

REPORT TO COUNCIL

Date of Meeting: 2 September 2025

Report of: Strategic Director - Corporate Resources

Title: 2025/26 Housing Revenue Account Budget Monitoring Report – Quarter 1

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To advise Members of the financial position of the Housing Revenue Account (HRA) Revenue and Capital Budgets for the 2025/26 financial year after three months.

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring by officers.

2. Recommendations:

2.1 It is recommended that Council notes and approves (where applicable):

- the HRA forecast financial position for 2025/26 financial year as detailed in Appendix 2;
- the revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4;
- a request to transfer £157k decorations revenue budget to the communal flooring capital budget (see paragraph 8.3); and
- approval to spend £190,700 grant from Devon County Council to support the Local Authority Housing Fund round 3 (see paragraph 8.7).

3. Reasons for the recommendation:

3.1 To formally note the HRA's projected financial position and to approve the reported variations to the HRA Capital Programme.

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep a HRA in accordance with proper accounting practices and to review the account throughout the year. Members are presented with a quarterly financial update in respect of the HRA and this is the first update for 2025/26.

4. What are the resource implications including non financial resources

4.1 The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2025/26 are set out in the body of this report.

The impact on the HRA's available financial resources are set out in Appendix 3.

5. Section 151 Officer comments:

5.1 There are no significant issues to draw to Council's attention.

6. What are the legal aspects?

6.1 The statutory requirement for a Housing Revenue Account (HRA) is set out in Part VI of the Local Government and Housing Act 1989. Section 74 of the Act sets out the duty to keep a HRA as a ring-fenced fund and sets out the structure within which the HRA operates. Part VI of the Act sets out the detailed statutory provisions on the operation of the HRA, including credits to the account (income) and debits to the account (expenditure). Section 76 sets out the duty to prevent a debit balance on the HRA. The authority must implement proposals that will secure that the account for each financial year will not show a debit balance. Members will also note the provisions of Schedule 4 of the Act which sets out the requirements concerning 'The Keeping of the Housing Revenue Account'.

7. Monitoring Officer's comments:

7.1 As set out in the introduction to this report, Members will note the budgetary over/under-spends and will particularly note the areas of risk set out at Appendix 1 to this report. Members will be alert to the fact that certain budgets have been identified as potentially resulting in deviations from budget. This report makes it clear that these budgets will be subject to close monitoring by officers. The key issue is that the authority must ensure that the HRA for the financial year does not show a debit balance. Members will note the proposal to transfer funds from the working balance in order to achieve a balanced budget at the end of the financial year. As Members will note from this report, it is anticipated that the transfer from the working balance for 2025/26 will bring the working balance as at 31 March 2026 close to the HRA balance that Members previously resolved to be retained of £3.525m.

8. Report details:

HRA BUDGET MONITORING – QUARTER 1

8.1 Background to the HRA

The HRA records expenditure and income relating to council dwellings and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council. This includes tenancy management, repairs and maintenance, council house building and council house retrofits.

8.2 Projected transfer from the working balance

2025/26 Budget	£
MANAGEMENT	1,727,260
EDWARDS COURT	(158,960)
TENANCY SERVICES	1,921,450
RESIDENT INVOLVEMENT	323,640
SUNDRY LANDS MAINTENANCE	472,020
REPAIR & MAINTENANCE PROGRAMME	8,917,790
REVENUE CONTRIBUTION TO CAPITAL	1,000,000
CAPITAL CHARGES	3,724,680
HOUSING ASSETS	3,004,690
RENTS	(22,110,850)
INTEREST	1,739,350
Approved Budgeted transfer from the working balance	(561,070)
Supplementary budgets – Council approved 10th June 2025	(19,000)
Revised Budgeted transfer from the working balance	(580,070)

The HRA has working balances of £4,905,388 as at 31 March 2025. This is higher than the £3.525 million contingency resolved to be retained.

8.3 Revenue Monitoring

The budget variances anticipated at Quarter 1 indicate that £423,070 will be taken from the working balance in 2025/26 – See appendix 2. This represents a movement of £157k compared to the revised budget £580,070. Variances are detailed below:

Budget Heading	Forecast Outturn Budget Variance at Quarter 1 (Under) / Overspend
Repairs and Maintenance Programme	(£157,000)
Officer Responsible: Head of Asset Maintenance <ul style="list-style-type: none"> Internal decorations – it is requested that the revenue budget for re-decoration is used instead to support the communal flooring capital budget to replace carpets in communal area which are overdue for replacement. 	
Total budget (underspend)/overspend	£157,000
2025/26 HRA Deficit / (Surplus)	£423,070

8.4 Impact on HRA Working Balance

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The forecast balance, as at 31 March 2026, is set out below:

Movement	2025/26
Opening HRA Working Balance, as at 1 April 2025	£4,905,388
Forecast transfer (from) / to the working balance for 2025/26	(£423,070)
Balance resolved to be retained (HRA contingency)	(£3,525,000)
Forecast Balance Available, as at 31 March 2026	£957,318

The transfer from the working balance anticipated for 2025/26 brings the working balance as at 31 March 2026 close to the HRA balance resolved to be retained of £3.525m.

8.5 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 3 for the period to 2028/29.

The total available resources is made up of several reserve balances; the HRA working balance, the Useable Capital Receipts reserve and the Major Repairs Reserve.

The HRA working balance is the movement on revenue budgets, contributions can be made from this reserve towards financing capital budgets in the form of 'Revenue Contributions to Capital'. The useable capital receipts reserve is made up of both the Right-to-Buy (RTB) receipts reserve and the Non-RTB receipts reserve; these reserves are available to finance capital spend; some restrictions apply. The Major Repairs Reserve is increased each year by the HRA depreciation charge to revenue; this reserve is then available to spend on the HRA capital programme.

The total forecast HRA available resources is impacted by variances in both revenue budgets detailed in section 8.3 above and variances in capital budgets detailed in section 8.7 below.

The forecast total available resources over the Medium-Term Financial Plan (MTFP) has increased by £275k. This is due to additional Right to Buy receipts received which are partly offset by the need to allocate further receipts to complete Vaughan Road Phase A.

Total available reserves over the MTFP are now expected to be £3,172,026 after deducting the £3.525 million balance resolved to be retained (HRA contingency).

8.6 HRA Debt

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

Executive on 8 October 2019 approved the first Council House Building Programme to deliver 100 new homes into the HRA at a cost of £18 million. On 5 April 2020, the Council took out a loan of £15.36 million from the Public Works Loan Board to support this programme, with the balance to be funded by capital receipts.

As at 31 March 2024, the HRA's borrowing stood at £73.242 million. The total of the £15.360 million new loan and the former 'debt cap' level of £57.882 million. The HRA currently has approval to borrow a further £7.7 million, this has been deferred whilst borrowing rates remain elevated but will likely be required in the next 12 to 24 months.

There have been financial pressures on the Temporary Accommodation budget due to increases in demand which is a national issue. During 2025/26 a review of the service is being undertaken to identify opportunities for intervening earlier in the homeless pathway which may result in greater use of government grants on prevention activity. As an interim measure, to reduce unit cost whilst also increasing quality of temporary accommodation, it is intended that ECC will enter into long-term lease arrangements for a number of properties.

Legal advice has recommended that these properties should sit within the HRA stock, so the capitalised value of the lease payments is included in the HRA capital programme below and treated as borrowing.

8.7 HRA Capital Programme

The 2025/26 HRA Capital Programme was approved by Council on 20th February 2025. Since that meeting the following changes have been made that have increased the 2025/26 programme.

Description	2025/26	Approval / Funding
HRA Capital Programme	£16,344,475	
Budgets carried forward from 2024/25 HRA Capital Programme	£1,802,599	Council – 10 th June 2025
Additional approvals	£3,520,792	Council – 10 th June 2025
Revised HRA Capital Programme	£21,667,866	

The current approved HRA Capital Programme is detailed in Appendix 4.

The appendix shows a total forecast spend in 25/26 of £22,356,784. The details of key (greater than +/- £30k) variances from budget are set out below.

Scheme	Overspend / (Underspend)
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Communal Area Improvements – New Flooring	£157,000
Officer Responsible: Head of Asset Maintenance Virement of budget from Planned communal decorations budget to allow some blocks to have flooring upgraded.	
Vaughan Road Phase A	£530,000
Officer Responsible: Head of Asset Maintenance Funding has previously been approved for the completion of this development project but the specific budget has now been quantified as stated.	

No schemes are identified as being wholly or partly deferred to 2026/27 or beyond as at Quarter 1.

Local Authority Housing Fund (LAHF) – round 3

DCC has provided £190,700 to ECC as a one-off grant. This grant funding will be used towards the purchase of 2 x two-bedroom properties and 1 x four-bed property under round 3 to resettle Afghan families. This is in addition to two properties purchased in 2024/25. The Council currently has £297,000 of Section 106 funding set aside for this purchase, as agreed by Council on 10th of June 2024. The £190,700 grant from DCC will reduce the funding required from Section 106 to £106,300.

Historic Council Own Build Final Accounts to 31 March 2026

The Council's Own Build (COB) properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

As the 21 units were built using Homes and Communities Agency funding in conjunction with borrowing (£998k), they are accounted for separately in order to ensure that they are self-financing. A separate COB working balance and Major Repairs Reserve are maintained until such time as a sufficient balance has been accumulated to repay the debt attributable to these properties, at which point the units can be accounted for with the wider HRA stock.

Key Variances from Budget

There are no projected variances to report at the end of Quarter 1. The budgeted transfer from working balance is £7,000 during 2025/26.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The Housing Revenue Account contributes to a key purposes, as set out in the Corporate Plan; Building great neighbourhoods.

10. What risks are there and how can they be reduced?

10.1 For clarity, these are specific financial risks, alongside the risks captured in the corporate risk register.

It is not permissible for the HRA to go into an overall financial deficit position; it is therefore important to ensure that an adequate level of HRA balances is maintained as a contingency against risks. The HRA resolve to retain a working balance at no less than £4 million to mitigate against financial risks.

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impact on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because there are no significant equality and diversity impacts associated with this decision.

12. Carbon Footprint (Environmental) Implications:

12.1 We are working towards the Council's commitment to carbon neutral by 2030. The impact of each scheme is considered prior to approval.

13. Are there any other options?

13.1 None

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquiries:

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