REPORT TO EXECUTIVE

Date of Meeting: 3 February 2026

REPORT TO COUNCIL

Date of Meeting: 24 February 2026

Report of: Strategic Director of Corporate Resources

Title: HRA Estimates and Capital Programme 2026/27

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To propose the Housing Revenue Account (HRA) budget for 2026-27, covering both the revenue account and capital programme.

2. Recommendations:

It is recommended that:

2.1 The Council’s overall spending proposals in respect of the HRA revenue are recommended to Council for approval.

2.2 Recommend to Council the approval of the HRA Capital Programme.

2.3 Members consider the budget assessment by the Section 151 Officer in Section 10 in agreeing the recommendations.

2.4 The HRA minimum Balance be set at £3.525 million for 2026/27.

3. Reasons for the recommendation:

3.1 To ensure that the Council is in a position to set a balanced budget for the HRA taking into account the resources available.

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

4.1 Section 10 of the report sets out the resource implications of the proposed budgets.

5. Section 151 Officer comments:

5.1 The HRA is in a position to deliver a balanced budget across the life of the Medium Term Financial Plan. Members should note however that the capital programme reduces over the life of the plan to be financed from the depreciation charge and the revenue contribution to capital. This is the normal amount that the HRA can afford to invest in its existing stock, without further government grant.

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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 The Monitoring Officer has no additional comments.

8. Equality Act 2010 (The Act)

8.1 In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equality Impact Assessment has been included in the background papers for Member's attention.

An EQIA has been completed in respect of Housing Rents and is attached as Appendix 5.

9. Carbon Footprint (Environmental) Implications:

9.1 The report allocates resources and therefore does not in itself have carbon footprint implications. The impact of the Council's overall carbon footprint is reported separately..

10. Report details:

10.1 Background

10.1.1 Since April 2012, the Council's HRA is expected to be self-financing. Thus, all income collected locally from rents, service charges and other sources are kept at a local level to deliver housing services to tenants and to maintain the housing stock.

10.1.2 Since April 2012 each local authority had a limit on the amount of borrowing it could have for the purposes of the HRA, called the 'debt cap'. For Exeter City Council, the debt cap was £57,882,413. The HRA debt cap was formally removed on 29 October 2018, as a result local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

10.2 Social Rent increases for 2026/27

10.2.1 The underlying rent for each council property is based upon a national rent formula.

The rent formula was established to ensure that social rents take account of:

- The condition and location of a property – reflected in its value;

- Local earnings; and
- Property size (specifically, the number of bedrooms in a property)

The rent formula for each council dwelling is set, based upon January 1999 levels, and uplifted for inflation each year. On 11th June 2025 MHCLG announced that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for a further 10 years from 2026. The CPI figure for September 2025 was 3.8%, so under this policy the Council is permitted to apply a rent increase of 4.8% for 2026/27.

10.2.2 For 2026/27 this will result in an average increase of £4.58 per week, over 52 weeks, per property. Rents are collected over 48 weeks, resulting in an average increase of £4.97 per collection week for 2026/27. On a typical 2-bedroom flat the weekly rent for 2026/27 will be £100.08 (over 52 weeks). For comparative purposes, the average weekly rents for a 2-bedroom property in Exeter as at 31st March 2025 were:

- £109.98 per week with a housing association; and
- £260.31 per week rented in the private sector.

10.2.3 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, at up to 80% of local market rent inclusive of service charges. The intention behind this is to maximise returns and generate capacity for further investment in new affordable housing, allowing more people in housing need to have access to a good quality home at sub-market rent. Affordable rent is charged on new properties built to Passivhaus standard, with the expectation that tenants would benefit from lower fuel bills. Affordable rents may also be increased by 4.8% in line with social rent rises.

10.2.4 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent policy. However annual increases to garage rents are generally kept in-line with rises in social rents. Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. Allowing for inflationary rises for employee costs and for general repair costs, a rise in line with rent charges is considered appropriate. A 4.8% increase in garage rents and parking spaces has therefore been approved by Executive in December 2025.

10.2.5 Services charges cover services and facilities provided by the authority to tenants which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances. Service charges are limited to covering the cost of providing the services. Government guidelines advised that authorities should endeavour to keep increases in-line with rent changes, at CPI + 1%, to help keep charges affordable. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs. Service charge increases of 4.8% have also been approved by Executive in December 2025.

10.2.6 This gives total income in 2026/27 of £23.102m.

10.3 Key Assumptions

10.3.1 A net overall allowance of (£0.745m) has been included for inflation. The inflationary increases allowed in the budget are:

Pay Award	2.5%
Pay – Increments	0.5%
Electricity	4.0%
Gas	0.0%
Water	3.5%
Insurance	5.0% - 18.0%
General Inflation	3.6%
Housing Rents and Service Charges	4.8%

10.3.2 A review of all budgeted costs and income has been performed to help ensure adequate provision is made for inflation and where allowance has been made for a general inflationary increase, it has been provided for at 3.6%. Pay has been increased by 2.5% although there is a risk that this again may be lower than the actual amount agreed.

10.3.3 Interest is based on the existing loans that have been taken out and the borrowing requirement within the capital programme. Future borrowing requirements are based on rates of around 5.36%, however the Council will seek to continue to internally finance borrowing until rates stabilise from the present elevated levels.

10.4 HRA Revenue Estimates 2026/27 (Appendix 1)

10.4.1 The proposed budgets for 2026/27 indicate that a total of £96,060 will be transferred to the HRA Working Balance. Other than allowances for inflation, the pay award and an anticipated reduction in utilities costs there have been no significant changes compared with the current financial year. The impact on the HRA Working Balance is set out below.

Movement on HRA Working Balance	**£**
Estimated HRA Working Balance, as at 1/4/26	£4,692,988
Budgeted Surplus for 2026-27	96,060
Balance resolved to be retained (HRA contingency)	(3,525,000)
Total Forecast Balance Available, as at 31/3/27	**£1,264,048**

10.5 Latest Medium Term Financial Plan (Appendix 2)

10.5.1 An updated Medium Term Financial Plan (MTFP) is set out in Appendix 2. The MTFP indicates that working balances will remain in excess of the £3.525m contingency over the next 4 years.

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10.5.2 There are further uncertainties and factors that could affect the future financial position. These include potential costs arising from increasing regulatory framework, contract inflation, the annual pay award and additional borrowing and revenue costs in respect of any new capital programme commitments.

10.6 HRA Available Resources (Appendix 3)

10.6.1 Appendix 3 sets out the forecast use of the resources available for the HRA. This includes the borrowing requirement of £2.8m in 2026/27 in addition to almost £5m assumed in the current financial year which is necessary to deliver the capital programme. There is a balance of £4.4m total uncommitted capital resources at the end of 2029/30.

10.7 HRA Capital Programme (Appendix 4)

10.7.1 For 2026/27 the HRA medium term financial plan provides for a capital programme of £12.636m. This is planned investment in existing stock and there is currently nothing included in the programme for the provision of new homes. This will be financed as follows;

HRA Capital Finance	**£**
Major Repairs Reserve	7,238,753
Revenue Contribution to Capital	1,000,000
Capital Receipts	1,597,000
Borrowing	2,800,000
Total HRA Capital Financing 2026/27	**12,635,753**

10.8 Risk Assessment

10.8.1 It has already been mentioned above in this report that our financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, and general prevailing economic conditions. Economic volatility, higher interest rates and inflation have added substantial costs to running services. In previous years permitted rent increases have not kept pace with the scale of increases seen.

10.8.2 Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources;
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues;
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity;

- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring; and
- Retaining a prudent level of reserves and balances.

10.8.3 As part of the general budget-setting process the Council needs to also consider the risks inherent in the budgets set and the adequacy of the measures put in place to manage the potential risks.

10.9 Section 25 Statement of the Robustness of Estimates and Adequacy of Reserves

10.9.1 There is a requirement under Section 25 of the Local Government Act 2003 that requires the Chief Finance Officer of a local authority to formally report to its members on the robustness of the estimates and the adequacy of its reserves when it is considering its budget.

10.10 Robustness of Estimates

10.10.1 I have already outlined above in this report the key assumptions that have been made in the budget proposals for next year including an assessment of the risks and mitigating factors. To assess the robustness of the estimates, the following have been considered:

- The strength of the medium-term financial planning process in operation including the identification of significant service pressures, both unavoidable and through policy decisions;
- The strength of the budget monitoring process in identifying weaknesses and pressures in the existing budgets;
- The use of an annual process of engagement with senior managers and members to test out the robustness of proposals;
- Finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

As the Section 151 Officer for this Council, I therefore consider that the budget estimates for 2026/27 that have been prepared are both robust and achievable.

10.11 Adequacy of Reserves

10.11.1 The HRA manages 4,800 Council Homes on behalf of tenants. It currently has a policy of maintaining a minimum level of reserves at £3.525 million. Like the General Fund, there are a range of risk factors that must be taken into account and the Section 151 Officer has taken a risk-based approach to assessing the level of reserves required. The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures;
- Income volatility;
- Insurance excesses;
- Increased repairs & maintenance costs (particularly from voids);
- Interest Rate variations.

Area of Risk	Explanation	Amount
Inflationary pressures	The impact of the pay award is not known when budgets are set. As Local Government tries to stay ahead of the National Living Wage, pay awards have outstripped estimates over recent years. A 1% increase would add £40,000 to costs. Similarly, a 1% variation in inflation on premises, supplies, services & transport would add £140,000 to costs.	180,000
Income volatility	The HRA is reliant on Rental income to deliver its Services. These are in line with Government policy and the Council has very little room to address unexpected pressures. The Council makes provision for voids at 2.1%. An allowance of 1.5% is therefore held to protect against bad debt movements in year.	345,000
Insurance excess	The Council does not budget for insurance excesses. The property insurance excess is £100,000 each claim and therefore 5 claims in a year would potentially cost £500,000	500,000
Repairs & Maintenance	The Council holds a standard £500 per property in respect of unexpected repairs & maintenance	2,400,000
Interest Rate variations	A 0.5% variation in interest rates would cost the HRA £100,000 on the interest paid by the General Fund	100,000
		£3,525,000

It is therefore proposed to maintain minimum reserves at this level.

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

11.1 The budget underpins the Corporate Plan by determining the amount of funds available to the Council to deliver its priorities.

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

12.1 The key risks are set out in section 10 above.

13. Are there any other options?

13.1 Not applicable.

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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 Revenue;
- Appendix 2 – HRA MTFP;
- Appendix 3 – HRA Available Resources;
- Appendix 4 – HRA Capital; and
- Appendix 5 – EQIA.

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