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East Dunbartonshire Council

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**PLACE, NEIGHBOURHOOD &
CORPORATE ASSETS
COMMITTEE:**

9 NOVEMBER 2023**PNCA/098/23/JR:****CHIEF FINANCE OFFICER****CONTACT OFFICER:****GRANT MACKINTOSH, EXECUTIVE OFFICER -
HOUSING****ALICE MULLEN, PRINCIPAL ACCOUNTANT****SUBJECT TITLE:****HOUSING REVENUE ACCOUNT
MONITORING REPORT 2023/24 AT PERIOD 6****1.0 PURPOSE**

- 1.1** The purpose of this Report is to provide an update to Members of the Place, Neighbourhood and Corporate Assets Committee regarding the performance of the 2023/24 Housing Revenue Account (HRA), as at accounting period 6 from the 1 April to the 1 October 2023.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

- 2.1** reviews the Period 6 analysis and agrees that it represents an early indication of the potential financial outturn position;
- 2.2** instructs Officers to continue to report on potential for the financial outturn in line with the established cycle of reports; and
- 2.3** otherwise notes the content of this Report.

**JAMIE ROBERTSON
CHIEF FINANCE OFFICER**

3.0 BACKGROUND/MAIN ISSUES

- 3.1** The HRA budget of £17.304m for 2023/24, was approved by a meeting of the Council on 23 February 2023 (Report CFO/008/23/JR). This Report presents an update to that position.
- 3.2** Financial projections are based on budget monitoring reports as at Period 6, updated with the latest financial and management information up to the time of submission to committee.
- 3.3** Appendix 1 to this Report sets out the actual spend, with the HRA reporting a £2.281m surplus of income over expenditure at the end of Period 6. This position is not anticipated to be sustained with the projected year-end outturn reflecting accelerated expenditure and an increasingly balanced outturn. Year-to-date surplus will therefore be reduced during Periods 11 and 12.
- 3.4** This analysis is provided over a number of reporting areas including employee costs, housing repair charges, recharges from other departments and capital financing costs. At this time, both employee and property costs are forecast to be on budget. Rental income is forecast to generate a surplus of £0.350m based on higher rent that is charged for new build properties now being fully factored into the projections.
- 3.5** When setting the current year budget, property maintenance costs for gas servicing works were not included in those costs required to be recharged to the HRA. These costs incurred by the HRA had not been levied since 2019/20 but were paid in 2022/23. As a result, only the annual cost of £0.571m has now to be subsumed within the 23/24 Council budgets. This cost will be included with budgetary provision in future years starting in 2024.
- 3.6** Mid-year projections are also showing that the Debt Charges - which form a significant element of the Capital Financing Costs on Appendix 1 - will be overspent by around £0.501m. This variance has been driven by the rising interest rate costs on borrowing during 2023/24, with the Bank of England interest rate more than doubling between now and when Debt Charges budgets were initially set during 2022/23. Steps are being taken by the Councils Treasury team to mitigate the effects of rising interest rates. For example, by maintaining an under-borrowing position and utilising the Council's reserves, balances and cash flow to support the capital borrowing need.
- 3.7** This strategy is not prudent in the long-term and a review of the Council's future capital plans and borrowing proposals will be required in order to assess the affordability of such plans going forward, during what is now a time of comparatively high interest rates, the likes of which we haven't seen since the 2007-08 Financial Crisis.
- 3.8** The Housing Service continues to recover from the impacts of Covid-19 with related costs impacting on various elements of the service at reducing levels. Reductions in income due to voids has reduced and re-let timescales were met within the last quarter. Such progression may be balanced against the potential impacts of new requirements under the Cost of Living (Tenant Protection) (Scotland) Bill. This could have implications for rental income and rent arrears with these implications currently being reviewed by Officers.

- 3.9** Report CFO/022/23/GM to the Audit & Risk Management Committee meeting on 31 August 2023 highlighted the HRA reserves position as being £9.270m. This balance represents the 2022/23 unaudited outturn position and is a reduction on the previous year's reserves position of £10.421m.
- 3.10** The main reason for the 2022/23 reduction in reserves was those unexpected recharges (£1,278m of backdated gas servicing works) set out above with reserves set out to reduce borrowing through the application of revenue (CFCR) being reduced accordingly.

The proposed new structure of reserves is as follows:

- Prudential reserve of £1.000m;
 - IHMS support reserves of £2.500m;
 - CFCR * reserves of £2.920m;
 - Staffing (New Structure) reserves of £1.800m;
 - Hardship Fund reserves of £0.100m; and
 - Pilot Fencing reserves of £0.750m.
 - Unallocated reserves of £0.200m
- 3.11** CFCR includes * £0.952m that is specifically held and earmarked for transfer to Housing Capital reserves.
- 3.12** It is the intention of Officers to review the sufficiency of the carried forward surpluses and the overall position, ensuring that they remain at a level to support ongoing initiatives. This review will also consider whether those elements that have previously been earmarked, continue to be required at those levels and could therefore be returned to HRA reserves to support future planning. Any changes arising from this review will be reported at the next available Place, Neighbourhood & Corporate Assets Committee.

4.0 IMPLICATIONS

The implications for the Council are as undernoted.

- 4.1** Frontline Service to Customers – none.
- 4.2** Workforce (including any significant resource implications) – none.
- 4.3** Legal Implications – none.
- 4.4** Financial Implications – Financial implications are set out in the body of the Report.
- 4.5** Procurement – none.
- 4.6** ICT – none.
- 4.7** Corporate Assets – none.
- 4.8** Equalities Implications – none.
- 4.9** Sustainability- none.
- 4.10** Other – No other issues noted.

5.0 MANAGEMENT OF RISK

The risks and control measures relating to this Report are as follows:-

- 5.1** Housing and support services resources are in place to deliver programmes. Housing and Finance will work together to highlight any areas of concern through regular monitoring of budget lines.

6.0 IMPACT

- 6.1 ECONOMIC GROWTH & RECOVERY** – Continuous investment in local housing, through development and an increase of the asset base held by the Council.
- 6.2 EMPLOYMENT & SKILLS** - Potential for jobs through housing investment and new developments, SHIP programme and existing stock capital programme.
- 6.3 CHILDREN & YOUNG PEOPLE** – The accommodation of families, including children and young people, through allocation or homeless waiting lists.
- 6.4 SAFER & STRONGER COMMUNITIES** – The Council’s Housing Service inputs into secure better street design and works with Community Safety and Police Scotland to maximise safety and minimise anti-social behaviour.
- 6.5 ADULT HEALTH & WELLBEING** – The Council’s Housing Service contributes through the Care and Repair programme, Aids and Adaptations, new developments and SHIP, Community Care and Alcohol and Drug protocol.
- 6.6 OLDER ADULTS, VULNERABLE PEOPLE & CARERS** – N/A.
- 6.7 CLIMATE CHANGE** – N/A.
- 6.8 CORPORATE PARENTING** – N/A
- 6.9 STATUTORY DUTY** – N/A.

7.0 POLICY CHECKLIST

- 7.1** This Report has been assessed against the Policy Development Checklist and has been classified as being an operational report and not a new policy or change to an existing policy document.

8.0 APPENDICES

- 8.1** Appendix 1 – Housing Revenue Account – Summary Financial Position 2023/24

