

HOUSING MANAGEMENT ADVISORY BOARD – 12 JULY 2023

HOUSING REVENUE ACCOUNT OUTTURN POSITION 2022/23

This report details the Housing Revenue Account outturn for 2022/23 for revenue and capital expenditure.

Revenue Balances Outturn 2022/23

1 The Housing Revenue Account Outturn for 2022/23 is a surplus of £2,214k compared with a budgeted break-even position. There were no carry forward budget requests. The full outturn position is detailed in Appendix 1.

2 The HRA has three funds:

HRA Balance – general balance/recommended as being a minimum of £110 per property.

HRA Financing Fund – where balances more than the £110 per property are kept.

Major Repairs Reserve – funded from the depreciation calculation in the HRA. This is a fund restricted in legislation to financing capital expenditure and loan repayment only.

The overall level of balances at the end of the 2022/23 financial year totalled £21,871k.

2021/22 Actual	Housing Revenue Account	2022/23 Original Budget	2022/23 Outturn
£000		£000	£000
(609)	HRA Balance at beginning of year	(609)	(606)
(2,942)	(Surplus)/Deficit for the year	0	(2,214)
2,945	Transfer to/from Reserves	5	2,217
(606)	HRA Balance at end of year	(604)	(603)
(11,631)	HRA Financing Fund at beginning of year	(11,631)	(14,576)
(2,945)	Transfer to/from Reserves	5	(2,217)
0	Revenue Contribution to Capital	1,587	0
(14,576)	HRA Financing Fund at end of year	(10,049)	(16,793)
(4,248)	Major Repairs Reserve at end of year	(3,210)	(4,475)
(19,430)	Overall HRA balances at end of the year	(13,863)	(21,871)

3 The HRA owes £79m in loans following the self-financing settlement in 2012 and, as well as paying the interest due, the principal amounts borrowed will either, in time, need to be refinanced or paid back. The first loan to be paid back following the self-financing settlement is in 2024/25. The money required to pay back the debt will be from HRA Reserves. This is to fund future investment and be used to

repay the £79m of debt capital the HRA has. The first loan is due to be repaid back in 2024/25.

- 4 The higher level of balances, coupled with the increase in interest rates has meant investment income was £501k compared with a budgeted amount of £15k. which was £486k higher.

Revenue Variances

- 5 Appendix 2 details the controllable cost outturn for the HRA as of 31 March 2023. This shows the controllable budgets and actuals as they were presented within the monitoring reports during the year.
- 6 Supervision and Management (excluding recharges) £154k overspend (4% of the budget). This includes salaries £201k (8%) where the pay award was higher than budgeted. Various underspends reduced this to £154k.
- 7 Repairs and Maintenance (excluding recharges) £251k overspend (4% of the budget) This includes an overspend of salaries £115k, (4%) due to the pay award. Other overspends were in General repairs, relet repairs, and planned maintenance.
- 8 Allocations and Lettings (excluding recharges) £156k underspend (18%). Salaries were underspent by £37k (5%). Grant income of £107k (100%) was used to fund additional temporary salary posts. Additional various underspends of £12k.
- 9 Housing Strategy (excluding recharges) £71k underspend (58%). This included salaries of £57k (57%) and Policy/Consultant Fees £14k (63%).
- 10 Rents, Rates, and other charges (excluding recharges) £213k overspend (73%). Due to the higher voids position, Council Tax payments on empty properties was higher by £213k (73%) than the budgeted position.
- 11 Net Recharge Cost to the HRA were £423k (28%) greater than the budget which includes a realignment of time allocations following the senior management team restructure. These exclude Pension recharges totalling (£605k) and Accumulated Absences £18k which do not impact on the bottom-line of the HRA. Revaluations were reversed out and do not affect the HRA outturn position.

Rent and rent arrears

- 12 The 2022/23 rent income for dwellings was £367k (1.72%) lower than the budget owing to higher voids (empty properties) which was £1,450k against a budget of £1,083k (134%). A plan is in place to reduce the time properties spend in re-let. The number of allocations officers has been increased. A contractor has been appointed to undertake major void works and additional permanent in-house operative posts have been created.
- 13 Right to buy sales were budgeted at 40 sales, compared with 28 actual sales. An additional 5 properties were added to the HRA.

14 The rent arrears position is:

2021/22 £'000		2022/23 £'000
	Arrears at 31st March:	
681	Current Tenants	538
381	Former Tenants	445
1	Garages and Shops	1
1,063		984
93	Court Costs arrears	97
148	Rent Write-offs	139
33	Rechargeable Repairs Write-offs	36
1,306	Bad Debt Provision	1,144

15 As a percentage of dwelling rents, the total arrears including court costs is 5.15% compared with 5.60% in 2021/22.

16 The numbers of tenants receiving universal credit (UC) continues to rise slowly. During the year numbers increased by 138 to 1,774 at the end of March 2023. Total UC rent arrears have decreased as have overall current arrears and stood at £401k at the end of the year. The average debt of a tenant receiving universal credit at the end of the year was £531. UC is paid to the claimant as a single monthly payment in arrears. It takes at least five weeks for the Department for Work and Pensions to assess a claim and for tenants to receive their first payment of the benefit. A rent debt is often accrued as a result. In some instances, on receipt of the benefit tenants do not pay the rent to the council. Advice and support are offered to all tenants moving to universal credit by the landlord services' financial inclusion and tenancy support teams. Where tenants have vulnerabilities and/or owe eight or more weeks' rent our universal credit officer makes applications to the DWP to switch payment of the housing element of UC from the tenant to the council. Rent recovery action is taken where necessary.

Capital Outturn

17 The outturn for Capital expenditure was £3,990k against a budget of £12,034k, a variance of £8,044k. Slippage of £3,675k was approved to be carried forward into the 2023/24 Capital Programme.

18 Capital expenditure and slippage is detailed in Appendix 3.

19 The movement in the Major Repairs Reserve was:

2021/22 £'000		2022/23 £'000
(3,210)	Balance at 1st April	(4,248)
(3,680)	Transfer to Major Repairs Reserve	(3,991)
2,642	Capital Expenditure funded from Major Repairs Reserve	3,764
(4,248)	Balance at 31st March	(4,475)

20 The HRA contributed £3,991k into the Major Repairs Reserve via Depreciation. The balance of £4,475k is the unspent amount carried forward to 2023/24. This reserve finances capital expenditure and the repayment of debt, in accordance with the HRA Business Plan.

21 The HRA Capital Programme was financed as per the table below, predominantly from the Major Repairs Reserve.

	2022/23 £'000
Capital Expenditure	3,990
<u>Financed By:</u>	
Major Repairs Reserve	3,764
HRA Capital Receipts	226
	3,990

22 The Revenue Contribution to Capital budget of £3,197k from the HRA and £1,587k from the Housing Financing Fund were not required. This is the principal reason for the large underspend in the Housing Revenue Account in 2022/23.

Report prepared by Ian Allwyn, Group Accountant
01509 634824
ian.allwyn@charnwood.gov.uk

Appendix 1 – Housing Revenue Account

2021/22 Actual	Housing Revenue Account	2022/23 Original Budget	2022/23 Outturn	2022/23 Variance Underspend (Overspend)
£000		£000	£000	£000
	Expenditure			
5,762	Supervision and Management	5,438	6,052	(614)
7,088	Repairs and Maintenance	6,803	7,626	(823)
277	Rents, Rates and other charges	291	505	(214)
97	Provision for Bad Debts and Other Charges	318	13	305
3,680	Depreciation	3,641	3,991	(350)
(5,488)	Net Revaluation increase of non-current assets	0	(331)	331
10	Debt Management Expenses	10	22	(12)
11,426	Expenditure Sub-total	16,501	17,878	(1,377)
	Income			
(20,637)	Dwelling Rent Income	(21,368)	(21,001)	(367)
(348)	Shops, Land and Garages Rent	(390)	(398)	8
(49)	Warden Service Charges	(51)	(47)	(4)
(312)	Central Heating and Communal Charges	(310)	(316)	6
(196)	Leasehold Flat and Shop Service Charges	(143)	(198)	55
(27)	Hostel Service Charges	(25)	(24)	(1)
(8)	Council Tax recharged	(9)	(8)	(1)
(21,577)	Income Sub-total	(22,296)	(21,992)	(304)
(10,151)	Net Cost/(income) of service	(5,795)	(4,114)	(1,681)
(91)	Transfer from General Fund - Grounds Maintenance	(85)	(80)	(5)
2,700	Interest Payable	2,698	2,737	(39)
(45)	Investment Income	(15)	(501)	486
(7,587)	Net Operating Expenditure/(Income)	(3,197)	(1,958)	(1,239)
0	Revenue Contribution to Capital	3,197	0	3,197
(859)	Pension Adjustment	0	(605)	605
(16)	Accumulated Absence Adjustment	0	18	(18)
5,488	Reversal of Gain on Revaluation	0	331	(331)
4,645	Appropriations	3,197	(256)	3,453
(2,942)	(Surplus)/Deficit for the year	0	(2,214)	(2,214)

Appendix 2 Controllable Budget Variances – Housing Revenue Account

Charnwood Borough Council HRA Revenue Monitoring Report as at March 2023 Period (202213) Based on Original Budget	Full Year Budget £000's	Year-to-Date (YTD)			YTD Variance as % of YTD Budget
		Amount £000's	Current Budget £000's	Variance Under/ (Over) £000's	
<i>General Management</i>					
Repairs & Maintenance					
Employee Related Costs	2,742	2,857	2,742	(115)	-4.2%
All Other Controllable Costs	3,407	3,524	3,407	(117)	-3.4%
Controllable Income	(54)	(35)	(54)	(19)	35.2%
Total Repairs & Maintenance	6,095	6,346	6,095	(251)	-4.1%
Allocations & Lettings					
Employee Related Costs	821	784	821	37	4.5%
All Other Controllable Costs	33	21	33	12	36.4%
Controllable Income	0	(107)	0	107	0.0%
Total Allocations & Lettings	854	698	854	156	18.3%
Housing Strategy					
Employee Related Costs	100	43	100	57	57.0%
All Other Controllable Costs	22	8	22	14	63.6%
Total Housing Strategy	122	51	122	71	58.2%
Supervision & Management					
Employee Related Costs	2,565	2,766	2,565	(201)	-7.9%
All Other Controllable Costs	1,585	1,502	1,585	83	5.2%
Controllable Income	(234)	(199)	(234)	(35)	15.0%
Total Supervision & Management	3,916	4,070	3,916	(154)	-3.9%
<i>Total General Management</i>					
	10,987	11,165	10,987	(178)	-1.6%
<i>Rents, Rates and Other Charges</i>					
Rents, Rates and Other Charges					
All Other Controllable Costs	291	505	291	(213)	-73.3%
Total Rents, Rates and Other Charges	291	505	291	(213)	-73.3%
<i>Total Rents, Rates and Other Charges</i>					
	291	505	291	(213)	-73.3%
Grand Total					
	11,279	11,670	11,279	(391)	-3.5%
Income					
Dwelling Rent Income - Gross	(22,451)	(22,452)	(22,451)	1	0.0%
Dwelling Rent Void loss	1,083	1,450	1,083	(368)	-34.0%
Net Dwelling Rent Income	(21,368)	(21,001)	(21,368)	(367)	1.7%
Non-Dwelling Rent					
Non-Dwelling Rent	(582)	(579)	(582)	(3)	0.5%
Non-Dwelling Rent Void Loss	192	180	192	11	6.0%
Net Non Dwelling Rent Income	(390)	(398)	(390)	8	-2.1%
Charges for Services & Facilities - Charge					
Charges for Services & Facilities - Charge	(678)	(754)	(678)	76	-11.3%
Charges for Services & Facilities - Void Loss	142	162	142	(20)	-14.0%
Net Charges for Services and Facilities	(536)	(593)	(536)	57	-10.6%
Total Income					
	(22,294)	(21,992)	(22,294)	(302)	1.4%

Appendix 3 – HRA Capital Plan Outturn 2022/23

	Current Budget	Actual Spend 31/3/23	Balance	Slippage into 2023/24 Requested	Under/ (Overspend)
	£	£	£	£	£
HRA - Housing Revenue Account					
Capital Schemes					
Major Adaptations	700,000	538,837	161,163	161,200	-37
Minor Adaptations	50,000	1,414	48,586	0	48,586
Stairlifts	60,000	56,871	3,129	0	3,129
Major Voids	420,000	43,970	376,030	376,000	30
Compliance					
Asbestos Removal	250,000	200,966	49,034	50,000	-966
Communal Area Improvements	300,000	109,682	190,318	200,000	-9,682
Communal Area Electrical Upgrades	200,000	133,103	66,897	0	66,897
Smoke/CO & Heat Detection	149,800	19,907	129,893	0	129,893
Fire Safety Works	100,000	81,379	18,621	0	18,621
Stock Maximisation					
Garages	50,000	0	50,000	0	50,000
Decent Homes					
Kitchens	767,000	59,069	707,931	0	707,931
Bathrooms	1,478,100	195,906	1,282,194	0	1,282,194
Electrical Upgrades	212,500	49,546	162,954	0	162,954
Electrical Upgrades	0	800	-800	0	-800
Window Replacement	213,300	3,033	210,267	0	210,267
Heating	710,400	694,545	15,855	0	15,855
Sheltered Housing Improvements	50,000	45,371	4,629	0	4,629
Door Replacement	850,000	129,577	720,423	0	720,423
Roofing Works & Insulation	920,000	171,715	748,285	0	748,285
Major Structural Works	250,000	301,813	-51,813	0	-51,813
General Capital Works					
Estate and External Works	205,000	2,840	202,160	100,000	102,160
Housing Capital Technical Costs	312,000	179,812	132,188	0	132,188
Door Entry Systems	230,000	262,323	-32,323	0	-32,323
Acquisition of Affordable Housing to meet housing need	3,302,700	563,988	2,738,712	2,738,700	12
Acquisition of Dwellings - S106	1,200	0	1,200	1,200	0
Mobility Scooter Storage	15,000	0	15,000	15,000	0
Delivery of Stock Condition Survey and Associated Costs	204,000	143,804	60,196	0	60,196
Digital Filing - HRA Software	33,200	0	33,200	33,200	0
HRA - Total	12,034,200	3,990,271	8,043,929	3,675,300	4,368,629