SOUTH KESTEVEN DISTRICT COUNCIL

Cabinet

Tuesday, 10 March 2026

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

Housing Revenue Account (HRA) Update Report: Quarter 3 (April to December) 2025

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

Richard.wyles@southkesteven.gov.uk

Purpose of Report

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

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Does the report contain any exempt or confidential information not for publication?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?	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 throughout the report. The HRA revenue expenditure continues to be under pressure to manage with the increased budget after the supplementary estimate approved by Council in November 2025. Mitigating actions have had to be put in place to reduce and control spending over the remainder of the 2025/26 financial year.

1.2 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. As set out in the budget report for 2026/27 plans will need to be put in place over the next financial year as we approach the next budget setting cycle to bring the HRA back into balance over the long term.

Completed by: Richard Wyles Deputy Chief Executive and s151 Officer

Legal and Governance

1.3 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

Risk and Mitigation

1.4 A Risk Register is at Appendix B and shows that all known current financial risks are recognised and associated mitigating actions are in place.

Completed by: *Tracey Elliott, Governance and Risk Officer*

2 Background to the Report

2.1 Cabinet is provided with regular finance reports for the HRA. These reports monitor and forecast expenditure and income compared with the budgets approved by Council and provide explanations 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. The HRA is budgeted to make a surplus in order that the surplus can be transferred to reserves in order to provide funding for the capital programme. Budgets have since been updated to reflect approved budget carry forwards from 2024/25, in-year virements and the supplementary estimate approved by Council on 20 November 2025. These changes have resulted in a reduction in the forecast net surplus of £4.904m.

3.2 Table 1 shows the forecast outturn position as at 31 December 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	13,600	11,360	11,942	582	13,691	91	0.67
Supervision and Management - General	2,514	2,284	2,260	(24)	2,495	(19)	(0.76)
Supervision and Management - Special	2,322	1,978	1,547	(431)	2,249	(73)	(3.14)
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	**25,801**	**15,622**	**15,749**	**127**	**25,800**	**(1)**	**0.00**
INCOME							
Dwelling Rents	(29,856)	(22,392)	(21,614)	778	(29,787)	69	0.23
Non-Dwelling Rents	(322)	(268)	(255)	13	(271)	51	15.84
Charges for Services and Facilities	(916)	(764)	(868)	(104)	(950)	(34)	(3.71)
Other Income	(18)	(15)	(42)	(27)	(42)	(24)	(133.33)
Total Income	**(31,112)**	**(23,439)**	**(22,779)**	**660**	**(31,050)**	**62**	**0.20**
Net Cost	**(5,311)**	**(7,817)**	**(7,030)**	**787**	**(5,250)**	**61**	**1.15**
Interest Payable	2,043	1,703	1,703	0	2,043	0	0
Investment income	(1,798)	(1,498)	(1,498)	(0)	**(1,697)**	**101**	**5.62**
Net Operating Surplus	**(5,066)**	**(7,613)**	**(6,826)**	**787**	**(4,904)**	**162**	**3.20**

3.3 Overall there is a forecast overspend of £162k across the HRA revenue budgets. Commentary is provided below on the key variances to note.

Repairs and Maintenance

3.4 As highlighted in the report to Cabinet on 9 September 2025, there was a significant emerging pressure on the repairs and maintenance budget which required additional budget to be put in place as approved by Council at the meeting on 20 November 2026.

3.5 These pressures have continued within the repairs and maintenance budgets and have been closely monitored. As part of the Quarter 3 forecast review there were further concerns based on an initial forecast overspend of £1.4m after taking into consideration actual spend, commitments and projected spend up to 31 March 2026.

3.6 In response to this concern, the Technical Services team supported by Finance colleagues has undertaken a thorough review of committed spend and projected spend in order to avoid such a significant overspend. A wide range of actions are being implemented to bring the situation back under control and ensure spend is within the approved budgets.

3.7 This review has taken a significant amount of officer time but several key actions have been identified and have been implemented. The following is a summary of the actions:

- Review of the expenditure to remove costs totalling £500k that had been incorrectly coded to revenue budgets that are eligible to be classified as capital expenditure.
- Deferral of the accelerated programme of stock condition surveys until 2026/27 financial year. However, these were originally budgeted for 2026/27 so there will not be a budget issue arising from the deferral, reducing the forecast by £62k.
- Allocation of £207k legacy Homelessness Prevention Grant to fund specific works for emergency accommodation.
- Temporary pause of non-urgent structural works equating to £50k on properties except in cases where there is a health and safety risk.
- Reviewing all commitments and adjusting to accurately reflect works to be completed by year end which reduced the forecast by £90k
- Allocate where possible contractor repairs and void works on 90 day time frame to manage expenditure (unless repair presents a health and safety risk) has reduced the forecast by £430k.

Based on the latest financial modelling which is up to the end of January 2026 given the significance of the issue, it is anticipated that the temporary interventions outlined above will contain the projected overspend to £91k. To help ensure this, weekly finance reports are being provided supported by weekly meetings with the service area to help manage the situation up to 31st March 2026.

Members are reminded that a delegation was put in place by Council to allow a further £250k to be allocated in the event of further financial pressures. Further funding may be necessary if the mitigations outlined above do not achieve the objective of reducing further expenditure.

Supervision and Management -General

3.8 Sale of Council Houses – The number of RTB's has reduced since the change in legislation and discount rates. This has led to a reduction in legal and valuation costs resulting in £19k underspend.

Supervision and Management – Special

3.9 Lifeline – The forecast has been reduced in line with current expenditure within the Supervision and Management Special heading. During the past two years, units have been replaced which has led to less repair call-outs. Where repairs have been required, they have been covered under warranties issued with the new units. This has resulted in a forecast underspend of £78k.

Income

3.10 Overall income levels are being maintained at budgeted levels although rent collection continues to be a challenge as universal credit continues to be rolled across the district. 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, housing costs are paid directly to them.

3.11 Homelessness Units – Recovery of costs has improved over the last year due to the appointment of a new Temporary Accommodation Officer. This has led to more efficient processes and a better recovery rate leading to increased income of £24k.

3.12 Investment Income – As a result of the increasing the budget in 2025/26 and the need to draw on reserves to finance this, there is a forecast reduction on investment income of £101k due to having lowers balances than expected.

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 £32.354m.

4.2 Table 2 shows the forecast outturn position as at 31 December 2025 which is forecasting a potential underspend of £10.416m and Table 3 shows the significant forecast variances with supporting commentary.

Table 2 – HRA Capital Forecast Outturn Position

Directorate	Current Budget £'000	Forecast Outturn £'000	Variance £'000	Variance %
Energy Efficiencies Initiatives	5,041	5,122	81	1.61
Replacement Vehicles	765	0	(765)	(100.00)
New Builds	15,134	6,583	(8,551)	(56.50)
Refurbishment and Improvement	11,414	10,233	(1,181)	(10.35)
Total	**32,354**	**21,938**	**(10,416)**	**(32.19)**

Table 3 – HRA Capital – Significant Variances

Explanation of Significant Variance	£'000
New Builds Programme • 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 2025 but this has slipped to the New Year due to some pre-commencement planning conditions. Since the forecast position was declared, a further £190k has been approved for this scheme. The cashflows for each scheme are shared with finance colleagues and discussed regularly but, due to delays, this has impacted the budget position.	**(8,551)**

Replacement Vehicles Vehicles have been ordered but delivery is not expected until next Financial Year. A carry forward has been submitted for the underspend.	**(765)**
Refurbishment and Improvement There are a number of capital schemes within this area which supporting investment in the housing stock to meet decent homes standards. During the year there has been some fluctuation regarding the prioritisation of works in order to meet emerging pressures. This is resulting in a number of under and overspends across the individual schemes which can be seen at Appendix A. There are two specific schemes – Alarm (£500k) and Fire Protection works (£600k) which are likely to be carried forward into 2026/27.	**(1,181)**
Total	**(10,028)**

In respect of the refurbishment and improvement programme, there are a number of significant variances as priorities for expenditure have changed during the year. Budgets were set against existing stock condition survey information but works are checked through pre-inspections to ensure they are still required. This has resulted in movements between schemes where works have been reprioritised. Overall, there is a projected underspend of £1.181m and a carry forward budget request of £1.1m.

5 Other Options Considered

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

6 Reasons for the Recommendations

6.1 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 Consultation

7.1 Budget Monitoring reports are presented throughout the Financial Year to the Cabinet and Finance, Economic Overview Scrutiny Committee (FEOSC) to keep Members up to date regarding the projected financial outturn position. This report was presented to FEOSC at their meeting on 24 February 2026.

8. Appendices

8.1 Appendix A – 2025/26 HRA Capital Monitoring
8.2 Appendix B – 2025/26 HRA Finance Risk Register