

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	16 MARCH 2023	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/March
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.

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 31 January 2023 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 November, the Medium-Term Financial Plan (MTFP) was updated due to a review of contingent sums. No further updates have been made to the MTFP with the estimated deficit remaining 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 £1.5m. 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

Position as at 31th January 2023

HRA SUMMARY BY AREA - BUDGET MONITORING JANUARY 2023

	ANNUAL			RESERVES	
	Full Year	Projected	Projected	Earmarked	Net effect on HRA
	Budget £	Actual £	Variance £		
Rent and Rechargeable Repairs	-12,988,798	-12,611,408	-377,389	0	-377,389
Repairs and Maintenance	3,534,421	3,639,899	-105,477	0	-105,477
Managing Tenancies	2,104,334	2,203,875	-99,541	-57,580	-41,961
Supported Housing	658,345	685,975	-27,630	0	-27,630
Interest Payable and Receivable	1,456,005	1,335,911	120,094	0	120,094
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	2,449,056	2,449,056	0	0	0
IAS19 Pensions Adjustment (HRA)	0	0	0	0	0
Other Operating Income & Expenditure (HRA)	0	0	0	0	0
	1,510,678	2,000,622	-489,944	-57,580	-432,364

3.6 The above table shows that overall, the HRA is expected to have a deficit of £2m which is a higher deficit than budgeted. The greatest variance is the use of Agency staff to cover skilled vacancies and the rental income from void properties. The main reasons for the variances are detailed below.

HRA VARIANCE TO BUDGET January '23

	£'000
Salary savings (vacancies, maternity etc.)	392
Interest Income and Expenditure	120
Additional Careline Income	71
Repairs	33
Insurance	29
Contract Cleaning	17
Car Allowances	8
Training	4
Advertising	-3
Subscriptions	-5
Rechargeable Repairs	-8
Refuse	-10
Materials	-25

Professional fees - Planned & Responsive	-28
Computing	-21
Utilities	-44
Council tax	-52
Reduced Rent due to Void Dwellings	-408
Agency and Consultancy Staff	-503
TOTAL - OVERALL PROJECTED VARIANCE	-432

- 3.7 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.
- 3.8 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 £120k favourable variance. This is in addition to the provision contained within the MFTP.
- 3.9 Without this, the HRA would be in a far worse position given the reduction in rental income (see below).
- 3.10 Further information is detailed in the Treasury Monitoring Report.
- 3.11 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.
- 3.12 Additional Care Line income is due to the unbudgeted receipt of the continued contribution from County Council of £10.40 per user.

Rental Income

- 3.13 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.
- 3.14 Right to Buy losses have totalled 3 during the third quarter which is below budget. A decline in Right to Buy enquiries and sales has been seen over the year with no sales recorded in December and January. Right to Buy is a significant risk to the HRA and although with the economic uncertainty sales have slowed down, the risk remains for future housing stock.

Other Variances

- 3.15 Other variances are also related to the voids issue. Council Tax and Utility charges, show an adverse variance which is forecasted in line with the current property numbers and length of time vacant.

- 3.16 Computing relates to the Orchard upgrade and is provided for within the MTFP as approved in April 2021.
- 3.17 Professional fees adverse variance relates to previous fire alarm and emergency light testing, which is now being undertaken by Careline staff, £20k of the adverse variance relates to the testing being carried out by an external contractor.
- 3.18 The HRA's 10-year MTFP is shown in Appendix 1.

Risk Areas

Vacancies

- 3.19 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.
- 3.20 Risks to the shortage of available candidates and also market salaries are present, and the Head of Housing is keeping this issue under review.
- 3.21 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

- 3.22 Derbyshire County Council has now informed the Council that there will continue to fund the service managed by the Council until March 2024.
- 3.23 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.
- 3.24 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.

APPENDIX 1

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2023

	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	Proposed Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
INCOME											
Rental Income	-12,893	-12,872	-13,449	-13,766	-14,089	-14,420	-14,758	-15,103	-15,456	-15,816	-16,184
Non-Dwelling Income	-124	-112	-115	-118	-122	-125	-129	-133	-136	-140	-144
Supporting People Grant	-130	-130	0	0	0	0	0	0	0	0	0
Other Income	-177	-185	-185	-185	-185	-185	-185	-185	-185	-185	-185
Total Income	-13,324	-13,299	-13,749	-14,069	-14,396	-14,730	-15,072	-15,421	-15,777	-16,141	-16,520
EXPENDITURE											
General Management	2,065	2,229	2,279	2,330	2,382	2,436	2,490	2,546	2,604	2,663	2,723
Supporting People	908	994	1,021	1,050	1,080	1,111	1,144	1,178	1,214	1,251	1,291
Responsive	1,678	1,778	1,821	1,864	1,909	1,955	2,001	2,050	2,099	2,150	2,202
Planned Maintenance	1,790	1,761	1,803	1,847	1,892	1,938	1,985	2,034	2,083	2,134	2,186
Bad Debt Provision	125	131	134	137	140	144	147	151	154	158	161
Interest Payable & Receivable	1,456	1,362	1,093	1,093	1,093	792	792	792	792	792	462
Depreciation	4,213	4,844	4,417	4,393	4,369	4,345	4,321	4,297	4,274	4,250	4,226
Net Operating Income	-1,089	-200	-1,181	-1,355	-1,531	-2,009	-2,192	-2,373	-2,557	-2,743	-3,269
Known variations:											
Reversal of Depreciation	-4,213	-4,844	-4,417	-4,393	-4,369	-4,345	-4,321	-4,297	-4,274	-4,250	-4,226
Capital Expenditure	1,620	1,433	1,877	1,916	1,847	2,182	2,261	2,489	2,403	1,805	2,301
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment - Balance of Depreciation	1,593	2,561	1,640	1,577	1,972	1,213	1,110	908	971	1,545	1,025
Major Repairs Reserve	600	550	600	600	250	650	650	600	600	600	600
Asset Replacement Earmarked Reserve	45	45	45	45	45	45	45	45	45	50	50

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	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
Additional Debt Repayment Transfer	2,500	2,100	1,500	1,300	1,850	750	750	750	1,000	800	0
Investment Income	-313	-51	-43	-34	-34	-34	0	0	0	0	0
Capital works non-traditional properties	100	0	0	0	0	0	0	0	0	0	0
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	30	30	200	0	0	0	0
Rent Loss Provision	65	0	0	0	0	0	0	0	0	0	0
Pension Valuation 2023/24	0	18	18	18	18	18	18	18	18	18	18
Increase in Electricity Tarrif	0	30	30	0	0	0	0	0	0	0	0
Incremental Salary Increases	0	5	5	5	5	6	6	6	6	6	6
HRA Surplus (-) / Deficit	1,511	2,132	560	166	542	-1,035	-1,012	-1,392	-1,330	-1,710	-3,035

HRA General Reserve

HRA Reserve B/fwd	-6,494	-4,984	-2,852	-2,292	-2,126	-1,585	-2,619	-3,631	-5,023	-6,354	-8,064
(Surplus) / Deficit for year	1,511	2,132	560	166	542	-1,035	-1,012	-1,392	-1,330	-1,710	-3,035
HRA Reserve C/fwd	-4,984	-2,852	-2,292	-2,126	-1,585	-2,619	-3,631	-5,023	-6,354	-8,064	-11,098

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	-2,561	-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	-354	-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 - FEBRUARY 2023

	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	-5,157	-5,707	-6,307	-6,907	-7,157	-7,807	-8,457	-9,057	-9,657	-10,257
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	-5,707	-6,307	-6,907	-7,157	-7,807	-8,457	-9,057	-9,657	-10,257	-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
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

