Non-key Decision Committee Report

PURPOSE: Non-key decision update report

COMMITTEE: Homes and Housing Delivery Committee

DATE: 14 February 2025

TITLE: 2024/25 P9 Finance Forecast Report – HRA and General Fund Housing

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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 9 (P9) 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 £24.050m. The forecast outturn is £27.4m, giving an overall pressure of £3.4m. This is shown in Table 1.

Table 1 Summary General Fund Housing Forecast Position 2024/25 Period 9

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	21.5	25.5	4.0
132 – Pte Hsng & Accessible Homes	1.3	1.4	1.2	(0.3)
135 – Housing Solutions	0.1	0.1	0.1	-
426 – Housing delivery	0.9	1.0	0.6	(0.3)
Housing and Landlord Services	**22.9**	**24.1**	**27.4**	**3.4**

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 £0.3m which is due to additional income forecasted.

1.4. Housing Delivery is currently reporting a favourable variance of £0.3m is mainly due to lower-than-expected staff costs.

Risks and opportunities – General Fund

1.5. At P9, a number of risks totalling £0.1m (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	0.3
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 £23.6m. At P9 an outturn of £19.7m is forecast, leading to an underspend variance of £3.9m. The following table summarises this position:-

Table 3: General Fund Housing Capital Programme Summary

	Budget £m	Forecast £m	Variance £m
PL30 - Housing Delivery Programme	14.1	10.7	(3.4)
PL34 - Strategic property - Community investment scheme	0.9	0.9	-
NH07 - Private Housing	5.9	5.9	-
PE06C - Local Authority Housing Fund - Refugee Resettlement	2.7	1.9	(0.8)
Total	**23.6**	**19.5**	**(4.2)**

1.7. As can be seen from the above, the underspend variance being forecast sits within the Housing Delivery Programme and Refugee Resettlement programme. The variances have arisen due to:-

- Filwood Framework (Re-creating Filwood Public Realm)- (£0.6m) – Forecast Slippage arising from realignment of forecasts to reflect delays to QA4 process. The delay has been agreed by MHCLG.
- Enabling Works for Bath Road site (£0.6m) – Forecast slippage due to level of confidence affected by negative land release fund decision.
- Hengrove Workpackage 3 (£2.5m)- Forecast slipped as actual delivery progress has been slower due to a number of factors including delays incurred by Goram Homes in securing planning consent, and delays in agreeing and mobilising Goram's programme of works with their delivery partner (Vistry) and sub-contractors.
- Small variances on miscellaneous other schemes summing up to a bringing forward of spend of £0.3m.
- Refugee Resettlement – (£0.8m) – Difficulty securing a partner to deliver 8 resettlement units. Curo have now confirmed they can deliver these units on our behalf.

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 – P9

HOUSING REVENUE ACCOUNT	Revised Budget £M	Current Forecast £M	Outturn Variance £M
Income	**(149.9)**	**(147.8)**	**2.1**
Repairs & Maintenance	44.5	45.8	1.2
Supervision & Management	40.1	48.4	8.2
Special Services	14.2	12.6	(1.6)
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**	**142.9**	**10.4**
Net cost of core HRA services	**(17.4)**	**(4.9)**	**12.5**
Net interest payable, pension costs and other non operational charges	10.4	10.3	(0.1)
Capital expenditure funded from revenue	0.0	0.0	0.0
(Surplus) / Deficit for the year on HRA services	**(7.0)**	**5.4**	**12.4**
Transfer To/(From) from reserves	**7.0**	**(5.4)**	**(12.4)**
Net		**0.0**	**0.0**

2.2. Income is reporting a shortfall of £2.1 million at the end of P9 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 £1.2 million against repairs and Maintenance. +£2.5 million Response Repairs - overspend due to backlog of repair works from prior years, offset by £1.3 million capitalisation.

2.4. A pressure of £8.2 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. Budgetary provision of £2m has been included in the draft 25/26 budget.

- +£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.
- +£2.0 million - Additional staff expenditure mostly related the Housing and Consumer Standards Programme Board
- +£0.8 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 £1.6 million against special services.

2.6. Other adverse Variances of £3.5 million in P9.
£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 P9, Opportunities totalling £0.2 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.	(0.2)

HRA - Capital

2.8. The revised capital budget within the HRA for 2024/25 is £145.99 million. At P9 an outturn of £145.28 million has been forecast, leading to a variance of £0.72m. The following table summarises this position:-

Table 6: Housing Revenue Account Capital Programme Summary

Expenditure by Programme		Performance to budget					
Scheme/Project		Budget	Expenditure to Date	Forecast	Variance	Expenditure to date	Forecast
		£000s				%	
Housing Revenue Account							
HRA1	Planned Programme - Major Projects	69,712	44,276	69,194	(519)	64%	99%
HRA2	New Build and Land Enabling	73,985	44,132	73,985	0	60%	100%
HRA4	HRA Infrastructure	2,102	1,021	2,102	0	49%	100%
HRA6	HRA Fleet Replacement Programme	200	0	0	(200)	0%	0%
Total Housing Revenue Account		**145,999**	**89,428**	**145,280**	**(719)**	**61%**	**100%**

2.9. There is an overall current year forecast underspend of £0.72 million against the Capital Works Revised Budget of £145.99 million with a year-to-date spend of £89.43 million (61%).

2.10. Explanations for variances are given below:-

HRA1 – Home Improvement Programme/ Planned Programme - HIP

The Planned Programme is reporting a slippage of £0.5million. Key variances are:

Underspend/Slippage:

- Walwyn Gardens Major Refurb (£0.5 million) – slippage based on the latest cash flow forecasts from the contractors.
- Beaufont House (£0.3 million) – slippage based on alignment of forecasts to the updated full year spend estimate.

Forward Slippage:

- Littlecross House Energy efficiency works £0.3 million – Forward slippage based on the latest cash flow forecasts from City Leap.

HRA6 – Fleet Replacement.

The Fleet Replacement programme is reporting slippage of the £0.2m into next year on revision of spending timeline based on the most recent status.

Summary

The pressure reported in General Fund Housing, and Housing Options in particular, reflect the most up to demand pressures. In order to combat this pressure, a number of initiatives will be undertaken during 2025/26 aimed at reducing both demand and unit costs. Some of these initiatives, such as the purchase of

75 homes by the General Fund, have previously been presented to this committee. These initiatives are expected to reduce, but not eliminate, the pressure going forward.

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.

Although the forecast position has improved in P9, the ICR remains at a critically low level of 41%, meaning that for 24/25 the HRA continues to be unable to afford its current borrowing levels.

The improved position reflects the significant levels of work undertaken by officers across the service during the course of the financial year, particularly in light of the £53m in year funding gap identified and the large scale re-profiling of capital investment going forward. This work has allowed us to better understand our spend requirements and led to a more stable forecasting position as the year has progressed.

With a large proportion of cost pressures expected to carry forward into 2025/26 and beyond, as described above the proposed 25/26 Business Plan has undergone further significant reshaping of both revenue and capital in order to ensure both the long term viability of the HRA, and that we meet our obligations to existing tenants and the Regulator's Consumer Standards requirements. These budget proposals will be presented to full Council for approval on the 25th of February 2025.

The challenges the HRA continues to face mean that reserves will be at the minimum permissible level for at least 7 years, meaning that should any further unexpected events take place during that period, further reprioritisation and savings will likely be required to ensure compliance with covenants.

Whilst the budget being and associated Business Plan being proposed are balanced and compliant, the position is extremely sensitive and requires close and careful monitoring.

Officer Recommendations:

That the Committee for Homes and Housing Delivery notes the report on the P9 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**