



Policy & Resources: Tuesday 19 November 2024

COUNCIL: Wednesday, 11 December 2024

Report of: Director of Finance & Corporate Resources – Section 151

Relevant Lead Member: Councillor Nicola Pryce-Roberts - Lead Member for Housing

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SUBJECT: HRA 2024/25 Q2 MONITORING - REVENUE AND CAPITAL

Wards affected: (All Wards);

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 2024/25 financial year based upon quarter 2 monitoring (Q2)

2.0 RECOMMENDATIONS TO POLICY & RESOURCES COMMITTEE

2.1 That the HRA Q2 position for revenue and capital be noted and any comments forwarded to the Lead member for Housing.

3.0 RECOMMENDATIONS TO COUNCIL

3.1 That the HRA Q2 position for revenue and capital be noted.

3.2 That the capital budget adjustments in table 6.1 be approved.

3.3 That the HRA budgets relating to expenditure with TVD will be amended to reflect the HRA share of the next updated TVD business plan.

4.0 BACKGROUND

- 4.1 In February 2024, Council agreed the HRA revenue and capital budgets for the 2024/25 financial year. The 2023/24 outturn report to Council in July 2024 agreed some budget reprofiling and adjustments.
- 4.2 The Government's current rent policy confirms annual increases of up to cpi + 1% until 31 March 2025. Government have recently advised that this rate will apply in 2025/26 too. The cpi + 1% increase is applied to the cpi rate from the September before, so for 2025/26 rent setting it will be based on September 2024 cpi of 1.7% This means that tenant rents for 2025/26 are likely to increase by 2.7%
- 4.3 Government guidance is awaited as to the rent increase policy after 2025/26, in the HRA business plan it is assumed that there will be a settlement of cpi + 1% until 2029/30 with annual increases thereafter being cpi only.

5.0 HRA – 2024/25 Q2 Projected Outturn

- 5.1 A summary of the projected HRA revenue outturn against revised budget is set out in the table below. The HRA Q2 forecast is around £50k (0.2%) better than budget.

Budget Area	2024/25 Budget £000	Q1 var £000	Q2 var £000	Comment
Employee Expenses	5,564	-400	-350	£140k vacant posts after vacancy factor £160k employers superannuation rate 16.7% rather than 20.4% £50k on pension past service payments
Void and response repairs plus electrical testing	7,006	300	300	Voids backlog and change in repairs contractor requirements for asbestos surveys.
Other premises costs	3,974	0	-200	External decorations budget unlikely to be fully spent.
Transport costs	232	0	0	
Budget contingency	290	0	-50	Most contingency earmarked for identified activities.
Supplies and Services	1,394	0	50	Stock condition surveys
Support Services and internal income (net)	2,575	0	0	
Loan interest & Contribution towards Repayment	3,726	0	0	
Contributions to capital	7,098	0	0	

Dwelling rents	-28,100	300	300	Run rate assumes that current void rate and rtb rate (40) continues throughout the year.
Other external income	-3,759	-80	-100	Furnishing service (Heat charges reducing shortfall)
Total	0	120	-50	0.2% of expenditure budget

- 5.2 The main pressure on the HRA at Q2 is the same as reported at Q1. The pressure relates to voids and this has two facets.
- 5.3 Firstly, a delay in void turnaround has impacted rental income through increased rental void loss during 2024/25. The Q2 forecast is based on the current run rate and reflects that the void rate remains high, though it is coming down. The forecast also assumes right to buy (rtb) sales of 40 in 2025/26, compared to the assumed figure in the budget of 60. Rtb sales are outside the Councils control as they are determined by whether tenants chose to exercise their right to buy.
- 5.4 Secondly, the repairs contractor has implemented a more stringent approach to their requirements for asbestos surveys. This is estimated to add £300k to the costs of the contract in 2024/25 and has exacerbated the other delays to void turnaround.
- 5.5 This pressure is offset by a number of favourable matters relating primarily to employee expenses:
- Around £160k improvement because employers superannuation contributions were budgeted at 20.4% whereas the actuarial calculation has set the level at 16.7%
 - Around £50k improvement anticipated on year-end transactions relating to the HRA share of WLBC past service contributions to the LCC pension fund.
 - Around £140k improvement on employee costs net of the budgeted vacancy factor due to vacant posts.
- 5.6 The Council furnishing service continues to grow and this is expected to lead to outturn furnishing charge income ahead of budget, though there may also be additional costs involved in growing the service. These costs are anticipated to be contained within furnishing income funding.
- 5.7 The final HRA outturn will be significantly influenced by whether the revenue planned maintenance (external decorations) budget of £375k is utilised in year and whether there is a need to use budget contingency in year. In recent years the revenue planned maintenance budget has tended to outturn significantly below budget. Costs incurred at Q2 are around £40k so around £200k of this budget is not expected to be spent in 2024/25. If costs earmarked for budget contingency can be contained within operational budgets then they will be.
- 5.8 WLBC Executive Management Team have asked all Council managers and staff to refrain from non-essential expenditure and they have also put in place a rigorous review of staff vacancies. This is primarily to support the GRA financial position in 2024/25, though the instruction also applies to the HRA. The Q2 forecast assumes

that HRA expenditure will largely continue as planned as most decisions will be informed by HRA resources rather than GRA resources. If non-essential expenditure is curtailed in the HRA and/or vacancies are held vacant, then outturn is likely to be better than the Q2 forecast, all other things being equal.

6.0 Capital Investment Programme

6.1 It is standard practice that at mid-year all Housing capital budgets are reviewed in light of operational developments, and required budget amendments identified. The table below shows the current 2024/25 Housing Capital budget plus proposed amendments, to create the revised 2024/25 budget.

Scheme	2024/25 Current Budget £000's	Vire £000	Reprofile £000	Release £000	2024/25 Revised Budget £000	Comments
Kitchens	1,632	-100		-500	1,032	£1m considered adequate to complete the current programme.
Heating	1,229				1,229	
Walls	1,167				1,167	
Electrics	608		-400		208	£200k considered adequate to address electrical works in year.
Roofs	550				550	
Windows & Doors	492		-300		192	2023/24 programme completed. No 2024/25 scheme.
Bathrooms	425	40			465	Programme completed.
Communal Areas	366				366	
External Areas	200		-100		100	Reprofile £100k into 2025/26 for environmental improvements around the area of the proposed pods scheme.
Housing Investment Plan	6,669	-60	-800	-500	5,309	
Salary & Professional Fees	791				791	

Scheme	2024/25 Current Budget £000's	Vire £000	Reprofile £000	Release £000	2024/25 Revised Budget £000	Comments
Smoke Detection	650				650	
Environmental Programme	600		-200		400	Reprofile as mainly plans have a long lead-in time.
Disabled Adaptations	502				502	
Contingency	434				434	
Sheltered Housing Upgrades	320				320	
Disrepair mitigation	250				250	
Fire Safety Works	228				228	
Heat Meter & Billing	120				120	
Lifts	37	60			97	Programme completed.
Abritas upgrade	6				6	
Other Housing Schemes	3,938	60	-200	0	3,798	
Capital Programme	10,607	0	-1,000	-500	9,107	
Decarbonisation – wave 2.1	6,563		-2,400		4,163	Programme will be completed in 2025/26.
Decarbonisation grant	-1,068				-1,068	
TVDL Expenditure	9,450				9,450	Awaiting approval of updated TVD bp
Homes England Grants	-1,860				-1,860	Awaiting approval of updated TVD bp
Total Capital Expenditure	23,692	0	-3,400	-500	19,792	

Funded by	2024/25 Current Budget £000's	Vire £000	Reprofile £000	Release £000	2024/25 Revised Budget £000	Comments
Revenue contributions/MRR	7,098				7,098	
Capital Receipts						Awaiting approval of updated TVD bp
Borrowing	16,594		-3,400	-500	12,694	Awaiting approval of updated TVD bp
Total Funding	23,692		-3,400	-500	19,792	

- 6.2 A number of matters have affected the TVD business plan and this is coming to Council. For simplicity of governance the current HRA budgets for TVD schemes has been left unchanged. The HRA budgets will be amended to reflect any updated approvals from Council that affect the HRA.
- 6.3 The table below shows expenditure at mid-year of £2.874m on the capital programme, this represents 32% of the revised budget. At Q2 in 2023/24 expenditure against the revised budget was 27% In addition, a further £0.769m, (18% of budget), has been invested in decarbonising existing housing stock.
- 6.4 Housing capital budgets tends to profile with more expenditure later in the financial year and outturn typically around 70% of mid-year revised budget.

Scheme	2024/25 Revised Budget £000's	2024/25 Actual £000's	% spent	Comments
Kitchens	1,032	179	17%	On hold pending asbestos surveys, expected to recommence in Q3
Heating	1,229	111	9%	All heating works being done on a responsive basis. Expect increased works during winter.
Walls	1,167	9	1%	Whitburn & Waverley insulation works expected to complete in year
Electrics	208	0	0%	
Roofs	550	0	0%	Works to support solar panels will be completed in year.
Windows & Doors	192	157	82%	2023/24 programme complete. No 2024/25 scheme.
Bathrooms	465	457	98%	Programme completed.
Communal Areas	366	0	0%	
External Areas	100	0	0%	
Housing Investment Plan	5,309	913	17%	
Salary & Professional Fees	791	779	98%	Mainly capitalised salaries
Smoke Detection	650	45	7%	
Environmental Programme	400	28	7%	Tarmacking car park
Disabled Adaptations	502	413	82%	Demand led - on track
Contingency	434	373	86%	Voids backlog likely to utilise
Sheltered Housing Upgrades	320	48	15%	
Disrepair mitigation	250	177	71%	

Scheme	2024/25 Revised Budget £000's	2024/25 Actual £000's	% spent	Comments
Fire Safety Works	228	3	1%	Contractor appointed
Heat Meter & Billing	120	0	0%	
Lifts	97	95	98%	Complete but over budget
Abritas upgrade	6	0	0%	
Other Housing Schemes	3,798	1,961	52%	
Capital Programme	9,107	2,874	32%	
Decarbonisation – wave 2.1	4,163	769	18%	Works progressing. Additional roofing works identified. Risk that the full allocation may not be achieved
Decarbonisation grant	-1,068	-126	12%	To be reviewed in line with delivery
TVDL Expenditure	9,450	225	2%	Awaiting updated TVDL bp
Homes England Grants	-1,860	0	0%	Awaiting updated TVDL bp
Total Capital Expenditure	19,792	3,742	19%	

Funded by	2024/25 Revised £000's	2024/25 Actual £000's	% spent	Comments
Revenue contributions/MRR	7,098	3,724	52%	
Capital Receipts				
Borrowing	12,694		0%	
Total Funding	19,792	3,724	19%	

7.0 SUSTAINABILITY IMPLICATIONS

7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

8.1 There are financial implications arising from this report in respect of the matters discussed throughout, however these are expected to be met using existing HRA resources

9.0 RISK ASSESSMENT

9.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers.

10.0 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications arising from this report.

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.

Appendices

None