

## **REPORT TO COUNCIL**

Date of Meeting: 9 December 2025

Report of: Strategic Director - Corporate Resources

Title: 2025/26 Housing Revenue Account Budget Monitoring Report – Quarter 2

### **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 six 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; and
- The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4.

#### **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 second 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.

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## **5. Section 151 Officer comments:**

5.1 There is nothing significant to highlight to Members in the HRA report at this stage.

## **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.

## **8. Equality Act 2010 (The Act)**

8.1 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.

## **9. Carbon Footprint (Environmental) Implications:**

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

## **10. Report details:**

### **HRA BUDGET MONITORING – QUARTER 2**

#### **10.1 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.

#### **10.2 Projected transfer from the working balance**

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<b>2025/26 Budget</b>	<b>£</b>
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
<b>Approved Budgeted transfer from the working balance</b>	<b>(561,070)</b>
Supplementary budgets – Council approved 10th June 2025	(19,000)
Reduction in internal decorations revenue to fund increase in capital programme – Council approved 2 <sup>nd</sup> September	157,000
<b>Revised Budgeted transfer from the working balance</b>	<b>(423,070)</b>

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 2 indicate that £212,400 will be taken from the working balance in 2025/26 – See appendix 2. This represents a movement of £210,670 compared to the revised budget £423,070. Variances are detailed below:

<b>Budget Heading</b>	<b>Forecast Outturn Budget Variance at Quarter 1 (Under) / Overspend</b>	
	<b>Qtr 1</b>	<b>Qtr 2</b>
<b>Management</b>	<b>£0</b>	<b>(£45,000)</b>
<b>Officer Responsible: Interim Head of Housing &amp; Head of Asset Maintenance</b> <ul style="list-style-type: none"> <li>Grant is being received in year to compensate for additional employer's National Insurance contributions.</li> </ul>		
<b>Tenancy Services</b>	<b>£0</b>	<b>(£140,670)</b>
<b>Officer Responsible: Interim Head of Housing</b> <ul style="list-style-type: none"> <li>There are anticipated one off salary savings across the Tenancy services, Lettings and Income Recovery teams due to unfilled vacancies during the year.</li> </ul>		

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<b>Repairs and Maintenance Programme</b>	<b>£0</b>	<b>(£60,000)</b>
<b>Officer Responsible: Head of Asset Maintenance</b> <ul style="list-style-type: none"> <li>Due to delays in the procurement of the Planned Works contract which commenced in October there will be in-year underspends of £45k on re-pointing works and £15k on asbestos surveys.</li> </ul>		
<b>Housing Assets</b>	<b>£0</b>	<b>£35,000</b>
<b>Officer Responsible: Head of Asset Maintenance</b> <ul style="list-style-type: none"> <li>An additional £35k is required for consultancy support with the audit of Social Housing Decarbonisation Fund claims.</li> </ul>		
<b>Total budget (underspend)/overspend</b>	<b>£157,000</b>	<b>(£210,670)</b>
<b>2025/26 HRA Deficit / (Surplus)</b>	<b>£423,070</b>	<b>£212,400</b>

#### 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:

<b>Movement</b>	<b>2025/26</b>
Opening HRA Working Balance, as at 1 April 2025	£4,905,388
Forecast transfer (from) / to the working balance for 2025/26	(£212,400)
Balance resolved to be retained (HRA contingency)	(£3,525,000)
<b>Forecast Balance Available, as at 31 March 2026</b>	<b>£1,167,988</b>

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

#### 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.

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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 £1,134,690. This is due to additional Right to Buy receipts received and a projected revenue underspend.

Total available reserves over the MTFP are now expected to be £4,306,716 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.

In addition, it is planned to enter into long-term lease arrangements for a number of properties which will sit within HRA stock to help alleviate pressures on the Temporary Accommodation budget, and the £2.6 million capitalised value of these lease payments will be 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	

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Budgets carried forward from 2024/25 HRA Capital Programme	£1,802,599	Council – 10 <sup>th</sup> June 2025
Additional approvals 2024/25 outturn	£3,520,792	Council – 10 <sup>th</sup> June 2025
Additional approvals Q1	£687,000	Council – 2 <sup>nd</sup> September 2025
<b>Revised HRA Capital Programme</b>	<b>£22,354,866</b>	

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

The appendix shows a total forecast spend in 25/26 of £19,417,866. The details of key (greater than +/- £30k) variances from budget are set out below.

Scheme	Overspend / (Underspend)
<b>Communal Area Improvements – New Flooring</b>	<b>(£35,000)</b>
<b>Officer Responsible: Head of Asset Maintenance</b> <ul style="list-style-type: none"> <li>The amount spent on communal flooring works can be reduced in order to offset the additional consultancy revenue costs required in 8.3 above.</li> </ul>	

Schemes identified as being wholly or partly deferred to 2026/27 and beyond are:

Scheme	Budget deferred to/(brought forward from) future years
<b>Energy Conservation</b>	<b>£550,000</b>
<b>Porch canopies</b>	<b>£35,000</b>
<b>Central heating – Abbeville &amp; Hamlin</b>	<b>£520,000</b>
<b>Officer Responsible: Head of Asset Maintenance</b> <ul style="list-style-type: none"> <li>The contract for Planned Works has commenced in October. There has been little spend in the first half of the year retrofit works or porch canopies so the balances have been re-profiled over the next two financial years.</li> </ul>	

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<ul style="list-style-type: none"> <li>The replacement of central heating at Abbeville and Hamlin is likely to be conducted in 2026/27 once other works on site are complete.</li> </ul>	
<b>Laings</b>	<b>£1,800,000</b>
<p><b>Officer Responsible: Head of Asset Maintenance</b></p> <ul style="list-style-type: none"> <li>There is unlikely to be more than £350k spent on these refurbishments by the end of April, however the scheme will complete in 2026/27.</li> </ul>	

## 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 2. The budgeted transfer from working balance is £7,000 during 2025/26.

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

11.1 The Housing Revenue Account contributes to the strategic priorities of Homes and People as set out in the Corporate Plan 2025-2028.

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

12.1 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 £3.525 million to mitigate against financial risks.

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

## 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

List of Appendices:

- Appendix 1 – HRA Areas of Budgetary Risk Q2;
- Appendix 2 – HRA Revenue Monitoring Q2;
- Appendix 3 – HRA Available Resources Q2;
- Appendix 4 – HRA Capital Monitoring Q2.