

**Housing Revenue
Account (HRA)
Financial Monitoring
Quarter 1 2023/24**

**Babergh District Council
September 2023**



1. Background

Background

1. The financial position of the HRA for 2023/24 should be viewed in the context of the 30-year business plan. The budget set in February 2023 showed a forecast deficit position for 2023/24 of £602k.
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) has reduced during 2023 from the peak of 11.1% in October 2022. For the 12 months to July 2023 CPI increased 6.8%, down from 7.9% in June.
4. An estimated £1,925 pay increase for 2023/24 has been reflected in the forecast.
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 Quarter 1 position 2023/24

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 2023 to June 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 projected net deficit of £907k for 2023/24, a variance of £305k compared to the budget deficit of £602k.
4. The key variances that make up this projected overspend are shown in the following section of this report. The projection is based on current trends and so may fluctuate as the year progresses.

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 and actual spend for 2023/24 for the HRA Capital Programme are shown in section 3.

2. Housing Revenue Account (HRA)

| | Budget | Forecast | Variance | % |
|---------------------|----------|------------------------|--------------------------------------|----------|
| | £'000 | Q1 2023/24 £'000 | (underspend) / overspend £'000 | variance |
| Dwelling Rents | (18,740) | (18,807) | (67) | 0% |
| Service Charges | (607) | (639) | (32) | 5% |
| Non Dwelling Income | (238) | (224) | 14 | -6% |
| Other Income | (67) | (66) | 1 | -2% |
| Interest Received | (10) | (10) | - | 0% |

Dwelling rents: Includes £42k increase in number of Shared Ownership properties, £15k Sheltered Accommodation prior year correction and £10k further rental income.

Housing Management: £33k additional spend to support Management of Building Services Transformation.

| | | | | |
|---------------------|-----------------|-----------------|-------------|-----------|
| Total Income | (19,662) | (19,746) | (84) | 0% |
|---------------------|-----------------|-----------------|-------------|-----------|

Building Services:

- £280k increased employment costs for new Consultant Building Services Surveyors
- Corporate Manager and additional Agency Costs to give time to fill permanent positions

- £30k payments to tenants
- £14k inflationary increases to supplies and services

| | | | | |
|---|---------------|---------------|------------|-----------|
| Housing Management | 5,158 | 5,196 | 38 | 1% |
| Building Services | 4,999 | 5,323 | 324 | 6% |
| Repairs and Maintenance (all areas except Trades Team) | 1,030 | 1,057 | 27 | 3% |
| Depreciation | 4,817 | 4,817 | - | 0% |
| Interest payable | 3,068 | 3,068 | - | 0% |
| Revenue Contribution to Capital | 1,092 | 1,092 | - | 0% |
| Bad Debt Provision | 100 | 100 | - | 0% |
| Total Expenditure | 20,264 | 20,653 | 390 | 2% |

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

| | | | | |
|-------------------------------------|------------|------------|------------|--|
| Deficit / (Surplus) for Year | 602 | 907 | 305 | |
|-------------------------------------|------------|------------|------------|--|

3. HRA Capital

| CAPITAL PROGRAMME 2023/24 | Original Budget | Carry Forwards / Budget Adjustments | Current Budget | Actual at end Q1 | Full Year Forecast at Q1 | Variance after Carry Forwards (underspend) / overspend | Explanation of Significant Variances / Carry Forwards |
|--|-----------------|-------------------------------------|----------------|------------------|--------------------------|--|---|
| HOUSING REVENUE ACCOUNT | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Housing Maintenance | | | | | | | |
| Planned maintenance | 3,326 | 1,323 | 4,649 | 421 | 4,649 | - | It is projected that the budget will be completely spent or committed in 2023/24. This is subject to change at quarter 2, when the ability to procure new contracts will be clearer. |
| Other Maintenance Work | 2,000 | 33 | 2,033 | 146 | 1,950 | (83) | It is projected that the budget will be completely spent or committed in 2023/24. This is subject to change at quarter 2, when the ability to procure new contracts will be clearer. |
| ICT Projects | 163 | 44 | 207 | 8 | 207 | - | Van tracker and scheduler scheme approx. £2k and renewal / upgrading of mobile devices for the Trades Team £7k. £8k required for NoiseApp purchase, set up and first year costs to be spent in 2023/24. A further quarter of the Acuity costs to be paid approx. £3k. The remaining budget is expected to be spent on Building Services IT requirements. |
| Environmental (Neighbourhood) Improvements | 500 | 1,368 | 1,868 | - | 1,868 | - | Community led projects have so far identified six sites for environmental works. Consultation and the surveying work to commence soon. The intention is to spend or have the budget fully committed in 2023/24 |
| Disabled adaptations to council dwellings | 400 | 49 | 449 | 167 | 532 | 83 | Budget increase of £83k required in 2023/24 to clear the backlog of Flush Floor Showers, Wet Rooms etc. |
| Horticulture and play equipment | 220 | 130 | 350 | - | 350 | - | This is a large project involving colleagues from the housing team and the wider organisation. In year 1 we expect to spend as beneath with the remainder spent in 24/25 along with any further capital we are able to secure. In Year 1 the following works are estimated: Essex Drive Jr - £20k; Mountbatten Close, Hawkins Rd & Hawkins Close - £60k; Uplands Road - £75k and Poplar Road - £75k |
| New build programme inc acquisitions | 802 | 6,853 | 7,655 | (144) | 7,655 | - | Bulk for Babergh is new builds at Uplands and S106 scheme at Lavenham which is currently on site and scheduled to complete by Q3. Uplands is in early design stage and likely to be onsite in Q4 or 24/25. Monks Eleigh scheme £700k approx is currently on hold due to issues with developer. |
| Total HRA Capital Spend | 7,411 | 9,800 | 17,211 | 598 | 17,211 | 0 | |

4. HRA Reserves

| BDC Reserves 2023/2024 | Balance at 1 April 2023 | Transfers to | Transfers from | Balance at 1 April 2024 |
|---|-------------------------------|-----------------|-------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Working Balance | (1,000) | | | (1,000) |
| Strategic Reserves | (15,189) | | 907 | (14,282) |
| Building Council Homes Programme (BHCP) Reserve | (20) | | | (20) |
| | | | | |
| TOTAL RESERVE BALANCES | (16,209) | - | 907 | (15,302) |