ANNEX C

Housing Revenue Account (HRA)

Table 1 - High Level Revenue Summary to Period 9 (December 2022)

Revenue Summary	Forecast Outturn P9				
	Budget	**Forecast**	**Variance**	**Forecast Outturn P6**	**Movement from P6**
Service	**£m**	**£m**	**£m**	**£m**	**£m**
Housing Management	4.197	2.919	(1.278)	(0.600)	(0.678)
Asset Management	14.511	16.373	1.861	1.883	(0.022)
Sheltered Housing	1.533	1.983	0.450	0.400	0.050
Housing Regeneration	1.350	1.389	0.039	0	0.039
Housing Systems & Strategy	3.146	2.924	(0.223)	0.035	(0.258)
Housing Operations	(51.350)	(51.748)	(0.398)	0.543	(0.941)
Prevention & Access	0.251	0.239	(0.012)	(0.017)	0.005
Housing Allocations	0.599	0.556	(0.043)	0.19	(0.062)
Learning & Development	0.034	0.034	0	0	0
HRA Revenue Total	**(25.728)**	**(25.331)**	**0.397**	**2.264**	**(1.866)**
Depreciation (Major Repairs Reserve)	13.800	16.540	2.740	1.239	1.501
Revenue Contribution to Capital	4.548	1.411	(3.137)	(3.502)	0.365
HRA Reserves & Technical Total	**18.348**	**17.951**	**(0.397)**	**(2.264)**	**1.866**
HRA Total	**(7.379)**	**(7.379)**	**0.000**	**0.000**	**0.000**

Table 2 – High Level Variations

Service Area	HRA	Responsible Officers	Stuart Proffitt, Victoria Collins, Steve Richardson	Outturn Variance	£0.397m

Housing Management – (£1.278m) Underspend

- Interest receivable income of **(£1.131m)** is expected due to increases in interest rates which are applied to cash balances. Interest payable costs are expected to be lower by **(£0.147m)**, where new loans at year end were secured in advance of increasing interest rates. This is not expected to be ongoing as cash balances reduce through capital spending.

Asset Management - £1.861m Overspend

- Underspends of **(£0.439m)** are forecast 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 will be permanently deleted due to the overall financial position of the HRA.
- Responsive repairs are forecast to overspend by **£2.431m**, which is an increase of £0.762m from the outturn overspend of £1.669m in 2021/22. The overspend is mainly due to essential compliance works (which have further increased this year), 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. We have also seen 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.
- Underspend of **(£0.130m)** for costs associated with Mellish and Gables demolition as both blocks are now in the possession of the contractor, with the Gables due to fully demolished in December 22.

Sheltered Housing - £0.450m Overspend

- Staff vacancies of **(£0.054m)** have been identified along with a reduction of **(£0.058m)** where there was a budget for general supplies, but no costs have been incurred in two consecutive years.
- The increasing costs of utilities has resulted in a forecast overspend of **£0.155m** for electricity and **£0.400m** for gas. The current forecast includes the most recent inflation assumptions which are anticipated in October 2022. This sets out that electricity is expecting a 66% increase, and gas will be at 224%. We do not expect to be covered under the commercial price cap (announced by government), because our base rate of wholesale costs was low and with the full increase is still expected to be below the cap.

Housing Regeneration – £0.039m Overspend

- The Development Team has identified capital projects which have incurred costs but are now unlikely to proceed at **£0.172m** and (**£0.050m)** of costs had been forecast in revenue which should have been in capital.
- The Regeneration Team has an underspend of **(£0.101m)** due to vacancies, which will be held given the impact of the government's rent cap on HRA resources.
- **£0.020m** pressure has arisen in relation to Estate Renewal Forums, allowing for a grant of £0.005m each to promote and engage with the local community and raise the level of engagement in our development/regeneration projects. A bid has been submitted under the Shared Prosperity Fund which if successful would be used to fund up to six Estate Renewal Forums.

Housing Systems and Strategy – (£0.223m) Underspend

- Staff savings of (£0.025m) and (£0.016m) over several lines including annual license agreement, consultancy which offset an increase in the Professional Hired Services, where NEC consultants are helping to configure our data.
- The insurance premium retender was (£0.211m) less than budget, offset by £0.030m for the cost of the five-year stock valuation.

Housing Operations – (£0.398m) Underspend

- The forecast income from service charges was increased by **(£0.324m)** to reflect the increased service and utility increases referenced above (in relation to sheltered and communal areas) as these costs are recovered from specific tenants and leaseholders.
- Decreased rent income of **£0.627m** is forecast, of which £0.434m is caused by slippage in the development capital programme (newbuild and modular housing), and higher void properties resulting in a forecast overspend of £0.193m.
- Shared Ownership rental has been increased by **(£0.161m)** to reflect a catch up on the uplifts applied.
- Leaseholder Service charges increased by **(£0.351m)** reflecting the reconciliation for 2021/22 service charges and the issuing of the estimates for 22/23.
- The bad debt provision has been reduced by **(£0.361m)** - 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.
- Caretaking costs have increased by **£0.083m,** mainly because of utility increases of £0.139m on gas and £0.060m on electricity. This is partially offset by underspends of (£0.083m) due to staff vacancies and other services and (£0.033m) in landscaping and other fees.

- Several other teams including Neighbourhoods, Cleaning, and Anti-Social Behaviour are forecasting underspends due to staff vacancies, totalling **(£0.153m)**, most of these posts are currently out for recruitment.
- Garage rent is less than forecast by **£0.036m** due to higher voids because of reduced demand.
- Commercial rent has been reduced by **£0.111m** due to the decommissioning of Mellish & Gables (telephone mast income) and the void Serpentine commercial units. Business rates liabilities on void commercial properties is **£0.046m.** This includes units at Serpentine Court as rates losses will continue to be charged until the demolition order is passed.
- Home Ownership team is forecasting **£0.160m** overspend due to the use of agency staff covering vacancies.
- Other budgets across several areas (that individually are immaterial) have been decreased by **(£0.111m).**

Housing Allocations – (£0.043m) Underspend

- Staff savings have been reduced **£0.030m** and agency staff extended until March 23 at **£0.010m.**
- The downsizing incentive budget has a saving of **(£0.086m)** due to less take up but the scheme is currently being re-promoted.

Reserves and Technical Adjustments – Reduction in Contribution to Reserves (£0.397m)

- 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 £60m, and therefore the subsequent depreciation has been increased by **£2.740m.** 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, £2.740m 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 **(£3.137m)**, leaving £1.411m to be transferred.

Key demand budgets concerns and actions

- The number of voids was 230 dwellings at end of December (including for example long term voids due to fire or subsistence damage, or those held intentionally, such as Serpentine Court), which is a increase of 5 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. In addition, daily tenancies will be implemented with a go live date of February

2023, meaning that a tenancy can start on any day of the week rather than just a Monday and this is also expected to reduce the void turn-around time.

- With the unknown costs of utilities and general cost of living pressures, rent and service charge debt could increase so this will be monitored so that early intervention can be targeted.