

Housing Revenue Account (HRA)

Table 1 - High Level Revenue Summary to Draft Outturn (March 2023)

Revenue Summary	Draft Outturn			Forecast Outturn P9	Movement from P9
	Budget	Outturn	Variance		
Service	£m	£m	£m	£m	£m
Housing Management	4.198	2.471	(1.727)	(1.278)	(0.449)
Asset Management	14.511	16.379	1.868	1.861	0.007
Sheltered Housing	1.533	1.908	0.375	0.450	(0.075)
Housing Regeneration	1.350	1.148	(0.202)	0.039	(0.241)
Housing Systems & Strategy	3.146	2.498	(0.648)	(0.223)	(0.425)
Housing Operations	(51.350)	(52.372)	(1.022)	(0.398)	(0.624)
Prevention & Access	0.251	0.236	(0.015)	(0.012)	(0.003)
Housing Allocations	0.599	0.570	(0.029)	(0.043)	0.014
Learning & Development	0.034	-	(0.034)	-	(0.034)
HRA Revenue Total	(25.728)	(27.162)	(1.434)	0.396	(1.830)
Depreciation (Major Repairs Reserve)	13.800	16.411	2.611	2.740	(0.129)
Revenue Contribution to Capital	4.548	3.371	(1.177)	(3.136)	1.959
HRA Reserves & Technical Total	18.348	19.782	1.434	(0.396)	1.830
HRA Total	(7.380)	(7.380)	-	-	-

Table 2 – High Level Variations

Service Area	HRA	Responsible Officers	Stuart Proffitt, Victoria Collins, Steve Richardson	Outturn Variance	(£1.434m)
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Housing Management – (£1.727m) Underspend

- Interest income of (£1.513m) was received due to increases in interest rates which are applied to cash balances. Interest payable costs were lower (£0.252m), where new loans at the previous year end were secured in advance of increasing interest rates. This is not expected to be ongoing, as cash balances reduce through capital spending and interest rates fall. Opening HRA reserve was £41k lower than budgeted.

Asset Management - £1.868m Overspend

- Underspend of (£0.596m) due to twelve staff vacancies and a review of professional fees as part of a zero-based budgeting exercise of the HRA, six of these vacancies have been permanently deleted due to the overall financial position of the HRA.
- Underspend of (£0.054m) against licences and computer software and (£0.105m) underspend against external specialist consultancy.
- Responsive repairs overspend of £2.648m, which is an increase of £0.979m from the 2021/22 outturn overspend of £1.669m. The overspend is mainly due to essential compliance works to ensure that we continue to deliver to the standards required of the increased regulatory regime and standards for safety in social housing properties and to catch up on backlogs caused by Covid-19. There has also been an increase in spend on exclusions (revenue repairs, over the standard level agreed as part of the main contract sum) – this is in part driven by the impact of Covid backlogs but also reflects our ageing stock profile and level of voids.
- Overspend of £0.080m for council tax charges associated with void properties.
- Underspend of (£0.101m) for costs associated with Mellish Court and The Gables demolitions as both blocks are now in the possession of the contractor. The Gables was demolished in December 22 and Mellish Court is nearing completion.

Sheltered Housing - £0.375m Overspend

- Staff vacancies of (£0.054m) have been identified along with a reduction of (£0.075m) where there was a budget for general supplies, but no costs have been incurred in two consecutive years.
- Increasing costs of utilities has resulted in an overspend of £0.179m for electricity and £0.370m for gas. This is due to the sharp increase in utilities inflation (66% for electricity and 224% for gas). We were not covered under the commercial price cap (announced by government), because our base rate of wholesale costs was low and even with the high inflationary increases, is still below the cap.

- Underspend of (£0.054m) in water charges and minor other movements of £0.009m.

Housing Regeneration – (£0.201m) Underspend

- Development Team has an overspend of £0.198m. Identified capital projects which have incurred costs but are now not proceeding at £0.173m and £0.140m less staff/consultancy costs were transferred to capital reflecting both the (£0.115m) saving in staff costs (as vacancies were held) and the lower development pipeline.
- Regeneration Team has an underspend of (£0.472m) of which (£0.233m) is due to staff vacancies which will be held given the impact of the government's rent cap on HRA resources. While staff costs were transferred to capital (£0.089m), there was also a saving of (£0.150m) in professional fees and hired services due to the lower development pipeline.
- Costs were incurred on flats that were purchased in the previous years where the Council is now the lessee (service charges and management fees). These were previously reported in void costs £0.059m.
- Additional costs were incurred in the Neighbourhood Employment Programme £0.013m.

Housing Systems and Strategy – (£0.648m) Underspend

- There was an underspend of (£0.080m) from salaries, consulting fees, annual license agreement and project consultancy which offset an increase in the cost of systems work, where NEC consultants are helping to configure our expanded use of the housing system.
- There were underspends on internal recharges and internally traded expenditure (£0.070m) and the contingency which was not utilised of (£0.500m).
- Grant was received for 'Tenant Satisfaction Measures New Burden Payments 22/23' which we will utilise in 23/24 (£0.029m) - this has been carried over in the overall HRA balances.

Housing Operations – (£1.022m) Underspend

- The income from service charges was (£0.332m) higher, reflecting the increased service and utility costs (in relation to sheltered and communal areas) as these costs are recovered from specific tenants and leaseholders.
- Decreased rent income of £0.650m of which £0.437m is caused by slippage in the development capital programme (newbuild and modular housing), a higher number of void properties and higher number of stock loss due to right to buy resulting in a forecast overspend of £0.213m.
- Shared Ownership rental income has increased to reflect a catch up on the uplifts applied in this years rent setting (£0.159m). The bad debt provision of (£0.058m) has been released.

- Leaseholder Service charges increased by (£0.345m) reflecting the reconciliation for 21/22 service charges and the issuing of the estimates for 22/23, which fall outside of the normal budget setting timescales.
- Leaseholder Major works completed in 22/23 which have not yet been billed, have resulted in (£0.550m) accrual. Offset by increased provision for bad debts £0.270m as collection action has started and invoices are going out.
- Tenant bad debt provision has reduced by (£0.487m) - the budget was set to include the impact of universal credit, (which has been delayed further into the future) together with the ongoing economic impact of Covid, but collection and recovery has been better than expected.
- Garage rent is £0.047m lower due to higher voids because of reduced demand.
- Commercial rent has reduced by £0.108m due to the decommissioning of Mellish Court and The Gables (telephone mast income) and the void Serpentine commercial units. Business rates liabilities on void commercial properties is £0.054m. This includes units at Serpentine Court as rate losses will continue to be charged until the demolition order is passed. Utility costs of £0.033m have been incurred.
- Caretaking costs have increased by £0.217m, mainly because of utility increases of £0.224m on gas and £0.186m on electricity. This is partially offset by underspends due to staff vacancies (£0.080m) and a reduction in charges for externally provided services, where one contract didn't start until midway through the year (£0.112m).
- Several other teams including Neighbourhoods, Cleaning, and Anti-Social Behaviour have an underspend due to staff vacancies, totalling (£0.177m).
- Home Ownership team has an overspend £0.144m, due to the use of agency staff covering vacancies at £0.174m which was offset by increased income from the right to buy administration fee income of (£0.030m).
- The Income Team is underspent because of less usage of the working tenant support fund (due to sign posting to other funds available) and collection performance remains high (£0.133m).
- Other budgets across several areas (that individually are immaterial) have decreased by (£0.088m).

Housing Allocations – (£0.029m) Underspend

- The downsizing incentive budget has an underspend of (£0.101m) due to less take up but the scheme is currently being re-promoted.
- Staff savings have reduced to (£0.030m) offsetting agency staff costs of £0.101m.

Reserves and Technical Adjustments – Contribution to Reserves £1.434m

- In the HRA, the depreciation charge is added to our major repairs reserve to fund our major component replacement in the capital programme and the charge is a fixed percentage, based on the value of our stock. In 21/22, the year-end valuation on our properties resulted in an increase of £60.000m, and therefore the subsequent depreciation has been increased by £2.611m. This was not included as part of budget setting as the valuation exercise is undertaken after the budget is set.
- The HRA is a ring-fenced account, meaning any funds left over after financing the revenue running costs of the service, are transferred to our capital reserve and when we set the budget this was expected to be £4.548m. However, £2.611m of this will now be transferred to the specific major repairs reserve (as referenced above) due to an increase in stock valuations which drives the cost of component replacements. The effect of the budget variations (outlined above) results in a reduction in the amount of funding able to be transferred to our general capital reserves by (£1.177m), leaving £3.371m to be transferred. The final amount required to finance the capital programme 22/23 will be known in May 23.

Key demand budgets concerns and actions

- The number of voids at end of March was 267 dwellings (including long term voids due to fire or subsistence damage, or those held intentionally, such as Serpentine Court), which is an increase of 2 from last month. Changes are being made on the housing system to allow for better understanding of 'Key-to-Key' times this will allow us to target time and resources to the barriers overcome the areas where delays arise.
- The Service Charge Consultation is now underway (to consider further changes ahead of the 24/25 budget), the third meeting was held on 12 April (at Civic). Further information can be found here: [Service Charge Consultation | Milton Keynes City Council \(milton-keynes.gov.uk\)](https://www.milton-keynes.gov.uk/service-charge-consultation).