



AGENDA ITEM:

**Executive Overview & Scrutiny Committee:
14 September 2023**

CABINET: 26 September 2023

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor N. Pryce-Roberts

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SUBJECT: HRA REVENUE AND CAPITAL QUARTER ONE (Q1) REVIEW

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the Housing Revenue Account (HRA) and Housing capital programme positions for the 2023/24 financial year.

2.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY

2.1 That the 2023/24 HRA and Housing capital programme positions be noted and any comments forwarded to Cabinet for consideration.

3.0 RECOMMENDATIONS TO CABINET

3.1 That the 2023/24 HRA and Housing capital programme positions be note

4.0 BACKGROUND

4.1 In February 2023, Council agreed the HRA revenue and capital budgets for the 2023/24 financial year. May 2023 cpi is 8.7%

4.2 The Government's current rent policy confirms annual increases of up to cpi + 1% until 2025/26. The cpi + 1% increase is applied to the cpi rate from the September before, so for 2024/25 rent setting it will be based on September 2023 cpi.

4.3 Government guidance is awaited as to the rent increase policy after 2025/26, in the interests of prudence the HRA business plan assumes annual increases thereafter will be cpi only.

5.0 HRA – 2023/24 Q1 Projected Outturn

- 5.1 A summary of the projected HRA revenue outturn against budget is set out in the table below. The HRA is expected to outturn in line with budget.
- 5.2 The table below seeks to improve clarity by presenting the electrical testing budget with revenue void and response repairs because it is carried out by the same, main repairs contractor. The electrical testing budget was previously presented within other premises costs. No change has been made in the ledger and no budget has been moved compared to the HRA budget approved in appendix one of the February 2023 Council report. The change is purely presentational.

Budget Area	2022/23 Budget £000	Outturn Var. £000	Comment
Employee Expenses	4,304	150	Pay settlement partially offset by vacancies (after vacancy factor).
Void and response repairs plus electrical testing	5,370	0	Void & response repairs budget is £5,100k, plus electrical testing £270k. (see paragraph 4.2)
Other premises costs	4,241	0	Overall shortfall in District Heating Scheme expected, cannot yet quantify. Heating outturn will be zero through y/e debtor.
Transport costs	191	0	
Budget contingency	390	0	Various plans that will require use of contingency.
Supplies and Services	1,527	0	
Support Services and internal income (net)	2,905	0	
Loan interest & Contribution towards Repayment	3,492	0	£3,432k is 'fixed' interest and debt repayment. Additional £60k depends on level of additional borrowing for capital programme and TVDL works
Contributions to capital	7,455	0	
Dwelling rents	-25,900	-100	Fairlie and rtb sales (50) assumed to offset one another.
Other external income	-3,975	-50	Furnished likely to be ahead of budget.
Total	0	0	

- 5.3 Energy cost pressures on the **district heating scheme** (DHS) were reported throughout 2022/23. Final outturn recognised a shortfall within the account overall of around £370k, which will need to be recovered from DHS customers over time.

An overall shortfall in 2023/24 is also expected though with timing delays in billing it is too early in the year to provide an accurate forecast. As in 2022/23, any shortfall will be treated as a debtor at year-end so the overall DHS accounting outturn position in year will be zero.

- 5.4 Budget pressure identified at Q1 primarily relates to the provisional pay settlement of £1,925 per full time employee. Budgets were set assuming a 3% increase, the current offer is closer to 6% on average. Negotiations are ongoing so it is possible that the settlement may increase further.
- 5.5 Salary budget pressures are expected to be offset by rental and furnishing service income.
- 5.6 There are a number of provisional calls on the budget contingency so it is assumed that all contingency will be required in 2023/24 once plans are firmed up.

6.0 HRA Business Plan Pressures

- 6.1 May 2023 cpi remains high at 8.7% Rents are generally increased by September cpi plus 1% 2023/24 rents were limited by Government in most cases to a 7% increase because cpi in September 2022 was 10.1%. There is a possibility that Government might choose to intervene again if cpi remains at very high levels, thus limiting rental income in 2024/25 and beyond. Meanwhile contract inflation will probably continue to rise.
- 6.2 If the standard rent setting approach of cpi plus 1% is allowed by Government and cpi remains high, this could have a detrimental impact on some tenants. However, in February 2023 rent setting a budget issue was approved to provide up to £250k of additional hardship support in 2024/25 as well as £500k in the current financial year.

7.0 CAPITAL INVESTMENT PROGRAMME

- 7.1 The table below shows the 2023/24 Housing Capital budget approved in February 2023; the capital budget issues; the HRA element of the TVDL business plan also approved in February 2023; plus the 2022/23 outturn slippage reported to Members in July 2023. This created the revised 2023/24 budget of £35.228m highlighted below.

Scheme	2023/24 Budget £000's	2023/24 Budget Issues £000's	2022/23 slippage	2023/24 Revised £000's
Kitchens	842		731	1,573
Walls	1,566			1,566
External Areas	1,067		280	1,347
Heating	936			936
Bathrooms	225		464	689
Roofing	550		129	679
Windows & Doors	361		275	636

Electricals	608			608
Communal Services	173		45	218
Housing Capital Investment Plan	6,328	0	1,924	8,252
Digmoor Regeneration	4,000		1,000	5,000
Decarbonisation – wave 2.1		4,556		4,556
Environmental Programme	418		263	681
Salary costs & Professional Fees	600			600
Disabled Adaptations	502		64	566
Disrepair mitigation		500		500
Sheltered Housing Upgrades	140		234	374
Change in Standard for Smoke Detection	330			330
Contingency	330			330
Fire Safety Works	101		35	136
Lifts			115	115
Abritas upgrade		15		15
Digital Schemes Sheltered			12	12
Other Housing Schemes	6,421	5,071	1,723	13,215
Capital Expenditure	12,749	5,071	3,647	21,467
TVDL Expenditure	10,219		3,542	13,761
Total Expenditure	22,968	5,071	7,189	35,228

Funded by	2023/24 Budget £000's	2023/24 Budget Issues £000's	2022/23 slippage	2023/24 Revised £000's
Revenue contributions/MRR	7,455			7,455
Capital Receipts				
Borrowing	12,778	3,883	6,689	23,350
Decarbonisation grant funding		1,188		1,188
Homes England Grants	2,735		500	3,235
Total Funding	22,968	5,071	7,189	35,228

- 7.2 The table below shows total Q1 expenditure of £1.34m on the revised capital programme, this represents 6% of the revised budget. In addition, a further £0.868m has been invested in building new HRA homes through TVDL, also 6% of budget. The expenditure profile at Q1 2022/23 was 5% of budget.
- 7.3 Capital budgets will be reviewed at mid-year to identify any amendments required. Typically, capital programme outturn is around 70% of mid-year revised budget. Outturn in 2022/23 was £7.6m excluding TVDL works, so this years budget of £21.5m prior to mid-year review is very ambitious.

Scheme	2023/24 Revised £000's	2023/24 Q1 Actual £000's	% of revised budget
Kitchens	1,573	11	1%
Walls	1,566	0	0%
External Areas	1,347	23	2%
Heating	936	372	40%
Bathrooms	689	3	0%
Roofing	679	529	78%
Windows & Doors	636	114	18%
Electricals	608	11	2%
Communal Services	218	10	5%
Housing Capital Investment Plan	8,252	1,073	13%
Digmoor Regeneration	5,000	0	0%
Decarbonisation – wave 2.1	4,556	0	0%
Environmental Programme	681	179	26%
Salary costs & Professional Fees	600	4	1%
Disabled Adaptations	566	72	13%
Disrepair mitigation	500	0	0%
Sheltered Housing Upgrades	374	0	0%
Change in Standard for Smoke Detection	330	0	0%
Contingency	330	0	0%
Fire Safety Works	136	0	0%
Lifts	115	0	0%
Abritas upgrade	15	0	0%
Digital Schemes Sheltered	12	12	100%
Other Housing Schemes	13,215	267	2%
Capital Expenditure	21,467	1,340	6%
TVDL Expenditure	13,761	868	6%
Total Expenditure	35,228	2,208	6%

Funded by	2023/24 Revised £000's	2023/24 Q1 Actual £000's	% of revised budget
Revenue contributions/MRR	7,455	1,340	18%
Capital Receipts			
Borrowing	23,350	868	4%
Decarbonisation grant funding	1,188		0%
Homes England Grants	3,235		0%
Total Funding	35,228	2,208	6%

- 7.4 On 31 March 2023 – after WLBC 2023/24 budget setting – Government advised that for the years 2022/23 and 2023/24, the share of right to buy (RTB) capital receipts that normally gets paid straight to Government, known as the 'Treasury share', will be available for local authorities to use instead. Government further advised that local authorities should seek to incorporate these additional receipts into their plans as soon as possible. These are a separate element of RTB receipts than the 141 receipts which WLBC still hold.
- 7.5 The value of the 2022/23 'Treasury share' receipts was £811,471.80. Subject to final confirmation from Government on any particular stipulations attached to using these additional receipts, it is proposed that as part of the mid-year report to full Council, these receipts will be allocated towards existing HRA expenditure incurred during 2023/24 on new housing stock through TVDL. This will reduce the amount of HRA borrowing required in year.
- 7.6 In addition, there was a capital receipt of £10k in 2022/23 from the sale of a piece of HRA land. It is proposed to also allocate this receipt against TVDL expenditure, further reducing the need for HRA borrowing in year.

8.0 SUSTAINABILITY IMPLICATIONS

- 8.1 Careful monitoring the budget position helps ensure that the HRA remains able to deliver services and is financially sustainable in the medium term. This supports the aim that local people should receive good quality homes for a fair and appropriate rent

9.0 RISK ASSESSMENT

- 9.1 The formal reporting of performance on the Housing Revenue Account is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set

10.0 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

