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OXFORD CITY COUNCIL

To:	**Council**
Date:	3 September 2026
Report of:	Alistair Rush, Group Finance Director (S151 Officer)
	Emma Jackman, Director or Legal Services (Monitoring Officer)
Title of Report:	Housing Revenue Account (HRA) Budget 2026 – 2027

Summary and recommendations	
Decision being taken:	Approve the use of reserves in 2026 – 2027 to balance the Housing Revenue Account (HRA) budget.
Key decision:	Yes.
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory), and Cabinet Member for Finance and Asset Management
Corporate Priority:	Well Run Council
Policy Framework:	Well Run Council

Recommendation(s): That Council resolves to:

1. **Approve the use of £3.5 million of Housing Revenue Account (HRA) reserves in 2026 – 2027 and approve the amended budget for the HRA for the financial year.**

Information Exempt From Publication	
State in here what information is to be exempt from publication – where it is, attach it as an appendix and name the appendix as you describe It here	Not applicable

Introduction and background

1. A review of the Housing Revenue Account (HRA) budget has identified that the figures approved in February 2026 ahead of the 2026 – 2027 financial year included a technical error, which means that the budget for 2026 – 2027 was not balanced when approved. This report sets out recommended actions to return the budget to a balanced position.

Background

2. The HRA is a ring-fenced service which manages the council's housing stock and related services in accordance with the requirements of the Local Government and Housing Act 1989 and associated statutory guidance. The requirements include the need to set a balanced budget for each financial year and to review that position from time to time to ensure that the budget remains balanced ([Local Government and Housing Act 1989]).
3. A review of the 2026 – 2027 HRA budget has identified that a technical error was made when calculating the rental income for this financial year. The estimated income is calculated with reference to the Rent Standard set by the Government, which for 2026 – 2027 was the equivalent of uplifting rents by the Consumer Price Index (CPI) + 1%.
4. The budget approved by Full Council in February 2026 as part of the Council's Medium Term Financial Strategy ([Agenda item - Medium Term Financial Strategy 2026/27 to 2029/30 and 2025/26 Budget | Oxford City Council]) was underpinned by a financial model that calculated the rental income arising from the change to the Rental Standard when applied to the council's housing stock. This financial model had not been updated for the relevant CPI rate, instead the rate relevant to the previous financial year was left unchanged. This meant that the CPI rate applied to calculating the rental income budget was incorrect and the rental income budget was over-estimated.
5. The impact of this over-estimation in 2026 – 2027 is that rental income is anticipated to be £3.848 million less than when the budget was approved in February 2026. This means that rather than delivering a surplus in 2026 – 2027 as reported when the budget was set, there would be a deficit of £2.030 million. The council is therefore required to make adjustments to ensure that the budget is in a balanced position in accordance with the requirements of the Local Government and Housing Act 1989.
6. Additional checks and balances have been identified to prevent technical issues such as this recurring in future. These will include but not be limited to, reconciliations between the calculation of rents set with the rental income budget, additional oversight and quality assurance processes to validate the financial model. Consideration will be given to including an annual review of the model by an independent housing finance expert and/or as part of the internal audit programme. Audit and Governance Committee will be given an update on these changes.

Council House Rents

7. It is important to state that the calculation of the rents to be charged to tenants for 2026 - 2027 was completed correctly when the budget was approved by Full Council in February. This means that tenants have not been over-charged and have not been impacted by the issue identified or the measures taken to resolve it.

HRA 2026 – 2027 Outturn Forecast

8. As part of the regular budget monitoring an outturn forecast has been produced as at the end of Quarter 1 of 2026 – 2027. This forecast, excluding the impact of the over-estimation of rental income, indicates that there are further budget pressures, linked to the establishment of the waking watch service, mitigating the risks associated with tower block safety issues and potential pressures in relation to housing stock damp and mould.
9. Work is on-going and will continue throughout the year to offset any emerging pressures with efficiency savings, whilst in the longer-term investments in housing stock improvements are anticipated to reduce the on-going need for expenditure on maintenance.

Housing Revenue Account Reserves

10. The HRA has an annual budget and, additionally, reserves that are held to mitigate the risk of, amongst other matters, expenditure exceeding income in a financial year. These reserves are at a sufficient level to deal with the issue that has been identified and draw down of useable reserves to balance the budget would be an appropriate short-term use of these reserves. This would, by definition, be a one-off use of reserves in order to rectify the over-estimation of rental income in 2026 - 2027.
11. In order to rectify the issue identified, reserves totalling £3.5 million will need to be drawn down, representing the net movement between the original budgeted surplus of £1.47 million and the revised position that reflects a deficit for the year of £2.030 million. This approach also supports the opportunity to identify sustainable efficiency savings for the longer-term.
12. In the longer-term, consideration will need to be given to restoring HRA useable reserves to their current level, which the draft 2025 – 2026 Statement of Accounts values at £7.809 million. This will be part of the financial planning for the HRA Business Plan. It should be noted that each year, there are fluctuations in expectations around interest rates, the cost of delivering services and investment works, and inflation, and therefore renewing the HRA's Business Plan is a normal and expected part of Council budget planning.

Alternative Options Considered

13. The alternative option would be to identify the equivalent value of savings. This was discounted on the basis that in order to achieve this, since four months of the financial year have passed, there would be a need to identify the annual equivalent of £4.67 million efficiencies. The use of reserves also provides the opportunity to review the options for efficiencies that are sustainable and allow for appropriate consideration of all the implications arising.

Implications of Local Government Reorganisation

14. There are no implications arising from Local Government Reorganisation in relation to this matter.

Other implications

15. None.

Financial implications

16. Due to the reason for the report this is issued by the S151 Officer (Group Finance Director) under s114 (2) Local Government and Finance Act 1989 (LGFA89). Provided that the recommendation is approved as set out in the report the S151 Officer is of the view that the expenditure this financial year will no longer actually likely to exceed available resources and therefore there would be no deficiency that led to the restrictions required under s114 (5) of the LGFA89 on spending.
17. The Council remains in a sound financial position overall and with the amendment to the budget proposed this will address the error in the HRA budget setting and introduce measures to ensure that the shortfall is addressed in the short term. Accordingly, with approval of the recommendation the statutory officers consider that the duties are discharged and issues remedied.
18. The remaining financial implications arising from this report are reflected within the recommendation and the body of the report.

Legal issues

19. Due to the fact that the current approved HRA budget has the technical miscalculation the Council has not met its statutory requirement to set a balanced budget under the Local Government and Finance Act 1992. As such this report is issued under s5(2) of the Local Government and Housing Act 1985 (LGHA85). Provided that the decision is taken in line with the recommendation the issue will be remedied and the unlawful action will no longer be ongoing.
20. Without approval of the recommendation the Council would open itself to a report under s114 of the Local Government and Finance Act 1989 which will result in a restriction on expenditure, and the Council will remain in breach of the requirement upon it to set a balanced budget under the Local Government and Finance Act 1992. Approval of the recommendation will ensure that the Council is able to meet its statutory obligations and provide a balanced budget, avoiding the need for spending controls.

Level of risk

21. The risks are reflected within the body of the report.

Equalities impact

22. The impact of the recommended decision has an impact upon the financial reserves of the HRA whilst maintaining the delivery of services to tenants in 2026 - 2027. The use of reserves is in line with their purpose of mitigating the impact of unforeseen events and as such does not have any equalities impact.

Carbon and Environmental Considerations

23. There are no carbon or environmental considerations arising from the recommendation or the contents of the report.

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Background Papers:

List the background documents and, if possible, link to them.

All background papers must be listed in accordance with the Local Government (Access to Information) Act and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. This includes, any material which discloses facts or matters on which the report or an important part of it is based and which have been relied on in the preparation of the report Each document must be listed and a copy of each document made available to members and the public on request, (or they should be directed where to find it if it is already published on the Council's website). All confidential, exempt, copyrighted and published works are EXCLUDED from this requirement.

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