



## **AGENDA ITEM:**

**Landlord Services Committee:**

**Executive Overview & Scrutiny: 14 March 2024**

**Cabinet: 26 March 2024**

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**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 THREE (Q3) REVIEW**

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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**

#### **2.1 TO LANDLORD SERVICES COMMITTEE**

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

#### **2.3 TO OVERVIEW & SCRUTINY COMMITTEE**

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

#### **2.5 TO CABINET**

- 2.6 That the 2023/24 HRA and Housing capital programme positions be noted and endorsed.

### **3.0 BACKGROUND**

- 3.1 In February 2023, Council agreed the HRA revenue and capital budgets for the 2023/24 financial year.

- 3.2 The Government's current rent policy confirms annual increases of up to  $\text{cpi} + 1\%$  until 2025/26. The  $\text{cpi} + 1\%$  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, 6.7%.

#### 4.0 HRA – 2023/24 Q3 Projected Outturn

4.1 A summary of the projected HRA revenue outturn against revised budget is set out in the table below. The HRA is expected to outturn around £325k (1.1%) below budget.

Budget Area	2023/24 Revised Budget £000	Q1 Var. £000	Q2 Var. £000	Outturn Var. £000	Comment
Employee Expenses	4,577	150	200	150	Pay settlement partially offset by vacancies (after vacancy factor).
Void and response repairs plus electrical testing	5,370	0	0	250	Forecast over budget due to retrospective costs for 2022/23 and increased billing run rate since October due to previous under-billing by the contractor.
Other premises costs	4,227	0	0	0	Heating outturn will be zero through y/e debtor.
Transport costs	191	0	0	-25	
Budget contingency	390	0	-150	-200	Various plans that will require most of contingency.
Supplies and Services	1,604	0	0	0	
Support Services and internal income (net)	2,819	0	-110	-150	Estates recharge for HRA valuations. Legal recharge for vacant post. Caretaking internal income for works completed elsewhere within WLBC.
Loan interest & Contribution towards Repayment	3,492	0	0	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	7,205	0	0	0	
Dwelling rents	-25,900	-100	-150	-250	Based on latest run rate
Other external income	-3,975	-50	-50	-100	Mainly furnishing service - likely to be well ahead of budget.
<b>Total</b>	<b>0</b>	<b>0</b>	<b>-260</b>	<b>-325</b>	<b>1.1% of total expenditure budget</b>

- 4.1 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. 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.
- 4.2 Budget pressure identified to date primarily relates to the pay settlement of £1,925 per full time employee, plus continued budget pressure from our repairs contract. Salary budgets were set assuming a 3% increase, the final settlement was closer to 6% on average.
- 4.3 Salary and repair budget pressures are expected to be more than offset by rental and furnishing service income, plus budget contingency not used. In addition, latest estimates suggest that around £150k of recharges to the HRA from the GRA are unlikely to occur due to (i) a vacant post for Housing-specific work in the Legal team means there are limited costs to recharge; (ii) year-end Housing valuation work procured through Estates will be less than budgeted so the recharge will be less too; and (iii) HRA caretaking work completed for other (GRA) services within WLBC will be more than budgeted, so additional internal income to the HRA.

## 5.0 Capital Investment Programme

- 5.1 The table below shows expenditure at Q3 of £5.3m on the capital programme, this represents 37% of the revised budget. In addition, a further £2.33m, (66%), has been invested in building new HRA homes through TVDL. Expenditure at Q3 2023/24 was £4.8m (41%).
- 5.2 Housing capital budgets tends to profile with more expenditure later in the financial year and outturn typically around 70% of mid-year revised budget. This is the view for 2023/24 too.

Scheme	2023/24 Revised £000's	2023/24 Actual £000's	% of revised budget
Kitchens	1,573	494	31%
External Areas	1,347	763	57%
Heating	1,136	702	62%
Roofing	949	928	98%
Walls	786	519	66%
Windows & Doors	636	239	38%
Electricals	608	13	2%
Bathrooms	489	91	19%
Communal Services	218	25	11%
<b>Housing Capital Investment Plan</b>	<b>7,742</b>	<b>3,774</b>	<b>49%</b>
Decarbonisation – wave 2.1	3,000	11	0%
Environmental Programme	681	41	6%

Salary costs & Professional Fees	600	532	89%
Disabled Adaptations	566	256	45%
Sheltered Housing Upgrades	374	12	3%
Change in Standard for Smoke Detection	330	458	139%
Contingency	330	137	42%
Digmoor Regeneration	250	0	0%
Disrepair mitigation	250	0	0%
Fire Safety Works	136	9	7%
Lifts	78	52	67%
Abritas upgrade	15	9	60%
Digital Schemes Sheltered	12	12	100%
<b>Other Housing Schemes</b>	<b>6,622</b>	<b>1,529</b>	<b>23%</b>
<b>Capital Expenditure</b>	<b>14,364</b>	<b>5,303</b>	<b>37%</b>
TVDL Expenditure	3,542	2,328	66%
<b>Total Expenditure</b>	<b>17,906</b>	<b>7,631</b>	<b>43%</b>

Funded by	2023/24 Revised £000's	2023/24 Actual £000's	% of revised budget
Revenue contributions/MRR	7,205	5,282	73%
Capital Receipts	10	10	100%
Borrowing	9,479	2,198	23%
Decarbonisation grant funding	712	110	15%
Grant c/fwd to future periods		-99	
Homes England Grants	500	130	26%
<b>Total Funding</b>	<b>17,906</b>	<b>7,631</b>	<b>43%</b>

- 5.3 Contracts for electrical capital works are at the procurement stage, so part of this budget is being kept aside in 2024/25 to offset the expected overspend on smoke detection work. There are a number of other contracts still at the procurement phase relating to sheltered upgrades and fire safety works.
- 5.4 Work on decarbonisation retrofitting is expected to start in January 2024. It is important to prioritise this work as the grant conditions require a proportion to be completed by 31/3/24.
- 5.5 On 31 March 2023 Government advised that for the years 2022/23 and 2023/24, the share of right to buy (RTB) capital receipts that normally get paid straight to Government, known as the 'Treasury share', will be available for local authorities to use instead. The value of the 2022/23 'Treasury share' receipts was £811,471.80. Review of the Government website suggests that the £811k is to be used in a similar way to 141 receipts, that is as a 40% contribution to building new homes that needs to be 60% match funded by WLBC, without the use of Homes England grant funding. This means that a new build scheme needs to be identified over the next few years that will be funded from right to buy receipts and WLBC borrowing, rather than Homes England grant contribution.

## **6.0 SUSTAINABILITY IMPLICATIONS**

- 6.1 Careful monitoring of 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.

## **7.0 RISK ASSESSMENT**

- 7.1 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.

## **8.0 HEALTH AND WELLBEING IMPLICATIONS**

- 8.1 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.