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Subject: 2022/23 Period 10 Housing Revenue Account Budget Monitoring Report

Report to: ELT
Housing and Neighbourhoods Committee

Report by: Senior 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 10.

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 10.
- 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 10 (April – January 2023)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 10 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 £2.789m, from a currently budgeted forecast deficit of £3.129m, resulting in a favorable movement of £5.918m.
- 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 and cost of living pressures, alongside any changes to the current year HRA Capital Programme and funding of the programme from revenue funding.
- 2.5. Charges for services and facilities is forecast to be under budget due to lower numbers currently subscribing to the Yarecare service. There are now only around 900 subscribers compared to the budgeted income figure based on over 1000 subscribers.
- 2.6. Capital Expenditure funded from revenue (which includes grant income) is forecast to be less than originally budgeted, due to an increase in budgeted Right to Buy sales in year, providing more capital receipts to be utilised in year alongside reprofiling of spend on unbudgeted grant income received in year for specific projects, detailed within this report.
- 2.7. The HRA employee turnover for 2022/23, to the end of quarter 3 is currently 5.22%. 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 January 2023, there is a total spend of £2.647m for direct employee costs, with a revised budget forecast increase of £568k to reflect vacancies, the pay rise in year and movement of the Housings Assets Team in year from the repairs and maintenance budget line.
- 2.8. The HRA forecast position is facing increasing pressures of inflationary costs, for example, utility costs and interest rate rises. Whilst some increase in utility costs were allowed for within the budget, increases of the level currently foreseen for the financial year could not have been envisaged. 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.
- 2.9. The pay claim for 2022/23 was confirmed in December which resulted in a payment of £1,925 for all pay bands, this equated in the region of an average increase of 5.28% across all pay bands. The base budget for 2022/23 assumed a 2% pay increase. The impact of the pay award has now been reflected in the forecast for 2022/23, whilst there is an impact within some service areas, overall, for pay costs the impact has largely been offset by vacancies within the year. Some of the vacant posts have been taken as savings withing the 2023/24 base budget
- 2.10. Repairs and maintenance budgets continue to reflect a reduction in demand led revenue void spend, along with gas heating repair spend. Although these services 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.
- 2.11. Great Yarmouth Borough Council has brought in a property compliance team and is working to deliver compliance functions for Great Yarmouth Borough Council residents, with the team funded with budgets deducted from Great Yarmouth Norse. A new budget of £584k was approved in February 2023, within the 2023/24 budget report and is funded from savings in

budgets in 2022/23. This budget will address immediate Fire Risk Assessment Remedial works identified following the completion of new Fire Risk Assessments across the housing stock.

- 2.12. 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.
- 2.13. 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.
- 2.14. Increased rents, rates and taxes spend forecast following increased insurance costs received in year. This is partly due to increased inflationary premiums, along with additional perils being added to the policy.

Table 1 - HRA Income and Expenditure Forecast 2022/23

	Original HRA Budget 2022/23	Revised HRA Budget 2022/23	P10 YTD Actual 2022/23	Full Year Forecast Budget 2022/23	Full Year Forecast Variance
Dwelling Rents	(£22,983,353)	(£22,983,353)	(£19,576,570)	(£23,002,871)	(£19,518)
Non Dwelling Rents	(£276,173)	(£276,173)	(£206,145)	(£276,279)	(£106)
Charges for Services and Facilities	(£1,283,763)	(£1,283,763)	(£388,154)	(£1,245,985)	£37,778
Interest and Investment Income	(£15,852)	(£15,852)	£0	(£39,680)	(£23,828)
Total Income	(£24,559,141)	(£24,559,141)	(£20,170,869)	(£24,564,815)	(£5,674)
Capital Expenditure funded by Revenue (Including grants)	£3,031,056	£8,309,056	£1,816,457	£2,079,348	(£6,229,708)
Depreciation and Impairment of Fixed Assets: Dwellings	£3,674,163	£3,674,163	£3,061,803	£3,674,163	£0
Depreciation and Impairment of Fixed Assets: Non - Dwellings	£174,491	£174,491	£136,789	£174,491	£0
Interest Payable and Similar Charges	£2,845,815	£2,845,816	£1,226,785	£2,895,816	£50,000
Provision for bad and doubtful debts	£150,000	£150,000	£0	£150,000	£0
Rents, Rates, Taxes and Other Charges	£330,049	£330,050	£291,469	£379,086	£49,036
Repairs & Maintenance Planned Cyclical	£840,295	£840,295	£491,543	£801,120	(£39,175)
Repairs & Maintenance Compliance	£1,519,704	£1,519,704	£1,436,305	£1,901,570	£381,866
Repairs & Maintenance RR & voids	£6,092,524	£6,092,525	£4,062,049	£5,239,938	(£852,587)
Repairs & Maintenance Other	£1,164,128	£1,275,127	£803,369	£1,128,735	(£146,392)
Supervision and Management	£3,207,000	£3,204,466	£1,329,861	£3,510,451	£305,985
Supervision and Management (Staff Pay)	£2,717,271	£2,717,272	£2,646,529	£3,285,074	£567,802
Total Expenditure	£25,746,497	£31,132,965	£17,302,957	£25,219,792	(£5,913,173)
HRA Earmarked reserves	(£60,000)	(£60,000)	£0	(£1,054,652)	(£994,652)
Impairment of Fixed Assets	£0	£0	£0	£0	£0
(Gain) / Loss on Sale of HRA non-current Assets	£0	£0	£0	£0	£0
Capital Grants & Contributions receivable	(£20,000)	(£3,184,000)	(£1,841,514)	(£2,189,348)	£994,652
Revenue Grants & Contributions receivable	£0	£0	£0	£0	£0
Employer's Contributions Payable to or from Norfolk County.	£703,975	£703,975	£42,267	£703,975	£0
Net Charges made for Retirement Benefits in accordance with IAS 19	(£642,681)	(£945,000)	£0	(£945,000)	£0
Pension Backfunding	£494,632	£40,632	£348,475	£40,632	£0
In Year Pension Adjustments	£12,266	£0	£0	£0	£0
Below the line movements	£488,191	(£3,444,393)	(£1,450,773)	(£3,444,393)	£0
Grand Total	£1,675,547	£3,129,431	(£4,318,685)	(£2,789,416)	(£5,918,847)

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 and additional grant funding received in year, totaling £7m. As the year has progressed, further forecast changes have been applied due to revisions of project spend, budgets have been updated to forecast full year expenditure of £9.714m as at period 10.
- 3.2. Actual capital spend to the end of January 2023 totals £6.861m, 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. Where budgets have been predicted to be under spend, these works will be carried forward into 2023/24 to be spent under the new Decent Home programme.
- 3.4. 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 & 2023/24. The project has recently been granted an extension to continue to complete works into the first half of 2023/24. The grant, along with a contribution from the council, is being used to support 117 Social Housing dwellings and 10 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.
- 3.5. The above Decarbonisation work is underway and £500k is anticipated to be spent by 2022/23 financial year end. The remaining grant funding and Council contribution of £3m, will be spent by August 2023, when the project is completed.
- 3.6. 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, and works were completed in quarter three of the financial year 2022/23. Spend is present within table two, categorised under Non-Dwelling improvements.
- 3.7. 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. £2.4m is forecasted to spent by the end of the financial year. Jubilee Court is successfully within its construction phase and is targeted for completion within first half of the financial year 2023/24.
- 3.8. 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

HRA Capital Programme	2223 Original Budget	2223 Current Budget	P10 Actual YTD	2223 Forecast Full Year Budget	Full Year Forecast Variance
CAPITAL ASSETS PROGRAMME					
Boiler Service and Maintenance	£ 1,173,000	£ 1,173,000	£ 692,336	£ 973,500	-199,500
Estate Improvements	£ 91,000	£ 177,000	£ 2,167	£ 20,000	-157,000
Decarb / Energy Efficiency	£ 791,700	£ 1,806,700	£ 61,787	£ 500,000	-1,306,700
Capital Improvements Works	£ 2,796,200	£ 2,796,200	£ 1,824,002	£ 2,150,000	-646,200
Specific Planned Projects	£ 300,000	£ 300,000	£ -	£ 50,000	-250,000
Voids (Capital works)	£ 1,929,042	£ 2,289,042	£ 1,186,265	£ 1,664,829	-624,213
Energy & Efficiency Improvements	£ -	£ -	£ -	£ -	0
Improvement windows & doors	£ 455,000	£ 922,000	£ 130,150	£ 160,000	-762,000
Planned Maintenance	£ 259,500	£ 259,500	£ 356,637	£ 481,850	222,350
AFFORDABLE HOUSING PROGRAMME					
Additional Housing	£ 500,000	£ 985,000	£ -	£ -	-985,000
New Affordable Housing	£ 600,000	£ 2,725,000	£ 1,470,643	£ 2,406,000	-319,000
OTHER HRA CAPITAL PROGRAMMES					
Non Dwelling	£ -	£ 846,000	£ 833,109	£ 870,489	24,489
Housing Transformation Budget	£ -	£ 563,000	£ 304,238	£ 438,000	-125,000
Capital Programme Total	£ 8,895,442	£ 14,842,442	£ 6,861,335	£ 9,714,668	-£5,127,774

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

Table 3 provides the number of the RTB sales made year to date at period 10 against our anticipated budgeted sales.

Table 3 – RTB Sales 2022/23

	Estimated Sales	Actual Sales
Qtr. 1	4	14
Qtr. 2	4	11
Qtr. 3	6	8
Qtr. 4	6	3 (to period 10)
Total	20	36

- 4.1. Right to Buy sales have significantly increased in comparison to previous sales levels, with 34 sale completions year to date, to the end of period 10.
- 4.2. 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 conclusion.

- 5.1. The government launched a consultation on limiting rent increases in 2023/24 to help tenants with the cost of living. Without a cap, social landlords would have been permitted to increase rents by CPI + 1%, allowing a maximum increase of 11.1%. The rents consultation concluded with the announcement that rents for 2023/24 are to be capped at 7%.
- 5.2. Full Council in February 2023 agreed the recommended rent increase of 7%, reflecting the level of capital expenditure required to meet regulatory requirements for the housing stock. There will be a reversion to the previous arrangements of CPI + 1% from 2024/25.

6. Conclusion

- 6.1. The Housing Revenue Account currently shows a revised 2022/23 forecast surplus of £2.789m, from an originally budgeted forecast deficit of £3.129m, resulting in a favorable movement of £5.918m. The Income and expenditure position will continue to be monitored going forward.
- 6.2. Major Capital spend to the end of January 2023 totals £6.861m. Spend is expected to increase as the year progresses. A capital budget totaling £9.714m 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. The cost-of-living crisis will 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
Rents, Rates, Taxes and Other Charges	330	379	49	Increased insurance premiums and energy costs as a result of market conditions and additional perils.
Repairs and Maintenance	9,728	9,071	(656)	(£146k) savings forecast on revenue adaptations major works will be used to fund an overspend on capital spend in 2022/23. (£40k) forecast savings in year on planned works. R&M budgets include movement of teams between GYN and GYBC (£664k). A further (215k) has been forecast as savings on this budget. £28k increase overall forecast for responsive repairs & voids works in year. (£203k) saving forecast on compliance budgets mitigates part of the £584k increase to additional compliance works for Fire Risk Assessments and remedials work in 2223.
Supervision and Management	3,204	3,510	306	Utility charges & increased temporary staff costs of to maintain & improve service operation while the housing structure is reviewed have been forecast to year end. GYN will contribute £39k to the asset service costs in year.
Supervision and Management (Staff Pay)	2,717	3,285	568	Asset team has moved in house from GYN in 2022/23, the staff pay rise has been incorporated into the forecast, but these additional costs have offset by vacancies held in year.
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	2,079	(6,229)	Reduced revenue required to fund the capital programme for 2022/23 due to increased capital receipts being available & capital programme budgets to be cfwd into 2324.
Expenditure Total	27,134	21,220	(5,912)	

Appendix 2 – Major Capital Programme 2022/23

Capital Programme	Current Budget 2022/23 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
Boiler upgrade programme	1,173	973	(200)	Heating budgets have been reduced by £200k. This budget is forecast to be used to cover overspends in year within the capital programme.
Estate Improvements	177	20	(157)	Savings in year to support Capital Improvements works budget below.
Decarb/Energy Efficiency	1,806	500	(1,307)	Project expenditure reprofiled and works to continue into 2023/24. Grant Funding of £1.6m is in addition to the current budget of £1.8m in the capital programme and will contribute to this budget of works.
Capital Improvements works	2,796	2,150	(646)	Underspends will be cfwd to decent homes programme of works in 23/24.
Specific Planned Projects	300	50	(250)	Stock condition Survey delayed due to tender process, starting March 2023 and continuing into 2023/24. Budget to be carried forward.
Voids	2,289	1,665	(624)	Forecast in line with revised current budget.
Improvement windows & doors	922	222	(700)	Carry forward into 23/24 decent homes programme.
Planned Maintenance	259	482	222	Additional works to replace key safes within Housing. Programme continuation from works started in 2020/21.
Additional Housing	3,710	2,406	(1,304)	Cfwd budget to 2023/24 in line with planned spend on additional housing projects in year.
Other Non-Asset Programmes	1,409	1,308	(101)	Cfwd budget to 2023/24 in line with planned spend on non-asset project in year.
Total	14,842	9,714	(5,128)	