

Arun District Council

REPORT TO:	HOUSING & WELLBEING COMMITTEE 23 November 2023
SUBJECT:	Housing Revenue Account Forecast 2023/24 - Quarter 2 Update
LEAD OFFICERS:	Moh Hussein, Interim Group Head of Housing Tony Baden, Group Head of Finance & Section 151 Officer
LEAD MEMBER:	Cllr Carol Birch – Chair of Housing and Wellbeing Committee
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION: Delivering the right homes in the right places: Having a sustainable Housing Revenue Account enables the maintenance and growth of our social homes portfolio and supports the welfare of our residents.	
DIRECTORATE POLICY CONTEXT: A sustainable Housing Revenue Account supports the breadth of our objectives as set out in the Housing and Homelessness Strategy: <ul style="list-style-type: none">• Increase housing supply across all tenures• Improve housing conditions across all tenures• Create sustainable communities to meet the needs of all residents	
FINANCIAL SUMMARY: The Housing Revenue Account Reserve is forecast to have a balance of £902k by the 31 March 2024, which is £281k below the forecast position of £1,183k at the beginning of the year. This report sets out the reasons and actions being undertaken to improve the position.	

1. PURPOSE OF REPORT

- 1.1 To update members of the Housing and Wellbeing Committee on the Housing Revenue Account “HRA” Forecast for 2023/24

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee makes observations on and notes this report.

3. EXECUTIVE SUMMARY

- 3.1 Work has continued between Housing and Finance to assess the 2023/24 forecast outturn for the Housing Revenue Account and outline potential mitigating actions to address the budget gap. Revised forecasts have been prepared for Supervision & Management and Repairs along with an assessment of the changes in loan charges and interest on balances reflecting updated interest rates and forecast of income in consultation with Housing.

4. DETAIL

- 4.1 The forecast is summarised in the table below:

Housing Revenue Account - Budget Summary				
		Budget	Forecast	Variance
		23/24	23/24	23/24
		£'000	£'000	£'000
Supervision & Management		5,865	6,261	396
Repairs & Maintenance		5,956	5,908	(48)
Rents, rates, taxes & other charges		186	186	0
Depreciation		5,808	5,808	0
Loan Charges		1,952	2,063	111
Total Expenditure		19,767	20,226	459
Gross Dwelling Rents (current stock)		18,345	18,452	107
Gross Non-Dwelling Rents (current stock)		479	462	(17)
Voids		(272)	(342)	(70)
Write-Offs		(96)	(61)	35
Other Income		764	764	0
Interest on Balance		207	330	123
Total Income		19,427	19,605	178
(Surplus)/Deficit		340	621	281

Gain or Loss on sale of HRA Non current assets		0	0	0
Net HRA (Surplus)/Deficit		340	621	281
Major repairs reserve				
Financing of capital spend		2,931	3,763	832
Provision for debt repayment (HRA Stock)		1,454	1,454	0
Provision for debt repayment (HRA Leases)		89	89	0
Total expenditure		4,473	5,305	832
Depreciation for year (credit)		5,808	5,808	0
Total income		5,808	5,808	0
(Surplus)/Deficit		(1,335)	(503)	832
Balance Brought Forward		(3,884)	(3,884)	0
Major repairs reserves Balance Carried Forward		(5,219)	(4,387)	832
HRA Reserve				
HRA Reserve - Balance Brought Forward		(1,523)	(1,523)	0
Net HRA (Surplus)/Deficit		340	621	281
HRA Reserve - Balance Carried Forward		(1,183)	(902)	281
In year (Surplus) / Deficit on HRA		(995)	118	1,114

- 4.2 The Council has an established minimum threshold for the Housing Revenue Account reserve of at least £2M. There is a statutory requirement for our Housing Revenue Account balance to maintain a positive balance. The balance on the Housing Revenue Account reserve is forecast to fall to £902k by the end of March 2024. The budgeted position expected a reserve balance of £1,183k and so this forecast is £281k below the forecast.
- 4.3 The balance on the Major Repairs Reserve is forecast to reduce to £4,387k by the end of March 2024, which is £832k lower than the forecast position of £5,219k
- 4.4 The 2023/24 position will continue to be monitored by officers each month and updates will be provided to future Housing & Wellbeing Committee meetings. Looking forward, the 2024/25 budget will be presented to this Committee on 25 January 2024, which will give a clearer picture of the Housing Revenue Account's financial position and will also outline the effectiveness of any actions being taken to bring the Housing Revenue Account reserve back to an acceptable and workable level.

Explanation of Variances

- 4.5 Supervision and Management - £396k adverse. The majority of this is the extra cost of agency staff. The number of agency staff has been progressively reducing. There are now seven agency officers remaining and by April 2024 it is anticipated all long-term agency postings will have ended.
- 4.6 Repairs and Maintenance shows a favourable variance of £48k although there are several significant variances, which are explained below.
- 4.7 The Responsive Repairs budget is spending above profile and projected to have an outturn of £3,512k, which is an adverse variance of £304k. The establishment of a Dynamic Purching System “DPS” framework has begun to reduce the cost of repairs, and as more tenders are awarded these costs are expected to reduce further. Increased capital spending on planned maintenance will also reduce responsive repair costs going forward.
- 4.8 The Repairs and Maintenance budget includes costs other than responsive repairs such as compliance and decarbonisation costs. The responsive repair and compliance budgets are forecast to overspend, but overall, the responsive repairs overspend of £304k is offset by the forecast underspend in other maintenance budgets of £351k.
- 4.9 Loan Charges are forecast to be overspent by £278k due to the increase in interest rates, (the budget assumption was 3.20% but the forecast average rate is 4.81%). However, this is partially offset by Interest on Borrowing (£167k) because no borrowing is required in 23/24 to fund decarbonisation works as the grant bid was unsuccessful and the review of Sheltered Accommodation has been delayed.
- 4.10 Gross dwelling rents are forecast to be £107k favourable. When a property becomes vacant, the rent charged to a new tenant is increased to the formula rent whereby the actual rent is below that level which generates a favourable forecast. This is offset by the increase in void properties and the current performance on void turnaround. Several new build properties have also become available at Water Meadows Way which were not factored into the budget and have contributed to the favourable position.
- 4.11 There has also been an increased focus on income recovery, and this is expected to see an improvement of up to 1%, (about £170k), in rental income by April 2024.

Actions to Improve Forecast

- 4.12 The service has developed service plans to increase revenue and reduce costs as follows:
- General Repairs Budget - £400k (included in forecast above)
 - Void Dwelling Repair - £400k (included in forecast above)

- Cyclical Redecorations and Maintenance - £360k (included in forecast above)
- Fire Compliance - £100k (included in forecast above)
- Retrofit Inspections - £450k (included in forecast above)
- Introduce service charges to recover costs of services already provided but not charged £280k
- Increase income recovery by £300k employing a dedicated income recovery officer

4.13 Other actions being taken to reduce the deficit further are as follows:

- The DPS framework has now been established and tenders are starting to be awarded. The voids work has now been tendered to a different contractor, which has led to reductions in void times and repair costs.
- The mini-tender for works over £500 and major works are due to be out for tender by mid-November. Both will start to reduce our costs and improve timescales for residents
- Over 20 further mini-tenders will be advertised and awarded over the coming months, helping to reduce costs and improve performance.

4.14 Further actions being taken are set out within the (Exempt) Appendix to this report.

5.0 CONSULTATION

5.1 Consultation with other stakeholders is not required for this report.

6.0 OPTIONS/ALTERNATIVES CONSIDERED

6.1 Not applicable for this report.

7.0 COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

7 It is sound governance to monitor spending against budget during the financial year. Such control allows the Council to take prompt corrective action if spending or income significantly varies from the approved budgets.

7.1 The Housing Revenue Account balance projection is a significant concern and is forecast to decline below the £2m recommended minimum balance approved by the Council. Further reports will be presented to future Housing & Wellbeing Committees on a regular basis.

7.2 Committee will note that the Group Head of Finance & Section 151 Officer will work throughout the financial year with the Group Head of Housing to mitigate as far as possible any overspends that have been highlighted in the report and to maximize income.

7.3 Members will also note that the 2024/25 Housing Revenue Account budget will be reported to the 25 January 2024 Housing & Wellbeing Committee, which will give a clearer indication as to its longer-term financial health.

8 RISK ASSESSMENT CONSIDERATIONS

8.1

Risk	Likelihood	Impact	Mitigation
Agency costs are not minimised	3	4	CMT to review remaining agency contracts monthly
Severe weather increases responsive repair costs	4	4	Continue planned programme of roof replacements and triage roof repair work
Damp and mould costs increase	4	3	Undertake inspections and pro-active repairs
DPS may not deliver any in year savings	4	2	The forecast does not include savings from the DPS except for voids, where the contract has already been awarded
The savings identified are not delivered	3	4	CMT to review savings and income projections monthly

9 COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1 The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account that is separate from its General Fund account. The amounts to be credited or debited to the Housing Revenue Account can only be in respect of items detailed in the Act or covered by regulations issued by the Secretary of State. Budgets must be prepared each year for the Housing Revenue Account which will avoid a debit balance on the account, and action must be taken if in any year it appears a debit balance may arise.

10 HUMAN RESOURCES IMPACT

Not applicable

11 HEALTH & SAFETY IMPACT

Not applicable

12 PROPERTY & ESTATES IMPACT

Not applicable

13 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

Not applicable

14 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

Not applicable

15 CRIME AND DISORDER REDUCTION IMPACT

Not applicable

16 HUMAN RIGHTS IMPACT

Not applicable

17 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

Not applicable

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BACKGROUND DOCUMENTS

None