Housing Revenue Account (HRA)

Table 1 - High Level Revenue Summary to Period 9 (December 2023)

Revenue Summary	Forecast Outturn P9			Forecast Movements	
	Budget	Forecast	Variance	Forecast Outturn P6	Movement From P6
Service	£m	£m	£m	£m	£m
Tenant and Leaseholder Income	(62.828)	(65.271)	(2.443)	(1.811)	(0.632)
Housing Management	1.728	1.294	(0.434)	(0.434)	0.000
Asset Management	16.686	18.279	1.592	0.480	1.112
Sheltered Housing	2.811	2.670	(0.141)	(0.186)	0.045
Housing Regeneration	0.920	1.010	0.090	0.030	0.060
Housing Systems & Strategy	2.713	2.713	0.000	(0.010)	0.010
Housing Operations	8.901	8.392	(0.509)	(0.711)	0.202
Prevention & Access	0.257	0.257	(0.000)	(0.019)	0.019
Housing Allocations	0.682	0.620	(0.062)	(0.001)	(0.063)
HRA Revenue Total	**(28.130)**	**(30.038)**	**(1.908)**	**(2.662)**	**0.754**
Depreciation (Major Repairs Reserve)	17.036	16.579	(0.458)	(0.458)	0.000
Revenue Contribution to Capital	3.234	5.600	2.366	3.120	(0.754)
HRA Reserves & Technical Total	**20.271**	**22.179**	**1.908**	**2.662**	**(0.754)**
HRA Total	**(7.859)**	**(7.859)**	**0.000**	**0.000**	**0.000**

Table 2 – High Level Variations

Service Area	HRA	Responsible Officers	Stuart Proffitt, Victoria Collins, Steve Richardson	Outturn Variance	**(£1.908m)**

Tenant and Leasehold Income – (£2.443m) Underspend

- Rental income (social, affordable, and shared ownership) is forecast to be £0.213m less than budget, due to higher than anticipated voids (including major voids classified as out of management and Serpentine Court) with 279 units to date compared to a budgeted position of 265 units. There is also anticipated to be higher right to buy (RTB) stock loss with 27 units sold giving an annual projection of 35 units, compared to the originally budgeted position of 27 units as set in February 2023.
- Pencarrow Mews modular income is forecast to be an additional (£0.059m), due to an earlier handover date than had been assumed in the business plan (July instead of October).
- Service charge income for utilities is forecast to be (£0.134m) more than budget due to inflation predictions being higher than assumptions on rates used when setting budget.
- Service charges for caretaking and cleaning is forecast to be (£0.418m) more than budget because of ending the previously agreed capping period on service charge recovery.
- Increased billing of leasehold actual service charges (£0.950m), comprised of permanent (£0.500m) uplift in billing (2023-24+) and one-off (£0.450m) recovery of last years (2022-23) service costs.
- Leasehold major works income is forecast to be £0.208m less than budget due to a duplicated invoice in relation to one major works scheme (Granby door entry works).
- Bad debt provision is forecast to be (£1.208m) less than budget, broken down by:
    - Tenants (£0.587m) - the universal credit migration (replacing housing benefit) has been delayed (now estimated to come into effect next year) and cost of living pressures are contained within the current projections.
    - Leaseholders (£0.462m) and shared ownership (£0.158m), due to improved collection levels driven by enforcement actions and revised business processes. The provision for leaseholders has been reduced from 41% to 10% (projected balance sheet bad debt provision of £0.133m against projected closing high value debt of £1.330m). This is due to increased collection, revised business process and enforcement actions.

Housing Management – (£0.434m) Underspend

- The forecast reflects an increase in interest rates on current balances, this is a one-off increase in the current year as cash balances are utilised and rates start to fall.

Asset Management - £1.592m Overspend

- Asset Management is forecasting an overspend of £0.215m in additional disrepair claims and £0.090m in associated legal costs. Disrepair claims have increased as we continue to work through some historic cases. This level is not expected to continue but we do receive new disrepair claims each month.
- Additional costs of £0.672m is anticipated for monitoring and basic repairs in the Reema blocks and were unforeseen when the budget was initially set. A review to identify the revenue/capital spilt for Reema bocks spend is expected to be completed next month.
- Council tax is forecast to overspend by £0.338m which is due to higher than anticipated voids. Electricity costs on void properties are forecast at £0.040m to cover a backlog in billing and ongoing in-year costs.
- Tenant decant costs is estimated to overspend by £0.109m, an increase of £0.024m from last month due to compensation payments to the tenants in Granby Court due to heating failure in the blocks. The remaining £0.085m increase in decant costs relates to where the tenant's property is not habitable due to property failures.
- Agency staff cost are estimated to be £0.150m over budget. The team is currently going through a restructure, and we expect this to be concluded in early March with recruitment to commence thereafter.
- Repair client costs are forecast to underspend by (£0.100m) due to less spend on subscriptions for example M3 Housing and professional fees being charged elsewhere.
- An underspend of £0.109m for market assessment, consultation and preparatory activities in relation to housing services recommissioning due to complete in April 2024 which started in September 2023. The first consultation on how repairs and maintenance work is commissioned has closed.

Sheltered Housing – (£0.141m) Underspend

- Gas costs show a favourable movement of (£0.161m) because prices were estimated to increase by 6% but they reduced by 13.7% from October 2023. Electricity was expected to increase by 8% from October 2023 and this has resulted in a pressure of £0.036m.
- Permanent savings (£0.055m) in salaries are identified due to the deletion of the Head of Service role, offset by £0.027m overspend in replacement of furniture in Sheltered Housing.

Housing Operations – (£0.509m) Underspend

- Housing Strategy is forecasting an overspend of £0.137m due to increased agency costs and £0.148m of additional legal resources to cover property litigation. This is offset by (£0.032m) grant income from DLUHC to support the work on Tenant Satisfaction Measures. Housing Ombudsman and Inside Housing subscriptions is forecasting an increase of £0.017m.

- Caretaking is forecasting (£0.326m) underspend. This is because budgets for utilities are based on the latest predictions (as above), and results in a favourable forecast of (£0.307m) on gas costs. An increase in agency cost, £0.060m to cover for staff absences is offset by (£0.024m) underspend in salaries due to a vacancy caused by long term sickness. There is a (£0.047m) forecast underspend in waste collection and uniform costs to reflect low spend in current year and the existence of unused stock from last year.
- The Housing Neighbourhood Team is forecasting an overspend of £0.037m. This is due to £0.070m overspend on tenant decants costs. Salaries are underspent by (£0.072m) due to a vacant Business Support Assistant and Neighbourhood Assistant roles. There is £0.047m overspend on external landscaping and tree works.
- Resident involvement is forecasting (£0.063m) underspend due to (£0.015m) underspend in reduced grants being awarded to resident associations. Grants awards has also experienced low bidding from community associations this year, (£0.015m) in reduced external tenant communication such as booklets and leaflets going out to tenants. Salaries are forecast to underspend (£0.030m) due to a vacant Resident Involvement Officer role.
- Cleaning is forecasting an underspend of (£0.079m). This is due to two vacant Caretaking Assistant roles (£0.066m), offset by £0.013m overspend in agency costs. Cleaning and specialist supplies are forecast to underspend by (£0.025m).
- Income and Recovery Team is forecast to be (£0.236m) favourable. This is because the Tenant Welfare Fund is forecast to have a permanent saving (£0.250m) due to low uptake of the service, where the team are signposting to other support available. There is a net £0.029m overspend in court costs which is offset with (£0.015m) underspend in bank charges. The underspend in bank charges is savings from not sending out swipe cards. It is expected that the overspend in court costs will be offset by recharges to tenants, but this is currently being reviewed.

Housing Allocations – (£0.062m) Underspend

- Housing Allocations is forecasting (£0.062m) underspend. This is due to (£0.090m) underspend in salary costs on Allocation Manager and three Allocation Officer roles, offset by £0.067m in agency costs.
- Downsizing incentive payments are underspend by (£0.033m).

Reserves and Technical Adjustments – Increase in Contribution to Reserves £1.908m

- Depreciation is forecast to be (£0.458m) favourable because some assets listed as out of management and known future demolitions have been impaired, resulting in a decrease of the stock value from which depreciation is calculated.
- 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 £3.234m. The effect of the budget variations (outlined above) results in an increase in the amount of funding able to be transferred to our general capital reserves by £2.366m.

Key demand budgets concerns and actions

- The Service Charge Consultation is holding its final meeting under the current setup on 17th January 2024. This will involve a review of what charges are to be administered from April 2024, including how the rent review letter might look. The consultation will continue throughout 2024 but will be based on subject specific areas and will last for shorter periods of time example sinking funds. More information can be viewed here [Service Charge Consultation | Milton Keynes City Council (milton-keynes.gov.uk)]
- The HRA business plan has been updated as part of the budget setting process. The budget shows a balanced position across the MTFP, and we are within the borrowing limit set as part of our Treasury Management Strategy in 2024/25 and 2025/26. However, based on the current core assumptions and stock investment profile, we will exceed our borrowing limit from 2026/27, further work is being finalised on capital spending plans which will enable this to be brought back above the minimum Interest Cover Ratio.