

Date of Meeting 22nd January 2026

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

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## Draft Revenue and Capital Budgets 2026/27

### **Report summary:**

This report presents the draft revenue and capital budgets for 2026/27 relating to the Housing Revenue Account.

Recommendations from this meeting will be presented back to Cabinet on 4<sup>th</sup> February 2026 to finalise the 2026/27 budget proposals to recommend to Council.

### **Is the proposed decision in accordance with:**

Budget Yes  No

Policy Framework Yes  No

### **Recommendation:**

**That the draft revenue and capital estimates are approved and recommended back to Cabinet to finalise the 2026/27 budget proposals.**

### **Reason for recommendation:**

There is a requirement to set a balanced budget for 2026/27

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### Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy
- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities
- Culture, Leisure, Sport and Tourism

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### **Equalities impact** Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting. There are no changes proposed from the current service provisions because of the draft budget that will affect individuals.

### **Climate change** Medium Impact

The budget approval gives the Council the resources necessary to undertake its business which will contribute to the carbon footprint of the Council. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority including key actions identified in the Directorate Service Plans.

**Risk:** Medium Risk; Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered to prepare robust budget proposals. Other specific areas of risk have been highlighted where appropriate within the report.

**Links to background information** 2026/27 Budget Book

**Link to Council Plan**

Priorities (check which apply)

- A supported and engaged community
- Carbon neutrality and ecological recovery
- Resilient economy that supports local business
- Financially secure and improving quality of services

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## 1 Housing Revenue Account Budget 2026/27

### 1.1 Housing Revenue Account (HRA) Overview & Introduction

Below is an overview of the Housing Revenue Account (HRA) with prescribed categories of expenditure and income giving the proposed budgetary implications for 2026/27.

The HRA records expenditure and income on running the council's own housing stock and related services or facilities, which are provided primarily for the benefit of the council's own tenants. The HRA is a ringfenced account within the General Fund with strict legal and accounting rules to maintain separation from the General Fund. The HRA Account must always remain in surplus, and this must be considered when setting each year's budget and when planning for the future.

The HRA consists of capital and revenue elements. Capital is typically asset enhancing items such as kitchens, bathrooms, windows etc or a project of more minor works to multiple properties. Revenue is typically low-level repairs and maintenance with regards to spend on assets plus staff and service costs, overheads etc. The Council is allowed to borrow to fund capital expenditure, but not revenue without specifically required central government permission.

### 1.2 Revenue Budget

The following outlines the key budget areas, headline figures and comparatives for the HRA in 2026/27 v 2025/26. The general spending categories below are set by the Chartered Institute for Public Financial Accountancy (CIPFA) with a brief summary of what is included in each.

### 1.3 Income

The primary sources of income for the HRA are rents on dwellings, garage income and other income including service charges. Rent on dwellings has been increased by the central government recommendation of September CPI +1% (3.8%+1% = 4.8%) with the remaining income streams also appropriately inflated. The forecast income is expected to be:

- £22.77m for dwellings, an increase of £1.1m year on year
- A decrease of £0.07m for garages due to the poor state of repair although future investment has been included to improve income projections going forward.
- £0.92m for other income, an increase of £0.18m which includes both an inflationary uplift and additional charges

### 1.4 Repairs and Maintenance (R&M)

This includes all major expenditure which falls into the revenue category and is segregated into general or responsive R&M and planned R&M, the vast majority of which is covered by our Integrated Asset Management contract (IAMC) with Ian Williams Ltd.

- General or responsive R&M generally results from issues that have been raised by tenants for resolution and can vary from incredibly simple jobs such as fixing a tap to much more complicated involved issues to address. These more complex issues, upon surveying, may well become asset enhancing and therefore would be moved to the Capitalised responsive repairs and maintenance budget.
- Planned R&M includes the more routine or cyclical in nature works such as decoration, planned minor works and compliance related testing and servicing.
- The budgeted spend on Repairs and Maintenance as a whole is approximately £6.26m, a decrease of £0.57m, to be achieved by improved contract management now that the Property & Asset team recruitment issues have been resolved.

### 1.5 Supervision & Management (S&M)

The S&M section of the HRA covers a wide variety of costs related to the management and administration of council-owned housing. Key types of expenditure include;

- All HRA direct staffing costs including training, development etc with regards to the day to day activities, management and administration of the service.
- Property Management costs – supervision of repairs, managing of empty properties and development of strategic property decisions.
- External Services & Overheads – including consultants' costs and recharges from the general fund for shared services such as IT, Legal Services, Accountancy etc
- The budget for Supervision & Management as a whole in 2026/27 is £9.2m an increase of £0.54m v 2025/26. The main driver of the increase is inflationary, plus additional roles required to achieve proactive contract management, the long-term savings from which are expected to outweigh the cost increases.

### 1.6 Other expenditure/Special Services

This section mainly includes the budgets for tenant engagement related activities such as the Tenant Participation and Community Development teams as well as special services that the Council must provide with regards to tenants. The most notable of this latter category is the decanting of tenants to temporary accommodation when major works are being undertaken and their Council dwelling is uninhabitable. The forecast expenditure is expected to be £1.41m an increase of £0.25m on the prior year.

## 1.7 Capital Charges

The two entries within this section of HRA expenditure are;

- Changes to the bad debt provision – this is difficult to predict and in the past when reviewing the actual movements has not been material therefore no entry has been made.

Depreciation/Major Repairs Reserve/Revenue Contribution to Capital – the HRA guidelines require the council to make in effect what is a revenue contribution to capital which is equivalent to the amount of depreciation calculated on the council dwellings in that financial year. A £2.11m contribution has been included for 2026/27, materially consistent with the prior year.

## 1.8 HRA Financing

In order to calculate the financing requirements an expected revenue and capital outturn for the current 25/26 year needs to be estimated. The current view is that the revenue account will be as budgeted, however, the Capital Programme expects slippage of approximately £5.2m, with results in an anticipated borrowing requirement of £9.3m for 25/26 which has been fed into the below calculations.

The 26/27 HRA financing budget can be split into the following 3 specific areas;

- **Debt Financing**
  - As at 31<sup>st</sup> March 2025, the principal amount of debt the HRA owed was £92.5m, with all additional borrowing and refinancing requirements since the 21/22 year-end funded by temporary General Fund loans.
  - Including the 25/26 outturn estimate and using short term PWLB rates of 4.5% for temporary borrowing (including certainty and HRA basis point reliefs), a debt financing burden of £3.56m is expected for 26/27.
- **Interest Income**
  - The 2025/26 budget contained a conservative estimate of £0.24m. With the anticipated reduction in the right to buy receipts reserve through acquisitions, and with only the £0.25m annual HRA reserve contribution as an offset, a reduction of £41k to £0.19m is included for 26/27.
- **Movement in Reserves**
  - As stated in the 2024/25 budget, an agreed annual contribution to the HRA balance is to be made each year of £0.25m, to reinstate the HRA balance to the adopted level of £3.1m.
  - In 26/27, the revenue surplus is anticipated to be fully utilised to finance some of the capital expenditure in year, reducing the 26/27 borrowing requirement and subsequent interest burden while rates are considered to be high and due to fall. An increase of £1.3m, to £1.5m, has been included within 26/27.

## 1.9 Table of Movements

The following table shows the movements described above and the overall impact they have upon the 2026/27 budget in comparison with 2025/26.

INCOME	BUDGET		
	25/26	26/27	Diff
Dwelling Income	-21,659,900	-22,765,997	-1,106,097
Garage Income	-262,800	-194,318	68,482
Other Income	-743,230	-922,330	-179,100
	-22,665,930	-23,882,645	-1,216,715

EXPENDITURE	BUDGET		
	25/26	26/27	Diff
REPAIRS & MAINTENANCE	6,833,867	6,261,914	-571,953
SUPERVISION & MANAGEMENT	8,668,279	9,218,740	550,461
OTHER EXPENDITURE	1,154,351	1,408,673	254,323
CAPITAL CHARGES	2,068,870	2,110,250	41,380
	18,725,367	18,999,578	274,211

FINANCING	BUDGET		
	25/26	26/27	Diff
Debt Financing	3,256,608	3,555,072	298,464
Interest Income	-235,000	-194,000	41,000
Reserve/Capital Contribution	250,000	1,521,996	1,271,996
	3,271,608	4,883,068	1,611,459

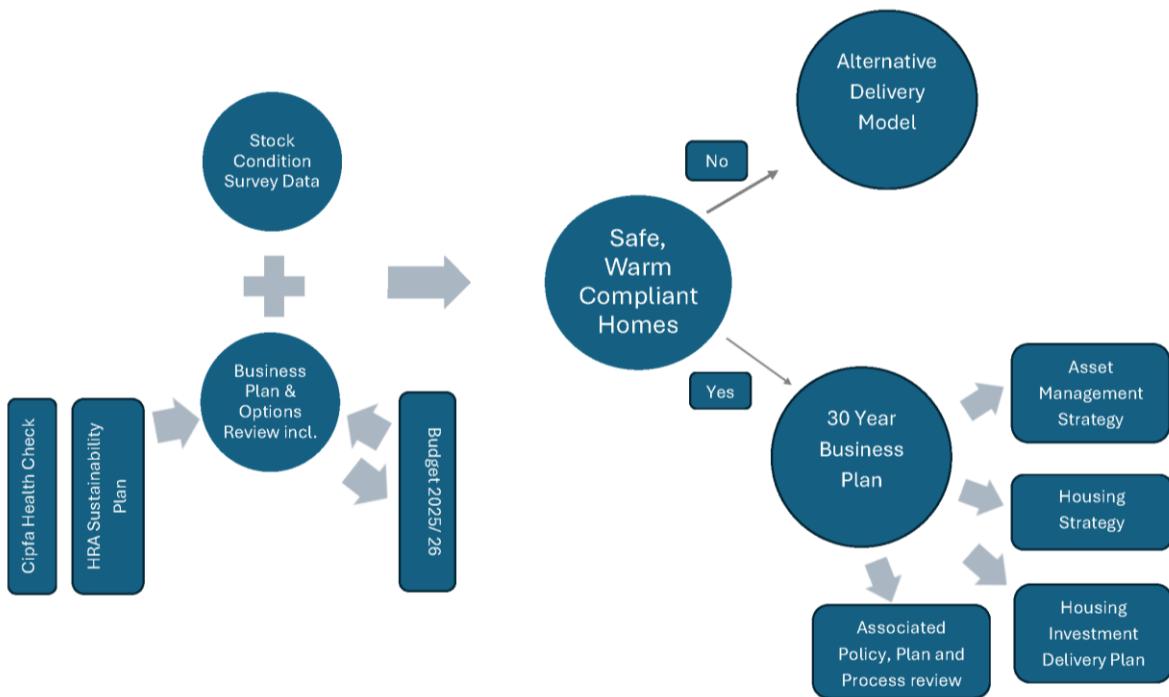
HRA Account	BUDGET		
	25/26	26/27	Diff
Surplus/Deficit	-668,955	0	668,955

## 1.10 HRA Future Financial Pressures

The Housing Revenue Account is currently considered to be stable but continues to face, significant financial pressure in the medium to longer term. These pressures arise from a range of factors including a high stock investment requirement, increased consumer and regulatory standards including new legal duties relating to Damp & Mould etc, general inflation, net zero expectations, disrepair claims, complaint resolution, high void and decent costs and other issues. Similar cost pressures are being seen in other stock holding local authorities.

## 1.11 HRA Strategic Plan

In recognition of the above, the Council has developed a strategic plan to address these immediate pressures and ensure a long-term sustainable business model is in place to ensure we can provide safe, warm and regulatory compliant homes. This plan includes a series of interlinked plans, workstreams and strategies as set out in the diagram below.



A Financial Sustainability / Efficiency Plan is in place to address and respond to the short-term financial pressures facing the HRA. This plan sets out a range of measures to increase income and deliver savings over the next 5 years and includes recommendations from the Chartered Institute of Public Finance & Accountancy (CIPFA), who undertook Health Check of the HRA in 2024/25.

Savills, a market leading property consultancy, have also undertaken a Business Plan and Options review. This had led to the development of a 30 year Business Plan Financial Model which underpins immediate and longer term budget setting decisions. This model underpins budget setting for 2026/27 and will form the basis of a formally published 30 Business Plan in 2026.

An Asset Management Strategy is also under development and will outline investment priorities over the medium term. This will reflect the findings of the Stock Condition Survey completed in 2025 and will outline how the Council will effectively manage its assets ensuring investment is targeted and efficient.

## Performance Against HRA Business Plan Model & Efficiency Targets

In order to support the required level of borrowing for stock maintenance and investment, the HRA needs to reduce revenue expenditure by 15%, or in cash terms by around £2.6m. Whilst achievable, this scale of reduction is challenging. Savings and revenue reductions will be sought over a 5-year period with a 2.5% reduction in expenditure in each of the next 4 years, followed by a 5% reduction in year 5. Reductions formally commence in the 26/27 budget year and continue through the period of a potential transition to a new authority under Local Government Reorganisation. It is assumed that any new authority may result in a merger of other HRA's, resulting in significant efficiencies.

Savings will be split across Management & Supervision and Repairs & Maintenance i.e. the main constituent elements of revenue expenditure.

The HRA Business Plan Model establishes key financial targets for income and expenditure over a 30 year period, taking account of planned savings. The headline 2026/27 budget position against the Business Plan targets is shown in the table below.

Budget Area	2026/27 Budget	Business Plan Target	Difference
Income	£23,882,645	£23,742,489	+ £140,156
Total HRA Costs	£18,999,578	£19,507,127	-£507,549
Net Position (Income minus Costs)	£4,883,068	£4,235,362	+ £647,705

NB - net position before capital financing cost etc

Overall HRA income is expected to be £140k above the Business Plan Target. The majority of the increase arises from a planned increase in service charge income.

Total HRA costs are budgeted to be c. £518k below the Business Plan Target. The majority of saving in the current year derive from a reduction in repairs expenditure from improved contract management.

The overall 2026/27 budget achieves a net positive position of + £658k above the Business Plan Target.

## 1.12 2026/27 Proposed Capital Budget Priorities

Our Capital investment priorities for 2026/27 have been influenced and informed by the Stock Condition Survey and Business Plan Review and include.

- Addressing Category 1 & 2 Hazards
- Tackling Damp & Mould
- Continuing to ensure Regulatory Compliance
- Increasing the number of Decent Homes
- Reduced responsive repairs through planned investment programmes.
- Addressing major repair works
- Reducing void turnover times
- Development & Acquisition of new affordable homes.

## 1.13 Proposed Capital Programme 2026/27

The following Table outlines the proposed capital programme for 2026/27, categorised by their appropriate programme areas, compared with the current 2025/26 budget.

Programme Area	Project / Programme	25/26 Budget	26/27 Budget	Diff
Affordable Homes	Acquisitions & Development	750,000	5,000,000	4,250,000
Housing Compliance	Asbestos Capital Works	0	61,200	61,200
	CO & Detection	500,000	320,400	-179,600
	Fire Doors	200,000	204,000	4,000
	FRA Actions	1,650,000	255,000	-1,395,000
	Radon	150,000	153,000	3,000
	Sewerage Plants	500,000	512,816	12,816
General Housing Programmes	Disrepair And Complaints	1,500,000	459,000	-1,041,000
	Lad Mop-Up	2,099,520	765,000	-1,334,520
	Social Serv Adaptations	700,000	714,050	14,050
	Capital Major Works	3,681,261	4,059,073	377,812
Major Repairs	Capitalised Responsive Repairs	1,000,000	837,216	-162,784
	Electrical Updating	700,000	856,800	156,800
	Gas Boilers Replacement	750,000	510,000	-240,000
	Heating Upgrades	150,000	510,000	360,000
	Voids	2,250,000	1,071,000	-1,179,000
	Pvcu Fascia Replacement	150,000	306,000	156,000
	Replacement Bathrooms	400,000	255,000	-145,000
	Replacement Kitchens	1,300,000	573,750	-726,250
	Roofing Renewal	264,000	408,000	144,000
	Windows	416,000	382,500	-33,500
<b>TOTAL</b>		<b>19,110,781</b>	<b>18,213,805</b>	<b>-896,976</b>

## 1.14 HRA Capital Programme Overview

### Affordable Homes Programme (AHP - The Build & Buy Plan) £5m

The Housing Revenue Account (HRA) will continue to play a central role in delivering the Council's ambitions for increasing the supply of high-quality, affordable homes. To support this, a dedicated Development Capital Financing Strategy has been established to guide how investment in new housing development and acquisition is prioritised, funded, and managed over the medium term. This will be appended to the Council's Capital Strategy for adoption by Council in February.

The Financing Strategy underpins the Council's Build and Buy Plan, enabling a programme of new-build delivery and strategic property acquisitions with up to £60 million of prudential borrowing to deliver 500 homes over the next five years. This borrowing capacity provides the financial headroom required to progress schemes that enhance the HRA's long-term sustainability, meet housing need, and contribute to wider estate regeneration objectives.

All capital financing decisions will be taken on a scheme-by-scheme basis, ensuring that each proposal is subject to robust appraisal and governance. Schemes will only proceed where they are demonstrably affordable and viable when tested against the Business Plan

Financial Model, and where they align fully with the parameters and risk tolerances set out within the Capital Financing Strategy.

This framework ensures that borrowing is responsibly managed, that investment contributes positively to the overall performance of the HRA, and that the Build and Buy programme progresses in a financially sustainable and strategically coherent manner.

### **Housing Compliance (£1.5m)**

The Council has a duty to ensure our homes meet the required legal and regulatory compliance standards. Our compliance work includes capital expenditure to remediate fire risks, undertake programmes of co2 and smoke detection installations and other similar capital expenditure. Areas such as servicing and testing of existing compliance equipment are non-capital works and accounted for within the Revenue budget.

### **HRA Capital Programme – General (£6.0m)**

The Capital Programme – General, includes the following items

- Disrepair And Complaints  
Capital expenditure on disrepair and complaints is forecast to amount to £2.15m during 2024/25 and includes essential repairs work. Expenditure in this area is forecast to reduce in 2025/26 as planned programmes address issues with stock condition resulting in a reduction in disrepair and complaints.
- Social Services Adaptations  
This includes major adaptations including remodelling, accessible bathrooms, stairlifts etc to provide suitably adapted accommodation for our residents.
- LAD - Programme Completion  
The LAD is a programme of improvement works focused on energy efficiency to an identified number of properties for which the Council received partial government funding. The budget provides the necessary capital to complete the programme and meet our obligations under the grant funding award.
- Capital Major Works  
This programme includes specific Major Projects allocated to a specific property, group of properties or block of flats. These items range widely in nature and cover a multitude of issues from whole block refurbishments to items identified in specific properties which if left unresolved may result in health and safety issues for tenants.

### **Major Repairs £5.7m**

The major repairs capital budget includes expenditure for our major repairs programme such as windows, doors, kitchens etc alongside repairs to void properties and some responsive repair costs.

## **1.15 Additional Borrowing Implications**

The impact of the above capital programme will add an additional £9.5m borrowing requirement to the HRA after applying the following funding streams to the £13.2m Capital Expenditure figure;

- £0.26m unringfenced RTB receipts
- £2.1m depreciation related/Major Repairs Contribution
- £1.3m capital contribution from revenue

## **1.16 Potential In Year Variations/Virements**

The recent stock condition survey provides the necessary stock intelligence to develop a robust Business Plan and Asset Management Strategy. This will enable future investment to be targeted efficiently and effectively to address identified issues and maintenance requirements. Whilst this data has played a key role in determining capital investment priorities for 2026/27, work on the Asset Management Strategy is ongoing and may result in a change in priorities during the year. For example, this may include an increase in capital expenditure in one area and a reduction in another. Any changes will however be within the overall cost envelope of the approved capital programme budget.

## **1.17 Risks & Future Implications of the Capital Programme**

It should be noted that the proposed capital programme amounts to a significant investment in the Councils housing stock. This investment will result in a substantial level of additional borrowing and an increase in the overall HRA Debt burden. The servicing of this debt will be met from within the HRA Revenue Budget and therefore create further pressure on revenue in future years. This additional interest expense burden will be offset by efficiencies, savings, income generation and strategic asset disposals.

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### **Financial implications:**

This report outlines in detail the financial implications and risks associated with the budgets proposed.

### **Legal implications:**

No legal observations are required.