

## **Meeting of the Cabinet – 25th October 2023**

### **Joint Report of the Director of Housing and Community Services and the Director of Finance and Legal**

#### **2023/2024 Housing Revenue Account Forecast Outturn**

##### **Purpose**

1. To present the latest revenue outturn for the Housing Revenue Account (HRA) for 2023/24.

##### **Recommendation**

2. That Cabinet note the latest HRA outturn forecast for 2023/24 (paragraph 6 and Appendix 1).

##### **Background**

3. The HRA is a ring-fenced revenue account and deals with landlord functions associated with public sector housing. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

##### **HRA Outturn Forecast 2023/24**

4. The 2023/24 budget approved by Council on 28th February 2023 forecast a surplus on the HRA of £0.8m at 31st March 2024. This included a 7% rent increase. There are now a number of variations expected to the income and expenditure as shown below and further details are shown in Appendix 1.

	<b>Budget 23/24 £m</b>	<b>Forecast 23/24 £m</b>	<b>Variance 23/24 £m</b>
<b>Total income</b>	<b>(98.4)</b>	<b>(98.4)</b>	<b>0.0</b>
<b><u>Expenditure</u></b>			
Finance	2.5	2.5	0.0
Community Safety	1.4	1.4	0.0
Strategy	2.0	1.9	(0.1)
Management & Admin	8.1	8.4	0.3
Community Housing	11.2	11.5	0.3
Technical adjustments	0.9	0.9	0.0
Responsive and cyclical repairs (Maintenance)	20.6	26.2	5.6
Programmed Investment Works (Development)	5.8	3.9	(1.9)
Depreciation and impairments of fixed assets	25.7	26.1	0.4
Interest Payable	17.7	17.8	0.1
Revenue Contribution	0.0	0.0	0.0
Capital Expenditure			
Other Expenditure	1.7	1.4	(0.3)
<b>Total expenditure</b>	<b>97.6</b>	<b>102.0</b>	<b>4.4</b>
<b>Total: (surplus) or deficit for the year</b>	<b>(0.8)</b>	<b>3.6</b>	<b>4.4</b>

5. The latest forecast for 2023/24 includes the following key variations to the budget:

- Reduced income due to voids being higher than budgeted, stock sales and profiling £0.8m,
- Increased interest on balances (£0.8m)
- Stock condition survey £3.3m
- Management capacity and expertise £0.7m
- Net recovery revenue works £0.7m
- Total savings from vacancies £0.5m after avoiding a cost pressure of up to £0.8m due to the latest employee offer being higher than the 4% budgeted.
- Increased depreciation due to inflationary impact £0.4m
- Increased borrowing costs due to rising interest rates £0.1m.
- Refund from triannual pension settlement (£0.3m)

6. The impact on HRA general balances is shown below:

	<b>Budget £m</b>	<b>Latest Forecast £m</b>
Forecast Balance at 31 March 2023	2.2	2.2
2022/23 outturn		2.9
<b>Balance at 31<sup>st</sup> March 2023</b>	2.2	5.1
Planned use of balances	(0.8)	(0.8)
Forecast variance against budget 2023/24		4.4
<b>Balance at 31 March 2024</b>	<b>3.0</b>	<b>1.5</b>

7. In addition there are forecast earmarked balances at 31st March 2024, mainly resulting from externally funded grants £2.6m.
8. Inflationary pressures are expected to continue into 24/25 and increasing interest rates are causing an adverse impact on overall budget. Further work is being undertaken to assess these pressures and a draft HRA budget will be brought to Cabinet in December.
9. Forecast reserve balances are less than budgeted figures for March 2024, and are forecast to stand at 1.5% of income. Across England HRA's with similar income profiles hold an average reserve of £30.5m or 34% of income. Local comparators hold on average a reserve equalling 11% of income.

### **Finance**

10. This report is financial in nature and relevant information is contained within the body of the report.

### **Law**

11. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing. The HRA also has to be mindful of the Department of Levelling Up, Housing and Communities guidance on the operation of the HRA ring-fence published in November 2020.

## **Risk Management**

12. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. This risk is allocated the highest possible rating of 25.
13. The Directorate Risk Register includes strategic risks relating to managing HRA budgets and managing housing compliance and the associated costs. These risks are reviewed and monitored monthly by the Directorate Management Team and also through the Housing Recovery Governance Group

## **Equality Impact**

14. The proposals take into account the Council's Policy on Equality and Diversity and Equality Impact Assessments will be completed as required where changes to service provision are proposed.
15. This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure are intended to promote independence and improve quality of life for protected groups.

## **Human Resources / Organisational Development**

16. The employers' flat rate pay offer is (in percentage terms) more valuable at the bottom end of the scale than at the top end, reflecting the fact that the cost of living crisis impacts most severely on low income households.

## **Commercial / Procurement**

17. This report relates to our statutory functions as a social housing landlord and there are no direct commercial implications.

## **Environment / Climate Change**

18. Individual projects and major schemes are assessed for their environmental impact before they commence. The Council is committed to addressing United Nations Sustainable Development Goals including those relating to poverty, health and wellbeing and reducing inequalities.

## **Council Priorities and Projects**

19. This report relates to our statutory functions as a social housing landlord and will contribute to the health, wellbeing, and safety of our tenants. The report supports our aims for Housing summarised in the Council Plan:

- the provision of excellent services for tenants
- offering high quality housing
- supporting vulnerable people



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## **Appendix**

Appendix 1 - HRA Forecast 2023/24 Revenue Outturn

## Appendix 1

### HRA Forecast 2023/24 Revenue Outturn

	<b>Budget 2023/24 £m</b>	<b>Latest Forecast 2023/24 £m</b>	<b>Forecast Variance 2023/24 £m</b>	<b>Comment</b>
<b><u>Income</u></b>				
Dwelling rents	(96.2)	(95.4)	0.8	Higher void losses budgeted 2%, actual 2.5% -£0.5m, stock profile differences: 150 sales £0.5m
Non-dwelling rents	(0.8)	(0.8)	0.0	No material variance, includes Garage and Shop rents
Charges for services and facilities	(0.2)	(0.2)	0.0	No material variance, includes heating and lighting charges
Contributions towards expenditure	(1.1)	(1.1)	0.0	No material variance, includes leaseholder and tenant recharges
Interest on balances	(0.1)	(0.9)	(0.8)	Increased interest rates 1.5% budgeted, 4% actual
<b>Total income</b>	<b>(98.4)</b>	<b>(98.4)</b>	<b>0.0</b>	
<b><u>Expenditure</u></b>				
Finance	2.5	2.5	0.0	Vacancies (£0.1m) offsetting pay award impact £0.1m
Community Safety	1.4	1.4	0.0	Vacancies (£0.1m) offsetting pay award impact £0.1m
Strategy	2.0	1.9	(0.1)	Vacancies (£0.1m)
Management & Admin	8.1	8.4	0.3	Harbour dilapidations £0.3m
Community Housing	11.2	11.5	0.3	Vacancies (£0.1m) offsetting pay award impact £0.2m, Utilities inflation £0.2m

	<b>Budget 2023/24 £m</b>	<b>Latest Forecast 2023/24 £m</b>	<b>Forecast Variance 2023/24 £m</b>	<b>Comment</b>
Repairs Management Centre	0.9	0.9	0.0	Transferred to Dudley Council Plus, and charged through central establishment charges
Responsive and cyclical repairs (Maintenance)	20.6	26.2	5.6	Stock condition survey £3.3m, Management capacity and expertise £0.7m, Recovery revenue works £1.6m
Programmed Investment Works (Development)	5.8	3.9	(1.9)	Vacancies and savings identified to fund recovery works
Depreciation and impairments of fixed assets	25.7	26.1	0.4	Inflation on building components increasing average cost per property
Interest Payable	17.7	17.8	0.1	Increasing interest rates on loans 5% budgeted, 6% actual
Other Expenditure	1.7	1.4	(0.3)	Refund from triannual pension settlement
<b>Total expenditure</b>	<b>97.6</b>	<b>102.0</b>	<b>4.4</b>	
(Surplus) / Deficit in year	(0.8)	3.6	4.4	