

**Housing Revenue  
Account (HRA)  
Financial Monitoring  
Quarter 3 2023/24**

**Babergh District Council  
March 2024**



# 1. Background

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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 December 2023 CPI increased 4%, up from a 12-month low of 3.9% in November.
4. The pay review and £1,925 pay increase for 2023/24 have 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 3 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 December

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 £1,218k for 2023/24, a variance of £616k 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	Outturn 2023/24	Variance (underspend) / overspend	% variance
	£'000	£'000	£'000	
Dwelling Rents	(18,740)	(18,817)	(76)	0%
Service Charges	(607)	(646)	(39)	6%
Non Dwelling Income	(238)	(224)	14	-6%
Other Income	(67)	(47)	20	-30%
Interest Received	(10)	-	10	-100%

<b>Total Income</b>	<b>(19,662)</b>	<b>(19,733)</b>	<b>(71)</b>	<b>0%</b>
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Housing Management	5,158	4,897	(260)	-5%
Building Services	4,999	5,663	664	13%
Repairs and Maintenance (all areas except Trades Team)	1,030	1,200	171	17%
Depreciation	4,817	4,817	-	0%
Interest payable	3,068	3,303	235	8%
Revenue Contribution to Capital	1,092	970	(122)	-11%
Bad Debt Provision	100	100	-	0%
<b>Total Expenditure</b>	<b>20,264</b>	<b>20,951</b>	<b>688</b>	<b>3%</b>

<b>Deficit / (Surplus) for Year</b>	<b>602</b>	<b>1,218</b>	<b>616</b>	
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**Dwelling rents:** £47k increase in number of Shared Ownership properties and £30k rental income due to 34 new affordable properties since number of budgeted properties taken as at September 2022.

**Service Charges:** £16k increase in Leaseholder Service Charges, £10k reduction in voids and £13k increased utility charges

**Other Income:** £13k reduction in income expectation of Wayleaves and Easements, plus legal fees received and £7k increase in Leaseholder rent.

### Housing Management:

- (£341k) salary adjustment between Management and Building Services for Pay Review
- (£120k) correction to budget for HRA Other Temp Accommodation
- (£112k) savings made to Consultancy fees
- (£91k) adjustment to recharges

- (£79k) reduction in utility costs due to prices dropping rather than increasing further
- (£36k) other small savings
- (£26k) delayed sheltered furniture replacement programme
- £391k increased fire prevention costs
- £91k additional BS Transformation costs
- £63k salary increases post Pay Review

### Building Services:

- £341k salary adjustment between Management and Building Services for Pay Review
- £205k increase Property Servicing on heating

- £69k payments to tenants
- £45k reduction in income for renewable heat incentive
- £4k other small increases

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

**Interest Payable:** Recalculation of charges include short term borrowing at 5.25%

# 3. HRA Capital

CAPITAL PROGRAMME 2023/24	Original Budget	Carry Forwards / Budget Adjustmen ts	Current Budget	Actual at end Q3	Full Year Forecast at Q3	Contractual Carry Forwards	Variance after Carry Forwards (underspen d) / overspend	Explanation of Significant Variances / Carry Forwards
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Housing Maintenance</b>								
Planned maintenance	3,326	1,323	4,649	2,234	4,415		(234)	The overall maintenance budget will be completely spent or committed in 2023/24. This is subject to change whilst work to procure new contracts is carried out.
Other Maintenance Work	2,000	33	2,033	1,700	2,267		234	The overall maintenance budget will be completely spent or committed in 2023/24. This is subject to change whilst work to procure new contracts is carried out.
ICT Projects	163	44	207	120	325		118	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	3	100	1,768	(1,768)	Community led projects have so far identified six sites for environmental works. Whilst we hoped to be able to commit all the money by year end, this has not been possible and the majority of spend will be carried forward due to project timelines.
Disabled adaptations to council dwellings	400	49	449	512	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	(350)	This is a large project involving colleagues from the housing team and the wider organisation. The payment for the first planned works will take place later than March, so we will need to move the full budget over to 24/25 with the overall project probably going on until 25/26
New build programme inc acquisitions	802	6,853	7,655	565	895	1,761	(6,760)	Bulk for Babergh is New Builds at Uplands and S106 scheme at Lavenham which is currently on site and scheduled to complete in 24/25. Uplands is in early Design stage and likely to be onsite in 24/25. Monks Eleigh scheme £700k approx is currently on hold due to developer going into Administration. As per Business Plan from Assets team.
<b>Total HRA Capital Spend</b>	<b>7,411</b>	<b>9,800</b>	<b>17,211</b>	<b>5,135</b>	<b>8,533</b>	<b>3,879</b>	<b>(8,677)</b>	

## 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	(15,093)	(1,025)	1,218	(14,900)
Building Council Homes Programme (BHCP) Reserve	(20)			(20)
Big 20'	(96)			(96)
<b>TOTAL RESERVE BALANCES</b>	<b>(16,209)</b>	<b>(1,025)</b>	<b>1,218</b>	<b>(16,016)</b>