



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

**Mid Suffolk 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 £95k.
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. 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.
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 3,000 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.

Forecast 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 from April 2022 to March 2023 and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget have been identified.
3. There is a net deficit of £743k for 2022/23, an improvement of £89k compared to the Q3 forecast of £832k 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 2022/23	Variance (underspend) / overspend	% variance
	£'000	£'000	£'000	
Dwelling Rents	(14,969)	(15,141)	(173)	1%
Service Charges	(675)	(643)	32	-5%
Non Dwelling Income	(352)	(362)	(10)	3%
Other Income	(52)	(31)	21	-41%

Total Income	(16,049)	(16,178)	(129)	1%
---------------------	-----------------	-----------------	--------------	-----------

Housing Management	3,234	3,569	336	10%
Building Services	3,563	4,126	563	16%
Repairs and Maintenance (all areas except Trades Team)	588	708	120	20%
Depreciation	4,452	4,622	170	4%
Interest payable	2,968	2,790	(178)	-6%
Revenue Contribution to Capital	1,058	1,058	-	0%
Bad Debt Provision	92	48	(44)	-48%
Total Expenditure	15,955	16,921	966	6%

Deficit / (Surplus) for Year	(95)	743	838	
-------------------------------------	-------------	------------	------------	--

Dwelling rents: Increase in rental income due to 115 new properties since number of budgeted properties taken as at October 2021 and number of shared ownership properties has increased from 26 in 2021/22 to 29 in 2022/23.

Housing Management:

- £150k increased utility costs
- £97k Increase in staff costs for the pay award and new posts to support service transformation and a Shared Ownership Officer and Defects Co-ordinator
- £68k Capital One Housing Software
- £39k invoices for sheltered housing support services related to 2021/22 paid in 2022/23

- £47k Grounds Maintenance contract increase from Public Realm
- £40k additional council tax payments
- £22k Subscriptions for Housemark, Housing Ombudsman and Acuity etc
- Partially offset by (£196k) NNDR refund to Needham Market Middle School 2017-2023
- Other items (net) – a favourable variance of £11k.

Building Services:

- £281k 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%
- £139k increased Employment costs for new Consultant Building Services Surveyors Corporate Manager and additional Agency Costs to give time to fill permanent positions

- £123k increased corporate recharges
- £27k Additional Professional and Consultancy fees, mainly for additional asbestos work
- £24k Increased Contracted Services, mainly for additional sewage work.
- £15k Payments to tenants increase to budget, but in line with prior year actual spend
- Partially offset by (£46k) savings on car leases due to not upgrading the leases

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	3,386	1,419	4,805	3,087	1,475		(243)	£109k C/F for outstanding GHB roofing contract. £1.361m C/F for the Seagers Kitchens and Bathrooms contract. £5k for outstanding CO2 installs on the Signix contract.
Other Maintenance Work	1,564	190	1,754	718	-	-	(1,036)	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	-	80	80	-		80	-	
Disabled adaptations to council dwellings	200	300	500	441		59	-	
New Build and Acquisitions								
New build programme inc acquisitions	12,223	23,651	35,874	17,668		18,205	(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	17,484	25,640	43,123	21,962	1,475	18,388	(1,298)	

4. HRA Reserves

MSDC HRA Reserves 2022/2023				
	Balance at 1 April 2022	Transfers to	Transfers from	Balance at 1 April 2023
	£'000	£'000	£'000	£'000
Working Balance	(1,209)			(1,209)
Strategic Reserves	(5,737)		743	(4,994)
Building Council Homes Programme (BHCP) Reserve	(20)			(20)
Leaseholder Reserve	(26)			(26)
TOTAL RESERVE BALANCES	(6,992)	-	743	(6,249)