



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

Mid Suffolk 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 £95k.
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 3,000 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 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 £832k is forecast for 2022/23 at the end of Quarter 3, a variance of £927k compared to the budgeted £95k 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 31<sup>st</sup> 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 £'000	Q3 Outturn 2022/23 £'000	Variance (favourable) / adverse £'000
Dwelling Rents	(14,969)	(15,099)	(130)
Service Charges	(675)	(646)	29
Non Dwelling Income	(352)	(362)	(10)
Other Income	(43)	(47)	(4)
Interest Received	(9)	(9)	-
<b>Total Income</b>	<b>(16,049)</b>	<b>(16,163)</b>	<b>(114)</b>
 Housing Management (includes Tenancy Services, Housing Solutions and Corporate Resources)	3,234	3,778	544
Building Services	3,563	3,946	383
Repairs and Maintenance (all areas except Trades Team)	588	531	(57)
Depreciation	4,452	4,622	170
Interest payable	2,968	2,968	-
Revenue Contribution to Capital	1,058	1,058	-
Bad Debt Provision	92	92	-
<b>Total Expenditure</b>	<b>15,955</b>	<b>16,995</b>	<b>1,041</b>
 <b>Deficit / (Surplus) for Year</b>	<b>(95)</b>	<b>832</b>	<b>927</b>
Strategic Priorities Reserve balance 31/03/2022	(5,737)		
Capital financing per budget	186		
<b>Forecast reserve balance 31/03/2023</b>	<b>(4,719)</b>		

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

### Housing Management:

- £103k increased electricity costs
- £130k 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
- £49k invoices for sheltered housing support services related to 2021/22 paid in 2022/23.

- £48k Grounds Maintenance contract increase from Public Realm
- £39k increased Fire Prevention and Legionella testing costs
- £29k Subscriptions for Housemark, Housing Ombudsman and Acuity etc
- £27k Historically budgeted incorrectly: Pont Enterprises - Moses Walk
- £35k Other inflationary increases and increased costs

### Building Services:

- £375k 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%
- £27k inflationary increases to supplies and services

- £124k increased Employment costs for new Consultant Building Services Surveyors Corporate Manager and additional Agency Costs to give time to fill permanent positions
- £17k Payments to tenants increase to budget, but in line with prior year actual spend
- Partially offset by (£160k) increased recharges

**Repairs and Maintenance:** underspend forecast due to a reduction in work carried out in Q2.

**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	
									£'000	£'000
<b>HOUSING REVENUE ACCOUNT</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		
<b>Housing Maintenance</b>										
<b>Planned Maintenance</b>	3,386	1,094	4,480	<b>1,776</b>	3,264	900	(316)	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>	1,564	635	2,199	<b>602</b>	1,325	-	(874)			
<b>Housing IT Projects</b>	111	-	111	<b>34</b>	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>	-	80	80	-	-	80	-	Actively procuring contracts for fencing and hard landscaping works.		
<b>Council House Adaptations</b>	200	180	380	<b>259</b>	380	-	-			
<b>New Build and Acquisitions</b>										
<b>New Build programme and Acquisitions</b>	12,223	23,651	35,874	<b>11,718</b>	20,705	3,343	(11,826)	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>17,484</b>	<b>25,640</b>	<b>43,123</b>	<b>14,389</b>	<b>25,748</b>	<b>4,360</b>	<b>(13,016)</b>			