

Agenda Item	5
Report No	HP/14/24

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 14 August 2024

Report Title: Housing Revenue Account (HRA) and Non-HRA Budget: Final Outturn 2023/2024

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

1.1 This report provides the year end outturn figures for the Housing Revenue Account and Non-Housing Revenue Account revenue budgets for 2023/24.

2 Recommendations

2.1 Members are asked to:

- (i) **NOTE** the final outturn figures for the Housing Revenue Account and Non-Housing Revenue Account 2023/24.
- (ii) **APPROVE** the transfer of the year-end surplus of £0.772m to the Housing Revenue Account reserves.

3 Implications

3.1 **Resource** – The report requests the transfer of the 2023/24 surplus to increase the Housing Revenue Account reserves.

3.2 **Legal** – There is a legal requirement to ensure that the Housing Revenue Account has a balanced budget at year-end.

3.3 **Risk** - There are no implications arising as a direct result of this report.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process or people)** - There are no implications arising as a direct result of this report.

3.5 **Gaelic** - There are no implications arising as a direct result of this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights

and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring update report and therefore an impact assessment is not required.

5. Background

- 5.1 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. In addition, there is a 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.

6 Housing Revenue Account

- 6.1 The main elements of the Housing Revenue Account budget are outlined below.
- 6.2 **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.
- 6.3 **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.
- 6.4 **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.
- 6.5 **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.

6.6 **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.

6.7 **Other Rent Void Loss**

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

6.8 **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.

6.9 **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.

6.10 Committee will be aware of ongoing Council efforts to lobby the UK Government for the write-off of historic housing debt, and these efforts will continue following the recent General Election.

6.11 **Income**

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.

6.12 As indicated at section 6.12 and following of this report, Revenue Estimates will be submitted to this Committee ahead of the 2025/26 financial year. It is essential that the rent charged is set at a level which ensures sufficient budget to deliver key housing services, while keeping rents as affordable as possible for our tenants during the ongoing Cost of Living Crisis.

7 **Housing Revenue Account – Outturn 2023/2024**

7.1 The outturn position for 2023/2024 is attached as **Appendix 1** and shows that the HRA revenue budget had a surplus of £0.772m at year-end. Explanations for the main variances are provided below.

7.2 **Repairs and Maintenance**

During 2023/2024 there was an overspend in repairs and maintenance of £1.900m. In line with previous reports to this Committee, much of this overspend was anticipated as a result of the Committee decision to limit the rental increase for 2023/2024 in order to protect tenants from the impact of the Cost of Living Crisis.

7.3 In line with experience nationally, the overspend reflects significant additional costs of materials and significant additional costs incurred in relation to transport/fuel costs and utility costs. In simple terms, the average cost of a repair has increased significantly in the last few years.

- 7.4 Intensive cost controls were in place during 2023/2024 in an effort to minimise repair spend. This included some restrictions on low priority repairs largely associated with the external fabric of properties and environmental improvement works. This included repairs to fencing, gates, garages and pathways.
- 7.5 On 31 January 2024, Committee approved an increased repairs and maintenance budget of £21.311m for 2024/2025 and the intention is that this increase will help fund more of these low priority works this current financial year. The current status of these low priority repairs is detailed in the Housing Performance Report to this Committee.
- 7.6 **Supervision and Management**
During 2023/2024 staff and other direct costs were lower than budgeted across the supervision and management (£0.849m), sheltered housing (£0.066m) and tenant participation (£0.049m) functions of the Service. This underspend is largely attributable to the long-term effect of the Covid-19 pandemic on recruitment, with particular challenges recruiting to trades posts in 2023/2024.
- 7.7 **Homelessness**
The homelessness budget was overspent by £0.540m in 2023/2024, reflecting the pressure of ongoing homelessness demand and the cost impact of meeting this through providing furnished accommodation from existing Council housing.
- 7.8 **Loan Charges**
The outturn position for loan charges was £1.984m less than budgeted in 2023/2024. This reflects adjustments made during the financial year to improve consistency of accounting for capital income and expenditure. These adjustments, and the resulting underspend, are not expected to be recurrent and loan charges continue to represent a long-term cost pressure facing the HRA.
- 7.9 **HRA Reserves**
The Council currently has Housing Revenue Account Reserves of **£3.909m**. These are made up of revenue surpluses generated in previous years. Reserves need to be used to offset any annual overspends on the Housing Revenue Account.
- 7.10 Largely as a result of an overspend on repairs and maintenance, there was an overall overspend of £3.965m on the Housing Revenue Account in 2022/2023. As HRA legislation dictates the requirement to maintain a balanced budget, Committee agreed on 10 August 2023 to draw down £3.965m from the HRA reserves of £7.874m.
- 7.11 It is recommended that the surplus of £0.772m at year-end 2023/2024 is transferred to the HRA Reserves to increase them to **£4.681m**. This is regarded as a prudent level of held reserves, particularly in light of continued cost pressures of high levels of borrowing to fund the HRA Capital Programme.
- 7.12 **Future Rental Strategy**
Committee will be aware that the practice has been for the annual Housing Revenue Account Estimates to be submitted to Committee ahead of the forthcoming financial year. In order to meet the demands of the Highland Housing Challenge and to ensure there is sufficient funding for investment in both existing and new housing, it is recommended that future Revenue Estimates focus on a longer-term rental strategy covering a number of years.

- 7.13 Significant analysis is underway to ensure that an appropriate rent increase is applied post-2025 to meet service delivery needs while maintaining Highland's excellent record of keeping rents as affordable as possible for our tenants.
- 7.14 For a number of years, Highland has been in the lowest quartile of Council house rents across Scotland's local authorities, but this has provided a challenge in terms of delivering essential services during a sustained period of high inflation and increased costs. Every Council tenant will be invited to respond to the annual rent consultation which takes place later in 2024.

8 Non-Housing Revenue Account – Outturn 2023/2024

- 8.1 The Non-Housing Revenue Account (Non-HRA) budget is part of the Council's overall General Fund and relates to housing services that are not directly provided to Council tenants. This covers the costs of providing homelessness services and accommodation through external accommodation providers as well as housing support services. The Council's four Gypsy/Traveller sites are also funded through the Non-HRA. Income from rents on temporary accommodation and for gypsy/traveller site pitches partly offsets costs.
- 8.2 The outturn on the non-HRA budget was an underspend of £0.950m. This mainly relates to reduced expenditure on housing support services with significant savings achieved by bringing part of this service in-house.
- 8.3 As part of the production of the annual accounts, spend from the Landbank and Evergreen affordable housing initiatives which are fully funded by their respective funds are shown against Housing & Property within the cost of services in the Comprehensive Income and Expenditure Account (CIES) and in the Expenditure and Funding Analysis (EFA).

In 2023/24 the total net expenditure in the CIES for Housing & Property was £94.081m. In the EFA this is split between the amount chargeable to the General Fund of £93.340m and statutory accounting adjustments of £0.741m.

- 8.5 Of the £93.340m chargeable to the General Fund, £79.604m is reported within the Property & FM Statement and £2.545m is reported within the HRA and non-HRA Statement. The remaining £11.191m relates to Evergreen and Landbank expenditure shown as part of the cost of services in the CIES.

Designation: Assistant Chief Executive - Place

Date: 10 July 2024

Authors: Brian Cameron, Interim Head of Housing & Building
Maintenance
Carolyn Maxwell, Service Finance Manager

Appendices: Appendix 1 – Housing Revenue Account Monitoring
Statement 2023/24;
Appendix 2 – Non-Housing Revenue Account Monitoring
Statement 2023/22

Housing Revenue Account Monitoring Statement 2023/24 1 April 2023 – 31 March 2024

BY ACTIVITY	£000	£000	£000
	Annual Budget	Year End Estimate	Year End Variance
Supervision and Management	9,861	9011	(849)
Tenant Participation	336	286	(49)
Sheltered Housing	723	657	(66)
Homelessness	1,246	1787	540
Repairs and Maintenance	18,867	20767	1,900
House Rent Voids	882	933	51
Other Rent Voids	325	282	(42)
Central Support	4,458	4118	(341)
Loan Charges	26,291	24307	(1,984)
Gross Expenditure	62,989	62,149	(840)
House Rents	(59,333)	(59,425)	(92)
Other Rents	(3,235)	(2,931)	305
Other Income	(359)	(114)	245
Interest on Revenue Balances	(62)	(451)	(390)
Gross Income	(62,989)	(62,921)	68
HRA TOTAL	0	(772)	(772)
BY SUBJECTIVE			
Staff Costs	15,004	14,165	(838)
Other Costs	47,985	47,983	(2)
Gross Expenditure	62,989	62,149	(840)
Grants	(209)		209
Other Income	(62,780)	(62,921)	(141)
Total Income	(62,989)	(62,921)	68
	0	(772)	(772)

Non-Housing Revenue Account Monitoring Statement 1 April 2023 – 31 March 2024

BY ACTIVITY	£000	£000	£000
	Annual Budget	Year End Estimate	Year End Variance
	Budget	Estimate	Variance
Non-Housing Revenue Account			
Homelessness	2,004	1,769	(235)
Supporting People	1,474	743	(732)
Gypsy Traveller Sites	16	33	16
Resettlement Funding	0	0	0
NON-HRA TOTAL	3,494	2,545	(950)
BY SUBJECTIVE			
Staff Costs	1,467	1,921	454
Other Costs	5,485	4,666	(819)
Gross Expenditure	6,952	6,587	(365)
Grants	(23)	(722)	(699)
Other Income	(3,434)	(3,321)	114
Total Income	(3,457)	(4,042)	(585)
	3,494	2,545	(950)