

## **REPORT TO COUNCIL**

Date of Meeting: 13 January 2026

Report of: Strategic Director for Corporate Resources

Title: Exeter City Living Ltd Business Plan Financial Year 2026-27

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

This report provides Members with the following:

1.1 An update on financial performance of Exeter City Living in the current financial year and projection of the financial position of the business for the business plan period;

#### **2. Recommendations:**

2.1 That Council approves the Business Plan.

#### **3. Reasons for the recommendation:**

3.1 The Business Plan sets out a roadmap for managing the financial performance of the company.

#### **4. What are the resource implications including non-financial resources:**

4.1 There are none arising out of the report.

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

5.1 There are no significant financial implications for Council to consider in this report. The performance is in line with the expected position for the Company.

#### **6. What are the legal aspects?**

6.1 In accordance with ECL management agreement, the business plan requires the approval of Council.

#### **7. Monitoring Officer's comments:**

7.1 The Monitoring Officer has no additional comments.

#### **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 the report's recommendations address Companies not individuals.

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

9.1 No direct carbon/environmental impacts arising from the recommendations.

## **10. Report details:**

### **Exeter City Living Ltd Business Plan Financial Year 2026-27**

The purpose of this year's Business Plan is to set out a projection of the financial position of the business continuing to manage six residential flats in the Guildhall Shopping Centre. Exeter City Living's (ECL) ambition through proactive asset management is to provide quality residential property for the private rental market in Exeter and a long-term revenue stream for Exeter City Council (ECC).

The Business Plan for 2026-27 is seeking shareholder approval to continue business as usual in managing the six flats. A financial projection of activity in 2025-26 and the three year Business Plan period to end 2028-29 can be found in Appendix A – Financial Statements. Accounts for the prior year 2024-25 can be found in Appendix B.

### **Financial Performance 2025-26**

A Loss before Tax of £12 is forecast for 2025-26, based on reporting up to 4 December 2025 and anticipated activity for the remainder of the financial year. The net shareholder funds at the end of 2025-26 are forecast to be £117.2k (see Appendix A). Rental income for 2025-26 is projected to be c15% lower than the prior year due to void periods experienced with Flats 3, 4 and D during the year. The ECL Management Fee has reduced from 54.1% in 2024-25 to a forecast fee of 42.15% for 2025-26 due to reduced administrative costs following the transition from development activity to solely residential rental activity.

The required ECL Management Fee to be retained from net rental proceeds to be distributed to ECC has been calculated to cover the costs of the business and to leave a nominal loss, funded by existing reserves, to avoid the business incurring a Corporation Tax liability (a Corporation Tax charge of £48 in 2025-26 relates to the prior year 2024-25). The required Management Fee to be retained from net rental proceeds has been calculated at 42.15% to cover business running costs in 2025-26 which are higher than anticipated in future years due to the transition from development activity to solely residential rental activity being finalised in 2025-26. The Management Fee is forecast to reduce to 24.85% from the Budget year of 2026-27 when the costs of the business will be solely related to rental activity.

The ECL Management Fee retained from the net rental proceeds distributed to ECC is to be reviewed annually in line with the Business Plan projections so that this income stream is optimised to meet the costs of the business and to minimise any Corporation Tax liability. ECL is indemnified by ECC to meet the costs of managing the flats and its obligations under the lease should the Management Fee be insufficient to discharge these sums e.g. in the event of a significant reduction in rental income or significant repairs and maintenance costs incurred.

### **Budget 2026-27**

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The Budget year of 2026-27 forecasts a Loss before Tax of £9 and net shareholder funds of £117.2k as outlined in the financial projections set out in Appendix A.

Financial projections for rental income and associated rental management and repairs and maintenance costs have been projected based on actual activity in the 3 years to date. Zero inflation on rental income in 2026-27 has been assumed due to a slowing in rental property market demand following exceptionally high demand in the years following the Covid 19 pandemic. A rental income inflation assumption of 2.0% has been applied in subsequent years to reflect income meeting general inflationary cost increases and that rental income rates increase periodically, generally due to a change in tenancy, rather than regularly on an annual basis.

The lettings management fee, a percentage of rental income, is assumed to remain at its current level throughout the Business Plan period. Overheads which cover external audit services and insurance costs have been projected to increase by 3.5% in the Budget year 2026-27 and by 2.5% in 2026-27 and 2028-29. Non-Executive Director costs are expected to reduce to £6,000 per annum in the Budget from 2026-27 after a reduction in the number of Directors in the year 2025-26.

The Strategic Director approved this Business Plan on 10 December 2025.

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

11.1 The recommendation in this report supports the Council's Corporate Priorities of Leading a Well-Run Council – Well Managed Assets: In reviewing the activities of the company the Council is taking a proactive approach to managing alternative business structures where it has an interest.

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

12.1 The risks relate to failing to control the financial performance of the company and are mitigated by regular reporting to the Shareholder Representative.

## **13. Are there any other options?**

13.1 None

**Strategic Director Corporate Resources, Dave Hodgson**

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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 A – Financial Statements
- Appendix B

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