



**Housing Revenue  
Account (HRA)  
Financial Monitoring  
Quarter 3  
2022/23**

**Babergh District Council  
March 2023**



# 1. Background

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2. The financial position of the HRA for 2022/23 should be viewed in the context of the 30-year business plan. The budget set in February 2022 showed a forecast surplus position for 2022/23 of £511k.
3. A period of five years of annual rent reductions ended in March 2020 and councils were allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Due to soaring inflation, this has been capped at 7% for 2023/24. This began to mitigate the impact of the 1% reduction on the 30-year plan. However, due to soaring inflation, rent increases have been capped to 7% for 2023/24, well below CPI.
4. Inflation, measured by the Consumer Price Index (CPI) increased significantly during 2022, reaching a peak of 11.1% in October before dropping to 10.7% in November.
5. Inflation is having a significant impact on employee costs, electricity costs and the cost of repairs, servicing tools and equipment. These increased costs have been reflected in the forecast variances for 2022/23.
6. With the Council's housing stock at over 3,500 homes there will always be unplanned events that affect the level of income and expenditure in any one financial year. Members should therefore consider annual variances in the context of the medium-term outcomes that the Council wishes to achieve.

## 7. Forecast HRA outturn position 2022/23

8. Budget monitoring is a key tool and indicator on the delivery of the Council's plans and priorities for the year. There will, of course, always be reasons why

there are variances such as the current inflationary pressures.

9. Based upon financial performance and information from April to September (with emerging trends extrapolated to the end of the financial year) and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget have been identified.
10. A net overspend of £1.2m is forecast for 2022/23 at the end of Quarter 3, a variance of £1.7m compared to the budgeted £0.5m surplus.
11. The key projected variances that make up this overspend are shown in the following section of this report.

## 12. Capital Programme

13. Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
14. With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. The Council continues to embark on new projects, e.g. building new homes, where it is difficult to accurately predict how payments will fall. Members should therefore focus on whether overall outcomes are being achieved because of the capital investment rather than variances against the plan for a particular year.
15. The budget, actual spend to 31st December 2022 and forecast spend for 2022/23 for the HRA Capital Programme is shown in section 3.

## 2. Housing Revenue Account (HRA) – Forecast

	Budget	Q3 Outturn 2022/23	Variance (favourable) / adverse
	£'000	£'000	£'000
Dwelling Rents	(17,273)	(17,483)	(210)
Service Charges	(598)	(572)	25
Non Dwelling Income	(183)	(216)	(33)
Other Income	(48)	(63)	(16)
Interest Received	(10)	(10)	-
<b>Total Income</b>	<b>(18,111)</b>	<b>(18,344)</b>	<b>(233)</b>

Housing Management (includes Tenancy Services, Housing Solutions and Corporate Resources)	3,096	3,738	642
Building Services	3,539	4,075	536
Repairs and Maintenance (all areas except Trades Team)	484	1,015	530
Depreciation	4,548	4,825	277
Interest payable	3,161	3,161	-
Revenue Contribution to Capital	2,633	2,633	-
Bad Debt Provision	139	100	(39)
<b>Total Expenditure</b>	<b>17,600</b>	<b>19,546</b>	<b>1,946</b>

<b>Deficit / (Surplus) for Year</b>	<b>(511)</b>	<b>1,202</b>	<b>1,713</b>
Strategic Priorities Reserve balance 31/03/2022		(16,096)	
Capital financing per budget		6,041	
<b>Forecast reserve balance 31/03/2023</b>		<b>(8,853)</b>	

**Dwelling rents:** Increase in rental income due to new properties since the number for 2022/23 budget taken in October 2021

### Housing Management:

- £212k increased utility costs
- £129k Increase in staff costs for the pay award and new posts to support service transformation and a Shared Ownership Officer and Defects Co-ordinator
- £84k Capital One Housing and IT Consultant
- £51k increased Fire Prevention and Legionella testing costs
- £36k invoices for sheltered housing support services related to 2021/22 paid in 2022/23
- £28k Contract increases from Orwell and CBL Gateway to Homechoice etc
- £32k Grounds Maintenance contract increase from Public Realm
- £21k Subscriptions for Housemark, Housing Ombudsman and Acuity etc
- £49k Other inflationary increases and increased costs

### Building Services:

- £959k Repairs overspend on the use of Sub-Contractors to support the Trades Team in completing void properties and a significant increase in cost of materials with some items going up by up to 130%
- £39k inflationary increases to supplies and services
- £115k increased employment costs for new Consultant Building Services Surveyors Corporate Manager and additional Agency Costs to give time to fill permanent positions
- £7k compensation payments
- (£24k) Renewable Heat Incentive
- (£560k) increased recharges

**Repairs & Maintenance:** Overspend on the use of Sub-Contractors to support the Trades Team in completing a backlog of void and responsive jobs and a significant increase in cost of materials

**Depreciation:** Increase due to the revaluation of dwellings at 31/03/2022.

### 3. HRA Capital - Forecast

CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual to date	Full Year Forecast at Q3	Potential Carry Forwards	Variance after Carry Forwards (favourable) / adverse	Explanation of Variances
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Housing Maintenance</b>								
<b>Planned Maintenance</b>	4,726	729	5,455	2,204	3,945	900	(610)	There was a lack of technical officer capacity to define needs. Posts subsequently filled and contracts now being procured. Asset Management Strategy will be developed as part of the Building Services Transformation Programme.
<b>Other Maintenance</b>	1,374	1,049	2,423	1,391	2,211	-	(212)	
<b>Housing IT Projects</b>	111	-	111	34	74	37	0	It is expected that the tenant surveys and half of the tenant census exercise will be complete by year end. Carry forward will be to finish the projects in 2023/24.
<b>Neighbourhood Improvements</b>	500	872	1,372	3	3	1,369	-	Actively procuring contracts for fencing and hard landscaping works.
<b>Council House Adaptations</b>	200	300	500	374	500	-	-	Increased resource allocated, to enable the outstanding work to be completed before the end of the financial year
<b>Horticulture and play equipment</b>	70	60	130	-	-	130	-	The expectation is that the £130k will not be spent on various projects in 2022/23, and will need to be carried forward to complete in 2023/24.
<b>New Build and Acquisitions</b>								
<b>New Build programme and Acquisitions</b>	5,361	7,293	12,654	4,124	7,131	1,721	(3,802)	There have been delays in some projects due to problems with supplies of materials, contractor staff absences and planning issues. Whilst the situation has improved, there is still potential for projects not to complete before year end that will need to be carried forward into 2023/24. Some projects have been removed from the programme as not deliverable in the medium term or were scheduled to complete within the next 2-3 years, so it is likely that final delivery of those will be later than originally intended.
<b>Total HRA Capital Spend</b>	<b>12,342</b>	<b>10,302</b>	<b>22,643</b>	<b>8,130</b>	<b>13,863</b>	<b>4,157</b>	<b>(4,623)</b>	