

Title of Report	QUARTER 2 HOUSING REVENUE ACCOUNT FINANCE UPDATE	
Presented by	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder PH Briefed <input type="checkbox"/> Yes	
Background Papers	Council 22 February 2024: Housing Revenue Account (HRA) Budget and Rent Setting 2024/25	Public Report: Yes
		Key Decision: Yes
Financial Implications	Any financial implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Cabinet with an update on the financial position on the Housing Revenue Account as at Quarter 2 2024/25.	
Reason for Decision	To update Cabinet on Quarter 2 2024/25 and request approval for supplementary estimates as detailed in the recommendations below.	
Recommendations	THAT CABINET: <ol style="list-style-type: none"> 1. NOTES THE FORECAST UNDERSPEND ON THE HOUSING REVENUE ACCOUNT 2024/25 OF £1,028K BASED ON QUARTER 2 INFORMATION. 2. NOTES THE REVISED HOUSING CAPITAL FORECAST DETAILED IN APPENDIX 2. 	

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the spending position for the period 1 April 2024 to 30 September 2024 for the Council's Housing Revenue Account (HRA) focusing on the significant variances from the approved budgets. It should be noted that due to the subsequent backlog issues from the finance system implementation and the delay to closing the 2023/24 accounts, the in-depth analysis of the figures which would usually be undertaken has not been possible. Therefore, the focus has been on reporting the major variances based on the information available and discussions between Finance and the budget holders.
- 1.2 To update Members on the HRA capital programme for the period 1 April 2024 to 30 September 2024 on the proposed resourcing of the capital programme and the level of Council capital resources available, including capital receipts.
- 1.3 To update Members on the changes to the capital programme and note the variations to scheme budgets and re-profiling of budgets to future years.

2.0 HOUSING REVENUE ACCOUNT

2.1 HRA Income and Expenditure

- 2.1.1 Table 1 below shows the summary income and expenditure forecast outturn and variance for the HRA which is currently forecasting an underspend position at the end of quarter two of £1,028k.

Table 1 – HRA 2024/24 Quarter 2 Forecast Outturn Position

	Budget £'000	Forecast £'000	Variance £'000
Income	(21,038)	(21,607)	(569)
Operating Expenditure	19,651	19,192	(459)
Operating (surplus)/deficit	(1,387)	(2,415)	(1,028)
Appropriations	4,005	4,005	0
Net (surplus)/deficit	2,618	1,590	(1,028)

- 2.1.1 A more detailed table can be found at Appendix 1.
- 2.1.2 The Council continues to work actively to improve services delivered by the HRA and ensure the impact on tenants is considered in all service delivery. Work on this so far has included:
- Commissioning an independent review of processes.
 - Using contractors to assist in delivering against repairs backlogs.
 - Working on reconfiguration of IT systems to improve efficiency and facilitate improved processes.
 - Recruiting staff to key vacant roles.
 - Preparing a plan for further actions within the service.

- 2.1.3 Variances include:

- £236k forecast underspend on staff. This is due to several vacant posts across the organisation.
- £569k more income expected than budgeted, this is mainly due to less void properties than budgeted.
- Improvement in expected investment income of £367k due to higher interest rates.
- £144k adverse variance for expenditure on procurement due to a change in the way procurement advice is provided and a significant volume of procurement work being undertaken for the HRA as part of the improvement plans.

2. HRA Reserves

2.1.1 The HRA provisionally has a balance of £20.6m. A minimum balance of £1.0m is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure and the remaining £19.6m to be used for capital projects and for the repayment of debt.

2.1.2 Table 2 below shows a summary of usable HRA reserves:

Table 2 – HRA Usable Reserves forecast 2024/25

Reserve name	Provisional Balance at 31/03/24 £000	24/25 contributions received £000	24/25 Spend £000	Transfers between reserves £000	Balance at 31/03/25 £000
HRA Earmarked Reserves	115	0	0	0	115
HRA General Balance	2,688	2,415	(1,513)	(2,492)	1,098
	2,803	2,415	(1,513)	(2,492)	1,213
HRA Capital Receipts	6,575	0	0	0	6,575
Major Repairs Reserve	2,840	0	0	0	2,840
HRA Debt Repayment Reserve	3,726	0	0	2,492	6,218
Total	19,763	2,415	(1,513)	0	20,666

2.2.1 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

2.2.2 The Housing capital programme broadly consists of the Home and Estate Improvements Programme as well as the New Supply Programme.

2.2.3 The Home and Estate Improvements Programme includes a range of works including:

- Undertaking vital fire safety works.
- Undertaking major aids and adaptation works around safety, accessibility and increasing independent living for residents.

- Transforming older persons schemes to an integrated digital service, giving full and timely works, events and visits information to residents. This also allows the Council to share a digital layout with the Fire Service so in the event of an incident they can guide crews through the building.
- Replacing heating schemes, installing new Ideal Logic (hydrogen ready) efficient boilers or air source heat pumps (if replacing solid fuel systems) and correct insulation to improve thermal efficiency of Council homes. This will improve affordability of heating for tenants this winter as well as assisting the Council in achieving progress towards every property meeting Energy Performance Certificate Level C by 2028.
- Undertaking estate improvement programme of works which includes off street parking and footpaths and unadopted roads works

2.2.4 The Council is exploring a number of delivery models to increase the number of affordable and social housing units across the District.

2.2.5 Table 3 shows the expenditure and forecast against budget as at quarter two.

Table 3 - Quarter 2 2024/2025 Outturn on the HRA Capital Programme

Scheme	Original Budget	Prior Year C/fwd	Revised Budget	Actual	Forecast	Variance (Revised Budget v Forecast)
	£'000	£'000	£'000	£'000	£'000	£'000
Home Improvement	10,425	0	10,425	238	6,505	3,920
New Supply	3,400	0	3,400	36	1,000	2,400
Estate Improvements	670	0	670	421	520	150
Other HRA Capital Projects	1,430	0	1,430	1,148	1,692	(262)
Total	15,925	0	15,925	1,843	9,717	6,208

2.2.6 Expenditure for quarter two was £1.84m and this was largely from the Home and Estates Programme and major aids and adaptations programme of works. The low level of expenditure on the New Supply programme is due to schemes being at the design stage and also delays in procuring contractors although there is expected to be spend in this financial year and the scheme will begin to progress now.

Table 4 - Reprofiting of Future Years' Budgets

Scheme	Reprofiled to 2025/26	Reprofiled to 2026/27	Reprofiled to 2027/28	Total
	£'000	£'000	£'000	£'000
Home Improvement	2,500	0	0	2,500
New Supply	2,400	0	0	2,400
Estate Improvements	0	0	0	0
Other HRA Capital Projects	0	0	0	0
Total	4,900	0	0	4,900

- 2.2.7 The Home Improvements and New Supply has the largest budget allocation to future years and this is to undertake projects such as, asbestos remediation, boilers and zero-carbon schemes
- 2.2.8 It should be noted the table shows the re-profiling of expenditure from the Budget agreed in February 2024, the reprofiling will need to be reported to Cabinet as part of the Outturn Report 2024/25.
- 2.2.9 Changes to the QL Housing and Repairs data system mean the Council will be recording in more detail and in real-time what budgets are being spent, when, and where. This system is in the process of being integrated with the Unit4 Finance system so that weekly reconciliation of forecast and actual budgets can be undertaken. Where programmes fall behind in delivery, adjustments can be made to ensure the Council delivers what it promises or communicates and takes action to intervene.

Policies and other considerations, as appropriate	
Council Priorities:	The spending from the budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	The Council is forecast to invest £1,500k on Zero Carbon Home Improvements.
Consultation/Community/Tenant Engagement:	None
Risks:	Although inflation has decreased, the impact of the high inflation means the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This

	<p>erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives.</p> <p>Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not solve the whole problem. Indeed, very few investment returns are beating inflation and in general if you wanted higher returns the Council would need to invest for a longer period and/or with riskier assets. This is not something the Council has decided to do.</p> <p>The budgets will continue to be monitored throughout the year to ensure that Council expenditure remains within its funding envelope.</p>
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