

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer – Resources
Council – 30 October 2024

Subject: Housing Revenue Account Budgetary Control Report to 31 August 24 (Period 05)

1. Purpose

1.1 The purpose of this report is to advise Council of the 2024/2025 HRA revenue budget position on 31 August 2024 and the forecast position of the HRA reserves as of 31 March 2025.

2. Recommendations

2.1 Council is asked to:

- i. note the HRA revenue account is currently forecasting an adverse variance of £2.174m. If required, the adverse variance will be offset by using HRA reserves of £0.968m and a General Fund reserve contribution of £1.205m
- ii. note that the HRA would be expected to repay the General Fund reserve contribution of £1.205m from future HRA surpluses.
- iii. note that work will continue to identify efficiencies across all areas of the HRA revenue account budget to minimise the adverse variance including reviewing loan charges as highlighted in 4.4 of this report.
- iv. note that there is limited scope to further reduce spend in 2024/2025 beyond the significant actions set out in this report.

3. Background

Revenue

3.1 The Council approved a £53.218m HRA revenue budget for 2024/2025 on the 6th of March 2024

4. Main Issues

Revenue

4.1 The budgetary position for HRA revenue account is provided in Appendix 1 with information on projected variances valued at more than £0.050m being provided at Appendix 2.

Adverse Variances

Loan Charges - £3.949m Adverse Variance

- 4.2 The main pressure on the HRA revenue account is elevated borrowing costs leading to higher interest and expense payments on new borrowing and debt refinancing. When the Council went to rent consultation in the last quarter of 2023 and drafted the 2024/2025 HRA budget, a HRA loan charge budget of £22.092m was set with the assumption that council borrowing costs would fall during 2024/2025. Unfortunately, local authority borrowing costs have remained at historically high levels during the first 6 months of this financial year, with the current expectation that they will remain elevated during the remainder of this year. HRA outstanding debt on 31 March 2024 was £301m, with the HRA debt expected to increase to £356m on 31 March 2025. Interest and expense payments are forecast to be £3.531m more than the 2024/2025 budget.
- 4.3 A further pressure on the HRA loan charge budget is higher than planned debt repayments. The HRA repays capital borrowing over the expected economic life of the asset invested in. (E.g. heating systems – 20 years, new build properties – 60 years). The HRA debt repayment period has decreased (leading to higher annual debt repayment) as the Council has recently reprofiled capital expenditure on housing stock to improve the condition of the asset to allow a quicker turnaround of void properties – more information is provided at paragraph 4.12. Debt repayments are forecast to be £0.418m more than the 2024/2025 budget.
- 4.4 Officers continue to review the Council's HRA loan charge accounting arrangements to explore options to improve loan charges and to reprofile expenditure in the short term to alleviate some of the financial pressures on the HRA account.

Void Loss (Council Tax / Lost Rents) - £0.173m Adverse Variance

- 4.5 Council tax payments for longer term void houses are forecast to exceed budget. The main factor behind HRA properties incurring a council tax liability are delays resolving issues with debt on meters and with meter reconnections. The poor performance of the utility companies is adversely impacting on the length of time properties are void and leading to more empty properties incurring a council tax liability. Officers continue to work with utility companies to drive sustainable improvement in this challenging area and to minimise the number of longer-term voids and the attendant council tax liability. Council tax payments are forecast to be £0.099m more than budget.
- 4.6 Regarding void losses, there has been considerable progress in reducing void levels and there is a consistent decrease in the number of vacant properties through 24/25. This reduction is being achieved whilst the HRA reduces the cost to bring a void property back to the Councils' relet standard, including a reduced reliance on overtime working and the support of sub-contractors. However, void time and void loss continue to be impacted by meter challenges with energy suppliers resulting in time delays in returning several

of our void properties to the letting pool. Reducing the void loss remains an operational priority area and the Council's Void Working Group and Building Services Improvement Plan will drive ongoing improvement in this key area. Void losses are forecast to be £0.074m more than budget.

Other Expenditure - £0.180m Adverse Variance

- 4.7 The key adverse variance is a forecast rent abatement overspend of £0.100m. Demand is exceeding the new reduced abatement budget. There has been considerable progress in reducing this area of spend with the 2024/2025 rent abatement spend forecast to be more than £250,000 less than the 2023/2024 spend. Officer will continue to tightly control this budget to minimise spend.
- 4.8 A further variance is a forecast spend of £0.063m to Womens Aid. The HRA budget for payments to Womens Aid was removed during the setting of the 2024/2025 HRA Budget, however through discussions with the Womens Aid organisations it was agreed to retain an element of that spend for a proportion of the 2024/25 year.

Favourable Variances

- 4.9 The HRA cost pressures detailed present unprecedented financial challenges for the council's Housing Revenue Account. Officers have reviewed the HRA spend to explore any efficiencies and to identify the scope to reduce spend. Two key areas have been identified that are forecast to deliver an offsetting budget underspend of £2.193m

Employee Costs - £0.378m Favourable Variance

- 4.10 The HRA employee cost budget is £7.661m. The spend against this budget is influenced by staff turnover, staff overtime spend and the success in recruiting to posts as they become vacant. Management is targeting additional staffing efficiencies to deliver a significant underspend against budget in 2024/2025, including tighter controls on staff recruitment and overtime together with a review of the HRA staff recharge to the HRA capital account and the General Fund account.

Repair & Maintenance – £1.815m Favourable Variance

- 4.11 The HRA repair and maintenance budget is £15.208m. This budget primarily funds reactive repairs, void repairs, planned maintenance, compliance works, and environmental works.
- 4.12 The repairs spend was reviewed and a potential £1.7m saving was identified against the 2024/2025 repair and maintenance budget through revenue spend that qualifies for capitalisation. A review of specific workstreams assessed that some works extend the lifespan of assets, specifically work conducted in void properties to bring properties back to relet standard are significant and include component renewals. Furthermore, the completion of an Electrical Installation Condition Report (EICR) is complementary to the environmental sensor installation programme.

4.13 Discussion is ongoing with Greenspace colleagues to deliver a minimum £0.1m saving by revising work specifications and streamlining processes.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 Other than the financial position noted above, there are no financial implications of the budgetary control report. There are no procurement implications arising from this report.

7. Risk Analysis

7.1 The main financial risks to the ongoing financial position relate to unforeseen cost being identified between now and the end of the financial year. This can affect all service areas.

8. Equalities Impact Assessment (EIA)

8.1 The report is for noting and therefore no Equalities Impact Assessment was completed for this report.

9. Consultation

9.1 All services involved in delivering the HRA revenue budget have been consulted during the compilation of this report.

10. Strategic Assessment

10.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the five strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council. This report is for noting and, therefore, does not directly affect any of the strategic priorities.

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Date: 30 October 24

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Appendices: Appendix 1 - Budgetary Position (Revenue)
Appendix 2 - Variance analysis (Revenue)

Background Papers: None

Wards Affected: All