

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL  
CABINET – TUESDAY, 25 MARCH 2025**



<b>Title of Report</b>	<b>QUARTER 3 HOUSING REVENUE ACCOUNT FINANCE UPDATE</b>	
<b>Presented by</b>	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder <div style="text-align: right;">PH Briefed <input type="checkbox"/> N</div>	
<b>Background Papers</b>	<b>Council 22 February 2024:</b>  <a href="#">Housing Revenue Account (HRA) Budget and Rent Setting 2024/25</a>	<b>Public Report:</b> Yes
	<b>Cabinet 9 January 2025:</b>  <a href="#">2024/25 Quarter 2 Housing Revenue Account (HRA) Finance Update</a>	<b>Key Decision:</b> Yes
<b>Financial Implications</b>	Any financial implications of this report are detailed in the body of the report and the attached appendices.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	No legal implications arising from this report.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To provide Cabinet with an update on the financial position on the Housing Revenue Account as at Quarter 3 2024/25.	
<b>Reason for Decision</b>	Cabinet is responsible for making all of the necessary arrangements to ensure that the priorities identified by the Council are delivered within the Budget and Policy Framework and therefore financial reporting is brought to Cabinet to ensure that oversight is carried out. To update Cabinet on Quarter 3 2024/25 and request approval for supplementary estimates as detailed in the recommendations below.	

<b>Recommendations</b>	<b>THAT CABINET:</b> <ol style="list-style-type: none"> <li><b>1. NOTES THE FORECAST UNDERSPEND ON THE HOUSING REVENUE ACCOUNT 2024/25 OF £1,653K BASED ON QUARTER 3 INFORMATION.</b></li> <li><b>2. NOTES THE REVISED HOUSING CAPITAL FORECAST DETAILED IN APPENDIX 2.</b></li> </ol>
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## 1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the spending position for the period 1 April 2024 to 31 December 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 31 December 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 three of £1,653k.

**Table 1 – HRA 2024/25 Quarter 3 Forecast Outturn Position**

	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
Income	(21,038)	(21,627)	(589)
Operating Expenditure	19,651	18,589	(1,064)
<b>Operating (surplus)/deficit</b>	<b>(1,387)</b>	<b>(3,035)</b>	<b>(1,653)</b>
Appropriations	4,005	4,005	0
<b>Net (surplus)/deficit</b>	<b>2,618</b>	<b>967</b>	<b>(1,653)</b>

- 2.1.1 More detailed information is shown 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:

- £101k underspend on staffing relating to supervision and management and a further £551k forecast underspend in respect of repairs and maintenance respectively. This is due to several vacant posts that are difficult to fill across the service.
- £589k more income expected than budgeted in respect of rent and service charges, this is mainly due to less void properties than budgeted.
- Improvement in expected investment income of £412k due to favourable interest rates.
- £2m has been earmarked to make provision for voids work that will not be completed in this financial year. This is mainly due to the contractors, Wates' not being able to commence the backlog of void works until October 2024. Hence the expenditure relating to previous years would not impact future years budget.

## **2.2 HRA Reserves**

2.2.1 The total HRA reserve balances provisionally have a balance of £18.8m. A minimum balance of £1.0m, this being the HRA General Balance, is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure. There is a further £2.1m in Earmarked Reserves and the remaining £15.6m to be used for capital projects and for the repayment of debt.

2.2.2 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	2,000	0	0	2,115
HRA General Balance	2,688	2,415	(1,513)	(2,492)	1,098
	2,803	4,415	(1,513)	(2,492)	3,213
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
<b>Total</b>	<b>15,943</b>	<b>4,415</b>	<b>(1,513)</b>	<b>0</b>	<b>18,846</b>

## 2.2.1 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

2.2.2 The 2024/25 Revised Budget for the Housing Revenue Account (HRA) capital is £15.925m and actual spend to the end of quarter three (December 2024) is £2.170m (13.6%) of the budget. The forecast outturn position is £8.061m representing 50.6% of the budget with a further £7.864m, which is 49.4% of the revised budget, is forecast to slip into future years.

2.2.3 Table 3 shows the expenditure and forecast against budget as at quarter three.

**Table 3 - Quarter 3 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	258	3,891	(6,534)
New Supply	3,400	0	3,400	52	1,980	(1,420)
Estate Improvements	670	0	670	421	440	(230)
Other HRA Capital Projects	1,430	0	1,430	1,439	1,750	320
<b>Total</b>	<b>15,925</b>	<b>0</b>	<b>15,925</b>	<b>2,170</b>	<b>8,061</b>	<b>(7,864)</b>

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

## 2.2.5 The Home and Estate Improvement Programme and Other Housing Capital Projects

The Home and Estate Improvement 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

#### **2.2.6 New Supply Scheme**

- The New Supply Scheme with a revised budget of £3.400m, is forecasting an outturn position of £1.980m, representing 58.2% of the budget. The actual spend to the end of quarter 3 is £0.052m, 1.5% of the budget and £1.420m (41.8%) of the budget will slip into future years.
- Even though the spend to date is very low, there are three open market purchases totalling £0.798m which are due to be completed this financial year. In addition, £1.182m is allocated to purchases of new homes from another registered provider which should see the properties completed in February/March 2025 with transfer completing before the end of March 2025.

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.

**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	6,534	0	0	<b>6,534</b>
New Supply	1,420	0	0	<b>1,420</b>
Estate Improvements	0	0	0	0
Other HRA Capital Projects	0	0	0	0
<b>Total</b>	<b>7,954</b>	<b>0</b>	<b>0</b>	<b>7,954</b>

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.

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 £800k on Zero Carbon Home Improvements.
Consultation/Community/Tenant Engagement:	None
Risks:	<p>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 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</p>

	<p>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> <p>Work is still required between now and the end of the year to ensure the ledger is up to date for 2023/24 and 2024/25. As the 2023/24 data is yet to be finalised, this places risk on the 2024/25 data and any brought forward balances from 2023/24.</p>
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## 2024/25 HRA QUARTER 3 FORECAST OUTTURN POSITION

	Revised Budget	Forecast	Variance	Comments
<b>EXPENDITURE</b>				
Repairs and Maintenance	10,067	9,517	(551)	The underspend is due to hard to fill vacancies across the service, measures continue to be put in place to address this.
Supervision and Management	3,707	3,606	(101)	The underspend is due to hard to fill vacancies across the service, measures continue to be put in place to address this.
<b>CAPITAL CHARGES</b>				
Depreciation	4,162	4,162	0	
Debt Management Expenses	3	3	0	
Provision for Doubtful Debts	100	100	0	
Capital Financing and Debt Management	1,899	1,899	0	
Investment Income	(286)	(698)	(412)	Investment income is higher than anticipated due to improved returns
	<b>5,878</b>	<b>5,466</b>	<b>(412)</b>	
<b>TOTAL EXPENDITURE</b>	<b>19,652</b>	<b>18,589</b>	<b>(1,064)</b>	
<b>INCOME</b>				
Rent and Service Charges	(20,979)	(21,568)	(589)	Higher than budgeted rent income mainly due to less void properties than anticipated
Non-Dwelling Rents	(46)	(46)	0	
Garages & Sites	0	0	0	
Other Income	(13)	(13)	0	
<b>TOTAL INCOME</b>	<b>(21,038)</b>	<b>(21,627)</b>	<b>(589)</b>	
<b>NET COST OF SERVICES</b>	<b>(1,386)</b>	<b>(3,038.000)</b>	<b>(1,653)</b>	
<b>APPROPRIATIONS</b>				
Transfer to/from reserves	2,492	2,492.000	0	
Revenue Contribution to Capital	1,513	1,513.000	0	
	<b>4,005</b>	<b>4,005.000</b>	<b>0</b>	
<b>NET (SURPLUS)/DEFICIT</b>	<b>2,619</b>	<b>967</b>	<b>(1,653)</b>	

**North West Leicestershire District Council**  
**HRA Capital Programme 2024/25 Quarter 3**

<b>Scheme</b>	<b>Original Budget</b>	<b>Revisd Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Reprofiled to 2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Home Improvement</b>					
Home Improvement Programme	6,500	6,500	2,500	(4,000)	4,000
Asbestos	400	400	15	(385)	385
Roofs	550	550	0	(550)	550
Commercial Boilers	150	150	140	(10)	10
Stock Condition Surveys	325	325	436	111	(111)
Zero Carbon	2,500	2,500	800	(1,700)	1,700
<b>New Supply</b>	<b>3,400</b>	<b>3,400</b>	<b>1,980</b>	<b>(1,420)</b>	<b>1,420</b>
<b>Estate Improvements/Assets Management</b>					
Off Street Parking	300	300	330	30	0
Footpaths and Unadopted Roads	100	100	60	(40)	0
Garage demolition and replacement	70	70	20	(50)	0
Estate Projects - other	200	200	30	(170)	0
<b>Other HRA Capital Projects</b>					
Sheltered Housing Improvements	350	350	0	(350)	0
Passive Fire Safety	300	300	600	300	0
Scheme Lighting	250	250	0	(250)	0
Tunstall System	30	30	280	250	0
Major housing Aids and Adaptations	400	400	430	30	0
Housing Management IT System (AIP)	100	100	91	(9)	0
Capital Works - Voids	0	0	350	350	0
<b>Total</b>	<b>15,925</b>	<b>15,925</b>	<b>8,061</b>	<b>(7,864)</b>	<b>7,954</b>