



AGENDA ITEM:

Policy & Resources Committee: 25 June 2024

Council: 17 July 2024

Report of: Director of Finance and Corporate Resources

Lead Member: Councillor N. Pryce-Roberts

Contact for further information: Peter Quick (Extn. 5203)
(peter.quick@westlancs.gov.uk)

SUBJECT: HOUSING ACCOUNT – DRAFT REVENUE AND CAPITAL OUTTURN

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATIONS

To Policy & Resources Committee

2.1 That the draft financial outturn position of the 2023/24 HRA and Capital Investment Programme be noted and any comments forwarded to the Housing portfolio holder in advance of Council on 17 July 2024.

To Council

2.2 That the draft financial outturn position of the 2023/24 HRA and Capital Investment Programme be noted.

2.3 That the allocation of revenue funds in paragraphs 4.4 and 4.5 be approved.

2.4 That capital reprofiling and the release of capital budget identified in table 5.1 and paragraphs 5.2 and 5.3 be approved.

2.5 That the switching of funding from HRA borrowing to HRA revenue contributions and capital receipts in paragraph 5.5 be approved.

2.6 That the **2024/25** budget virements in paragraphs 5.6 and 5.7 be approved.

3.0 BACKGROUND

- 3.1 The HRA has recovered well after a deficit in 2022/23, despite rents being capped at 7% in 2023/24. Whilst this is still high from the perspective of our tenants, the contracts the Council operates did not generally have such a cap on them, for example the total value of the repairs contract revenue budget increased by around 13% from 2022/23 to 2023/24.
- 3.2 This has created ongoing budget pressure in 2024/25 also. Coupled with increased regulatory expectations, ensuring a healthy and responsive funding base for the HRA is even more important than previously.

4.0 HOUSING REVENUE ACCOUNT – DRAFT REVENUE OUTTURN

- 4.1 A summary of the draft HRA revenue outturn, and a comparison of how it compares to in-year forecasts of outturn, is set out in the table below. This shows that a draft favourable budget variance of £0.451m was achieved at the year end, which is around 1.5% of the total budget. This represents good financial performance.

Budget Area	2023/24 Budget £000's	Q1 Forecast £000's	Q2 Forecast £000's	Q3 Forecast £000's	Draft Outturn £000's	Comment
Employee Expenses	4,577	150	200	150	78	Pay settlement offset by vacancies after vcf Non budgeted redundancy costs £38k LCC pension fund contribution £53k less than budgeted
Void and response repairs plus electrical testing	5,370	0	0	250	140	Over budget due to retrospective costs for 2022/23.
Other premises costs	4,241	0	0	0	132	External decorations budget not used offsets most other cost pressures. £155k tenant disrepair claims.
Transport costs	191	0	0	-25	-16	
Budget contingency	390	0	-150	-200	-390	Contingency not used as costs contained within operational budgets.
Supplies and Services	1,590	0	0	0	-43	Cumulative effect of various smaller variances. Net of funding hardship payments
Support Services and internal income (net)	2,819	0	-110	-150	-229	Estates recharge for HRA valuations. Legal recharge for vacant post. Communications vacant post. Caretaking internal income for works completed. Includes £49k to the HRA Transformation reserve.
Loan interest & Contribution towards Repayment	3,492	0	0	0	-60	£3,432k is 'fixed' interest and debt repayment. £60k external borrowing not required.
Contributions to capital	7,205	0	0	0	500	As per February 2024 budget report, switch funding to reduce borrowing requirement.
Dwelling rents	-25,900	-100	-150	-250	-215	50 Fairlie stock and 39 rtb sales
Other external income	-3,975	-50	-50	-100	-348	£123k Furnishing service Improvement due to £128k interest received on cash balances and £148k leaseholder income towards roof, exterior works and window works.
Total	0	0	-260	-325	-451	1.5% of total expenditure budget

4.2 The main budget pressures in 2023/24 were:

- Pay settlement larger than budgeted.
- Use of agency staff to fill key vacant posts.
- Higher Contract inflation, particularly on the key repairs contract.

4.3 These were offset by:

- Rents from additional affordable rent properties, built by TVDL and brought on-line in 2023/24.
- Continuing increased need for furnished tenancies which is generating income. This is partially offset by additional expenditure on growing the service.
- Income billed to leaseholders for their share of communal works on roofing, externals and windows.
- Income from HRA cash balances due to relatively high interest rates and no need to borrow externally.
- Some recharges from the GRA not being made as the costs weren't incurred by the GRA. In addition, the caretaking service have been carrying out work for some GRA services and charging according to activity.
- Budget contingency not being used as costs have been contained within other budgets.

4.4 The favourable position of around £451k takes account of a transfer to the HRA Transformation & Efficiency reserve of around £49k. This takes the balance for that reserve to exactly £1.1m. The favourable position also allows for an additional £500k of revenue contributions to be made to part-fund the 2023/24 HRA capital programme. This was indicated in the HRA budget report in February 2024 and reduces the HRA need to borrow.

4.5 It is proposed to move the remaining £451k to HRA balances. The purpose of HRA balances is as a general contingency used to cushion the impact of unexpected events or emergencies for the HRA. The minimum level was set many years ago at a value of at least £100 per property. The overall balance of around £620k has also not changed for a number of years. With around 5,840 properties, current HRA balances equate to around £106 per property. This is close to the stated minimum of £100 and, in reality, would not provide much capacity if ever required, especially after two or three years of high cpi and high building cost increases.

4.6 Assuming that the draft surplus doesn't change, by adding £451k to existing HRA balances the new balance will be around £1,071k. This is around £183 per property, a 73% increase on the current level.

4.7 If final outturn varies from this draft outturn position then the amount moved to HRA balances will be amended accordingly to ensure that the HRA balances to zero.

4.8 Due to the energy crisis it was reported at 2022/23 outturn that there was a shortfall in the district heating account of around £370k. In order to ensure that the scheme remained ringfenced, a debtor was raised in March 2023 that needs to be recovered from tenants and leaseholders in the scheme over a reasonable

timescale. During 2023/24 high energy costs continued, initially they were even higher than in 2022/23 though they started to reduce during the year.

- 4.9 At 31 March 2024 a debtor has been raised for around £301k, so the shortfall is starting to reduce. Forecast gas prices for the district heating scheme are expected to be around 60% lower in 2024/25. The 2024/25 HRA budget report highlighted that all tenants and the majority of leaseholders in the heating scheme will see lower heat charges in 2024/25 than in 2023/24. The exact value of the reduction varies from resident to resident according to their expected individual balance at 31/3/25.

5.0 CAPITAL INVESTMENT PROGRAMME – DRAFT OUTTURN

- 5.1 A summary of the draft Housing Capital Investment Programme outturn is shown in the table below. Total expenditure, excluding retrospective decarbonisation wave 2.1 costs and the building of new Council homes through TVDL, was £7.204m. This represents around 63% of the revised budget of £11.364m.

Scheme	2023/24 revised budget £000's	2023/24 actual £000's	% of revised budget	2023/24 variance £000's	Reprofile into 2024/25 £000's	Overs/unders/release £000's	Comments
Kitchens	1,573	783	50%	790	-790		Late start to the programme and managing poor contractor performance. Balance into 2024/25 to complete programme by 31/3/25.
External Areas	1,347	990	73%	357		-357	Stubb block works completed in year. 2024/25 budget considered adequate.
Heating	1,136	843	74%	293	-293		Balance into 2024/25 to continue programme.
Roofing	949	970	102%	-21		21	
Walls	786	519	66%	267	-267		No programmes identified in 2023/24. Reprofile into 2024/25 as works have now been identified.
Windows & Doors	636	344	54%	292	-292		Delayed procurement. Balance into 2024/25 to complete programme which is now on site. Expected completion in Q1.
Electricals	608	33	5%	575		-575	2024/25 budget considered adequate
Bathrooms	489	497	102%	-8		8	
Communal Services	218	25	11%	193	-193		Communal area upgrade plan being drafted, balance into 2024/25 to support funding of this.
Housing Investment	7,742	5,004	65%	2,738	-1,835	-903	
Environmental Programme	681	173	25%	508	-400	-108	4 projects at planning stage, costs unknown
Salary costs & Professional Fees	600	562	94%	38		-38	2024/25 budget considered adequate
Disabled Adaptations	566	413	73%	153		-153	2024/25 budget considered adequate
Sheltered Housing Upgrades	374	124	33%	250	-250		Balance into 2024/25 to fund replacement telecare system.
Change in Standard for Smoke Detection	330	551	167%	-221		221	2024/25 budget of £650k considered adequate

Scheme	2023/24 revised budget £000's	2023/24 actual £000's	% of revised budget	2023/24 variance £000's	Reprofile into 2024/25 £000's	Overs/unders/release £000's	Comments
Contingency	330	226	68%	104	-104		Balance into 2024/25 to fund empty homes backlog.
Digmoor Regeneration	250	0	0%	250		-250	Budget reset in approval of TVD bp at February 2024 Council.
Disrepair mitigation	250	0	0%	250	-250		Balance into 2024/25 to fund disrepair backlog works plus capital elements of property MOT trial.
Fire Safety Works	136	9	7%	127	-127		Balance into 2024/25 for outstanding works
Lifts	78	121	155%	-43		43	Work and material price rises without equal increase in budgets
Abritas upgrade	15	9	60%	6	-6		
Digital Schemes Sheltered	12	12	100%	0			
Other Housing Schemes	3,622	2,200	61%	1,422	-1,137	-285	
Capital Expenditure	11,364	7,204	63%	4,160	-2,972	-1,188	
Decarbonisation – wave 2.1	3,000	1,030	34%	1970	-1,970		
TVDL Expenditure	3,542	3,365	95%	177	-50	-127	
Total Expenditure	17,906	11,599	65%	6,307	-4,992	-1,315	

Funded by	2023/24 Revised £000's	2023/24 Actual £000's	% of revised budget	2023/24 variance £000's	Reprofile £000's	Switch/Release £000's
Revenue contributions/MRR	7,205	7,705	107%	-500		500
Capital Receipts	10	29	290%	-19		19
Borrowing	9,479	2,659	28%	6,820	-4,992	-1,828
Decarbonisation grant funding	712	706	99%	6		-6
Homes England Grants	500	500	100%	0		

Total Funding	17,906	11,599	65%	6,307	-4,992	-1,315
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- 5.2 It is proposed that the variance on the regular capital programme of £4.160m (£111.364m budget less £7.204m expenditure) is treated as follows:
- £2.972m is reprofiled into 2024/25 to allow completion of programmes, initially assumed to be funded from borrowing.
 - That budget 'overs and unders' will be contained within 2023/24.
 - £1.188m will be released to free up funding within the HRA.
- 5.3 In addition to the regular capital programme, a further £1,030k has been incurred for retrofitting works to support decarbonisation. This has been part funded in year by around £706k of specific wave 2.1 capital grant funding. The remaining expenditure budget of £1,970k for wave 2.1 is proposed to be reprofiled into 2024/25 to complete the programme along with the previously agreed budget for 2024/25 of £4,593k. There is a further £712k of wave 2.1 capital grant funding expected in 2024/25 to partially fund this.
- 5.4 A further £3.365m has been invested by the HRA in building brand new Council Homes through TVDL. This was part funded by Homes England capital grant of £500k. The updated TVDL business plan was approved by Council in February 2024 and HRA expenditure in 2023/24 is part of that budget envelope.
- 5.5 The draft HRA revenue position highlights the opportunity to contribute an additional £500k to part-fund the capital programme, thus reducing the borrowing requirement in 2023/24. In addition, around £29k of HRA capital receipts have been identified from previous years. These will be used to also part-fund the capital programme and further, marginally, reduce the need for borrowing.
- 5.6 The HRA 30 year capital programme approved at Council in February 2024 included £140k per annum for work on Sheltered Upgrades. After review, the operational manager has concluded that around £70k of this would be best used in recruiting a small team of handy persons to complete basic DIY tasks in-house. This will reduce the need to pass this work to outside contractors and there is expected to be a like-for-like cost saving. Much of the work will be on sheltered communal facilities but other work will also be completed as required.
- 5.7 To enable this, a **permanent budget virement** is requested, to move £70k from the **2024/25** base capital budget for Sheltered upgrades to base revenue. This will be split between staff costs (the larger part) and vehicle and supplies costs. This has no impact on the 2023/24 outturn or the 2023/24 sheltered upgrade budget being reprofiled into 2024/25. Rather, it will mean that the base sheltered upgrades budget will be £70k pa rather than £140k pa from 2024/25 and the revenue budget £70k more, all other things being equal. In 2024/25, in order to ensure that the HRA budget remains balanced, the budgeted revenue contribution will be reduced by £70k. The effect will be net zero for the HRA and net zero for Housing capital.

6 SUSTAINABILITY IMPLICATIONS

- 6.1 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.

7 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.