



Tuesday, 4 November 2025

Report of Councillor Ashley Baxter
Leader of the Council,
Cabinet Member for Finance, HR and
Economic Development

Housing Revenue Account (HRA) Forecast Update Report 2025/26

Report Author

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Purpose of Report

To present the Council's forecast 2025/26 financial position as at end of September 2025.

The report covers the following areas:

- Housing Revenue Account (HRA) Revenue Budget
- Housing Revenue Account (HRA) Capital Programme

Recommendations

Cabinet is asked to:

1. **Review and note the forecast 2025/26 outturn position for the HRA Revenue and Capital budgets as at the end of September 2025.**
2. **Identify any variances requiring further action or investigation.**
3. **Recommend to Council that the forecast overspend of £2.781m regarding repairs and maintenance costs is funded from the following HRA Reserves and that the HRA revenue budgets are increased accordingly.**
 - £1.000m from the Reactive Repairs Reserve
 - £1.781m from the HRA Priorities Reserve
4. **Recommend Council delegates authority to the Deputy Chief Executive and s151 Officer, in consultation with the Cabinet Member for Finance, HR and Economic Development to allocate up to £250k additional funding from the HRA Priorities Reserve to meet any additional financial pressures that may arise during this financial year.**

| Decision Information | |
|---|---|
| Is this a Key Decision? | No |
| Does the report contain any exempt or confidential information not for publication? | No |
| What are the relevant corporate priorities? | Connecting communities Sustainable South Kesteven Enabling economic opportunities Housing Effective council |
| 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 throughout the report. The HRA revenue expenditure is currently higher than the approved Budget Framework and therefore corrective action is necessary. This report sets out the necessary proposed actions. Members are reminded that the HRA is required to maintain a rolling 30-year HRA Financial Business Plan and the current spending levels are putting the Plan under financial strain and are not sustainable. Plans are underway to address this and proposals will be put before Council on 26 February 2026.

Completed by: Richard Wyles Deputy Chief Executive and 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. Budget Framework amendments at this level sit with Full Council and therefore Cabinet are asked to consider recommending budgetary increases to that body.

Completed by: James Welbourn, Democratic Services Manager

2 Background to the Report

2.1 Cabinet is asked provided with regular finance reports in order to monitor and forecast expenditure and income compared with approved budgets and to understand the reasons for any significant variances.

3 Revenue Budget 2025/26 – HRA

3.1 The HRA revenue budget set by Council on 27 February 2025 showed a budgeted surplus of **£8.059m**. Budgets have since been updated to reflect approved budget carry forwards from 2024/25 and in-year virements. These changes have resulted in a reduction in the forecast net surplus of **£4.921m**.

3.2 Table 1 shows the forecast outturn position as at 30 September 2025.

Table 1 – HRA Revenue Forecast Outturn Position

| Directorate | Current Budget £'000 | YTD Budget £'000 | YTD Actuals £'000 | YTD Variance £'000 | Forecast Outturn £'000 | Variance £'000 | Variance % |
|---|----------------------|------------------|-------------------|--------------------|------------------------|----------------|--------------|
| EXPENDITURE | | | | | | | |
| Repairs and maintenance | 10,808 | 5,404 | 7,028 | 1,624 | 13,589 | 2,781 | 25.73 |
| Supervision and Management - General | 2,560 | 1,280 | 1,336 | 56 | 2,586 | 26 | 1.02 |
| Supervision and Management - Special | 2,261 | 1,131 | 732 | (399) | 2,299 | 38 | 1.68 |
| Depreciation and Impairment of Fixed Assets | 4,181 | 0 | 0 | 0 | 4,181 | 0 | 0 |
| Accounting Adjustments | 3,184 | 0 | 0 | 0 | 3,184 | 0 | 0 |
| Total Exp | 22,994 | 7,815 | 9,096 | 1,281 | 25,839 | 2,845 | 12.37 |
| INCOME | | | | | | | |
| Dwelling Rents | (29,856) | (14,932) | (14,161) | 771 | (29,787) | 69 | 0.23 |
| Non-Dwelling Reents | (322) | (161) | (117) | 44 | (271) | 51 | 15.84 |
| Charges for Services and Facilities | (916) | (384) | (478) | (94) | (916) | 0 | 0 |
| Other Income | (18) | (9) | (31) | (22) | (31) | (13) | (72.22) |
| Total Income | (31,112) | (15,486) | (14,787) | 699 | (31,005) | 107 | 0.34 |
| Net Cost | (8,118) | (7,671) | (5,691) | 1,980 | (5,166) | 2,952 | 36.36 |
| Interest Payable | 2,043 | 1,022 | 1,022 | 0 | 2,043 | 0 | 0 |
| Investment income | (1,798) | (899) | (899) | (0) | (1,798) | 0 | 0 |
| Net Operating Surplus | (7,873) | (7,549) | (5,569) | 1,980 | (4,921) | 2,952 | 37% |

3.3 As highlighted in **Table 1** above there is a significant emerging pressure on the repairs and maintenance budget which sits within the Technical Services areas of the HRA.

3.4 This forecast pressure was first highlighted in the budget monitoring report presented to Cabinet on 9th September 2025 but since that report the forecast has increased to a projected overspend of £2.781m. This overspend is a result of a number of specific factors:

- Clearance of maintenance backlog
- Tackling the void turnaround times and improving performance from 79 days in March 2025 to 54 days in August 2025. The number of void properties has reduced from 103 to 68 in the same period.
- The poor condition properties are being left in by the outgoing tenant and therefore the scale of the works required before the property can be relet
- Increasing labour and material costs
- Emerging legislative responsibilities and new statutory obligations.

3.5 A preliminary breakdown of the forecast overspend attributable to these factors reveals the following:

- **£1.700m** addressing backlog voids and meeting new performance targets
- **£0.350m** inflationary and additional material costs
- **£0.850m** Regulation changes

3.6 In order to meet these unbudgeted costs, the only viable option available is to propose the use of the HRA reserves in the following way:

- **£1.000m** from the Reactive Repairs Reserve
- **£1.781m** from the HRA Priorities Reserve

3.7 **2026/27 Budget**

3.7.1 Budget setting is progressing for the 2026/27 financial year and work is underway to ensure the budget for next year is set at an accurate level. It is anticipated that there will be an increase in the amount needed for the repairs and maintenance work at a similar level of circa **£3m**. In order to meet this new level of budget required the following finance options are being considered

- Adopt the Government proposal of charging an additional **£2** per week to those dwellings where rent convergence is required. High level modelling suggests this could generate an additional **£0.500m** per annum.
- Reduce the annual contribution to the Major Repairs Reserve (MMR) by an amount equivalent to the increase in revenue cost. This would enable the

annual surplus to be maintained at the forecast levels and helps maintain the sustainability of the HRA 30-year business plan.

3.7.2 However, the adverse consequence of reducing the annual MRR contribution will mean that there is reduced financing of the HRA capital programme. The programme relies on financing from the MRR to fund the capital investment works so reduced financing will result in a reduced capital investment programme. The details of this proposal are currently being.

4 Capital Budget 2025/26 – HRA

4.1 The budget set by Council on 27 February 2025 was **£31.771m**. Budgets have been amended in line with approved carry forwards which have increased the 2025/26 budget to **£31.966m**.

4.2 **Table 2** shows the forecast outturn position as at 30 September 2025 which is forecasting a potential underspend of **£8.771m** and **Table 3** shows the significant forecast variances with supporting commentary.

Table 2 – HRA Capital Forecast Outturn Position

| Directorate | Current Budget £'000 | YTD Budget £'000 | YTD Actuals £'000 | YTD Variance £'000 | Forecast Outturn £'000 | Variance £'000 | Variance % |
|--|----------------------|------------------|-------------------|--------------------|------------------------|----------------|----------------|
| Energy Efficiencies Initiatives | 4,653 | 2,047 | 3,943 | 1,896 | 4,653 | 0 | 0 |
| Replacement Vehicles | 765 | 383 | 0 | (383) | 765 | 0 | 0 |
| New Builds | 15,134 | 7,567 | 6,594 | (973) | 7,394 | (7,740) | (51.14) |
| Refurbishment and Improvement | 11,414 | 5,707 | 4,899 | (808) | 10,183 | (1,231) | (10.79) |
| Total | 31,966 | 15,704 | 15,436 | (268) | 22,995 | (8,971) | (28.06) |

Table 3 – HRA Capital – Significant Variances

| Explanation of Significant Variance | £'000 |
|--|----------------|
| <p>New Builds Programme</p> <ul style="list-style-type: none"> • Swinegate development in Grantham completed in September 25 but was due to finish earlier in the year so the cashflow has been extended as a result of the delay. • A purchase order has been raised for Larch Close, Grantham, and construction commenced in September 25. The scheme is now due to complete in December 26 following a significant delays as a result of amendments to the planning permission. • Wellington Way, Market Deeping, contract was awarded for 11 units at £1.926m. It was hoped works would start in November 25 but this has slipped to the New Year due to some pre-commencement planning conditions. <p>The cashflows for each scheme are shared with finance colleagues and discussed regularly but, due to delays, this has impacted the budget position.</p> | (7,740) |
| <p>Refurbishment and Improvement</p> <ul style="list-style-type: none"> • A potential underspend is anticipated related to the Tunstall Lifeline and alarm system. Work is underway for the procurement of a new contract but the current expectations are that no further investment will be required this financial year. • A review of Electrical planned works is underway which require new contracts. • There are no lift or fence replacements programmed in for this year. Compliance works have been programmed in conjunction with the survey results, the expected works will produce an underspend. | (1,231) |
| Total | (8,711) |

5 Collection Rates - Rents

5.1 **Table 4** details the current rent collection rate against target for 2025/26.

Table 4 – Rent Collection Rate

| Target Rates | Rents |
|--|----------------|
| Target annual collection rate | 96.02% |
| Target collection rate to end of September 2025 | 48.68% |
| Actual collection rate to end of September 2025 | 48.03% |
| Variance compared to target | (0.65%) |

5.2 Collection of **£14.761m** as of 5 October 2025 against an annual debt of **£29.856m**. As shown in the table above, the collection rate was 0.65% below target equating to **£0.167m**.

5.3 Several factors affect rent collection. In previous years, there has been a reduction in collection during August and September. Universal Credit migration has reduced direct payments to the rent account because previously Housing Benefit was paid directly to the rent account; however, housing costs are now paid directly to some tenants who have migrated to Universal Credit.

6 Other Options Considered

6.1 Cabinet should have oversight of Council budgets; therefore, the option of not producing a monitoring report was discounted.

7 Reasons for the Recommendations

7.1 Members should be kept up to date regarding the financial position of the Authority. Effective budget management is critical to ensuring financial resources are targeted towards the Council's priorities. Monitoring enables early identification of variations against the plan and timely corrective action.

7.2 Cabinet need to seek Council approval to amend budget frameworks and to increase HRA budgets.

8 Consultation

8.1 Budget Monitoring reports are presented throughout the financial year to the Cabinet and also to Finance and Economic Overview and Scrutiny Committee to ensure members are up to date with the projected financial outturn.