

2025-26 Full-year HRA Financial Report

1. The Housing Revenue Account (HRA) is a separate account within the council that ring-fences the income and expenditure associated with the council's housing stock. The HRA does not therefore directly impact on the council's wider general fund budget. Within the HRA the Council manages 9,590 tenanted properties.
2. The 2025-26 HRA budget was approved by Council in February 2025. It budgeted for total income of £58.5 million for the year and a net surplus of £4.1 million.

Revenue account - Full-year outturn

	2025-26 Budget £000	Full year Actuals £000	Variance £000
Income			
Dwelling rents	(54,001)	(54,399)	(398)
Non-dwelling rents	(276)	(311)	(35)
Charges for services and facilities	(3,768)	(4,048)	(280)
Contributions to expenditure	(438)	(1,083)	(645)
Total income	(58,483)	(59,841)	(1,358)
Expenditure			
Repairs and Maintenance	14,031	17,491	3,460
Supervision and Management	18,373	18,377	4
Rent, rates, taxes and other charges	447	296	(151)
Bad or doubtful debts charge	400	619	219
Total operating expenditure	33,251	36,783	3,532
Net operating (surplus) / deficit	(25,232)	(23,058)	2,174
Capital charges			
Debt management costs	377	380	3
Depreciation	15,300	15,171	(129)
Net interest payable	5,425	4,534	(891)
Total capital charges	21,102	20,085	(1,017)
Net (surplus) / deficit	(4,130)	(2,973)	1,157
Appropriations			
Transfer to HRA reserve	4,130	2,973	(1,157)
Total appropriations	4,130	2,973	(1,157)

Commentary on variances

3. Dwelling rents: Total rental income of £54.4m was £0.4m favourable to budget. Rental income benefitted from additional income from the completed new-build project at Craven Court that had not been incorporated into the budget and the impact of properties being re-let at formula rent, typically higher than the previous rent level.
4. Charges for services and facilities: Service charge income of £4.0m was £0.3m favourable to budget. This was due to higher than expected leaseholder service charges, reflecting the higher underlying costs that these service charges seek to recover.
5. Contributions to expenditure: Income is higher than budgeted due to a number of insurance claims for property damage and more effective identification and invoicing of services that should be separately recharged to tenants.

6. Repairs & Maintenance: Full-year costs of £17.5m were £3.5m adverse to budget. There has been a deterioration in the position since the end of Q3, when a £1.8m adverse variance was forecast. Further analysis of the outturn variance is set out below:

	2025-26 Budget £000	Full-year actual £000	Variance £000
Planned repairs / Compliance	5,683	6,265	582
Voids repairs	2,353	2,143	(210)
Response repairs	4,752	7,219	2,467
Asset Mgt, Grounds maintenance & other costs	1,243	1,864	621
Total Repairs and Maintenance	14,031	17,491	3,460

7. The adverse variance for planned repairs / compliance costs is due to significant expenditure on programmed follow-up works to address damp & mould issues and external works required such as repointing.
8. Void repairs costs were again below budget due to fewer voids during the period than expected.
9. The response repairs outturn results from the very high volume of repairs undertaken during the year. Volumes were 50% higher than had been budgeted for, driven by the accelerated stock condition survey programme and damp & mould work.
10. Supervision and Management: Full-year costs of £18.4m were in line with budget. Supervision and Management costs include £0.8m of fees incurred to defend the Project Admiral adjudication, which had not been budgeted for. This was offset by the delay to the BCP Homes restructure which resulted in new positions created by the restructure remaining vacant throughout the year.
11. Bad or doubtful debts charge: The bad or doubtful debt charge exceeded budget by £0.2m due to the increase in recharges to tenants. Collection of this type of income is more challenging than collection of normal rental income.
12. Depreciation: The depreciation charge of £15.2m was in line with budget.
13. Net interest payable: The £0.9m favourable outturn was due to:
- higher interest earned on cash balances due to higher-than-expected interest rates, and
 - no new borrowing required to fund the 2024/25 capital programme. The budget had assumed that an additional £10.1m of borrowing would be drawn down to fund 24/25 capital expenditure.
14. Net surplus: The Repairs and Maintenance adverse variance of £3.5m was partially offset by favourable income variances of £1.4m and the favourable variance on net interest payable of £0.9m. The overall net impact of these items resulted in a net surplus for the year of £3.0m, £1.1m less than the original budgeted surplus of £4.1m.

Capital programme

15. The 2025/26 HRA budget paper set out a capital programme of £43.0m. This included a £25.2m investment in new-build projects delivered as part of the Council newbuild housing & acquisitions strategy (CNHAS) and £17.2m of planned maintenance.

	Budget £000	Full year Actuals £000	Variance £000
New-build projects	25,202	23,995	(1,207)
Purchase of existing houses	500	181	(319)
Other major projects	100	4,518	4,418
Planned maintenance	17,202	16,425	(777)
Vehicles	-	89	89
Total capital expenditure	43,004	45,208	2,204
<u>Funded by:</u>			
HRA Reserve		5,074	
Major Repairs Reserve		17,163	
Capital receipts		4,314	
Grants		4,180	
S106 receipts		277	
Prudential borrowing		14,200	
Total funding		45,208	

16. New-build projects: The underspend versus budget was due to the delay to the Hawkwood Road development. Start-on-site for this project is now not expected until September 2026. During the year the following projects were completed:
- Templeman Place (27 units)
 - Grants Close (2 units)
 - Craigmore Avenue (2 units)
17. The Hillbourne development (110 units) is on track to complete in stages between July through to September 2026.
18. Purchase of existing houses: Only one property was acquired during the year. Whilst the HRA receives right of first refusal to repurchase ex-local authority properties, current high borrowing costs mean that repurchases are not financially viable at present.
19. Planned maintenance: This covers capital maintenance such as kitchen, bathroom and boiler replacements. Expenditure of £16.4m was £0.8m less than budget. The £0.5m contingency budget for planned maintenance was not utilised.
20. **Approval for acceptance of capital grant by the HRA - Warm Homes: Social Housing Fund**: In accordance with the financial regulations, Cabinet is requested to approve up to £0.975m of grant funding from the Warm Homes: Social Housing Fund to improve the energy efficiency of the Council's social housing stock, primarily through the installation of PV and batteries.