly affected by General Fund restrictions, it remains essential that the HRA sustains its own financial viability. Any reduction in anticipated rent or service charge income would adversely affect the Council's ability to fund:

- Essential repairs and maintenance
- Building safety compliance (including requirements arising from Awaab's Law)
- Decent Homes Standard compliance
- Energy efficiency improvements to achieve EPC C by 2030
- Ongoing servicing and operation of communal systems

The proposed rent and service charge levels for 2026/27 contribute to an overall projected increase of £0.660m in HRA income compared to 2025/26, supporting the long-term sustainability of the Council's housing services.

7.6 The emerging HRA Business Plan due to be presented to Council in May outlines a programme of significant investment in both new and existing housing over the next 30 years, with borrowing requirements forecast to peak at £172m by 2030/31, remaining within the approved debt cap of £174m. Continued implementation of the rent standard is crucial to fund this investment responsibly.

Investment also includes improvements to energy performance, installation of renewable heating (such as air source heat pumps), fire safety enhancements, and upgrades to communal areas and building fabric—all of which rely on a stable and predictable rent income base.

8. Additional Information

8.1. Shropshire continues to experience significant and sustained housing need. The number of households in the county increased by 7.6% between 2011 and 2021, outpacing overall population growth and the national average. This pressure is reflected in the housing register, with 5,082 (as of 01.02.2026) households currently seeking affordable housing, including high numbers of older people, wheelchair users and those with urgent medical needs.

Private sector rents have risen by more than 3% in the past year, and average house prices have reached £287,000, limiting access to market housing for many local residents. We are yet to see the impact on the private rent sector of the Renters Rights Act which will strengthen protections for renters but may impact on the market as landlords review their position. These affordability pressures reinforce the importance of maintaining a sustainable and well-funded HRA to continue delivering and maintaining affordable homes.

8.2 To ensure the Council is able to consider how it can respond effectively to changing needs, a strategic housing survey is planned for 2026. This will collect detailed data on:

- Future needs across all age groups
- Requirements for specialist and supported housing
- Barriers to moving and affordability constraints
- Tenants' preferences around tenure, adaptations and community integration
- Evidence on demand for temporary accommodation and low-cost home ownership

The findings will shape ongoing updates to Shropshire's Housing Strategy and inform future HRA investment decisions and policy development. Alongside this, the emerging development programme proposes the delivery of 230 Affordable Rent homes, 157 Shared Ownership homes and 364 Social Rent homes across Shropshire. Consideration of this development programme and the proposed funding through a combination of authorised HRA borrowing, Homes England grant and retained Right to Buy receipts will be presented to Council in May alongside the updated HRA Business Plan.

8.3 The rent and service charge recommendations form part of a long-term strategic framework for the HRA. The financial modelling has been subject to rigorous scenario testing, examining:

- Variation in inflation
- Void levels
- Bad debt rates
- Rent policy changes
- Timing of Government rent convergence

This testing confirms that failure to implement the recommended increases would materially weaken the HRA's sustainability, undermine compliance programmes and limit the Council's capacity to invest in existing and new homes.

8.4 The proposals have been developed to ensure ongoing compliance with:

- The Government Rent Standard
- The Consumer Standards (Regulator of Social Housing) and the corresponding regulatory inspection regime.
- The Landlord and Tenant Act 1985
- Emerging requirements under Awaab's Law and Decent Homes 2 (please refer to 4.1.6 for further information on the requirements).

Accurate rent and service charge setting will support the Council's preparedness for future regulatory inspections and strengthen governance, transparency and tenant engagement.

8.5 The Council and STaR Housing continue to work closely with:

- Housing Plus Group
- Connexus
- Cornovii Developments Ltd
- Homes England
- Internal partners including Street Scene, Finance, Legal, Housing Options and Housing Strategy

These partnerships ensure that charging, investment and service delivery decisions are grounded in local need, financial realism and legal compliance. The emerging HRA Business Plan identifies £59.981 of investment in existing homes over the next five years. Based on current assumptions, borrowing of approximately £7.534m million is required to support essential building safety and compliance works while maintaining statutory reserve levels as shown in Appendix 3, however, final investment phasing will be confirmed in the 2026 HRA Business Plan, which will include the impact of rent convergence also and therefore the level of borrowing required will be reassessed at that point.

9. Conclusions

- 9.1. The proposed rent and service charge setting for 2026/27 represents a necessary and balanced approach to sustaining the long-term viability of the Housing Revenue Account while ensuring continued compliance with statutory, regulatory and financial obligations. Applying the full CPI + 1% rent uplift, alongside the updated service charge methodology, provides essential income to maintain core landlord services, meet increasing regulatory requirements, and support planned investment in safety, energy efficiency and stock improvement.
- 9.2. The comprehensive service charge review addresses historic under-recovery and introduces a transparent, fair and legally compliant charging framework that strengthens the financial resilience of both the HRA and STaR Housing's delivery model. The statutory consultation confirms broad tenant acceptance of the proposals, and support mechanisms remain in place for households who may experience affordability pressures.
- 9.3. In the context of significant national policy changes, emerging obligations under Awaab's Law and Decent Homes 2, and the Council's declared financial emergency, the recommended approach provides a prudent and responsible basis for forward planning. Approval of the proposals will ensure the Council is well-positioned to maintain high-quality homes, deliver essential compliance programmes, and progress strategic housing priorities across Shropshire.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Member: n/a

Appendices

1. Appendix 1 – Fees and Charges Schedule 2026-2027
 2. Appendix 2 – HRA revenue Budget
 3. Appendix 3 – Property Investment Programme
 4. Appendix 4 – ESHIA
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