

Report to: Housing Review Board



Date of Meeting 15th June 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Housing Revenue Account & Housing Capital Finance 22/23 Year End Outturn Report

Report summary:

The report provides the Housing Review Board with current draft financial outturn figures for the housing revenue account and housing capital program for the 2022/23 financial year. The report will also consider the implications of any forthcoming regulatory changes.

Producing a Housing Revenue Account has been a statutory requirement for Councils who manage and own their housing stock for some time, and therefore a key document for the Board to influence.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the Housing Revenue Account & Housing Capital Finance 22/23 Year End Outturn Report is noted, the reserve recommendations approved and recommended to cabinet

Reason for recommendation:

To give the Housing Review Board an opportunity to contribute towards the review and planning of all landlord service related finances

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Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☒ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk; Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. .

Links to background information [East Devon Financial Information 2022/23](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☐ A greener East Devon
 - ☐ A resilient economy
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1 Annual Surplus

The 22/23 Outturn Deficit for the year is £1.264m (**£1.422m** below the final budgeted surplus of £158k). The summary tables of income and expenditure and associated commentaries of material variations can be found in Appendix 1.

A summary by cost driver is as follows;

- Employment Costs **+£0.36m** resulting from the 22/23 pay award
- Income **+£0.43m** due to lost income from void properties
- Supplies, Services & Other Costs **+£0.15m** due in part to disrepair claims and legal fees
- Interest income & charges **-£0.21m** from improved returns on investments
- Expenditure on Premises **+£0.69m**, see Appendix 1 for additional detail

2 Proposed Contribution from Reserves for Consideration

The proposal is to cover the in year deficit of £1.264m from Earmarked reserves, leaving the HRA Balance at the adopted level of £3.1m is as follows;

- A contribution of £1.12m to be taken from the planned maintenance reserve covering the premises overspend of £0.69m and the void loss of £0.43m. This in effect reverses the surplus contribution made to this reserve in 21/22 due to underspends.
- The residual net £0.144m to be taken from the Capital Development fund.

3 Capital Expenditure and Associated Funding

A detailed table of the individual capital expenditure items and their associated funding streams can be found in Appendix 2. In summary;

- A total of 3 acquisitions were completed within the year versus 33 right to buy sales reducing the stock significantly.
- The £1.816m capital expenditure on Green Homes was funded partially by a central government grant of £0.612m with the majority of the residual funded by non-ring-fenced right to buy capital receipts.

- The total revenue contribution to capital made from the Housing revenue account was £0.757m versus a budgeted figure of £0.88m.

4 21/22 Year End Reserve Levels

The below table shows the final reserve levels should the allocations proposed in 2 be approved.

REVENUE

Reserve Name	2021 Year End	Movement	2022 Year End	Comment
HRA Balance	-3,102	0	-3,102	Adopted level of £500 per dwelling plus £1m buffer
HRA Volatility Reserve	-1,600	0	-1,600	Earmarked reserve in case of events impacting rental income
Capital Development Fund	-3,651	729	-2,923	Revenue reserve earmarked for new homes & climate change development
Landlord Services Reserve	-124	0	-124	Revenue reserve earmarked for Future Landlord Services Projects & C19 Catch up works
Planned Maintenance Reserve	-4,375	1,120	-3,255	Revenue reserve earmarked for Stock Condition and Catch Up Costs
Fire Risk Assessment Reserve	-1,468	0	-1,468	Revenue reserve earmarked for FRA Building works and Lift replacement
TOTAL USEABLE REVENUE RESERVES	-14,321	1,849	-12,472	

CAPITAL

Reserve Name	2021 Year End	Movement	2022 Year End	Comment
HRA Capital Receipts	-3,185	-2,546	-5,731	To be used to fund the 30% Government RTB funding of replacements only
Hra Retained Capital Receipts	0	0	0	Capital Receipts used to finance the capital program and new homes

5 22/23 Right to Buy Position

The below table shows the required levels of expenditure on new development or acquisitions in the coming years to prevent repayment of right to buy receipts back to central government.

East Devon Right to Buy Model

Calculation of Future Annual Additional Cap Expenditure Needed to Avoid Repayment

(taking account of voluntary repayments)

Year	Year	Annual
11	2022.23	0
12	2023.24	1,938,670
13	2024.25	2,397,804
14	2025.26	1,407,405
15	2026.27	1,245,279
16	2027.28	6,258,075

Financial implications:

The financial implications are considered within the body of the report.

Legal implications:

There are no legal implications on which to comment.

APPENDIX 1

Year to Date			INCOME	4Cast Outturn		
Actuals	Budget	Diff		Actuals	Budget	Diff
-18,159,671	-18,609,260	449,589		-18,159,671	-18,609,260	449,589
-223,211	-215,990	-7,221		-203,211	-215,990	12,779
-647,488	-619,600	-27,888		-647,488	-619,600	-27,888
-19,030,371	-19,444,850	414,479		-19,010,371	-19,444,850	434,479

Year to Date			EXPENDITURE	4Cast Outturn		
Actuals	Budget	Diff		Actuals	Budget	Diff
5,141,919	4,400,580	741,339		5,141,919	4,400,580	741,339
1,159,443	973,750	185,693		1,159,443	973,750	185,693
7,977,701	7,119,670	858,031		7,977,701	7,119,670	858,031
225,732	327,360	-101,628	Other Expenditure	225,732	327,360	-101,628
3,669,047	4,027,130	-358,083		3,669,047	4,027,130	-358,083
18,173,841	16,848,490	1,325,351	Capital Charges & Bad Debt	18,173,841	16,848,490	1,325,351

4Cast Outturn		
Actuals	Budget	Diff
2,100,626	2,438,140	-337,514

4Cast Outturn		
Actuals	Budget	Diff
1,264,096	-158,220	1,422,316

Commentary

The variation in outturn for forecasted rents is solely due to the impact of rent losses on void properties. The increases in expenditure below partly relate to a large ramp up in works from February onwards to address the issue and to prevent similar losses in 23/24.

The majority of the overspend can be explained by two factors; the large amounts of external decoration undertaken by Ian Williams to be funded by reserve and increases in the number of exceptions which are in effect minor planned works which offset underspends in Major Repairs.

Underspends within certain compliance areas, notably asbestos works, have been more than offset by increases in Fuel Efficiency measures such as retrofits and alternative energy heating supplies.

The impact of the salary review has caused budgets to be exceeded where there is a full establishment within the cost centre, however, the impact was partially mitigated by the vacant posts within the service, most notably within the Property & Asset team.

Lower levels of spending in various areas such as Tenant Engagement, Change of Tenancy/Downsizing and sewerage provision.

Underspends across major repairs categories which have been redistributed into other areas such as external decoration and minor planned works.

The majority of the surplus relates to the contribution that the HRA receives from the General fund for the return on investments. Returns were significantly higher than budgeted due to the impact of interest rate rises in the year.

APPENDIX 2

Affordable Housing

Property Purchases completed

Funding Stream

974,312 Expenditure

-584,587 60% HRA Funding from Reserve

-389,725 40% RTB Receipt Funding

12,636 Expenditure

-12,636 Revenue Contribution to Capital

0

Property Purchases incomplete/peripherals

FRA Capital Works

In year expenditure

0 Expenditure

0 FRA Earmarked Reserve Funding

0

HRA Capital Program Including Capital Grants

2 HRA Capital Programme Total

730,003 Expenditure

1,816,214 Expenditure

-612,000 Grant Income Received

-1,190,121 HRA CAPITAL PROGRAM FUNDING RECEIPTS

0 RESIDUAL BORROWING FROM 22/23

-744,096 Revenue Contribution to Capital

0

Green Homes Climate Change