SOUTH KESTEVEN DISTRICT COUNCIL

Cabinet

Tuesday, 21 July 2026

Report of Councillor Bridget Ley, Cabinet Member for Finance

Housing Revenue Account Provisional Outturn Report 2025/26

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

Richard.wyles@southkesteven.gov.uk

Purpose of Report

This report provides details of the Housing Revenue Account (HRA) outturn position for the financial year 2025/26. The report covers the Revenue Budget, Capital Programmes and Reserves overview.

Recommendations:

Cabinet is asked to:

1. **Review the provisional Housing Revenue Account Revenue and Capital Outturn position and the supporting appendices for the financial year 2025/26.**
2. **Note the revenue and capital budget carry forwards in para 3.5 and para 4.8 respectively.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	All
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

1.1 The financial implications are included within the report.

Completed by: David Scott, Assistant Director of Finance and Deputy s151 Officer.

Legal and Governance

1.2 As part of good governance, it is important members are kept updated in respect of the financial position of Council expenditure during the year.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

2.1 This report provides Cabinet with detail of the Council's provisional outturn position for the financial year 2025/26. Throughout Cabinet have been provided with regular and comprehensive budget monitoring reports that has enabled members to be kept updated. The budget was set in the context of providing further investment in key service areas whilst being mindful of the need to maintain a sustainable 30-year financial business plan.

2.2 During the course of the financial year, the HRA budgets have continued to focus on:

- Meeting the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures
- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Supporting investment in homes for affordable warmth for our tenants
- Meeting compliance requirements and ensuring resources are allocated appropriately.

2.3 Cabinet will be aware the HRA has faced financial challenges during the year specifically the repairs and maintenance budgets which required an additional £2.7m revenue budget increase in-year.

2.4 The HRA has encountered and continues to face financial challenges caused by a combination of:
- Changes to legislation;
- Increasing landlord responsibilities;
- Improving a range of local performance targets including backlog repairs, repair times, and void times.

3. HRA Revenue Budget 2025/26

3.1 The budget set by Council on 27 February 2025 resulted in a surplus of £8.059m. This surplus is used to provide funding for the external loan and to enable reserve levels to be maintained that subsequently fund the capital programme and service improvements. For the purposes of the outturn variance analysis the budget carry forwards have been removed and the actual surplus for the year is £4.476m, resulting in a net overspend of £554k as part of the continued investment in addressing the backlog of repairs and ensuring statutory compliance.

3.2 Table 1 shows the HRA revenue outturn position for 2025/26 and shows the variance comparison between budget and provisional outturn. However, it should be noted that the repairs and maintenance line has seen a significant increase in the original budget set for 2025/26.

Table 1 – HRA Revenue Outturn Position 2025/26

Description	2025/26 Original Budget	2025/26 Current Budget	2025/26 Current Budget (less proposed budget c/f) (a)	2025/26 Provisional Outturn (b)	2025/26 Variance (b-a)
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure					
Repairs and Maintenance	10,617	13,600	13,585	13,681	96
Supervision and Management	4,737	4,836	4,701	4,906	205
Depreciation and Impairment of Fixed Assets *	4,181	4,181	4,181	4,181	0
Debt Management Expenses	36	36	36	36	0
Provision for bad debts*	206	206	206	(155)	(361)
Support recharge to the General Fund	3,031	3,031	3,031	3,031	0
Total Expenditure	**22,808**	**25,890**	**25,740**	**25,680**	**(60)**

Income					
Dwelling Rents	(29,856)	(29,856)	(29,856)	(29,562)	294
Non-Dwelling Rents	(322)	(322)	(322)	(295)	27
Charges for Services and Facilities	(916)	(916)	(916)	(994)	(78)
Other Income	(18)	(18)	(18)	(38)	(20)
Total Income	**(31,112)**	**(31,112)**	**(31,112)**	**(30,889)**	**223**
Net Cost of HRA Services	**(8,304)**	**(5,222)**	**(5,372)**	**(5,209)**	**163**
Interest Payable and Similar Charges	2,043	2,140	2,140	2,140	0
Interest and Investment Income*	(1,798)	(1,798)	(1,798)	(1,414)	384
Accumulated Absences	0	0	0	7	7
HRA (Surplus)/Deficit	**(8,059)**	**(4,880)**	**(5,030)**	**(4,476)**	**554**

*Provisional outturn pending completion of year end accounting entries

3.3 Appendix A provides details of the significant variances which impact across the HRA with supporting information explaining the main variances across the Expenditure and Income headings that result in a net cost overspend of £163k.

3.4 There has also been some further movement below the net cost service in relation to reduced investment income returns of £384k due to the average balances across the HRA reserves being lower than anticipated with the draw on reserves as part of the outturn in 2024/25 then the additional funding drawn down in year.

3.5 A budget carry-forward of £150k is required for the continued use of the remaining House Building Support grant received during 2025/26. This funding has been earmarked for expenditure relating to feasibility work and surveys relating to our new build programme.

3.6 Overall, the HRA surplus has reduced by £554k from the current budgeted figure of £5.030m, resulting in a provisional outturn surplus of £4.476m. This reduction will result in reduced funding being available to support the working balance. The movement between the original and current budget reflects the additional draw down from reserves which outlined in table 5 below.

4. HRA Capital Programme 2025/26

4.1 The budget approved on 27 February 2025 for the 2025/26 HRA Capital programme was £31.771m. Budgets have been amended as projects have commenced and these changes increased the 2025/26 budget to £31.966m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budget for comparative purposes to £21.229m as summarised in Table 2 below.

Table 2 – HRA Capital Outturn Position

Capital Scheme	2025/26 Current Budget £'000	2025/26 Budget (less C/F approved by Council February 2026 and less proposed Budget C/F) £'000	2025/26 Provisional Outturn £'000	2025/26 Outturn Variance £'000
Energy Efficiency Initiatives	4,734	4,734	5,311	577
ICT	0	0	117	117
Repair Vehicles	765	0	0	0
New Build Programme	15,134	6,262	6,262	0
Compliance Works	635	135	60	(75)
Physical Adaptations	448	448	482	34
Refurbishment & Improvement	10,250	9,650	8,752	(898)
Total Expenditure	**31,966**	**21,229**	**20,984**	**(245)**
Financed By:				
HRA Capital Receipts Reserve	14,134	5,262	5,274	12
Grants & Contributions	1,871	1,871	1,871	0
Major Repairs Reserve	14,961	13,096	12,957	(245)
S106	1,000	1,000	988	(12)
Total Financing	**31,966**	**21,229**	**20,984**	**(245)**

4.2 As it can be seen from the table above the overall capital programme for the HRA has resulted in a net underspend of £245k.

4.3 There have been a number of challenges especially within the Refurbishment and Improvement area which overlaps with the Repairs and Maintenance programmes within the revenue budget. Work has been ongoing within the service, closely support by finance to ensure spend has remained within the capital budget allocations, which has been achieved with an underspend of £898k.

4.4 Through the capital programme a total of 2,049 component replacements or upgrades to Council homes were completed in year against a target of 2,340 which has led to the underspend. A summary of the key workstreams completions is as follows:

Table 3 – Capital Component Analysis

Workstream	Planned Amount	Actual	Variance
Kitchens	282	235	(47)
Bathrooms	258	179	(79)

Boilers	323	286	(37)
Roofs	90	90	0
Windows and Doors	292	283	(9)
External Refurbishments	968	849	(119)
Decarbonisation Improvements	127	127	0
Total	**2,340**	**2,049**	**(291)**

4.5 In respect of the variance above, prior to any works being undertaken a check is made against each component planned works to ascertain if there is any useful life remaining. This has then resulted in works being delayed to a later date. The council has prioritised component renewals and capital expenditure where decent homes standards is not currently being met, components coming to the end of their useful life and renewals arising from reactive repairs and voids.

4.6 Works are undertaken to ensure that we meet regulatory requirements and contribute to improving tenant satisfaction in order to meet our objective of maintaining good quality homes in accordance with our asset management strategy.

4.7 As regards some of the other significant overspend variances there were two other main areas:

- Decarbonisation Works (Energy efficiency) £655k – there was an opportunity to bid for additional funding in year as part of the ongoing decarbonisation works at an additional cost of £329k (this was partly off-set by grant funding of £166k). The remaining element of the overspend (£326k) relates to the retention payments due for the previous phase of the programme.
- ICT £117k – additional capital software costs related to the ongoing development of the QL housing system.

4.8 There is one capital carry forward that will be moved into 2026/27 which is summarised below:

Table 4 – Capital Budget Carry Forward 2026/27

Project	Budget Carry Forward £'000	Funding	Commentary
Housing Development Investment Programme	**321**	Usable Capital Receipts	Continuation of programme into 2026/27

HRA Reserves 2025/26

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial statements reflect the proposed use of these, and specific details of the HRA balances and reserves are set out below.

Table 5 – HRA Reserves Position

Description	Actual Balance as at 31 March 2025	Net Provisional Movement	Provisional Balance as at 31 March 2026
	£'000	£'000	£'000
Revenue Reserve			
HRA Climate Reserve	500	(43)	457
HRA Priorities Reserve	5,761	(2,014)	3,747
Reactive Repairs Reserve	1,000	(1,000)	0
Working Balance*	1,573	604	2,177
Total HRA Revenue Reserves	**8,834**	**(2,453)**	**6,381**
HRA Capital Reserve			
HRA Capital Receipts Reserve	11,573	(73)	11,500
Major Repairs Reserve *	15,316	(4,957)	10,359
Total HRA Capital Reserves	**26,889**	**(5,030)**	**21,859**
Total HRA Reserves	**35,723**	**(7,483)**	**28,240**

***** this is an estimated position and will be finalised when the statement of accounts are produced.

5.2 HRA Priorities Reserve movements

- £100k for new build feasibility works
- £57k for additional revenue funding to support regulatory works to address damp and mould improvements plus TPAS (Tenant Engagement) accreditation.
- £76k to cover the 2025/26 pay award.
- £1.781m to part fund the revised increased revenue budget taken to Council on 4th November 2025 to fund reactive and urgent works.

5.3 Reactive Repairs Reserve movements – additional £1m to fund the remaining element of the revised increased revenue budget taken to Council in year to fund the increase in repairs and maintenance works.

5.4 HRA Climate Reserve - £43k to fund energy and decarbonisation surveys of sheltered housing schemes.

5.5 HRA Capital Receipts Reserve – The Council has established a capital receipts reserve where the ‘Right to Buy’ (RTB) sale receipts are allocated. During the year £5.2m receipts have been received with 51 RTB sales and 3 non RTB sales (compared to 31 RTB sales in 2024/25 and 2 non RTB sales). During the year £5.3m of the reserve has been used to contribute towards the financing of the capital programme. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.

5.6 Major Repairs Reserve – This reserve has been decreased by £4.957m. This net movement includes financing of the capital expenditure on housing improvement of £12.852m. In accordance with the HRA business plan an annual allocation is required in order to provide sustainable funding for the HRA capital programme. £7.895m has been transferred to this reserve from the Housing Revenue Account to this effect. This reserve will continue to be the primary financing for the housing improvement elements of the Capital Programme.

6. 2025/26 Rent Collection Performance

6.1 Table 5 details the rent collection rates performance against target for 2025/26

6.2 **Table 5 - Collection Rates**

Target Rates	Rents
Target annual collection rate	**97.35%**
Actual collection rate to end of March 2025	**97.30%**
Variance	**(0.05%)**

6.3 The key points to note on rent collection performance are:

- As shown in the table above, the collection rate was 0.05% below target (2024/25 outturn). However, this is within 2025/26 tolerance target of <1%.

- There are several factors affecting collection during 2025/26; in previous years, there is a reduction in collection during the months of August and September, Universal Credit migration has reduced direct payments to the rent account – previously, Housing Benefit would be paid direct to the rent account, however, for some of those tenants who have migrated to Universal Credit, their Housing Costs are paid direct to them. The final week of the collection year fell over the Easter Bank Holiday which will have impacted on collection.

7. Reasons for the Recommendations

7.1 It is important that Cabinet are aware of the financial position of the Housing Revenue Account to ensure they can make informed decisions that are affordable and financially sustainable for the Council. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities.

7.2 This report provides an overview of the provisional Housing Revenue Account outturn financial position for 2025/26.

8. Other Options Considered

8.1 Cabinet in their role should have oversight of the Council's budgets and therefore, the option of not producing a provisional outturn report was discounted.

9. Consultation

9.1 The Outturn report has also been presented to FEOSC on 21st July 2025 in order to provide opportunity for feedback to Cabinet at this meeting. Governance & Audit Committee will also review the outturn position at their meeting on 23 July 2026.

10. Appendices

10.1 Appendix A – 2025/26 HRA Significant Variance Analysis