Housing Revenue Account HRA

2022/23 – P08 Budget Monitor Report

Section A: Revenue Budget Monitor

	Revised Budget	Forecast Outturn	Outturn Variance
P08	**£0.0m**	**£8.0m**	**£8.0m overspend**
P07	*£0.0m*	*£2.0m*	*£2.0m overspend*

May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
1.2	1.8	1.4	2.0	2.0	2.0	8.0			
▼↓	▼↓	▲↑	▼↓			▼↓			

Key Messages:

The Housing Revenue Account is forecasting a £8.0m negative variance at the end of period 8, a £6.0m increase in overspend compared to the £2.0m reported in P7. As reported last month, Cabinet has approved the draw down of approximately £4.2m from HRA reserves to cover anticipated expenditure for various programmes for which there were no provisions in the 2022-23 budget. These include a) the IT Transformation programme (£1.2m); b) fire safety work (PAS9980 inspection) up to £1.0m; c) the expected extra increase in energy costs arising for the economic crisis; d) the refurbishment of children's play areas around HRA properties - £1.0m.

The table below sets out the main elements of the variance.

Summary – Housing Revenue Account

HOUSING REVENUE ACCOUNT Period 9	Revised Budget £M	Current Forecast £M	Outturn Variance £M	Previous (P8) Forecast £M	P9 vs P8 Movement £M
Income	(128.1)	(127.3)	0.7	(127.3)	0.0
Repairs & Maintenance	37.2	35.1	(2.1)	35.6	(0.5)
Supervision & Management	32.0	36.9	4.9	36.5	0.4
Special Services	11.5	15.0	3.4	15.0	(0.0)
Rents, rates, taxes and other charges	0.6	0.8	0.2	0.8	(0.0)
Depreciation, Revenue Funded Capital, Interest Payable and Bad Debt Provision	46.7	47.4	0.7	47.4	(0.0)
(Surplus) / Deficit on the HRA	**(0.0)**	**7.8**	**7.8**	**7.9**	**(0.1)**
Drawn down from HRA reserves		**(7.8)**	**(7.8)**	**(7.9)**	**0.1**
Net		**0.0**	**0.0**	**0.0**	**0.0**

Income is reporting a shortfall of £0.7m at the end of P8 compared budget. This is a £0.3m increase over the P7 result and as explained last month, there continues to be a delay in the handover of properties from new developments. We are also experiencing an increase in the number of right-to-buy (RTB) property sales going through the system.

The forecast **for repairs & maintenance,** at £35.6m, was running £1.6m behind the budget at the end of P8. There are underspends in the budgets for: a) Relet Repairs where recharged maintenance costs to capital is higher than anticipated because of revised standard unit costs and pay awards - £1.5m; b) External maintenance and painting of low-rise blocks where there have been capacity constraints (with internal and external resources) - £1.2m. These favourable variances have been partially offset by 2022/23 pay award costs and an increase in fire safety works.

The period 8 forecast is £0.6m less than P7, reflecting the internal workforce recharge relating to Responsive and Relet repairs.

It is unlikely that work relating to the refurbishment of HRA play areas will commence before the end of the financial year. The expenditure will be included in the 2023-24 budget.

The **supervision and management service** are forecasting an overspend of £4.5m in P8, an increase of £4.3m over P7. The main elements of the variance are the anticipated expenditure for Waking Watch & PAS9980 - £4.5m and the IT Transformation project - £1.2m. Members have made provisions via Cabinet approval (June 2022 & December 2022) to cover these unscheduled costs by setting aside funds from the HRA general reserve or in-year underspends.

The legal budget for 2022-23 was predicated on set amounts levied in previous years, because actual costs are now being charged, it is expected the budget will be insufficient to cover the expenditure envisaged for the year. This is therefore generating a £0.4m overspend.

The adverse variances have been partially offset by salary savings relating to the Common Activity Programme (CAP).

The adverse movement between P8 and P7 of £4.3m arises from the increase of £3.5m in the Waking Watch provision and 2022/23 pay award allocation and CAP salary recharges (£0.7m).

Special Services are reporting a £3.4m adverse variance in P8, which represents a £1.7m increase over the P7 forecast.

At £3.0m, the anticipated increase in energy charges is the main element of the forecasted overspend at period 8. Although the difficulties relating to fixing energy costs have not been fully resolved, a movement of £1.3m over the amounts carried in the accounts since P2 has been recognised. The charging model is still under review and may well throw up additional uplifts in utility costs in the coming months. The energy cost pressure is being treated as a risk ahead of the completion of the modelling.

The 2022-23 pay awards which were put through service accounts during P8, gave rise to an overall £0.4m overspend on salary budgets.

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**. (TBC in P9)**	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
Total			(£3.0m)

Section C: Capital

Approved Budget	Revised Budget	Expenditure to Date	Forecast Outturn	Outturn Variance
£122.7m	**£73.4m**	**£27.1m**	**£69.7m**	**(£3.7m)**
		37.0% of Budget	95% of Budget	

Capital Budget Monitor Report for Period 8 | 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	43,171	21,134	40,549	(2,622)	49%	93.9%
Total for HRA2 - New Build and Land Enabling	29,610	5,374	28,549	(1,061)	18%	96.4%
Total for HRA4 - HRA Infrastructure	606	604	604	(2)	100%	99.7%
Total Housing Services Capital - Housing Revenue Account	73,387	27,112	69,702	(3,685)	37%	95.0%

Key Messages:

After the capital programme budget was reprofiled, £49.3m (40.1%) of project expenditure slipped into later financial years. The P8 report is showing a YTD spend of £27.1m against the revised budget of £73.4m. This represents a £3.7m slippage compared to the revised budget.

Planned Programme

At the end of P8, the forecast against the revised Planned Programme budget was £40.5m, a reduction of £3.3m from that reported in P7. Notable items showing variances include:

Kitchens (Relets) - Unit costs in the programme have been revised to reflect actual costs of full replacements. This increase in unit cost by £2,563 is forecast to result in an overspend of £0.8m.

External Major Repairs to Blocks – The forecast is currently showing a £0.7m reduction against the revised budget. The Northfield House project stopped before works started and there is now a slow-down of works at Roegate House due to telecom issues.

Phase 2 Independent Assessment Outcomes – Budget £2.0m: - This budget is not required this year and will be slipped.

Energy Efficiency Works budget £1.0m: - This relates to the delivery of energy efficiency works to meet EPC targets. The service is facing issues relating to internal and external capacity to deliver. The budget will be slipped, work will not start until the new financial year.

New Build and Land Enabling

The budget for New Build & Land Enabling has been revised to £29.6m. 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.

At the end of P8 the service anticipates that 96% of the revised budget will be achieved by yearend despite the of the well-known issues with contract price inflation and the difficulties some contractors are experiencing. Several schemes are expected to start on site between November and the new year.