

REPORT TO EXECUTIVE

Date of Meeting: 9 July 2024

REPORT TO COUNCIL

Date of Meeting: 16 July 2024

Report of: Director Finance

Title: 2023/24 HRA Budget Monitoring Report – Outturn

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To advise Members of any major differences, by management unit, between the approved budget and the outturn for the financial year up to 31 March 2024 in respect of the Housing Revenue Account and the Council's new build schemes.

An outturn update in respect of the HRA Capital Programme is also incorporated into this report in order to help provide a comprehensive financial update in respect of the Housing Revenue Account.

2. Recommendations:

2.1 It is recommended the Executive note the report and Council notes and approves (where applicable):

- 1) The supplementary budget of £50k as detailed in paragraph 8.5;
- 2) The HRA financial position for 2023/24 financial year;
- 3) The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 3;
- 4) A request to vire £466k from the social housing acquisitions section 106 budget to the social housing acquisitions open market budget as detailed in paragraph 8.13;
- 5) A request for £74k additional funding to finalise the Hamlin Gardens project; and
- 6) A request that the new HRA development at Hamlin Gardens (Brooke House) will be designated as a scheme for applicants over the age of 60, as detailed in paragraph 8.14.

3. Reasons for the recommendation:

3.1 To formally note the HRA's projected financial position and to approve the reported variations to the HRA Capital Programme.

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep a HRA in accordance with proper accounting practices and to review the

account throughout the year. Members are presented with a quarterly financial update in respect of the HRA and this is the final update for 2023/24.

4. What are the resource implications including non financial resources

4.1 The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2023/24 are set out in the body of this report.

4.2 The impact on the HRA's available financial resources are set out in Appendix 2.

5. Section 151 Officer comments:

5.1 The outturn figures represent a strong financial performance over the year in respect of the HRA. Overall plans were delivered under budget whilst there was significant progress on the capital programme. Overall the challenges of increasing investment in new stock remain as interest rates and construction costs challenge viability, but the progress seen in 2023/24 is welcome.

6. What are the legal aspects?

6.1 The statutory requirement for a Housing Revenue Account (HRA) is set out in Part VI of the Local Government and Housing Act 1989. Section 74 of the Act sets out the duty to keep a Housing Revenue Account as a ring-fenced fund and sets out the structure within which the HRA operates. Part VI of the Act sets out the detailed statutory provisions on the operation of the HRA, including credits to the account (income) and debits to the account (expenditure). Section 76 sets out the duty to prevent a debit balance on the HRA. The authority must implement proposals that will secure that the account for each financial year will not show a debit balance. Members will also note the provisions of Schedule 4 of the Act which sets out the requirements concerning 'The Keeping of the Housing Revenue Account'.

7. Monitoring Officer's comments:

The Monitoring Officer has no additional comments.

8. Report details:

HRA FINAL ACCOUNTS TO 31 MARCH 2024

8.1 Background to the HRA

The Housing Revenue Account (HRA) records expenditure and income relating to council dwellings and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council. This includes tenancy management, repairs and maintenance, council house building and council house retrofits.

8.2 Projected transfer from the working balance

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Approved Budgeted transfer from the working balance	2,541,730
Supplementary budgets – Council approved 18th July 2023	300,000
Revised Budgeted transfer from the working balance	2,841,730

2023/24 Approved Budget Represented By	£
85A1 MANAGEMENT	1,718,700
85A11 EDWARDS COURT	(110,210)
85A2 TENANCY SERVICES	1,764,880
85A3 SUNDRY LANDS MAINTENANCE	931,920
85A4 REPAIR & MAINTENANCE PROGRAMME	7,025,370
85A5 REVENUE CONTRIB TO CAPITAL	4,000,000
85A6 CAPITAL CHARGES	4,073,090
85A7 HOUSING ASSETS	2,551,980
85A8 RENTS	(21,012,110)
85B2 INTEREST	1,898,110
85B4 MOVEMENT TO/(FROM) WORKING BALANCE	(2,841,730)

The HRA has built up a working balance of £7.2 million as at 31 March 2023. This is higher than the £4 million contingency resolved to be retained. The HRA approved Medium Term Financial Plan (MTFP) plans to reduce the working balance, largely through significant revenue contributions to capital. This enables the built-up working balance to be used to fund the HRA capital programme towards planned works, retrofits and Council House building developments.

8.3 Revenue Monitoring

The 2023/24 financial year has ended with an overall net deficit of £1.6m. This represents a reduction of £1.2m compared to the budgeted deficit of £2.8m for 2023/24, and an increase compared with the projected under-spend of £135k previously reported at Quarter 3 as part of the quarterly budget monitoring updates.

The reasons for this and the main deviations from budget for the financial year are set out below. Please also refer to Appendix 1.

Budget Heading	Forecast Variance at Q3 (Under) / Overspend	Actual Budget Variance (Under) / Overspend
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Management	£122,000	£130,067
<p>Officers Responsible: Service Leads - Housing Assets & Tenancy Services</p> <ul style="list-style-type: none"> • Tenant decant costs and empty property charges – £244k. The continuing decants from Rennes House requires tenants to be compensated with home loss payments and other general financial support relating to their relocation costs, and means the Council is liable for the empty property charges. Decants are dependent upon the properties requested by the tenants becoming available and we have managed to support additional tenants in readiness for the full vacation of Rennes House. • A net overspend of £7k across other budgets, including increases in subscriptions and memberships including the Housing Ombudsman. • The corporate recharge was £14k higher than budgeted. • Older persons accommodation underspent by (£75k) primarily due to utilities spend not being as high as anticipated. • Resident Involvement underspent by (£60k) due to savings on consultants, publications etc. 		
Edwards Court	£28,000	(£77,530)
<p>Officer Responsible: Service Lead Tenancy Services</p> <ul style="list-style-type: none"> • Although utilities at Edwards Court have been significantly more expensive than budgeted, this has been offset by higher than expected occupancy levels during this first full year. 		
Tenancy Services	£32,500	(£323,091)
<p>Officer Responsible: Service Lead Tenancy Services</p> <ul style="list-style-type: none"> • There was a (£184k) saving on premises costs, particularly gas and electricity for which had 23/24 budgets significantly increased as a result of high price increases. • Staffing and agency budgets were (£68k) lower than budgeted due to vacancies. • There were a net (£32k) savings across supplies and services including tenants removal and legal expenses, and court fees. • There is a general (39k) saving on recharges and other costs. 		
Sundry Land Maintenance	(£352,000)	(£430,696)
<p>Officers Responsible: Service Leads - Housing Assets & Tenancy Services</p> <ul style="list-style-type: none"> • The Estate Maintenance budget has underspent by (£387k). The budget included £300k carried forward from 2022/23 relating to replacement trees for those affected by Ash Die Back, but is now not expected to be needed until later in the decade. Officers will continue to monitor the situation to ensure that there is appropriate budget provision for works needed resulting from Ash Die Back. It is important to note that this is not a budget for a general tree planting programme. • There has been a (£41k) saving in the Garden Assistance as the demand over the busy months was lower than budgeted. • The sundry lands transfer was (£3k) higher than budgeted. 		
Repair & Maintenance Programme	£1,130,000	£865,161

Officer Responsible: Service Lead Housing Assets

- Re-pointing – this budget underspent by (£216k), which is higher than projected at Quarter 3 when it was identified as an area which could offset the other Repairs and Maintenance pressures. This underspend relates to less pointing being required on properties included within the retrofit programme.
- Asbestos – overall the asbestos budget underspent by (£134k), however there is a request for a supplementary budget in paragraph 8.5 as £50k of this is required in 2024/25.
- The General Maintenance has been under huge pressures all year, although the actual overspend of £721k is slightly better than projected at Quarter 3. Within this there is an £87k additional costs on damp and mould £100k budget as demand escalated over the winter months. A higher than usual number of jobs excluded from the Price Per Property Contract have been received this year – including drains failures (pitch-fibre collapses, clay pipe fractures due to vegetation/tree growth), urgent path and ramp repairs and general price pressures from our contractor. All of these issues have contributed to the budget pressures for this area.
- Repairs to voids is difficult to predict and the overspend increased from the £620k projected at Quarter 3 to £665k. As at 31st December the team had let 189 voids, compared with 200 in the whole of 22/23. During the summer, the Voids Team were managing over 100 void properties and this required additional contractor resources above that normally utilised in order to tackle the issue. This has been achieved – we now have reduced the number of void properties to 57 – but required additional expenditure to achieve this. More positively, by committing more expenditure, the Council has housed applicants faster than would have been possible without committing to the additional expenditure and therefore gained the associated rental income earlier than would have been the case if extraordinary measures were not implemented.
- Electrical testing / reactive – has overspent by £56k on the general maintenance areas.
- Service contracts – the net impact of over / underspends in this area is a saving of (£138k). (£79k) of this relates to the gas and central heating budget which was 90% spent in year.
- Low maintenance and painting – was underspent by (£87k).

Housing Assets

£0

£134,515

Officer Responsible: Service Lead Housing Assets

- Staff costs were overspent across this service by £119k mainly due to agency costs to cover for sickness and vacancies – a report has now been approved by the Strategic Management Board to add a number of new posts to the Housing (Assets and Tenancy Services) teams and, as part of this process, the posts currently filled by agency staff will be permanently recruited to.
- An additional £40k spend on consultancy costs including Echelon and Low Carbon Exchange - the former to complete an evaluation of the Integrated Assets Contract and the latter to support the grant funding process associated with the retrofit programme.
- An underspend of (£29k) on premises costs.
- A net £5k of other overspends on supplies and services and internal recharges.

Capital charges

(£327,440)

(£327,444)

Officer Responsible: not applicable (statutory accounting charge)		
<p>Depreciation charges are lower than budgeted as the land value proportion of stock as at 2022/23 year end has increased on the recommendation of Corporate Property, so the buildings element which gets depreciated each year has reduced.</p> <p>Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for future capital works or to repay debt. A lower depreciation charge results in a revenue saving in the year, but less funding available for future capital spend.</p>		
Interest	(£768,500)	(£1,213,144)
Officers Responsible: Service Leads - Housing Assets & Tenancy Services		
<p>The 2023/24 budget included interest payable for an additional £3.9m approved borrowing. Due to current high interest rates external borrowing is being delayed as long as possible until rates become more affordable, and costs are being covered by temporary internal borrowing resulting in a saving in 23/24.</p> <p>Interest receivable on HRA balances was higher than budgeted throughout the year resulting in a surplus of almost £1m, however it should be noted that higher rates have been factored into the 24/25 budget.</p>		
Rents	£0	(£25,528)
Officer Responsible: Service Lead Tenancy Services		
<p>The rent collected for 2023/24 was largely in line with the budget.</p>		
Total budget (underspend)/overspend	(£135,440)	(£1,267,690)
2023/24 HRA Deficit / (Surplus)		£1,574,040

8.4 Impact on HRA Working Balance

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The total budget variances for 2023/24 have resulted in a deficit of £1,574,040 which will be transferred from the HRA working balance and bring the balance closer to the £4m contingency.

Movement	2023/24
Opening HRA Working Balance, as at 1 April 2023	£7,243,104
Deficit for 2023/24	(£1,570,040)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31 March 2024	£1,669,064

8.5 Supplementary Budgets

There is a requirement for a supplementary budget in 2024/25 as the HRA has identified an under-spend against the Planned Asbestos Surveys budget. In line with the control of asbestos regulations communal area inspections are being carried out yearly, the domestic reinspection programme has commenced and there is an increase in surveys arising from the kitchen and bathrooms upgrade programmes.

It is therefore proposed that a supplementary budget of £50k is submitted to Executive for approval and added to the 2024/25 budget.

8.6 Major Repairs Reserve

Councils are expected to set aside some of their income each year into the Major Repairs Reserve, in order to ensure appropriate provision is made towards financing future capital works or to repay debt. The balance held in the reserve at the end of the financial year is set out below:

Movement	2023/24
Opening Major Repairs Reserve, as at 1 April 2023	£18,063,137
Revenue monies set aside during 2023/24	£3,745,646
Amount used to finance capital expenditure during 2023/24	(£9,353,036)
Balance as at 31 March 2024	£12,455,751

8.7 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 2 for the period to 2027/28.

The total available resources are made up of several reserve balances; the HRA working balance, the Useable Capital Receipts reserve and the Major Repairs Reserve.

The HRA working balance is the movement on revenue budgets, contributions can be made from this reserve towards financing capital budgets in the form of 'Revenue Contributions to Capital'. The useable capital receipts reserve is made up of both the Right-to-Buy (RTB) receipts reserve and the Non-RTB receipts reserve; these reserves are available to finance capital spend; some restrictions apply. The Major Repairs Reserve is increased each year by the HRA depreciation charge to revenue, this reserve is then available to spend on the HRA capital programme.

The total forecast HRA available resources is impacted by variances in both revenue budgets detailed in section 8.3 above and variances in capital budgets detailed in section 8.9 below.

The forecast total available resources over the Medium-Term Financial Plan (MTFP) has increased by £3.9m since last reported at 2023/24 Quarter 3. This reflects a net £1.1m reduction in capital projects over the MTFP, an increase in the revenue underspend of £1.1m in 23/24, and a £1.7m reduction in the potential surrender of right to buy receipts to DLUHC as we are now able to use 50% of receipts retained since 2019/20, rather than 40%.

Total available reserves over the MTFP are now expected to be £4.2m, after deducting the £4m balance resolved to be retained (HRA contingency).

8.8 HRA Debt

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

Executive on 8 October 2019 approved the first Council House Building Programme, which will deliver 100 new homes into the HRA at a cost of £18m. On 5 April 2020, the Council took out a loan of £15.36m from the PWLB to support this programme. The remaining £2.64m will be funded by capital receipts.

As at 31 March 2024, the HRA's borrowing stood at £73.242m. The total of the £15.360m new loan and the former 'debt cap' level of £57.882m.

The HRA currently has approval to borrow a further £3.9m for previous capital expenditure, which will likely be required in the next 12 to 24 months, and a further £2.7m currently planned in 26/27.

8.9 HRA Capital Programme

The 2023/24 HRA Capital Programme was last reported to Council on 23 April 2024. Since that meeting the following changes have been made that have increased the 2023/24 programme.

Description	2023/24	Approval / Funding
HRA Capital Programme	£32,044,391	
Budgets deferred to future years	(£1,329,990)	Council - 23 April 2024
Programme variances	(£171,101)	Council - 23 April 2024
Revised HRA Capital Programme	£30,543,300	

8.10 Performance

HRA Capital expenditure in the year amounted to £23,804,926 which equates to 78% of the revised approved capital programme (as set out above). The nature of capital investment in the financial year comprised:

HRA Capital Expenditure	£
Capital investment in existing stock	10,291,714
Capital investment in the provision of new council homes	13,513,212
Total HRA Capital Expenditure	23,804,926

A detailed list of HRA capital budgets and actual expenditure is set out in Appendix 3.

It is proposed to carry forward a net total of £5.4m budget into future years, and £1.3m less has been spent in year than was projected at Quarter 3.

8.11 HRA Capital Financing

The total HRA capital expenditure for 2023/24 will be financed as follows:

HRA Capital Finance	£
Major Repairs Reserve	9,353,036
Revenue Contribution to Capital	4,000,000
Capital Receipts	5,587,396
Commuted sums (S106)	2,167,808
Borrowing	0

Grants	2,696,686
Total HRA Capital Financing	23,804,926

The impact on the capital resources available to the HRA over the next 4 years is set out in Appendix 2.

8.12 Capital Budget Variances

The details of key (greater than +/- £50k) variances from budget are set out below.

Scheme	Overspend / (Underspend)
Local Authority Housing Fund	(£82,549)
Officer Responsible – Service Lead Tenancy Services	
<ul style="list-style-type: none"> The first round of the LAHF to deliver 8 homes using grant and s106 monies has been delivered slightly under budget. 	
Bathroom replacements	(£51,960)
Energy conservation (retrofit)	£148,276
Fire Risk assessment works - Planned	(£171,984)
Fire Safety storage facilities	(£153,236)
Re-roofing Flats	(£344,806)
Window replacements	£86,899
Officer Responsible – Service Lead Housing Assets	
<p>The overspends on the energy conservation project and window replacement programme above are as a result of unavoidable cost pressures in year. However, these are addressed in year by lower than expected costs relating to bathrooms replacements and re-roofing of flats. Expenditure relating to works following fire risk assessments has been lower than originally anticipated and some lower priority fire storage works have been delayed to 2024/25.</p>	
Boiler replacement programme and central heating	(£179,855)
Fire Risk assessment works - Compliance	(£589,362)
Officer Responsible – Safety, Health, Environment & Quality Lead	

- The number of boiler installations has been slightly lower than budgeted for the year, £200k was re-profiled to 2024/25 earlier in the year.
- A programme of fire risk assessment works is in place from April 2024 and the 2024/25 budget should be sufficient to address this.

8.13 Schemes to be deferred to 2023/24 and beyond

Schemes identified as being wholly or partly deferred to 2024/25 and beyond are:

Scheme	Budget deferred to future years
Council House Building Programme – Hamlin Gardens	£470,248
Council House Building Programme – Bovemoors Lane	£32,345
Council House Building Programme – Vaughan Road	£2,053,252
<p>Officer Responsible – Service Lead Housing Assets</p> <ul style="list-style-type: none"> • Completion of the Hamlin Gardens scheme is now anticipated at the beginning of August 2024. • The remaining Bovemoors Lane budget will be required in 2024/25 to address surface water drainage issues. • There has been some slippage in the Vaughan Road scheme so the in year underspend will be required in 2024/25. 	
Social Housing acquisitions – section 106 & open market	£466,323
<p>Officers Responsible: Service Leads - Housing Assets & Tenancy Services</p> <p>At the start of 2023/24 there were two social acquisitions budgets; £504k for open market purchases and £589k for properties offered to ECC by developers under section 106 agreements, however this latter budget is less likely to be used. £627k was spent in 2023/24 on purchasing four properties on the open market.</p> <p>It is requested that the net balance of £466k be carried forward and vired to the open market budget so that there is budget available to purchase properties using Delegated Powers.</p>	
St Loyes Extracare scheme	£19,739
Laings refurbishments	£242,626

Rennes House – structural works	£58,045
<p>Officer Responsible – Service Lead Housing Assets</p> <ul style="list-style-type: none"> • The remaining underspend on St Loyes is required to provide balcony improvements in 2024/25 – cost estimates are currently being sought. • The 23/24 budget included provision for Laings development including the purchase of an additional property which is now likely to happen early in 2024/25. The completion of the remaining 6 Laings properties has been significantly delayed due to the increase in inflation making development currently unviable. This position is constantly under review. • The balance of the Rennes House budget will be required in 2024/25 when the remaining tenants will be decanted. There will some works required in order to secure the building following the decant process prior to the demolition. 	
Estate Improvements	£95,312
Local Authority Housing Fund	£95,920
<p>Officer Responsible – Service Lead Tenancy Services</p> <ul style="list-style-type: none"> • There is no further budget available for smaller projects such as fencing and bin stores so the balance of the Estates Improvements approvals will be required in future years. • LAHF Round 2 has delivered a further 5 homes during 23/24, but not all costs have yet been paid out and will be incurred in 2024/25. 	
Adaptations	£305,164
Balcony walkway improvements	£239,754
Kitchen replacements	£562,762
Re-roofing - Houses	£441,239
Porch canopies	£39,924
<p>Officer Responsible – Service Lead Housing Assets</p> <p>The underspends on each of the five planned capital budgets above are earmarked for specific projects and will be needed to cover spend in 2024/25. Delays to the porch canopy expenditure relates to the time taken to complete the Section 20 consultation process with the leaseholders of the respective flats.</p>	
Lift upgrades	£80,000
Electrical Rewires - Domestic	£189,496

Electrical Rewires - Communal	£23,040
<p>Officer Responsible – Safety, Health, Environment & Quality Lead</p> <ul style="list-style-type: none"> • The Compliance team have not had sufficient capacity to procure a new lift upgrade contract during the year; this will happen in 2024/25 and the budget provision will be required in order to catch up with the programme of upgrades. • The underspends on domestic and communal electrical rewires will be needed to address increasing pressures in 2024/25 and maintain compliance levels. 	

8.14 Further funding request and change in designation of Hamlin Gardens

A further amount of £74,000 is required over and above the contingency to complete the Hamlin Gardens project in 2024/25. Additional work at Brooke House is required as 16 of the 21 units are being used as decants for over 60s tenants from Rennes House. The costs for work required to accommodate these tenants, such as changes to the bathrooms and scooter stores, were not included in the original budget for a general purpose site.

Historic Council own build Final Accounts to 31 March 2024

8.15 The Council's own build properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

As the 21 units were built using HCA funding in conjunction with borrowing (£998k), they are accounted for separately in order to ensure that they self-financing. A separate COB working balance and Major Repairs Reserve are maintained until such time as a sufficient balance has been accumulated to repay the debt attributable to these properties, at which point the units can be accounted for with the wider HRA stock.

8.16 Key Variances from Budget

The 2023/24 year has ended with an overall net surplus of £9,826, which will be transferred to the COB working balance. This represents a decrease of £41,896, compared to the budgeted transfer from the working balance of £32,070.

The variance is largely due to higher interest receivable on balances. Please refer to Appendix 1 for more details.

9. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to a key purposes, as set out in the Corporate Plan; Building great neighbourhoods.

10. What risks are there and how can they be reduced?

For clarity, these are specific financial risks, alongside the risks captured in the corporate risk register.

It is not permissible for the HRA to go into an overall financial deficit position, it is therefore important to ensure that an adequate level of HRA balances is maintained as a contingency against risks. The HRA resolve to retain a working balance at no less than £4 million to mitigate against financial risks.

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because there are no significant equality and diversity impacts associated with this decision.

12. Carbon Footprint (Environmental) Implications:

12.1 We are working towards the Council's commitment to carbon neutral by 2030. The impact of each scheme is considered prior to approval.

13. Are there any other options?

13.1 None

Director Finance, David Hodgson

Author: Claire Hodgson

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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