



Housing Revenue Account (HRA) Budget Framework Amendment 2025/26

Report Author

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Purpose of Report

To seek approval for a Budget Framework amendment to the Housing Revenue Account (HRA) for the 2025/2026 financial year.

Recommendations

Council is asked to:

- 1. Amend the 2025/26 Budget Framework to increase the HRA revenue budget by £2.781m to fund the forecast overspend relating to repairs and maintenance costs. This increase to be funded from HRA reserves:**
 - £1.000m from the Reactive Repairs Reserve**
 - £1.781m from the HRA Priorities Reserve**
- 2. Delegate 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

Does the report contain any exempt or confidential information not for publication?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. Proposals are underway to address this and 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.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1 There is a significant emerging pressure on the repairs and maintenance budget which sits within the Technical Services area of the HRA. This forecast pressure was first highlighted in the budget monitoring report presented to Cabinet on 9th September 2025. Since then, the forecast has increased to a projected overspend of **£2.781m**. Due to the significant forecast HRA overspend, the budget framework needs to be amended accordingly.

3. Key Considerations

- 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 **Table 1** shows is a significant emerging pressure on the repairs and maintenance budget. This forecast overspend of **£2.781m** is the result of a number of specific factors:

- Clearance of a significant maintenance backlog
- Tackling the void turnaround times. Performance has improved to an August 2025 average of **54** days down from **79** days in March 2025 (and 136 days in April 2024). The number of ongoing voids has reduced to 61 properties in September from 103 in March.
- Properties being left in a poor condition by some outgoing tenants causing an increase in the cost and scale of works required before the property can be relet

- Increasing labour and material costs
- Emerging legislative responsibilities and new statutory obligations (e.g. Awaab's Law).

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

- **£1.700m** Maintenance backlog, voids and improving performance
- **£0.350m** Inflationary and additional material costs
- **£0.850m** Regulation changes

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

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

3.6 **2026/27 Budget**

3.6.1 Budget setting is progressing for the 2026/27 financial year and work is underway to ensure the budget is set at an accurate and appropriate 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 **£3.000m**. In order to budget for this increased spending, the following finance options are being considered

- Introduce the anticipated 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 (MRR) by an amount equivalent to the increase in revenue costs. This would enable the annual surplus to be maintained at the forecast levels and the sustainability of the HRA 30-year Business Plan.

3.6.2 However, the adverse consequence of reducing the annual MRR contribution will mean a reduction in funds available for the HRA capital programme. The programme relies on the MRR to fund capital investment works so reduced funding will inevitably result in less capital investment.

4. Other Options Considered

4.1 A decision not to increase the HRA revenue budgets would prevent effective financial management and budgetary control; Purchase Orders and expenditure would be outside the approved budget framework.

5. Reasons for the Recommendations

- 5.1. The Council's [Financial Regulations](#) requires the approval of Full Council for amendments of this scale to the Budget Framework.

6. Consultation

- 6.1. The proposed amendments to the Budget Framework have been presented to Cabinet at their meeting on 4 November 2025 and Finance and Economic Overview Scrutiny Committee on 18 November 2025 as part of the budget monitoring reporting process.

7. Background Papers

- 7.1 Budget Proposals for 2025/26 report including HRA Revenue Account for 2025/26 report to Council 27th February 2025: [HRA Revenue Account Summary 2025-26](#)