



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

**Mid Suffolk District Council
March 2024**



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 £816k.
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) 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 3,000 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.

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 from April 2023 to December 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 projected net deficit of £3,364k for 2023/24, a variance of £672k compared to the budget deficit of £2,549k. This is an increased deficit of £1,876 to the Q2 position due to updated interest payable calculation.
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 at Q3 for the HRA Capital Programme are shown in section 3. We have re-phased £23m of the £40.21m budget for new builds and acquisitions to subsequent financial years.

2. Housing Revenue Account (HRA)

Dwelling rents: Increase in rental income due to 87 new affordable properties since number of budgeted properties taken as at September 2022.

Service Charges: £29k reduction in voids and £27k increased utility charges incorrectly reflected in budget, partially offset by £12k Leaseholders Service Charges adjustment.

Non Dwelling Income: £9k increase in Garage rents

Housing Management:

- (£321k) salary adjustment between Management and Building Services for Pay Review
- (£84k) correction to budget for HRA Other Temp Accomodation
- (£130k) savings made to Consultancy fees
- (£91k) adjustment to recharges
- (£64k) reduction in utility costs due to prices dropping rather than increasing further
- (£65k) delayed sheltered furniture replacement programme
- £429k increased fire prevention costs
- £91k additional BS Transformation costs
- £2k other small increases

Building Services:

- £321k salary adjustment between Management and Building Services for Pay Review
- £450k increase Property Servicing on heating
- £79k purchase of equipment
- £41k payments to tenants
- £35k reduction in income for renewable heat incentive
- £21k Council tax payable on void properties
- £21k contracted services for procurement services, sewage treatment etc
- £16k 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%

	Budget £'000	Outturn 2023/24 £'000	Variance (favourable) / adverse £'000	% variance
Dwelling Rents	(16,245)	(16,591)	(345)	2%
Service Charges	(708)	(752)	(44)	6%
Non Dwelling Income	(396)	(405)	(9)	2%
Other Income	(61)	(52)	9	-15%

Total Income	(17,410)	(17,799)	(389)	2%
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Housing Management	5,137	4,902	(235)	-5%
Building Services	4,897	5,881	984	20%
Repairs and Maintenance (all areas except Trades Team)	765	1,017	252	33%
Depreciation	4,617	4,617	-	0%
Interest payable	2,700	4,646	1,946	72%
Revenue Contribution to Capital	-	-	-	0%
Bad Debt Provision	100	100	-	0%
Total Expenditure	18,216	21,163	2,947	16%

Deficit / (Surplus) for Year	806	3,364	2,559	
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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	
Housing Maintenance								
Planned maintenance	2,276	1,475	3,750	2,113	2,818		(933)	It is hoped that the 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	1,880	-	1,880	1,446	1,928		48	It is hoped that the 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	114	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	40	80	120	-	100	20	(20)	Environmental improvement requirements to be identified. £100k of budget expected to be spent or fully committed in 2023/24
Disabled adaptations to council dwellings	400	59	459	448	459		0	Budget expected to be spent in 2023/24 clearing the backlog of Flush Floor Showers and Wet Rooms etc.
New build programme inc acquisitions	22,005	18,205	40,210	9,257	17,748	594	(22,462)	£7m is for Elmswell scheme - this is subject to Cabinet decision in August whether it proceeds. Harleston corner scheme is currently in design stage and unlikely to be on site until Q4. Still awaiting planning for this. Number of S106 schemes are in progress and onsite. Some delays due to contract reprogramming. Significant spend expected. Two further Land-led schemes at Walsham-le-Willows and Barham are currently programmed for 24/25 onwards subject to the HRA business plan. Paddock House is scheduled to start later this year. Currently forecasting £20m spend this FY and the remaining £20m has been rephased into future years . As per Business Plan from Assets team.
Total HRA Capital Spend	26,763	19,863	46,626	13,377	23,378	614	(23,248)	

4. HRA Reserves

MSDC Reserves 2023/2024	Balance at 1 April 2023	Transfers to	Transfers from	Balance at 1 April 2024
	£'000	£'000	£'000	£'000
Working Balance	(1,209)		209	(1,000)
Strategic Reserves	(4,667)	(487)	3,291	(1,863)
Building Council Homes Programme (BHCP) Reserve	(20)			(20)
Leaseholder Reserve	(26)			(26)
TOTAL RESERVE BALANCES	(5,922)	(487)	3,500	(2,909)