

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

**Babergh District Council
June 2023**



1. Background

Background

1. 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.
2. 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. 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.
3. 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.
4. 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.
5. 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.

HRA outturn position 2022/23

1. 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.

2. Based upon financial performance and information for April 2022 to March 2023 and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget were identified.
3. There is a net deficit of £1.0m for 2022/23, an improvement of £198k compared to the Q3 forecast of £1.2m deficit.
4. The key variances that make up this overspend are shown in the following section of this report.

Capital Programme

1. Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
2. 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.
3. The budget, actual spend for 2022/23 for the HRA Capital Programme is shown in section 3.

2. Housing Revenue Account (HRA)

	Budget	Outturn	Variance	%
	£'000	2022/23	(underspend) / overspend	variance
		£'000	£'000	
Dwelling Rents	(17,273)	(17,489)	(216)	1%
Service Charges	(598)	(568)	29	-5%
Non Dwelling Income	(183)	(211)	(28)	15%
Other Income	(48)	(58)	(10)	22%
Interest Received	(10)	(203)	(193)	1930%
Total Income	(18,111)	(18,529)	(418)	2%
Housing Management	3,096	3,930	834	27%
Building Services	3,539	4,037	498	14%
Repairs and Maintenance (all areas except Trades Team)	484	1,220	736	152%
Depreciation	4,548	4,830	282	6%
Interest payable	3,161	2,795	(366)	-12%
Revenue Contribution to Capital	2,633	2,633	-	0%
Bad Debt Provision	139	87	(52)	-37%
Total Expenditure	17,600	19,533	1,933	11%
Deficit / (Surplus) for Year	(511)	1,004	1,515	

Dwelling rents: Increase in rental income due to 65 new properties since the number for 2022/23 budget taken in October 2021 and number of shared ownership properties has increased from 34 in 2021/22 to 44 in 2022/23.

Housing Management:

- £248k increased utility costs
- £123k Grounds Maintenance contract increase from Public Realm
- £117k increased Fire Prevention and Legionella testing costs
- £85k Increase in staff costs for the pay award and new posts to support service transformation and a Shared Ownership Officer and Defects Co-ordinator
- £71k for Capital One Housing Software
- £45k demolition of block of garages at Great Cornard
- £45k reduction Other HRA Temp Accommodation rent
- £33k invoices for sheltered housing support services related to 2021/22 paid in 2022/23
- £30k Contract increases from Orwell and Choice Based Lettings Gateway to Homechoice etc
- £30k increase in Tree Maintenance costs
- Other items (net) – adverse variance of £7k.

Building Services:

- £394k 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%
- £142k inflationary increase to equipment, tools and materials
- £136k increased employment costs for new Consultant Building Services Surveyors Corporate Manager and additional Agency Costs to give time to fill permanent positions
- £104k increased corporate recharges
- £29k increase in professional and consultancy fees
- £28k inflationary increases to supplies and services
- (£317k) 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, availability of materials and a significant inflationary increase in cost of materials.

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

3. HRA Capital

CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Outturn	Contractual Carry Forwards	Non-Contractual Carry Forwards	Variance after Carry Forwards (underspend) / overspend	Explanation of Significant Variances / Carry Forwards
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Maintenance								
Planned maintenance	4,726	729	5,455	3,414	1,323		(718)	£114k C/F for outstanding GHB roofing contract. £1.207m C/F for the Seagers Kitchens and Bathrooms contract. £1k for outstanding CO2 installs on the Signix contract.
Other Maintenance Work	1,374	949	2,323	1,672	33	-	(617)	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.
ICT Projects	111	-	111	48	-	44	(19)	
Environmental (Neighbourhood) Improvements	500	872	1,372	4		1,368	0	Actively procuring contracts for fencing and hard landscaping works. Carry forward agreed when 2023/24 budget set.
Disabled adaptations to council dwellings	200	400	600	551		49	0	
Horticulture and play equipment	70	60	130	-		130	-	
New Build and Acquisitions								
New build programme inc acquisitions	5,361	7,293	12,654	5,801		6,853	0	There have been delays in some projects due to problems with supplies of materials, contractor staff absences and planning issues.
Total HRA Capital Spend	12,342	10,302	22,644	11,490	1,356	8,444	(1,354)	

4. HRA Reserves

BDC HRA Reserves 2022/2023

	Balance at 1 April 2022	Transfers to	Transfers from	Balance at 1 April 2023
	£'000	£'000	£'000	£'000
Working Balance	(1,000)			(1,000)
Strategic Reserves	(16,096)		1,004	(15,092)
Building Council Homes Programme (BHCP) Reserve	(20)			(20)
Big 20'	(96)			(96)
TOTAL RESERVE BALANCES	(17,212)	-	1,004	(16,208)