

## **REPORT TO COUNCIL**

Date of Meeting: 3<sup>rd</sup> March 2026

Report of: Strategic Director - Corporate Resources

Title: 2025/26 Housing Revenue Account Budget Monitoring Report – Quarter 3

### **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 nine 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.

### **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 third 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. The HRA continues to show a positive projection against the budget. There are no significant issues to draw to the 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 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 No direct carbon/environmental impacts arising from the recommendations.

## **10. Report Details:**

### **HRA BUDGET MONITORING – QUARTER 3**

#### **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**

<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.

10.3. **Revenue Monitoring**

The budget variances anticipated at Quarter 3 indicate that £350,740 will be taken from the working balance in 2025/26 – See appendix 2. This represents a movement of £72,330 compared to the revised budget £423,070. Variances are detailed below:

<b>Budget Heading</b>	<b>Forecast Outturn Budget Variance (Under) / Overspend</b>	
	<b>Quarter 2</b>	<b>Quarter 3</b>
<b>Management</b>	<b>(£45,000)</b>	<b>(£20,160)</b>
<p><b>Officer Responsible: Interim Head of Housing &amp; Head of Asset Maintenance</b></p> <ul style="list-style-type: none"> <li>• £45k grant is being received in year to compensate for additional employer's National Insurance contributions.</li> <li>• £60k is required for an interim project role to review compliance with the Social Housing Regulator consumer standards within the HRA.</li> <li>• £35k savings have been identified within Older Persons Accommodation on utilities and alarm replacements not required in year.</li> </ul>		

<b>Tenancy Services</b>	<b>(£140,670)</b>	<b>(£66,600)</b>
<p><b>Officer Responsible: Interim Head of Housing</b></p> <ul style="list-style-type: none"> <li>• There is a £19k saving in RTB sales administration as additional fees have been charged in year.</li> <li>• There are vacancies within the Lettings &amp; Home Ownership team, partly offset by agency costs resulting in a net saving of £9k.</li> <li>• Similarly, there is a net underspend of £25k within Tenancy Services</li> <li>• The Income Recovery team are anticipated to underspend by £14k due to posts being vacant for part of the year but offset by court fees being higher than budgeted.</li> </ul>		
<b>Repairs and Maintenance Programme</b>	<b>(£60,000)</b>	<b>(£50,500)</b>
<p><b>Officer Responsible: Head of Asset Maintenance</b></p> <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> <li>• Overspends of £12k are projected on fire alarm testing and risk assessment budgets, but these can be offset by a corresponding reduction in the Fire Risk Assessment Works capital budget.</li> <li>• There are other projected net savings of £2.5k on other service contracts, including radon testing which did not identify as much remedial work as originally estimated.</li> </ul>		
<b>Housing Assets</b>	<b>£35,000</b>	<b>£35,000</b>
<p><b>Officer Responsible: Head of Asset Maintenance</b></p> <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>Capital Charges</b>	<b>-</b>	<b>£29,930</b>
<p><b>Officer Responsible: Interim Head of Housing &amp; Head of Asset Maintenance</b></p> <ul style="list-style-type: none"> <li>• Capital charges will be £30k higher than budgeted. Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for future capital works or to repay debt. A higher depreciation charge results in a revenue overspend in the year, but more funding available for future capital spend.</li> </ul>		
<b>Total budget (underspend)/overspend</b>	<b>(£210,670)</b>	<b>(£72,330)</b>
<b>2025/26 HRA Deficit / (Surplus)</b>	<b>£212,400</b>	<b>£350,740</b>

#### 10.4. 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	(£350,740)
Balance resolved to be retained (HRA contingency)	(£3,525,000)
<b>Forecast Balance Available, as at 31 March 2026</b>	<b>£1,029,648</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.

#### 10.5. **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 10.3 above and variances in capital budgets detailed in section 10.7 below.

The forecast total available resources over the Medium-Term Financial Plan (MTFP) has increased by £1,586,104 since last reported at Quarter 2. This is due to the capital receipt of £1.165m from the sale of Pendragon Road and additional Right to Buy receipts.

Total available reserves over the MTFP are now expected to be £5,892,820 after deducting the £3.525 million balance resolved to be retained (HRA contingency).

#### 10.6. **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.

#### 10.7. HRA Capital Programme

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

Description	2025/26	Approval / Funding
<b>HRA Capital Programme</b>	<b>£16,344,475</b>	
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
Q2 changes	(2,937,000)	Council – 9 <sup>th</sup> December 2025
<b>Revised HRA Capital Programme</b>	<b>£19,417,866</b>	

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

The appendix shows a total forecast spend in 25/26 of £16,495,074. The details of key (greater than +/- £30k) variances from budget are set out below.

Scheme	Overspend / (Underspend)
<b>HRA long leases (Right of Use assets)</b>	<b>(£2,645,792)</b>
<b>Officer Responsible: Interim Head of Housing</b>	
<ul style="list-style-type: none"> <li>This budget was included in the capital programme for the long lease arrangements for a number of properties which would sit within the HRA to help alleviate financial pressures on temporary accommodation. However, the Council will not be entering into these agreements and the budget is therefore no longer required.</li> </ul>	

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

Scheme	Budget deferred to / (brought forward from) future years
<b>Kitchen replacements</b>	<b>(£104,000)</b>
<b>Officer Responsible: Head of Asset Maintenance</b>	

<ul style="list-style-type: none"> <li>Spend on kitchens is projected to be £104k higher than budgeted this year due to the number of CAT1 hazards identified from the stock condition survey which need to be addressed. This will be offset by reducing the annual budgets for the remainder of the MTFP.</li> </ul>	
<b>Lift Upgrades</b>	<b>£369,000</b>
<p><b>Officer Responsible: Head of Asset Maintenance</b></p> <ul style="list-style-type: none"> <li>The specification for two upgrade projects is being finalised and will go out to tender in Quarter 4, so the balance of this approval will be spent in 2026/27.</li> </ul>	

## 10.8 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

Capital charges are projected to be £790 higher than budgeted for these properties, so the budgeted transfer from working balance will increase to £7,790 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, please see Appendix 1.

## 13. Are there any other options?

None.

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

Background papers used in compiling this report:

None