

<b>Agenda Item</b>	<b>4</b>
<b>Report No</b>	<b>HP/02/23</b>

## HIGHLAND COUNCIL

**Committee:** Housing and Property Committee

**Date:** 26 January 2023

**Report Title:** Housing Revenue Account (HRA) and Non-HRA Revenue Monitoring Statement to 31 December 2022

**Report By:** Executive Chief Officer Property and Housing

### **1 Purpose/Executive Summary**

1.1 This report provides commentary on the Housing Revenue Account and non-Housing Revenue Account budget monitoring statement for Q3 of 2022/2023. The monitoring statement is attached as an **Appendix** to this report.

### **2 Recommendations**

2.1 Members are asked to:

**APPROVE** the budget position on the Housing Revenue Account and non-Housing Revenue Account 2022/2023 for the period to 31 December 2022.

### **3 Implications**

3.1 **Resource** – The report outlines the current external factors affecting the HRA budget and mitigation underway to minimise a year-end overspend.

3.2 **Risk** – There are customer service risks associated with the current suspension of non-essential housing repairs.

3.3 **Community (Equality, Poverty and Rural), Legal, Risk, Climate Change / Carbon Clever, Gaelic** – There are no implications arising as a direct result of this report.

### **4 Background**

4.1 There are two main elements of the Housing Revenue Budget included in this report.

1. The Housing Revenue Account (HRA) budget, which is used to account for income and expenditure associated with the Council's front-line housing services

to Council house tenants and the costs associated with Council housing and related assets.

2. The Non-Housing Revenue Account (Non-HRA) budget, which is part of the Council's overall General Fund, and relates to housing services that are not directly provided to Council tenants.

## **5 Housing Revenue Account**

5.1 The main elements of the Housing Revenue Account budget are outlined below.

### **5.2 Supervision and Management**

This budget covers the staffing and other running costs for the management and repair of Council housing. The budget includes bad debt provision against rent income.

### **5.3 Tenant Participation and Sheltered Housing**

These form part of the overall category of Supervision and Management costs but are reported as separate lines on the monitoring statement to provide Members and tenants with information on the separate costs of these service areas. These budgets cover the staff and running costs of the services, including the costs of support to tenant groups and tenant and customer engagement activities.

### **5.4 Homelessness**

Some Council housing is used as temporary accommodation to meet our statutory homelessness functions. This budget covers the management costs associated with this accommodation. In line with an existing Council commitment and with revised national guidance on temporary accommodation standards we have been increasing the use of our own housing stock as temporary accommodation by around 50 properties a year.

### **5.5 Repairs and Maintenance**

This budget covers the cost of carrying out revenue funded day to day repairs and planned maintenance to council houses, including repairs to empty houses and revenue funded environmental improvements. This includes the costs of the Council's in-house building maintenance teams.

### **5.6 House Rent Voids**

At any time, the Council will have some properties empty as part of its normal letting operations and will therefore have no rent income for those properties. The budget for house rent voids is based on actual rents for vacant council houses.

### **5.7 Other Rent Void Loss**

This budget covers rent loss on other HRA properties, mainly garages and garage sites and houses used for temporary accommodation.

### **5.8 Central Administration**

This budget covers the costs of corporate charges to the HRA for legal, financial, IT and other corporate services in relation to the Council's landlord role.

### **5.9 Loan charges**

This budget covers the revenue costs of repaying debt held on the Housing Revenue Account. Borrowing takes place to fund capital investment in improvements to Council housing and other assets held on the Housing Revenue Account, as well as to fund the council house building programme.

- 5.10 Revenue expenditure on managing and maintaining the Council's housing stock needs be met from income. Housing Revenue Account income is generated mainly from Council house rents. Income is also received through other sources, mainly: garage and garage site rentals, service charges, rechargeable services.

## **6 Housing Revenue Account Monitoring Statement to 31 December 2022**

- 6.1 Overspends are currently projected on housing repairs, homelessness, and other rent void loss, with the biggest emerging issue on housing repairs.
- 6.2 Labour and material costs for housing repairs continue to be affected by rising inflation. We have also experienced some difficulties in recruitment to our in-house building maintenance trades teams and this has resulted in greater use of external contractors, where costs are generally higher. A year end projection of £2.758m was reported to the Committee in November 2022 and Members agreed to suspend non-essential repairs to reduce the overspend. The Q3 Monitoring Statement shows a revised projection of £2.655m. We will continue to apply these measures for the final quarter of 2022/23 to minimise the overspend.
- 6.3 An overspend of £0.192m is projected on homelessness costs. This is an increase on the Q2 figure and is mainly associated with rising costs of repairs, supplies and services to properties used as temporary accommodation.
- 6.4 The overspend on other rent voids has been reduced from £0.143m for Q2 to £0.073 for Q3.
- 6.5 Underspends are projected on Supervision and Management, Sheltered Housing and Tenant Participation mainly related to staff costs.
- 6.7 On the income side, Council house rent income is slightly below projected levels due to delays in completion of some new build projects. Other rent income is affected by the rate of increasing HRA property used as temporary accommodation for homeless households, partly associated with delays in setting up and furnishing new properties.
- 6.8 Taking all these factors into account the Housing Revenue Account is currently projected to overspend by £2.875m, a reduction in the Q2 projection of £3.055m. The main factor continues to be rising costs of carrying out repairs and maintenance to Council houses.

## **7 Non-Housing Revenue Account – Monitoring to 31 December 2022**

- 7.1 Expenditure on Homelessness is currently ahead of budget. This is due to repairs and maintenance as well as reletting and end of lease costs associated with privately leased properties that are used for temporary accommodation. A recent retendering of private sector temporary accommodation has also resulted in an increase in the rates for some accommodation. Costs are also affected by the volumes of people in temporary accommodation and the difficulty in providing permanent housing for homeless households.
- 7.2 The budget for housing support is currently projecting an underspend. This is associated with some difficulties with capacity of external housing support providers, but the main factor is the reduced use of some accommodation-based services in line with our Rapid Rehousing Transition Plan.

- 7.3 An overspend is projected on the Gypsy / Traveller Sites as a result of our ongoing commitment to achieve site standards, including fire safety measures on the sites.
- 7.4 Overall, an underspend of £0.019m is projected on the non-HRA revenue budget.

Designation: Executive Chief Officer Housing and Property

Date: 13 January 2023

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**Appendix**

**HRA and non-HRA Revenue Monitoring Statement**

**1 April 2022 to 31 December 2022**

**Financial Detail**

**Variance Breakdown**

**BY ACTIVITY**

**Housing Revenue Account**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Supervision and Management	6897	9,359	9,188	(171)
Tenant Participation	178	304	242	(62)
Sheltered Housing	406	723	615	(108)
Homelessness	1180	1,246	1,438	192
Repairs and Maintenance	18161	19,505	22,160	2,655
House Rent Voids	575	828	788	(40)
Other Rent Voids	296	336	409	73
Central Support		4,246	4,246	0
Loan Charges		23,441	23,441	0
Capital Funded from Current Revenue		0	0	0
<b>Gross Expenditure</b>	<b>27,693</b>	<b>59,988</b>	<b>62,527</b>	<b>2,539</b>
House Rents	(40,608)	(56,093)	(55,993)	100
Other Rents	(2,278)	(3,497)	(3,242)	255
Other Income	(303)	(337)	(356)	(19)
Interest on Revenue Balances		(61)	(61)	0
<b>Gross Income</b>	<b>(43,189)</b>	<b>(59,988)</b>	<b>(59,652)</b>	<b>336</b>

£000 staffing Variance	£000 other spend Variance	£000 Income Variance
(90)	(81)	
(75)	13	
(35)	(73)	
(67)	258	
(31)	2,686	
	(40)	
	73	
	0	
	0	
	0	
	0	
(298)	2,836	0
		100
		255
		(19)
		0
0	0	336

**HRA TOTAL**

<b>(15,496)</b>	<b>0</b>	<b>2,875</b>	<b>2,875</b>
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<b>(298)</b>	<b>2,836</b>	<b>336</b>
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**BY SUBJECTIVE**

Staff Costs	9,614	13,701	13,403	(298)
Other Costs	18,079	46,287	49,124	2,837
Gross Expenditure	27,693	59,988	62,527	2,539
Grants	(214)	(187)	(124)	63
Other Income	(42,975)	(59,801)	(59,528)	273
Total Income	(43,189)	(59,988)	(59,652)	336
<b>(15,496)</b>	<b>0</b>	<b>2,875</b>	<b>2,875</b>	

**Non-Housing Revenue Account**

Homelessness	1,686	1,956	2,346	390
Supporting People	516	1,544	1,100	(444)
Gypsy Traveller Sites	22	5	40	35
<b>2,224</b>	<b>3,505</b>	<b>3,486</b>	<b>(19)</b>	

(60)	287	163
0	(444)	0
(7)	43	(1)
<b>(67)</b>	<b>(114)</b>	<b>162</b>

**BY SUBJECTIVE**

Staff Costs	1,273	1,777	1,710	(67)
Other Costs	3,205	5,325	5,211	(114)
Gross Expenditure	4,478	7,102	6,921	(181)
Grants	(185)	(171)	(153)	18
Other Income	(2,069)	(3,426)	(3,282)	144
Total Income	(2,254)	(3,597)	(3,435)	162
<b>2,224</b>	<b>3,505</b>	<b>3,486</b>	<b>(19)</b>	