

REPORT TO EXECUTIVE

Date of Meeting: 3 December 2024

REPORT TO COUNCIL

Date of Meeting: 17 December 2024

Report of: Strategic Director Corporate Resources

Title: 2024/25 HRA Budget Monitoring Report – Quarter 2

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To advise Members of the financial position of the HRA Revenue and Capital Budgets for the 2024/25 financial year after six months.

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring by officers.

2. Recommendations:

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

- the HRA forecast financial position for 2024/25 financial year; and
- the revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4.

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 second update for 2024/25.

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 2024/25 are set out in the body of this report. The impact on the HRA's available financial resources are set out in Appendix 3.

5. Section 151 Officer comments:

5.1 As reported in Q1, there is pressure on the repairs and maintenance budget. The pressure is threefold, more repairs are being undertaken as a result of better working practices, this should have long term benefits as it will reduce the number of call outs to the same property. There has been an increase in damp and mould costs, as a result of proactive work being undertaken in Housing, which again should have longer term benefits from identifying issues earlier. However, the sharp increase in the cost of voids, whilst unavoidable, is causing further pressure on the budget. This will continue to be monitored and reflected in next year's budget.

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:

7.1 As set out in the introduction to this report, Members will note the budgetary over/under-spends and will particularly note the areas of risk set out at Appendix 1 to this report. Members will be alert to the fact that certain budgets have been identified as potentially resulting in deviations from budget. This report makes it clear that these budgets will be subject to close monitoring by officers. The key issue is that the authority must ensure that the HRA for the financial year does not show a debit balance.

8. Report details:

HRA BUDGET MONITORING – QUARTER 2

8.1 Background to the HRA

The 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

	£
Approved Budgeted transfer from the working balance	208,360*
Supplementary budgets – Council approved 16th July 2024	50,000
Virement - Council approved 15th October 2024	23,828
Revised Budgeted transfer from the working balance	282,188

*2024/25 Approved Budget Represented By	£
85A1 MANAGEMENT	2,114,770
85A11 EDWARDS COURT	(131,410)
85A2 TENANCY SERVICES	1,863,110
85A3 SUNDRY LANDS MAINTENANCE	507,430
85A4 REPAIR & MAINTENANCE PROGRAMME	7,062,000
85A5 REVENUE CONTRIB TO CAPITAL	2,500,000
85A6 CAPITAL CHARGES	3,745,650
85A7 HOUSING ASSETS	2,709,130
85A8 RENTS	(21,633,420)
85B2 INTEREST	1,471,100
85B4 MOVEMENT TO/(FROM) WORKING BALANCE	(208,360)

The HRA has working balances of £5,669,065 as at 31st March 2024. This is higher than the £4 million contingency resolved to be retained.

The revised budget deficit position of £282,188 for 2024/25 includes a revenue contribution of £2.5 million to capital.

8.3 Revenue Monitoring

The budget variances anticipated at Quarter 2 indicate that £1,563,118 will be taken from the working balance in 2024/25 – See appendix 2. This represents a movement of £274,200 compared to the projected outturn at Quarter 1. Variances of +/- £30,000 are detailed below:

Budget Heading	Forecast Outturn Budget Variance (Under) / Overspend
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	Quarter 1	Quarter 2
Repairs and Maintenance Programme	£1,187,000	£1,448,100

Officer Responsible: Head of Asset Maintenance

- **General Maintenance £700k** – the response budget continues to experience high demand with the projected overspend being in part due to an increase in stock condition surveys highlighting issues which need to be addressed. The service is also experiencing larger numbers of tenants transferring from/to properties which have had major repairs refused previously and this necessitates increased investment and corresponding repairs. Additionally, the service is receiving requests for more expensive works, including roofing and window repairs which whilst extensive, do not qualify as capital investment so the costs for such fall to this budget area.
- **Damp and Mould £300k** – a separate budget of £100k has been set aside for damp and mould monitoring and works. Whilst in the past 2 years this has been sufficient to cope with required interventions, we are experiencing increased demand as a result of intensive pro-active surveying (from all staff or contractors visiting properties). Consequently, spend to the end of Qtr. 2 is 175% of the budget. It is anticipated that measures taken to date should help address existing issues experienced by tenants, however problems can recur, and the winter months are likely to see higher pressures.
- **Service contracts £149k** – following changes in compliance legislation, there is pressure on the fire risk assessment and fire door inspection and maintenance contracts due to increased testing requirements and frequencies, and the start of a new contract which had been previously delayed. A separate budget for radon testing has been created and funded from managed savings in other contract areas. There has been little spend on the mechanical heating maintenance programme during the year so there are savings in this area, however the programme is being re-started and then will be done six monthly.
- **Repairs to void properties £400k** – there has been an increase in spend on voids in the second quarter of the year, which includes a number of properties with a significant amount of work required before re-letting. We are finding more properties in these conditions, that have had elderly tenants who it seems have not pushed for repairs and have declined upgrade work as they felt it would be too much disruption.
- Projected savings in **Re-pointing (£70k)** and **planned Asbestos surveys (£29k)** will partly offset the increases elsewhere within Repairs and Maintenance.

Interest	(£175,800)	(£140,800)
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Officers Responsible: Heads of Service – Housing & Asset Maintenance

- The budget includes interest cost for additional £3.9m approved borrowing. To date this has been funded internally and no external borrowing has been arranged, resulting in a saving in interest and repayment costs in the year. However, this

also means that balances available for investment are lower, and along with lower interest rates this is also reducing the likely interest receivable on balances.		
Total budget (underspend)/overspend	£1,030,558	£1,280,930
2024/25 HRA Deficit / (Surplus)	£1,288,918	£1,563,118

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 forecast balance, as at 31 March 2025, is set out below:

Movement	2024/25
Opening HRA Working Balance, as at 1 April 2024	£5,669,065
Forecast transfer (from) / to the working balance for 2024/25	(£1,563,118)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Forecast Balance Available, as at 31 March 2025	£105,947

The transfer from the working balance anticipated for 2024/25 brings the working balance as at 31 March 2025 close to the HRA balance resolved to be retained of £4m.

8.5 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 3 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 8.7 below.

The forecast total available resources over the Medium-Term Financial Plan (MTFP) have reduced by £204,134 since last reported at 2024/25 Quarter 1.

Total available reserves over the MTFP are now expected to be £2,568,031 after deducting the £4 million balance resolved to be retained (HRA contingency).

8.6 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 to deliver 100 new homes into the HRA at a cost of £18 million. On 5 April 2020, the Council took out a loan of £15.36 million from the PWLB to support this programme, with the remaining £2.64 million to be funded by capital receipts.

As at 31 March 2024, the HRA's borrowing stood at £73.242 million. The total of the £15.360 million new loan and the former 'debt cap' level of £57.882 million. The HRA currently has approval to borrow a further £7.7 million, this has been deferred but will likely be required in the next two years.

8.7 HRA Capital Programme

The 2024/25 HRA Capital Programme was last reported to Council on 15th October. Since that meeting the following changes have been made that have decreased the 2024/25 programme.

Description	2024/25	Approval / Funding
HRA Capital Programme	£24,703,891	
Q1 budgets deferred to future years	(£1,369,190)	Council 15 th October
Q1 programme variances	(£115,055)	
Laings (balance of £2.5m in 25/26)	£50,000	
Revised HRA Capital Programme	£23,269,646	

The current approved HRA Capital Programme is detailed in Appendix 4.

The appendix shows a total forecast spend in 24/25 of £22,675,062. The details of key (greater than +/- £50k) variances from budget are set out below.

Scheme	Overspend / (Underspend)
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Balcony Walkway Improvements	(£139,736)
Communal Door and Screen Replacements	£59,570
Re-roofing Flats	£724,350
Re-roofing Houses	(£902,134)
Structural Repairs	£63,245
Window Replacements	£326,657
<p>Officer Responsible: Head of Asset Maintenance</p> <p>The programme of planned works has been re-profiled to reflect current levels of demand.</p> <p>Balcony walkway improvements are under budget as works have been put on hold pending further investigation.</p> <p>Communal doors are likely to overspend as additional doors have been identified as being required at a number of properties which were initially only expected to be re-decorated.</p> <p>The Flats' re-roofing budget is likely to spend higher than budget due to variations at Prospect Place / Cowick Street, and re-roofing works at Abbeville and Hamlin which were not originally budgeted. However not as many house roofs are needing full replacement.</p> <p>Structural repairs have had additional works identified during the retrofit programme which need addressing.</p> <p>Costs for window replacements have been higher than expected and additional properties are being added to the current program. Windows are under scrutiny by the Housing Ombudsman.</p>	
Bathroom Replacements	(£250,000)
Kitchen Replacements	(£300,000)
Plastering	£150,000
<p>Officer Responsible: Head of Asset Maintenance</p> <p>There have been delays in spending on the kitchens and bathrooms replacement programme as getting and retaining sub-contracted fitters has been and continues to be a challenge. Some of the budget has been earmarked for work required for void properties as increasingly this is required when properties become void.</p> <p>Spend on plastering has exceeded the budget for the year, and demand is not likely to reduce over the winter months due damp and mould activity. Investigating damp and mould often highlights degraded plaster issues.</p>	
Rennes House	(£383,045)

Officer Responsible: Head of Asset Maintenance

A grant has been received which will cover the majority of the demolition costs of Rennes House, on the condition that the Council is in contract by the end of the financial year. It is anticipated that £100k will be required in 24/25 to include removal of balconies closer to the ground, and £1m in 25/26 for the demolition.

Schemes identified as being wholly or partly deferred to 2025/26 and beyond, or brought forward from later years, are:

Scheme	Budget deferred to/(brought forward from) future years
Electrical Rewires - Domestic	(£382,905)
Officer Responsible: Head of Asset Maintenance Additional domestic re-wire upgrades are being completed in the current financial year, but this will be met by reducing the amount required in future years.	
Vaughan Road – Phase A	£412,810
Officer Responsible: Head of Asset Maintenance The scheduled completion for Phase A is now projected to be the summer of 2025, so in addition to the £1.2m reported in Q1 a further £412,810 has been re-profiled to 25/26.	

Historic Council own build Final Accounts to 31 March 2025

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 are 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.

Key Variances from Budget

The capital charges will be £330 lower than budgeted, and salary costs are projected to reduce by £380 as a result of the Senior Management Board re-structure. This will reduce the projected transfer from working balance to £15,420 during 2024/25.

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

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

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

10.1 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.

Strategic Director Corporate Resources, David Hodgson

Author: Claire Hodgson

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 4.36
01392 265275