



URN:

Subject: 2022/23 Period 6 Housing Revenue Account Budget Monitoring Report

Report to: ELT
Housing and Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER/RECOMMENDATIONS

It is recommended that Members:

Consider the 2022/23 Housing revenue and capital budget monitoring position as at the end of period 6.

1. Introduction

- 1.1. There is a statutory requirement to maintain a Housing Revenue Account (HRA) and that account must not show a deficit. The HRA is a separate (ring fenced) account of the Council covering income and expenditure relating to its role as landlord. Under the self-financing arrangements for local authorities, the HRA records the costs of management and maintenance of the Council's dwellings and the related income from rents and other charges. The Government provides guidance on what should be included in the HRA to protect Council tenants.
- 1.2. Although there is not a requirement for a similar separation of capital expenditure, the capital programme as it relates to the HRA is separately monitored. This report outlines the estimated forecasts for the full financial year 2022/23 as well as showing the position of the HRA as at the end of period six.
- 1.3. The regular review and monthly monitoring of the HRA budgets provides a sound basis for the preparation of estimates for 2023/24 and of the HRA Business Plan.

2. Budget Monitoring at Period 6 (April – September 2022)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period six is reviewed to produce estimated forecasts, compared against original budgets, for the 2022/23 financial year. Key variations are identified and explained within Appendix 1, HRA Income and Expenditure 2022/23 and Appendix 2, HRA Major Capital Programme 2022/23.
- 2.2. To prepare updated forecasts, detailed analysis has been undertaken of actual figures and any further changes identified from the budget monitoring process, completed alongside services via review work. Updated forecasts are set out below; table 1 shows the HRA Income and Expenditure forecast and table 2 shows the HRA Capital Programme and planned resourcing of the programme.

- 2.3. The Housing Revenue Account summary, displayed within table 1, shows a revised 2022/23 forecast Surplus of £0.134m, from a currently budgeted forecast deficit of £3.129m, resulting in a favorable movement of £3.263m. However, there are further in-year budget pressures that have not yet been allocated at a service level, namely the outstanding agreement of the 2022/23 pay award and the impact of increases to energy and transport costs. The impact of these are outlined in more detail at paragraphs 2.7 onwards. After allowing for direct employee costs alone, this will produce a forecast gap in the current year of £116k.
- 2.4. The forecast changes incorporated within Table 1 and Appendix 1 are overall predictions which continue to capture the continued impact of the COVID-19 pandemic.
- 2.5. The HRA employee turnover for 2022/23, to the end of period six is currently 4.05%. It should be noted, that the average headcount for the HRA is currently 80.
- 2.6. Employee turnover is the total number of leavers as a percentage of the average head count of employees over the period. In financial terms, turnover will result in underspends against direct employee related budget, for example pay, NI and pension when posts become vacant up to the point of recruitment. Some of the in-year vacancy savings will be offset using agency and interim appointments. Overall, for the period to the end of September there is a total spend of £1.250m for direct employee costs, with a revised budget forecast reduction of £100k to reflect vacancies in year.
- 2.7. The HRA forecast position is facing increasing pressures of inflationary costs, for example, utility costs and interest rate rises. Whilst some increases in utility costs were allowed for within the 2022/23 budget provision, the current level of increases have exceeded predictions for the financial year and could not have been envisaged. Utility costs for the Housing Revenue Account in 2021/22 totalled £242k. The forecast position for 2022/23 has been partly adjusted for some anticipated increase in utility costs in the main areas. Overall costs will be monitored closely, and forecasts updated as the year progresses.
- 2.8. Further, supervision and management costs are currently under review. The pending staff pay claims for 2022/23 are still to be finalised but are anticipated to be higher than the 2% pay increase allowed for within the budget for 2022/23. Current estimates based on settlements being discussed could result in a £250k increase on staff costs within the HRA. In addition the HRA receives a recharge for staff that are budgeted for within the general fund, for example from some of the support and democratic core functions. Therefore agreement of a pay award above the level budgeted will also result in an additional recharge of these costs also.
- 2.9. Repairs and maintenance budgets continue to reflect a reduction in demand led revenue void spend, along with gas heating repair spend. Although these service are currently reflecting underspends in year, the Council continue to be impacted by material price increases and are ensuring that cost controls are being utilized to ensure best value for money is achieved. Budgets will continue to be monitored going forward and further forecasts adjusted to reflect market changes.
- 2.10. Current revenue underspends within the service will be utilised to accelerate further work maintaining the Councils responsibilities, to include working with GYN, ensuring best practices, to address the Councils compliance requirements and further develop procedures.
- 2.11. As referenced in table 2, capital financing has been revised following the increased number of Right to Buy (RTB) sale completions year to date. As a result of increased completions, increased RTB receipts are available to fund the current years capital programme, reducing the requirement of revenue to finance capital.

2.12. Increased rents, rates and taxes spend forecast following increased insurance costs received in year. This is partly due to increased premiums received, along with additional perils being added to the policy. Further price rises are expected and will be reflected within the remaining quarters.

Table 1 - HRA Income and Expenditure Forecast 2022/23

	Original Budget 2022/23 £000	Current Budget 2022/23 £000	P6 YTD Actual 2022/23 £000	Full Year Forecast £000	Full Year Forecast Variance £000
Dwellings Rents	(22,983)	(22,984)	(12,127)	(22,984)	0
Non Dwelling rents	(276)	(276)	(137)	(276)	0
Interest & Investment income	(16)	(16)	0	(40)	(24)
Charges for services and facilities	(1,284)	(1,284)	(641)	(1,284)	0
Total Income	(24,559)	(24,560)	(12,905)	(24,584)	(24)
Repairs & Maintenance	9,615	9,728	7,940	9,647	(81)
Supervision and Management (Direct Employee)	3,080	2,717	1,250	2,617	(100)
Supervision and Management	2,842	3,199	652	3,407	208
Rents Rates & Taxes	330	335	295	378	43
Depreciation	3,849	3,849	1,924	3,849	0
Total Expenditure	19,716	19,828	12,061	19,898	70
HRA Interest Payable	2,846	2,846	1,260	2,896	50
Capital Grants & Contributions receivable	(20)	(3,184)	(1,727)	(3,189)	(5)
Operating income and expenditure	2,826	(338)	(467)	(293)	45
Capital expenditure funded by the HRA (including grants)	3,031	8,309	0	4,955	(3,354)
Provision for bad and doubtful debts	150	150	0	150	0
Transfers (from)/to Earmarked Reserves	(60)	(60)	0	(60)	0
Contribution to Pension Reserves	571	(200)	232	(200)	0
Total Movement on the HRA	3,692	8,199	232	4,845	(3,354)
Deficit/(Surplus) for the year	1,675	3,129	(1,079)	(134)	(3,263)
Bfwd HRA Reserves Balance (01 Apr)	9,412	9,412	9,412	9,412	0
Deficit/(Surplus) for the year	1,675	3,129	(1,079)	(134)	(3,263)
Cfwd HRA Reserves Balance (31 Mar)	7,737	6,283	10,491	9,546	3,263

3. Budget Monitoring Forecasts – Major Capital Programme

- 3.1. The Housing Revenue Account originally set a major capital works budget of £8.896m for 2022/23. Following the 2021/22 outturn, the 2022/23 capital budget had been updated to reflect all 2021/22 approved carry forward budgets, totaling £2.850m. As the year has progressed, further forecast changes have been applied, reflecting an updated forecast budget of £13.475m.
- 3.2. Actual capital spend to the end of September 2022 totals £4.588m, as summarised in table two.
- 3.3. Capital programmes are progressing well year to date, with programmes such as Kitchen and Bathroom replacements expected to exceed targets, Major voids continuing to address some of the Council's most demanding vacant properties and capital heating improvements ensuring that the stock remains energy efficient. Further work is now being undertaken to address the demands of communal areas throughout the borough, along with programmes also aiming to deliver the upgrades of communal doors and screens.
- 3.4. In addition to the above, 2021/22 presented the HRA with some exciting changes, successfully securing increased financial resources enabling the Council to undertake three new developments, with two of these being forecast for completion within 2022/23.
- 3.5. The Council was successful in bidding and securing £1.6m of grant funding under the Social Housing Decarbonisation Fund (SHDF). As a result of this, a wider programme is now being undertaken within 2022/23. The grant, along with a contribution from GYBC, is being used to support a project targeting a total of 85 properties, 74 Social Housing dwellings and 11 Privately owned homes, across a number of terraced streets in the Borough. Works aim to provide the needed fabric improvements, improving the energy performance of the buildings, as well as improving the quality of life for the tenants. Budget provisions for works are currently categorised within table two, under Decarbonisation.
- 3.6. The above Decarbonisation work has undergone preparation work and has now started on site. Further spend will be present within the later quarters, with completion forecast to be within 2022/23.
- 3.7. Within the 2021/22 financial year, the Council was also successful in receiving £858k, to support estate regeneration. This funding is budgeted to support works to improve leisure and recreation facilities on the Middlegate estate. Works begun within 2021/22, with site completion planned early within quarter three. Spend is present within table two, categorised under Non-Dwelling improvements.
- 3.8. Furthermore, the Council also successfully secured both Homes England and Brownfield land release grant funding, to support the development of 18 new one-bedroom affordable homes at Jubilee Court, Great Yarmouth. This project is budgeted at £3.4m and is currently being delivered using both grant and Right to Buy receipts, providing some valuable additions to the Great Yarmouth's affordable housing stock.
- 3.9. Jubilee Court is successfully within its construction phase and is targeted for completion within the early stages of 2023/24.
- 3.10. The HRA business plan continues to operate under the assumptions that only affordable and additional housing plans should use further borrowing, with the remaining capital financing being met from Revenue. The Council has continued to take a prudent approach following the removal of the debt cap and with no further guidance being provided around the repayment of debt. To ensure the sustainability of the HRA, future modelling may incorporate a blended approach of

both revenue funding capital and further borrowing, aiming to increase the affordability of the HRA over the long term, managing its reserves.

Table 2 - HRA Capital Expenditure and Financing Forecast 2022/23

Capital programme	Original Budget 2022/23 £000	Current Budget 2022/23 £000	P6 YTD Actual 2022/23 £000	Full Year Forecast £000	Full Year Forecast Variance £000
Kitchens & Bathrooms	2,161	2,161	1,404	2,520	359
Windows & Doors	455	922	72	922	0
Planned Maintenance	595	595	153	470	(125)
Energy Efficiency Improvements	1,173	1,173	490	973	(200)
Estate Improvements	0	0	0	15	15
Specific Planned Projects	846	1,206	40	1,206	0
Empty Properties	800	800	498	600	(200)
New Affordable Housing - Right to Buy receipts	600	2,725	910	2,725	0
New Affordable Housing – Additional Non 1-4-1 Provision	500	985	0	235	(750)
Decarbonisation	792	1,806	5	1,806	0
Roofing	883	883	34	483	(400)
Neighbourhood Plans	91	177	2	70	(107)
Keysafe Installation	0	0	40	41	41
Housing Transformation Budget	0	563	151	563	0
Non Dwelling Improvements	0	846	789	846	0
Total Expenditure	8,896	14,842	4,588	13,475	(1,367)
Financing:					
Borrowing	1,100	1,769	3	1,769	0
Capital Receipts	896	896	933	2,902	2,006
Revenue financing capital	3,031	5,144	0	1,766	(3,378)
Depreciation	3,849	3,849	1,925	3,849	0
Capital Grant Contribution	0	3,164	1,706	3,164	0
Leasehold Capital Contribution	20	20	21	25	5
Total Financing	8,896	14,842	4,588	13,475	(1,367)

4. Right To Buy (RTB) Summary 2022/23

- 4.1. Table 3 provides the number of the RTB sales made year to date at period 6 against our anticipated budgeted sales. Further analysis will be undertaken in Quarter 3 to review the projected sales anticipated for the full year.

Table 3 – RTB Sales 2022/23

	Estimated Sales	Actual Sales
Qtr. 1	4	14
Qtr. 2	4	11
Qtr. 3	6	0
Qtr. 4	6	0
Total	20	25

- 4.2. Right to Buy sales have significantly increased in comparison to previous sales levels, with 25 sale completions year to date, to the end of period six.
- 4.3. Increased sale completions in year will have a direct impact upon the level of capital receipts available to support the capital programme in 2022/23, as well as the level of Right to Buy Retained Receipts available in future years to support the development of Affordable Housing.

5. Social Housing Rents Consultation

- 5.1. The self-financing HRA remains governed by guidelines on rent setting for tenants. The council no longer has flexibility on the approach to rent setting due to the policy announced as part of the Welfare Reform and Work Act 2016.
- 5.2. Rent setting following the end of the 1% reduction to all social rents in 2019/20, has been completed on the basis of CPI + 1% increases, in line with the Rents for Social Housing policy for the proposed year. For 2022/23, this equated to 4.1%, on both social and affordable rent.
- 5.3. Under current regulations the Consumer Price Index (CPI) for September 2022, determines the increase in the formula rent for social rent properties in 2023/24 and provides the basis for the maximum actual rent increase for that year.
- 5.4. The HRA's recent briefing on inflation and business planning indicates a potential CPI annual increase to September 2022 of between 10% and 11%.
- 5.5. As a result of market predictions and to ensure that rental fees remain affordable for tenants, on 31st August 2022, the Government published a consultation paper proposing a cap on social housing rent increases for 2023/24, with options for the level of cap, period of cap and its application.
- 5.6. The consultation closes on 12 October 2022 (in advance of the announcement of the September inflation index). The Consultation includes a draft Direction on the Rent Standard (being the statutory instrument requiring the regulator of social housing to set a Rent Standard that complies with the policy), a draft policy statement and an impact assessment.
- 5.7. Further sensitivity analysis will be undertaken to understand the full impact of the proposals on Great Yarmouth's Housing Revenue account and any challenges it may face going forward.

6. Conclusion

- 6.1. The Housing Revenue Account currently shows a revised 2022/23 forecast surplus of £0.134m, from an originally budgeted forecast deficit of £3.129m, resulting in a favorable movement of £3.263m. Further in-year budget pressures that have not yet been allocated at a service level, namely the outstanding agreement of the 2022/23 pay award and the impact of increases to energy and transport costs. The Income and expenditure position will continue to be monitored going forward.
- 6.2. Major Capital spend to the end of September 2022 totals £4.588m. Spend is expected to increase as the year progresses. Budget totaling £13.475m is currently forecast to be delivered within 2022/23.

7. Financial implications and Risks

- 7.1. The detail within the report highlights the significant variances, including estimated forecasts of the full year impact to the HRA revenue and capital budgets. The report has flagged a couple of factors that are continuing to place financial pressure on Local Authorities, in particular the pay award and rising utility costs. Based on the outturn position for 2021/22, additional utility costs could be incurred in the region of £50k to £80k, which would have an impact to the in-year revenue position and future year forecast. In addition, until we have the outcome of the pay award for 2022/23, this and utility costs continue to place financial pressure to the HRA. These will both continue to be monitored to inform the update to the current budget and future financial forecast.
- 7.2. The income and expenditure will continue to be monitored in detail during the year, including additional reviews of the HRA 40 year business plan throughout the year.
- 7.3. The HRA is dependent mainly on the rental income stream of the social housing rents, and we have a dedicated team monitoring tenant arrears on a regular basis.

8. Background Papers

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	
Existing Council Policies:	
Financial Implications (including VAT and tax):	
Legal Implications (including human rights):	
Risk Implications:	
Equality Issues/EQIA assessment:	
Crime & Disorder:	

Every Child Matters:	
----------------------	--

Appendix 1 - HRA Income and Expenditure 2022/23

	Current Budget 2022/23 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
Interest & Investment Income	(16)	(40)	(24)	Interest rate increases in year have increased interest receivable estimations. Current market interest rates continue to rise and will be monitored to reflect any further changes.
Rents, Rates, Taxes and Other Charges	330	373	43	Increased insurance premiums and energy costs as a result of market conditions and additional perils.
Repairs and Maintenance	9,728	9,647	(81)	Revenue heating works are forecast to reduce by £224k. This is partly due to increased capital works in prior years, reducing overall repair costs required in future years. Increased Planned large repairs forecast of £210k, following the increased number of large one-off repairs year to date, addressing works such as drainage. Increased provision on £55k to address car park repairs. Increased budget provision for compliance remedial and testing works of £103k.
Supervision and Management	3,199	3,407	208	Increased temporary staff costs to maintain service operation while the housing structure is reviewed. This is partly offset by vacancies savings within supervision and management (staff pay).
Supervision and Management (Staff Pay)	2,717	2,617	(100)	Revised forecasts reflect housing vacancy figures. This saving is offset by interim consultancy staff being appointed in year (As above).
Interest Payable and Similar Charges	2,846	2,896	50	Interest rate increases in year have increased interest payable on current and future borrowing estimates by a forecast £50k.
Capital Expenditure funded by Revenue	8,309	4,955	(3,354)	Reduced revenue required to fund the capital programme for 2022/23 due to increased capital receipts being available.
Expenditure Total	27,113	23,855	(3,258)	

Appendix 2 – Major Capital Programme 2022/23

Capital Programme	Current Budget 2022/23 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
Kitchens & Bathrooms	2,161	2,520	359	Increased Kitchen and Bathroom budget provision in year due to current programme progressing well, with approx 120 planned kitchen and 107 planned bathroom to the end of period six.
Planned Maintenance	595	470	(125)	£150k deduction in capital rewires forecast in year due to a reduction in programme numbers. A further £25k increase in the Major repairs provision in year, to address an increased number of large one off improvements to dwellings year to date.
Energy and Efficiency Improvements	1,173	973	(200)	Budget savings forecast based on Heating spend efficiencies and delivery requirements.
Empty Properties	800	600	(200)	Major void works are ahead of schedule year to date, with a reduced forecast of £200k reflecting a reduction in demand.
New Affordable Housing – Additional Non - 1-4-1 Provision	985	235	(750)	Programme reduced due to team capacity being focused on the completion of Jubilee Court and identifying other new build sites within the area.
Roofing	883	483	(400)	Roofing programme reduced with the Asset team focusing on the grant funded external wall installation works, targeting on improving some of the less energy efficient properties within the borough.
Key Safe Installation	0	41	41	Additional works to replace key safes within Housing. Programme continuation from works started in 2020/21, delayed due to COVID-19.
Neighbourhood Plans	177	70	(107)	Neighbourhood plan improvements reflect a reduced forecast of £160k. This is due to programme slippage and has now been incorporated within the preparation of a wider piece of work to address communal area improvements. £50k budget provision forecast to support concrete works within communal areas, targeted to improve floor coverings.
Total	6,774	5,392	(1,382)	