
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	24 NOVEMBER 2022	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	CHARLOTTE JACKSON Charlotte.jackson@southderbyshire.gov.uk	DOC: s/finance/committee/2022-23/August
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE FINANCIAL MONITORING 2022/23	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the latest revenue financial position for 2022/23 as detailed in the report is considered and approved.
- 1.2 That an additional £23,000 costs for an options appraisal of Smallthorn Place is approved in the Medium-Term Financial Plan (MTFP).

2.0 Purpose of the Report

- 2.1 To provide an update on performance against budget for 2022/23.
- 2.2 The report details performance up to 30 September 2022 unless otherwise stated and is an update of income and expenditure for 2022/23.
- 2.3 The report covers the Housing Revenue Account (HRA) income and expenditure, and an update to the MTFP.

3.0 Detail

- 3.1 The Council is required to account separately for income and expenditure in providing Council housing.
- 3.2 The Base Budget approved in February 2022 for the HRA was set with an estimated deficit of £1.6m. As reported in August, the Medium-Term Financial Plan (MTFP) was updated due to a review of contingent sums. A further update has now been made to include the additional provision for the pay award 2022/23 (£102,000) costs of an options appraisal of Smallthorn Place, and additional income from the Councils investment portfolio. The estimated deficit has now reduced to £1.5m.
- 3.3 An update to the HRA's financial position is included in the revised MTFP attached in **Appendix 1**. This shows that the HRA's General Reserve balance reduces over the first five years of the ten-year plan due to scheduled debt repayment.

- 3.4 Large deficits are due to be funded from the reserve with the lowest point being reached in 2026/27 where the estimated reserve falls to £2.m. This is greater than the statutory minimum set for the HRA of £1m but does not leave a big contingency for any unforeseen issues.
- 3.5 The biggest pressure on the HRA is the increase in the pay award for 2022/23. Negotiations have concluded, with the agreed increase above the Council's prediction of 5%. Having awarded a flat rate over all pay scales the average increase is 7.74%. There is current uncertainty around the Government's plans for future Public Sector pay increases. In anticipation of announcements from Government it is prudent to not make any adjustments to the 3.5% increases provided for over the medium term.

3.1

Position as at 30th September 2022

HRA SUMMARY BY AREA - BUDGET MONITORING SEPTEMBER 2022

	ANNUAL			RESERVES	
	Full Year	Projected	Projected	Earmarked	Net effect on HRA
	Budget	Actual	Variance		
£	£	£	£	£	
Rent and Rechargeable Repairs	-12,988,798	-12,587,193	-401,605	0	-401,605
Repairs and Maintenance	3,467,579	3,705,622	-238,042	0	-238,042
Managing Tenancies	2,058,165	2,159,263	-101,098	-30,000	-71,098
Supported Housing	620,735	596,353	24,382	0	24,382
Interest Payable and Receivable	1,456,005	1,194,943	261,062	0	261,062
Capital and Debt Repayment	4,172,313	4,172,313	0	0	0
Bad Debt Provision	125,000	125,000	0	0	0
Contingent Sums	2,817,416	2,817,416	0	0	0
IAS19 Pensions Adjustment (HRA)	0	0	0	0	0
Other Operating Income & Expenditure (HRA)	0	0	0	0	0
	1,728,416	2,183,717	-455,301	-30,000	-425,301

- 3.2 The above table shows that overall, the HRA is expected to have a deficit of £2.1m which is a higher deficit than budgeted. The greatest variance is the loss of rental income from void properties. The main reasons for the variances are detailed below.

HRA VARIANCE TO BUDGET September '22

	£'000
Salary savings (vacancies, maternity etc.)	308
Interest Income and Expenditure	260
Additional Careline Income	57
Insurance	25
Contract Cleaning	12
Car Allowances	4
Advertising	-1
Rechargeable Repairs	-8
Materials	-10
Professional fees - Planned & Responsive	-31
Computing	-21
Utilities	-48

Council tax	-52
Agency and Consultancy Staff	-503
Reduced Rent due to Void Dwellings	-417
TOTAL - OVERALL PROJECTED VARIANCE	-425

- 3.3 Expected salary savings in year relate to vacancies but the cost of agency staff is currently greater. The Repairs and Maintenance Department has the highest level of Agency staff which is reflective in the outturn position.
- 3.4 Investment income continues to perform well due to the increases in the Bank of England base rate. Temporary loan percentages have at least doubled in recent months, as previously dealt temporary loans repay, new market rates offered for reinvestment are producing a significantly higher yield. The outturn prediction is prudently based on interest rates levelling off and has potential to exceed the £260k favourable variance.
- 3.5 Without this, the HRA would be in a far worse position given the reduction in rental income (see below).
- 3.6 Further information is detailed in the Treasury Monitoring Report.
- 3.7 A lower cost than budgeted for insurance relates to no longer administering the tenants' contents insurance, this is offset within the loss of income, along with a small commission loss for no longer providing the service.
- 3.8 Additional Care Line income is due to the unbudgeted receipt of the continued contribution from County Council of £10.40 per user.

Rental Income

- 3.9 Rental income is lower in year due to the average level of voids which is currently around 100 properties per month, together with the time being taken to relet voids, which on average currently stands at 183 days. The loss forecast is currently based on voids remaining at this level throughout the year but may not be sustainable beyond this in the medium-term.
- 3.10 Right to Buy losses have totalled 4 during the second quarter which is on budget. However, the first quarter was below budget therefore this offsets income losses. Right to Buy is a significant risk to the HRA and although with the economic uncertainty enquiries have slowed down, there has been a significant increase in the second quarter compared to earlier in the year.

Other Variances

- 3.11 Other variances are also related to the voids issue. Firstly, Council Tax charges, show an adverse variance which is forecasted in line with the current property numbers and length of time vacant.
- 3.12 The second quarter prediction on utilities has increased due to the rising costs of gas and electricity charges on the prepayment meters. The meters are incurring additional debt repayments due to a rise in standing charges on void properties. Also, an historical charge of £13k was incurred adding to the overall variance for the year.
- 3.13 Computing relates to the Orchard upgrade and is provided for within the MTFP as approved in April 2021.
- 3.14 The fire alarm and emergency light testing is now being undertaken by Careline staff, £20k of the adverse variance relates to the testing being carried out by an external

contractor. However, this is on a trial basis, pending a longer-term solution. The additional increase in professional fees relate to Housing Ombudsman charges doubling and the use of Consultancy for the Housing Rental system.

3.15 The HRA's 10-year MTFP is shown in Appendix 1.

Risk Areas

Vacancies

3.16 As with the General Fund, there are a number of vacant posts within the HRA especially in the repair and maintenance area, that pose a risk to the financial position due to the added cost of agency and support.

3.17 Risks to the shortage of available candidates and also market salaries are present, and the Head of Housing is keeping this issue under review.

3.18 The Project Officer Roles have been evaluated and recruitment is in progress, with the results yielding a more competitive salary, applications are unknown at present. In the meantime, recruitment is being sought through agency.

Careline

3.19 Derbyshire County Council has now informed the Council that there will no longer be any funding available for the service managed by the Council after March 2023 although a one-year extension of these contracts has been proposed but not yet confirmed.

3.20 A working group including all districts and the County Council has been set up to determine next steps and hopefully mitigate losses for all parties.

3.21 Another potential risk to the HRA for the Careline service is the transfer to digital from analogue. Costs of changes are under review and funds are being secured from the Better Care Fund to help with the costs for private sector customers.

3.22 The Head of Housing will report progress and any potential changes to the current Careline service to Housing and Community Services Committee at a future meeting.

4.0 Financial Implications

4.1 Detailed in the report.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 There are no specific targets within the Corporate Plan but ensuring sustainability of the Council's financial position enables services to deliver targets included within the Plan.

Risk Impact

5.4 As detailed in the Report.

6.0 Community Impact

Consultation

6.1 None.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 None.

Environmental Sustainability

6.4 None.

7.0 Background Papers

7.1 None.

Options Appraisal Smallthorne Place	23	0	0	0	0	0	0	0	0	0	0
Potential Pay Award	151	55	56	57	59	60	62	62	58	59	60
ICT Upgrades	30	30	30	30	0	0	200	0	0	0	82
Rent Loss Provision	65	66	68	69	71	73	74	76	78	80	0
Incremental Salary Increases	0	5	5	5	5	6	6	6	6	6	6
HRA Surplus (-) / Deficit	1,511	1,628	587	212	554	-1,024	-1,008	-1,393	-1,336	-1,718	-2,059

HRA General Reserve

HRA Reserve B/fwd	-6,494	-4,984	-3,355	-2,768	-2,556	-2,002	-3,026	-4,033	-5,426	-6,762	-8,480
(Surplus) / Deficit for year	1,511	1,628	587	212	554	-1,024	-1,008	-1,393	-1,336	-1,718	-2,059
HRA Reserve C/fwd	-4,984	-3,355	-2,768	-2,556	-2,002	-3,026	-4,033	-5,426	-6,762	-8,480	-10,538

RESERVES

Debt Repayment Reserve

Balance B/fwd	-1,600	-5,693	-14	-3,218	-6,160	-48	-2,079	-4,008	-5,737	-7,779	-197
Depreciation balance	-1,593	-2,221	-1,704	-1,642	-2,038	-1,281	-1,179	-979	-1,042	-1,618	-1,100
Transfers to reserve	-2,500	-2,100	-1,500	-1,300	-1,850	-750	-750	-750	-1,000	-800	-1,000
Repayment of loan	0	10,000	0	0	10,000	0	0	0	0	10,000	0
Reserve C/fwd	-5,693	-14	-3,218	-6,160	-48	-2,079	-4,008	-5,737	-7,779	-197	-2,297

Earmarked Reserve

Balance B/fwd	-401	-298	-298	-73	-118	-163	-208	-253	-298	-63	-113
Vehicle Replacement Transfer to Reserve	-45	-45	-45	-45	-45	-45	-45	-45	-45	-50	-50
Software Upgrade	148	45	0	0	0	0	0	0	0	0	0
Asset Replacement	0	0	270	0	0	0	0	0	280	0	0
Reserve C/fwd	-298	-298	-73	-118	-163	-208	-253	-298	-63	-113	-163

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - NOVEMBER 2022

	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Major Repairs Reserve

Balance B/fwd	-4,457	-5,992	-6,542	-7,142	-7,742	-7,992	-8,642	-9,292	-9,892	-10,492	-11,092
Transfers to reserve	-600	-550	-600	-600	-250	-650	-650	-600	-600	-600	-600
Earmarked non-traditional properties	-100	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-5,157	-6,542	-7,142	-7,742	-7,992	-8,642	-9,292	-9,892	-10,492	-11,092	-11,692

New Build Reserve

Capital Receipts B/fwd	-2,935	-3,376	-3,991	-4,602	-5,214	-5,826	-6,437	-7,049	-7,660	-8,272	-8,884
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Acquisitions in year	280	0	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-721	-615	-612	-612	-612	-612	-612	-612	-612	-612	-612
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-3,376	-3,991	-4,602	-5,214	-5,826	-6,437	-7,049	-7,660	-8,272	-8,884	-9,495

