Non-key Decision Committee Report

PURPOSE: Non-key decision update report

COMMITTEE: Homes and Housing Delivery Committee

DATE: 13 December 2024

TITLE: 2024/25 P6 Finance Forecast Report – HRA and General Fund Housing

Officer presenting the report: Fiona Lester **Job title:** Interim Director Homes and Landlord Services

Committee Chair: Cllr Barry Parsons

Executive Director lead: John Smith: Executive Director for Growth & Regeneration

Purpose of Report:

1. This report presents to the Homes and Housing Delivery Committee, the Housing and Landlord Services financial forecast at period 6 (P6) against the approved budget as at the end of May 2024. The report is for noting.

Evidence Base / Context

1. The Housing and Landlord function is a complex service area, split between the Housing Revenue Account (HRA) – a ringfenced account - and General Fund activities such as Housing Options (including Homelessness), Private Sector Housing (including Private Landlord Licencing schemes) and Housing Delivery. There are a variety of funding sources within the function which include:-

HRA

- Tenants Rental Income
- Leasehold Service Charges
- Commercial Income
- Revenue and Capital Grants

General Fund

- Housing Benefit
- Licensing Scheme Income
- Grants

1. General Fund

1.1. For 2024/25 the General Fund element of Housing and Landlord Services has a revised budget of £23.6m. The forecast outturn is £26.9m, giving an overall pressure of £3.3m. This is shown in Table 1.

Table 1 Summary General Fund Housing Forecast Position 2024/25 Period 6

SERVICE NET EXPENDITURE SUMMARY	2024/25			
	Approved Budget	Revised Budget	Forecast	Forecast Variance
	£m	£m	£m	£m
Housing and Landlord Services				
131-Housing Options	20.7	21.3	25.3	4.0
132 – Pte Hsng & Accessible Homes	1.3	1.3	0.8	(0.5)
135 – Housing Solutions	0.1	0.1	0.1	-
426 – Housing delivery	0.9	0.9	0.7	(0.2)
Housing and Landlord Services	**22.9**	**23.6**	**26.9**	**3.3**

1.2. The Housing Options service is forecasting an adverse variance of £4.0m. This adverse variance is primarily due to an expected increase in Subsidy Loss over budgeted sums, due to increased demand for Temporary Accommodation (TA) across the city, as well as an increase in rates within hotels. Plans are in place to both reduce demand for TA, and increase supply of units available for placements.

1.3. Private Housing & Accessible Homes is currently reporting a favourable of £0.5m which is due to additional income forecasted.

1.4. Housing Delivery is currently reporting a favourable variance of £0.2m is mainly due to lower-than-expected repairs and maintenance costs.

Risks and opportunities – General Fund

1.5. At P6, a number of risks totalling £1.0m (net), have been identified:-

Table 2: General Fund Housing Risks and Opportunities

Division	Risk or Opportunity	Detailed Comment	Net Risk / (Opportunity) £m
Housing Options	Risk	Further Subsidy Loss	1.4
Housing Options	Opportunity	External grant funding – opportunity to redirect funding within the parameters of the grant.	(0.4)

General Fund - Capital

1.6. The revised capital budget for General Fund Housing for 2024/25 is £26.0m. At P6 an outturn of £23.1m is forecast, leading to an underspend variance of £2.9m. The following table summarises this position:-

Table 3: General Fund Housing Capital Programme Summary

	Budget £m	**Forecast £m**	**Variance £m**
PL30 - Housing Delivery Programme	18.5	15.6	(2.9)
PL34 - Strategic property - Community investment scheme	0.9	0.9	-
NH07 - Private Housing	4.5	4.5	-
PE06C - Local Authority Housing Fund - Refugee Resettlement	2.1	2.1	-
Total	**26.0**	**23.1**	**(2.9)**

1.7. As can be seen from the above, the underspend variance being forecast sits within the Housing Delivery Programme. The variance has arisen due to:-

- Filwood Framework - Cultural Hub (£0.3m) – Forecast slippage based on updated estimates as works now expected to commence mid Jan 2025.
- Enabling Works for Bath Road site (£0.3m) – Forecast slippage due to level of confidence affected by negative land release fund decision.
- Southmead Regeneration Masterplan Framework (£2.1m)- Forecast reprofiled after further discussions with SDT and assessing the maximum SCIL expenditure in FY24/25 to be around £0.2m
- Small variances on miscellaneous other schemes summing up to a net slippage of (£0.2m).

2. Housing Revenue Account

2.1. The HRA is legally required to set a balanced budget separate to the General Fund, funded through rents and incomes of the HRA properties, with any surpluses transferred to reserves, and any deficits transferred from reserves. The 2024/25 budget for the HRA is as follows:-

	£m
Income	(150.0)
Service Costs	132.6
Interest Costs	10.4
Transfer to reserves	(7.0)
Net Budget	-

The forecast position for 2024/25 is detailed in table **4** below:-

Table 4 – Housing Revenue Account Forecast – P6

HOUSING REVENUE ACCOUNT	Revised Budget £M	Current Forecast £M	Outturn Variance £M
Income	**(149.9)**	**(147.7)**	**2.2**
Repairs & Maintenance	44.5	45.4	0.8
Supervision & Management	40.1	48.8	8.7
Special Services	14.2	13.2	(1.0)
Rents, rates, taxes and other charges	0.6	0.9	0.3
Depreciation and bad debt provision	33.0	35.2	2.2
Total expenditure - core services	**132.5**	**143.6**	**11.0**
Net cost of core HRA services	**(17.4)**	**(4.2)**	**13.2**
Net interest payable, pension costs and other non operational charges	10.4	11.4	1.0
Capital expenditure funded from revenue	0.0	0.0	0.0
(Surplus) / Deficit for the year on HRA services	**(7.0)**	**7.3**	**14.2**
Transfer To/(From) from reserves	**7.0**	**(7.3)**	**(14.2)**
Net	**-**	**-**	**-**

2.2. Income is reporting a shortfall of £2.2 million at the end of P6 compared to budget. The main contributing factors to the negative variance are project delays impacting handover of new schemes, negatively impacting the dwelling rent income forecast and higher than expected void properties and lower than expected service charge income.

2.3. There is a forecast overspend of £0.8 million against repairs and Maintenance as a result of the clearing of a backlog of repairs early in the financial year.

2.4. A pressure of £8.7 million is being forecast in relation to Supervision and Management. Summary of this is provided below:

- +£4.2 million – delay in fire alarm project and other capital projects, and Barton House resource draw has resulted in additional Security/Waking watch costs.

This represents an extension of existing contracts totalling circa £3.8m, with a further £0.4m in relation to new arrangements as a precautionary measure at St. Judes.

In order to bring the installation of fire alarms back on track, the service are engaging pro-actively with contractors to ensure they meet performance requirements. In some instances, where performance has been below required levels, the contractor has been charged for the relevant waking watch costs. The service is further exploring the use of additional resource through the existing third party frameworks. At present, it is envisaged that a small budget will be required for 2025/26 of circa £2.0m, though this remains under review.

- +£0.3 million - Additional computer licensing fees in relation to the Civica CX system which is due for replacement during the year
- +£0.9 million - Additional recharge costs not previously budgeted for.
- +£0.3 million - Additional Insurance costs.
- +£2.3 million - Additional staff expenditure mostly related the Housing and Consumer Standards Programme Board
- +£0.7 million - SHDF funding to be allocated to capital. Was previously recognised as revenue Income.

2.5. Lower than budgeted electricity costs for communal areas are driving the favourable variance of £1.0 million against special services.

2.6. Other adverse Variances of £3.5 million in P6.
£1.4 million additional depreciation – additional depreciation charge.
£0.3 million additional council tax – additional council tax charges for void properties.
£1.8 million write off – Modulous project at Romney Avenue Write off as contractor has gone into liquidation.

Risks and opportunities - HRA

2.7. At P6, Opportunities totalling £1.7 million have been identified:-

Table 5: HRA Risks and Opportunities

Division	**Risk or Opportunity**	**Detailed Comment**	**Net Risk / (Opportunity) £m**
HRA	Opportunity	Capitalisation of repairs: Potential opportunity to capitalise some high value repairs.	(0.5)
HRA	Risk	Additional Legal recharges	0.3
HRA	Risk	Additional Bad debt Provision	0.2
HRA	Opportunity	Increase in Leasehold Service Charges due to current estimates of final accounts	(0.4)

HRA - Capital

2.8. The revised capital budget within the HRA for 2024/25 is £193.6m. At P6 an outturn of £179.9m has been forecast, leading to a variance of £13.7m. The following table summarises this position:-

Table 6: Housing Revenue Account Capital Programme Summary

Gross Expenditure by Programme		Performance to budget					
Ref	Scheme	Budget	Expenditure to Date	Forecast	Variance	Expenditure to date	Forecast
		£000s				%	
HRA1	Planned Programme - Major Projects	73,557	28,579	69,864	(3,693)	39%	95%
HRA2	New Build and Land Enabling	117,748	29,745	107,720	(10,027)	25%	91%
HRA4	HRA Infrastructure	2,102	615	2,102	0	29%	100%
HRA6	HRA Fleet Replacement Programme	200	0	200	0	0%	100%
Total Housing Revenue Account		193,607	58,939	179,887	(13,720)	30%	93%

2.9. There is an overall current year forecast underspend of £13.7m against the Capital Works Revised Budget of £193.6m with a year-to-date spend of £58.9m (30%).

2.10. Explanations for significant variances (over £0.5m) are given below:-

HRA1 – Home Improvement Programme - HIP

The Planned Programme is reporting a slippage of £3.7million. The key variances above £0.5 million are detailed below:

<u>Overspends:</u>

- £1.7 million overspend on Fire Alarm Installations arising from additional blocks added to the programme to curb high Waking Watch Costs. Any additional spend incurred will require further approvals and will be funded by grant income from the Waking Watch Relief Fund.

<u>Underspends/Slippages:</u>

- £1.7 million slippage forecast on Night Storage Replacement. This reflects reduced target installation numbers on shelving ground source heat pump project.
- £2.4 million slippage forecast on HIP Contingency Budget to reflect plan to not spend any money from this pot in the current financial year.
- £0.4m slippage on Planned Programmes (Windows) due to postponement of work on Hillsborough until next financial year.
- £0.3 million slippage on Energy efficiency works (Easiforms) on account of delays to project works owing to the ongoing issues around access to the properties.
- £0.4 million slippage on Stock Conditions Surveys (for Damp & Mould) on account of reduction in current year work programme owing to QA concerns.

- Small variances on miscellaneous other schemes summing up to a net slippage of £0.2 million.

HRA2 - New Build and Land Enabling.

The New Build and Land Enabling Programme is reporting a slippage of £10 million. The key variances are detailed below:

Underspend/Slippage:

- Lawrence Weston (£1.1m) – Forecast underspend based on estimated final cost now that the scheme is coming to a completion.
- Brentry (£0.4m) – Forecast slippage due to anticipated further delays whilst discussions and review with the contractors is ongoing.
- Filwood Cinema (£0.9m) - Reprofiling of spend to realign the forecast to the most updated position of work progress.
- 96-98 West Street (£1.1m) - Forecast slippage based on the latest cashflow from contractors.
- Marshall Walk (£0.4m) - Forecast slippage as dispute with the MMC contractor around vesting is causing delays to the programme.
- Airport Rd (£0.7m) - Underspend, including underused contingency budgets, forecast based on estimated final cost now that the scheme is coming to a completion.
- Hengrove Apartments (£3.7m) – Forecast slippage based on the latest cashflow from contractors.
- EDAROTH (£1.7m) - Forecast slippage based on the latest cashflow from contractors.

Impact

The ability of the HRA to borrow in order to invest in existing stock and new Housing Delivery is driven by the Interest Cover Ratio (ICR), calculated as a percentage of net income from services over interest costs. This must be at a minimum of 125% for borrowing to be enabled.

Clearly, such a large overspend on the Revenue account has led to a marked deterioration in the ICR, to the point where it is significantly below the required level, and as a result the HRA is unable to undertake any new borrowings in the year to fund capital expenditure. Despite re-profiling of capital spend during the year to date, this has resulted in an in-year funding gap of circa £53.6m, for which mitigations have been identified to balance the 24/25 forecast. In addition to the above, there has been a large increase in the forecast use of Revenue Contribution to Capital Outturn (RCCO) in order to fund the capital programme. This increased use of RCCO funding is currently expected to reduce HRA reserves by an additional £16m over the originally budgeted position. However it should also be noted that whilst the 24/25 position is currently balanced, any further revenue pressures experienced will lead to further mitigations being required.

Whilst the above details the impact on the 2024/25 financial position, it is also anticipated that a significant proportion of the revenue pressures currently being experienced will continue to be felt in future years. In order to become compliant, balanced and sustainable, it is likely that the Business Plan will require significant reshaping to ensure sufficient resources are available to meet our statutory obligations to tenants.

Officer Recommendations:

That the Committee for Homes and Housing Delivery notes the report on the P6 forecast for Housing and Landlord Services.

Corporate Strategy alignment:

1. The Corporate Strategy underpins the council's budget

City Benefits:

1. Cross priority report that covers whole of council's Housing and Landlord Services

Consultation Details:

1. N/A

Background Documents: Budget Report 2024/25

APPENDICES

Appendix A – Further essential background information and detail	**NO**