

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 16 DECEMBER 2025



<b>Title of Report</b>	<b>HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE - 2025/26 QUARTER 2</b>	
<b>Presented by</b>	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder  PH Briefed <input checked="" type="checkbox"/> Yes	
<b>Background Papers</b>	<a href="#"><b>Council 22 February 2025: Housing Revenue Account (HRA) Budget and Rent Setting 2025/26</b></a>  <a href="#"><b>Cabinet 26 August 2025: 2025/26 Quarter 1 Housing Revenue Account (HRA) Finance Update</b></a>	<b>Public Report:</b> Yes  <b>Key Decision:</b> No
<b>Financial Implications</b>	Any financial implications of this report are detailed in the body of the report and the attached appendices. <b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	No legal implications arising from this report. <b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	Any staffing implications of this report are detailed in the body of the report and the attached appendices. <b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To provide Cabinet with an update on the financial position on the Housing Revenue Account as at Quarter Two 2025/26.	
<b>Reason for Decision</b>	The Council's Financial Procedure Rules state that the S151 Officer must monitor and control expenditure against budget allocations and report to Cabinet on the overall position on a regular basis.	
<b>Recommendations</b>	<b>THAT CABINET:</b> <ol style="list-style-type: none"> <li><b>NOTES THAT A BREAK-EVEN POSITION IS CURRENTLY FORECAST ON THE HOUSING REVENUE ACCOUNT FOR 2025/26 BASED ON QUARTER 2 INFORMATION.</b></li> <li><b>NOTES THE REVISED HOUSING CAPITAL FORECAST DETAILED IN APPENDIX 2.</b></li> </ol>	

## 1.0 INTRODUCTION

1.1 This report updates Cabinet on the Housing Revenue Account (HRA) spending from 1 April to 30 September 2025, with a focus on significant variances from approved budgets. Due to finance system backlog and delays in closing the 2024/25 accounts, detailed analysis was not possible; therefore, only major variances are reported, based on available information and discussions between the finance team and budget

holders. The finance team is prioritising completion of the 2024/25 Statement of Accounts, scheduled for release in the coming weeks.

1.2 In addition to the Revenue Account, there is an update on the HRA capital programme for the period 1 April 2025 to 30 September 2025 on the proposed resourcing of the capital programme and the level of Council capital resources available, including capital receipts.

## 2.0 HOUSING REVENUE ACCOUNT

### HRA Income and Expenditure

2.1 Table 1 below shows the summary income and expenditure forecast outturn and variance for the HRA which is currently forecasting spending to budget at Quarter 2.

**Table 1 – HRA 2025/26 Quarter 2 Forecast Outturn Position**

	Budget £'000	Forecast £'000	Variance £'000
Income	(21,930)	(21,912)	18
Operating Expenditure	19,164	19,468	305
<b>Operating (surplus)/deficit</b>	<b>(2,766)</b>	<b>(2,444)</b>	323
Appropriations	2,766	2,443	(323)
<b>Net (surplus)/deficit</b>	<b>-</b>	<b>-</b>	-

2.2 Appendix 1 contains a more detailed table of the Quarter Two forecast position.

2.3 The Council continues to work actively to improve services delivered by the HRA and ensure the impact on tenants is considered in all service delivery. Work on this so far has included:

- Commissioning an independent review of processes.
- Commissioning contractors to assist in delivering against repairs backlogs.
- Working on reconfiguration of IT systems to improve efficiency and facilitate improved processes.
- Preparing a plan for further actions within the service in response to the recent Regulator of Social Housing inspection outcome.

2.4 Variances include:

- £380k forecast overspend on repairs and maintenance, primarily reflecting progress made in addressing historic work-in-progress and outstanding repairs.
- There is a £67k forecasted overspend on supervision and management due to a £233k saving from staff vacancies in some areas, which partly offsets a £341k rise in recharged costs from GF to HRA from higher service cost apportionment and other minor variances.
- £142k interest income received over and above that budgeted, due to continuing elevated market interest rates.

### **HRA Reserves**

2.5 The HRA provisionally has a balance of £20.1m. A minimum balance of £1.0m is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure, £2.1m is held in Earmarked Reserves and the remaining balances are to be used for capital projects and for the repayment of debt.

2.6 Table 2 below shows a summary of usable HRA reserves.

**Table 2 – HRA Usable Reserves forecast 2025/26**

<b>Reserve</b>	<b>Provisional Balance at 31/03/25 £'000</b>	<b>In Year Changes £'000</b>	<b>Forecast Balance at 31/03/26 £'000</b>
HRA Earmarked Reserves	2,115	-	2,115
HRA General Balance	1,098	-	1,098
HRA Capital Receipts	6,575	-	6,575
Major Repairs Reserve	2,840	-	2,840
HRA Debt Repayment Reserve	6,218	1,290	7,508
<b>TOTAL</b>	<b>18,846</b>	<b>1,290</b>	<b>20,136</b>

### **Capital Programme**

2.7 The revised 2025/26 budget for the Active Programme HRA Capital Programme is £14.9m. Actual spend at the end of Quarter 2 was £1.4m and forecast outturn is £17.2m, representing 115% of the revised budget resulting in £2.3m overspend which will be covered by budget slippage from previous years.

2.8 Table 3 shows the expenditure and forecast against the budget at quarter two, with a more detailed information in Appendix 2.

**Table 3 – HRA Capital Active Programme**

<b>Scheme</b>	<b>Revised Budget £'000</b>	<b>Qtr 2 Actual £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Stock Investment	9,715	511	9,577	-138
New Supply	2,338	65	5,226	2,888
Estate Improvements	500	150	510	10
Fleet Replacement	100	-	-	-100
Sheltered Scheme Improvements	700	-	400	-300
Scheme Lighting	350	-	150	-200
Tunstall System	-	40	40	40
Major Aids and Adaptations	400	191	450	50
Passive Fire Safety	800	369	800	0
<b>Total</b>	<b>14,903</b>	<b>1,357</b>	<b>17,153</b>	<b>2,250</b>

2.9 Within the HRA Active Projects are:

- Stock Investment – This is a project with a revised budget of £9.7m. Actual spend, as at the end of the quarter, was £0.5m representing 5% of the revised budget and the forecast spend is £9.6m up to the end of the 2025/26 financial year, representing 99% of the revised budget. The slippage of £100k anticipated is for roof replacement for smaller schemes will be carried out in 2026/27, as the aim is to address the larger schemes in 2025/26.
- The New Supply programme with a budget of £2.3m, has spent to date of £65k. The forecast outturn is £5.2m (more information is included within Appendix 2), the overspend of £2.9m will be funded by previous years underspend. Much of this slippage is not in direct control of the Council – for example S106 development delays and delivery partner delays.
- Fleet replacement programme with a budget of £100k. This will slip into future years due to a delay in acquiring the new vehicles.
- Sheltered scheme improvements with a budget of £0.7m and nil spend to date. This is predicted to slip £0.3m into future years due to internal resource not being able to complete the procurement process and deliver works onsite.
- A scheme lighting project with a budget of £350k and nil spend to date is forecast to spend £150k in year and £200k to slip into future years. This project is facing delays due to internal resource not being able to complete the procurement process and deliver works onsite.
- There are overspends totalling £0.1m within the Tunstall System and Major Aids and Adaptations which will be covered from underspends elsewhere within the programme.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	<p>A well-run council</p> <p>The spending from the budget provides funding for the Council to deliver against all its priorities.</p>
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment, Climate Change and Zero Carbon:	The Council is forecast to invest £800k on Zero Carbon Home Improvements.
Consultation/Community/Tenant Engagement:	None
Risks:	<p>Although inflation has decreased, the impact of the high inflation means the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives.</p> <p>Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not solve the whole problem. Indeed, very few investment returns are beating inflation and in general if you wanted higher returns the Council would need to invest for a longer period and/or with riskier assets. This is not something the Council has decided to do.</p> <p>The budgets will continue to be monitored throughout the year to ensure that Council expenditure remains within its funding envelope.</p>
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## 2025/26 HRA QUARTER 2 FORECAST OUTTURN POSITION

	Revised Budget (£'000)	Forecast (£'000)	Variance (£'000)	Comments
<b>EXPENDITURE</b>				
Repairs and Maintenance	9,003	9,383	380	The overspend is due to the progress in addressing historic work-in-progress and outstanding repairs.
Supervision and Management	4,328	4,395	67	The overspend is due to recharged costs into the HRA for support services being higher than originally budgeted. Measures continue to be put in place to address this.
<b>CAPITAL CHARGES</b>				
Depreciation	4,162	4,162	0	
Debt Management Expenses	3	3	0	
Provision for Doubtful Debts	100	100	0	
Capital Financing and Debt Management	1,862	1,862	0	
Investment Income	(294)	(436)	(142)	Interest income related to HRA balances is ahead of budget due to continued elevated interest rates.
	<b>5,833</b>	<b>5,691</b>	<b>(142)</b>	
<b>TOTAL EXPENDITURE</b>	<b>19,164</b>	<b>19,468</b>	<b>305</b>	
<b>INCOME</b>				
Rent and Service Charges	(21,609)	(21,609)	0	
Non-Dwelling Rents	(64)	(64)	0	
Garages & Sites	0	0	0	
Other Income	(257)	(238)	18	
<b>TOTAL INCOME</b>	<b>(21,930)</b>	<b>(21,912)</b>	<b>18</b>	
<b>NET COST OF SERVICES</b>	<b>(2,766)</b>	<b>(2,444)</b>	<b>323</b>	
<b>APPROPRIATIONS</b>				
Transfer to/from reserves	1,290	1,290	0	
Revenue Contribution to Capital	1,476	1,153	(323)	
	<b>2,766</b>	<b>2,443</b>	<b>(323)</b>	
<b>NET (SURPLUS)/DEFICIT</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	

## HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME QUARTER 2

Project Name	2025/26 Revised Budget	Actual Expenditure	Forecast Outturn	Variance	Comments
<b>ACTIVE PROGRAMME</b>					
<b>Stock Investment</b>					
Home Improvement Programme	4,500,000	182,072	4,500,000	-	Internal Repairs Team projected spend of £2.2m with Wates (external building contractor) delivering £2.3m by March 2026.
Asbestos	400,000	-	200,000	- 200,000	Asbestos removals have been completed under the Home Improvement Programme as extensive removals have been identified to a value of approx. £120k. A further £40k will be spent on communal sites. Various other removals will be required on other projects taking the overall expenditure to £200k for the year.
Roofs	500,000	-	400,000	- 100,000	Park View Roof replacement estimated at £400k. Remainder to be spent on smaller blocks is feasible or rolled over to the next financial year.
Commercial Boilers	250,000	-	200,000	- 50,000	£200k to be spent on ad hoc boiler programme by end of the year. £50k surplus as one commercial site for upgrade now included within Zero Carbon grant funding on Social Housing Decarbonisation Fund 2.2, Warmer Homes Wave 3 (WH:SHF Wave 3).
Stock Condition Surveys	65,000	76,998	76,998	11,998	

Project Name	2025/26 Revised Budget	Actual Expenditure	Forecast Outturn	Variance	Comments
Zero Carbon	4,000,000	252,352	4,200,000	200,000	£800k to be spent on remainder of Social Housing Decarbonisation Fund 2.2, Warmer homes Wave 3 has a minimum committed spend of £4.2m for 25/26 with an expected £3.4m to be spent by the end of March 2026.
<b>Total Stock Investment</b>	<b>9,715,000</b>	<b>511,422</b>	<b>9,576,998</b>	<b>- 138,002</b>	
<b>New Supply</b>					
New Supply	2,338,000	64,721	5,226,018	2,888,018	Main Street Oakthorpe - £1,400,000.00 - DA to be signed by close of play Friday 17 October. Standard hill - £1,884,986.00 - DA to be signed, awaiting response from developer. Queen Street - £1,139,666.39 - Due to go out to tender October/November with contractor appointment January. Woulds Court - £10,680.00 - Feasibility undertaken. 27 St Saviours - £27,610.62 - Works to commence 13 October 2026. 4 The Paddocks - £61,934.33 - 90% completed on site, costs incorrectly allocated against Aids and Adaptations - to be journalized. 6 Clarke Road - £179,000.00 - Property purchased August 2025. 63 Normanton Road - £123,190.00 - Property purchase August 2025. Forest Road - £360,550.00 - Handover expected March 2026.
<b>Total New Supply</b>	<b>2,338,000</b>	<b>64,721</b>	<b>5,226,018</b>	<b>2,888,018</b>	

Project Name	2025/26 Revised Budget	Actual Expenditure	Forecast Outturn	Variance	Comments
<b>Estate Improvements</b>					
Off-Street Parking	300,000	104,800	300,000	-	
Estate Projects	100,000	-	70,000	- 30,000	External door replacement programme to schemes and blocks. Rollover required to next year and increase in budget to accommodate all sites.
Garage Demolition	50,000	-	90,000	40,000	Budget and costs incurred to be moved out of capital assets and into in-year expenditure
Footpaths and Unadopted Roads	50,000	77,180	50,000	-	Miscoding to budget taking the spend over and should allocated to Off Street Parking
<b>Total Estate Improvements</b>	<b>500,000</b>	<b>181,980</b>	<b>510,000</b>	<b>10,000</b>	
<b>Fleet Replacement</b>					
Vehicles	100,000	-	-	- 100,000	Procurement delays
<b>Total Fleet Replacement</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>- 100,000</b>	
<b>Other Capital Schemes</b>					
Sheltered Scheme Improvements	700,000		400,000	- 300,000	Procurement still in progress for a contractor to be in place. Works expected to start in some capacity before the end of the year with an expenditure forecast of £400k before the end of March 2026.
Passive Fire Safety	800,000	368,935	800,000	-	
Scheme Lighting	350,000	-	150,000	- 200,000	Procurement about to be finalised on setting a contractor to deliver. Approximate value of electrical works delivered expected to be £150k by the end of March 2026.
Major Aids and Adaptations	400,000	190,589	450,000	50,000	
Tunstall System	-	39,681	40,000	40,000	

Project Name	2025/26 Revised Budget	Actual Expenditure	Forecast Outturn	Variance	Comments
<b>Total Other Capital Schemes</b>	<b>2,250,000</b>	<b>599,205</b>	<b>1,840,000</b>	<b>- 410,000</b>	
<b>TOTAL ACTIVE PROGRAMME</b>	<b>14,903,000</b>	<b>1,357,328</b>	<b>17,153,016</b>	<b>2,250,016</b>	<b>-</b>