Appendix A4– Housing Revenue Account HRA

2022/23 – P05 Budget Monitor Report

Section A: Revenue Budget Monitor

	Revised Budget	Forecast Outturn	Outturn Variance
P05	**£0.0m**	**£2.0m**	**£2.0m overspend**
P04	***£0.0m***	***£1.4m***	***£1.4m overspend***

May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
1.2	1.8	1.4	2.0						
▼	▼	▲	▼						

Key Messages:

The Housing Revenue Account at the end of period 5 is reporting a forecast overspend of £2.0m, an increase of £0.6m over the period P4 projection. The adverse variance will be funded at the financial yearend by a transfer from the general HRA reserve. The table below sets out the movement in the main income and expenditure elements between the two periods.

Summary – Housing Revenue Account

HOUSING REVENUE ACCOUNT	Revised Budget £M	Current Forecast £M	Outturn Variance £M	P4 Forecast £M	P4 vs P5 Movement £M
Income	(128.0)	(127.6)	0.4	(127.6)	0.0
Repairs & Maintenance	37.2	36.2	(1.0)	36.2	0.0
Supervision & Management	32.0	32.2	0.2	32.2	0.0
Special Services	11.5	13.3	1.8	13.3	0.0
Rents, rates, taxes and other charges	0.6	0.6	0.0	0.6	0.0
Depreciation, Revenue Funded Capital, Interest Payable and Bad Debt Provision	46.7	47.3	0.6	46.7	0.6
(Surplus) / Deficit on the HRA	**0.0**	**2.0**	**2.0**	**1.4**	**0.6**

Income is reporting an adverse variance of £0.4m at the end of period 5. As reported in previous periods, the handover of certain new schemes is behind schedule, negatively impacting the dwelling rent income forecast.

The repairs & maintenance forecast spend is running slightly behind budget at £36.2m, giving rise to an anticipated favourable variance at the end of period 5 of £1.0m. There are underspends in the budgets for maintenance & painting of low-rise blocks of £1.2m and Response and Relets of £0.3m. In addition to the £0.4m increase in the cost of fire safety works, this makes up the repairs and maintenance variance.

The service continues to experience capacity issues and the availability of internal resources has been hampered by staff shortages, primarily resulting from difficulties in recruiting skilled staff. This is evidenced by an underspend in salaries generated by vacancies in the service.

The issues with external contractors stem not only from difficulties in setting up a new procurement framework but also from existing providers demanding huge hikes for the services they are currently contracted to provide.

The **supervision and management service** are forecasting an adverse variance of £0.2m. This includes £1.3m for the Housing IT Transformation Programme which had no budget provision at the beginning of the financial year. The Rapid Response project, being highly reactive, is difficult to predict. The forecast was running slightly ahead of budget by £0.2m at the end of period 5.

The legal budget for 2022-23 was predicated on set amounts levied in previous years. Since actual costs are now being charged, it appears the budget will be insufficient to cover the expenditure envisaged for the year. This is therefore generating a £0.4m adverse variance. The legal requirements (following the fire survey) to institute a waking watch at Barton Hill (4 blocks) is expected to cost £0.6m for which no budget provision was made at the start of the financial year.

The forecast of salaries and common activities recharge showed net savings of (£1.9m); this, coupled with savings of (£0.5m) from corporate for finance & insurance recharges make up the overspend for supervision and management at the end of period 5.

The adverse variance of £1.8m in **Special Services** continues to reflect the anticipated increases in energy charges. The charging model is still under review and may well throw up additional uplifts in utility costs. The energy cost pressure is being treated as a risk ahead of the completion of the modelling.

Rents, rates, taxes, and other charges: Wellington Road and Brislington Depot budgets are being moved to recharge budget as they are now managed by the General Fund. There has been no movement between P4 and P5.

Section B: Risks and Opportunities

RISKS AND OPPORTUNITIES TABLE

Division	Risk or Opportunity	Detailed Comment	Net Risk / (Opportunity) £
HRA	Opportunity	**RCCO** Last year, only £177k was utilised from the budget of £3.2m allocated to capital expenditure funded from the HRA. In 2022-23 there is a budget of £3.4m. If spending patterns follow last year's trends, funds could be released to finance other projects.	Approx. (£3.0m)
HRA	Risk	**ENERGY CONTRACTS** The forecast for energy costs is still under review pending more accurate data from suppliers. As the government of the new Prime Minister settles down, it will become clear what assistance may be available for both domestic and commercial consumers.	TBC
Salary settlement	Risk	Calculated by Corporate at £1.15m	£1.2m
Total			(£1.8m)

Section C: Capital

Approved Budget	Revised Budget	Expenditure to Date	Forecast Outturn	Outturn Variance
£122.7m	**£122.7m**	**£15.7**	**£74.7m**	**(£48.0m)**
		13.0% of Budget	60.9% of Budget	

Capital Budget Monitor Report for Period 5 | 2022-23 - Summary by Programme						
Gross Expenditure by Programme	Current Year (2022)					
Scheme	Budget	Expenditure to Date	Forecast	Variance	Expenditure to date	Forecast
	£000s				%	%
Housing Services Capital - Housing Revenue Account						
Total for HRA1 - Planned Programme - Major Projects	53,473	11,229	43,221	(10,252)	21%	80.8%
Total for HRA2 - New Build and Land Enabling	68,658	3,826	30,828	(37,830)	6%	44.9%
Total for HRA4 - HRA Infrastructure	550	603	606	56	110%	110.2%
Total Housing Services Capital - Housing Revenue Account	122,681	15,658	74,655	(48,026)	13%	60.9%

Key Messages:

The current report shows YTD spend of £15.7m against the approved budget of £122.7m, reflecting an increase of £3.6m compared to the previous period. The forecast slippage at £48.0m in P5 has been rescheduled across the remaining project phases for the programmes concerned.

Planned Programme

Overall, there was a variance (slippage) of £10.2m on HRA1 at the end of P5. Work is on-going to finalise the details of the position at P5 but it is noted from analysis in July that concerns surround the following areas:

Kitchens and rewires – The projected slippage has reduced from £1m at P3 to -£0.6m. The forecast is based on total expected volumes of 735 against the 800 budgeted for. Work is still ongoing to address the performance concerns with the Lot 2 contractor for the South meeting the contractual volumes.

Roof replacements (low rise) – there have been delays with the award of the Roof framework caused by a lack of resources within procurement, and further Social Value issues resulting in a 2-month delay. The framework has now been awarded and the standstill period & Leaseholder notice period was completed at the end of August, with full mobilisation of the contract expected at the end of September. The forecast underspend has increased from £884k at Q1 to just over £1m and this is due to the roof at St Judes being put on hold as it is being considered for the Social Housing Decarbonisation Fund (SHDF) bid.

Window replacements (low rise) – less than half of this budget of £2.1m is forecast to be spent. No framework is currently in place and the new framework was returned with no bids. Consultation was completed with window companies to ascertain what went wrong, and changes have been made to lots and specifications as a result. This will now be retendered at the end of September which will mean that if successful, mobilisation would be expected around February with minimal delivery this year. The underspend will be reviewed at the end of this period to reflect the anticipated reduction in delivery. The Redcliffe projects are on hold due to possible inclusion on the SHDF bid.

External Maintenance & Painting (Low Rise) – A slippage of £1.2m is forecast against a budget of £4.7m. Procurement capacity issues led to delays with the procurement of this work, and internal team capacity is likely to also have an impact. Redcliffe and St Judes projects are now on hold due to possible inclusion within the SHDF bid.

The Planned & Cyclical team capacity will impact on the delivery of these programmes as indicated above. There are 3 external works surveyor vacancies and the first round of recruitment to fill these posts was unsuccessful. The advert for the Surveyor closed on 28th August and shortlisting is currently underway, and the post of supervisor is currently being advertised.

New Build and Land Enabling

The budget for New Build & Land Enabling was set at £68.6m. There was uncertainty, given the issues encountered in delivering last year's programme, about the level of spend that could reasonably be expected during 2022-23. As a result of the well-known issues with contract price inflation and the difficulties some contractors are experiencing, the development team have revised their expectation of the amount of work that will be completed by the end of the financial year.

The forecast has been revised at the end of P5 to £30.8m, a decrease of approximately £10.2m compared to the P4 forecast. This relates to two main projects: 1) Oakhanger was reduced by £4.7m because of delays in starting the construction contract whilst negotiating uplifted tender. This has reduced 22-23 spend significantly, now reprofiled into following years; 2) The Hengrove Bookend project forecast was reduced by £5.2m as expenditure was slipped into 2023-24.