

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>SCRUTINY HOMES SUB-COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>11 September 2024</b>	
<b>REPORT TITLE:</b>	Update on the Housing Revenue Account and Housing General Fund Finance Update	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>SUSMITA SEN, CORPORATE DIRECTOR OF HOUSING</b>	
<b>LEAD OFFICER:</b>	<b>Orlagh Guarnori, Head of Finance - Housing</b>	
<b>LEAD MEMBER:</b>	<b>COUNCILLOR LYNNE HALE, DEPUTY MAYOR &amp; CABINET MEMBER FOR HOMES</b>	
<b>DECISION TAKER:</b>	<b>Not applicable</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>  <i>(* See guidance)</i>	<b>NO</b>	Public
<b>WARDS AFFECTED:</b>	<i>Not applicable</i>	

## 1 SUMMARY OF REPORT

- 1.1 The report provides the Scrutiny Homes Sub-Committee an overview of the Housing Revenue Account (HRA) and General Fund (GF) forecast outturn 2023-24.

## 2 RECOMMENDATIONS

For the reasons set out in the report, the Scrutiny Homes Sub-Committee is recommended:

- 2.1 to note the forecast outturn position presented to Cabinet in July 2024
- 2.2 to note the ongoing pressures on the Housing HRA budget as a result of activity levels within the response repairs service area
- 2.3 to note the ongoing pressures on the Housing GF budget as a result of demand activity levels within temporary accommodation and specifically nightly paid accommodation

## 3 REASONS FOR RECOMMENDATIONS

- 3.1 To enable scrutiny of the Housing Revenue Account and Housing General Fund forecasts.

## 4 BACKGROUND AND DETAILS

### Housing Revenue Account (HRA) Background

- 4.1** The HRA accounts for the revenue expenditure and income relating to the Council's own housing stock and is ring-fenced from the Council's General Fund as required by the Local Government and Housing Act 1989 which specifies the items that can be charged and credited to it.
- 4.2** The HRA must include all costs and income relating to the Council's landlord role, and the Council has a legal duty to budget to ensure the account remains solvent and is reviewed throughout the year.
- 4.3** The spending of the HRA must consider the strategic objectives of the Council and the impact of government policies on rents, disposals and regeneration.

### Housing Revenue Account (HRA) Final Outturn 2023-24

Table showing the 2023-24 HRA provisional outturn

Description	Net Budget (£m)	Provisional Outturn (£m)	Forecast Month 10 (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(82.7)	(82.1)	(0.6)
Service Charge Income	(4.6)	(4.6)	(4.6)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.4)	(3.4)	(3.4)	-
Other Income	(6.0)	(10.4)	(6.0)	(4.4)
<b>Subtotal Income</b>	<b>(96.1)</b>	<b>(101.1)</b>	<b>(96.1)</b>	<b>(5.0)</b>
Housing Capital Charges	40.9	39.7	40.9	(1.2)
Responsive Repairs & Safety	20.4	37.8	32.3	17.4
Centralised Directorate expenditure	11.3	9.8	11.3	(1.5)
Tenancy & Resident Engagement	10.3	9.3	10.3	(1.0)
Tenant Support Services	6.7	8.1	6.7	1.4
Concorde, Sycamore & Windsor expenditure	3.4	3.4	3.4	-
Asset Planning	1.6	1.5	1.6	(0.1)
Capital Delivery (Homes)	1.5	1.4	1.5	(0.1)
<b>Subtotal Expenditure</b>	<b>96.1</b>	<b>111.0</b>	<b>108.0</b>	<b>14.9</b>
<b>Total HRA Net Expenditure</b>	<b>-</b>	<b>9.9</b>	<b>12.0</b>	<b>9.9</b>

- 4.4** Forecast revenue overspend of £9.9m against the budget of £96m and is a lower overspend than previously reported of £12.0m. The overspend is in responsive repairs and safety and is a result of a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety.

- 4.5** Capital underspend of £3.5m against the £39.2m budget, pressures on the damp and mould repairs activity of a capital nature (bathrooms/kitchens) although previous predicted to generate an overspend. In addition works of a safety nature overspent again the original budget but overall the pressures were mitigated against by underspends on direct capital repairs referrals projects budget.
- 4.6** The net impact is a draw down from reserves of £6.4m at year end to cover the overspend on the revenue budget.
- 4.7** This pressure is a direct result of the significant under-investment over decades in our housing stock which has resulted in the backlogs the teams are now tackling.
- 4.8** The outturn position of £9.9m is the net position from
- £11.8m overspend on repairs
  - £4.9m overspend on legal disrepair which also includes the creation of a legal disrepair provision £1.5m.
  - These pressures are offset by underspends of £3.7m on central services area which includes the HRA Transformation and central staffing budgets.
  - A £4.9m net increase in income consisting of a £2.2m increase to the capital recharges,
  - £2.1m of interest charges between the HRA and General Fund and £0.6m of rental income

### Housing General Fund Final Outturn

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Resident Engagement and Allocations	23.9	25.7	25.7	1.8
Housing Estates and Improvement	-	-	-	-
<b>Total Housing</b>	<b>23.9</b>	<b>25.7</b>	<b>25.7</b>	<b>1.8</b>

- 4.9** At provisional outturn is for a £1.8m overspend on the Housing directorate has a General Fund forecast against the budget of £23.9m
- 4.10** The favourable movement is a result of one off additional income streams of:
- £4.5m of corporate contingency budgets held for 2023/24 for inflationary pressures
  - £2.2m of corporate economic pressures
  - £2.1m of funding swap from corporate budgets
  - £1.0m has been agreed from the Contain Outbreak Management Fund (COMF) grant to support homelessness costs and clearing of the homelessness casework backlog.
  - £1.9m additional Homelessness Prevention Grant (HPG) top up helped to mitigate against these pressures

- £4.5m favourable movement is a result of data cleansing in the new NEC IT system, case reviews and occupancy checks resulting in the recovery of an extra rental and housing benefits income

**4.11** These favourable movements mitigated against pressures as a result on:

- Temporary Accommodation (TA) portfolios were overspent against the budget by £1.8m at year end. The underlying pressure was £4.3m including the increase to the bad debt provision. However, the additional Homelessness Prevention Grant (HPG) top up helped to mitigate against these pressures
- An increase to the bad debt provision of £1.2m has been included in the year end position. As we continue to work on the data collection and cleansing within the NEC IT system there has been the identification of miscoded accounts and, therefore, this is a prudent approach.

**4.12** The main areas of ongoing pressure remains within the Nightly Lets

- London Council's analysis for September 2023 compared to September 2022 shows homelessness presentations are up 14.5% in London with 9,079 households presenting as homeless during the month. In Croydon, homeless presentations/demand has doubled from an average of 200 up to 400 per month in the last three months.
- However, new placements into temporary accommodation have been well controlled with the stringent application of statutory guidelines over the same period. An average of 100 placements resulted from 400 presentations (25%) in the last 3 months, compared to an average of 60% of presentations resulting in accommodation prior to the new structure.
- With the increase in overall temporary accommodation numbers (in line with the increase seen nationally) from 3,328 in March 2023 to 3,623 in March 2024 (an increase of 295 during the year), this overspend would have been significantly higher had we carried on working the way we were prior to the new structure.

**4.13** The ongoing crisis within the London housing market is creating significant demand for services has not levelled out within 2023-24 and is likely to continue to rise into 2024-25. The data available following the changeover of rent account systems to the new NEC IT system is now improving forecasting accuracy.

**4.14** The inherent gap between the accommodation costs and the ultimate income that can be recovered is being further developed. The Local Housing Allowance (LHA) rate payable for Temporary Accommodation (TA) through the Housing Benefit Subsidy system is capped at **90% of 2011** local housing allowance (LHA) rate which does not

cover the total cost of temporary accommodation. This is because when the TA rate was initially introduced, it acted as a premium for emergency provision, because 90% of the January 2011 LHA rate was generally higher than the April 2011 LHA rate at the time.

- 4.15** The inherent pressure is further exacerbated by the increase in demand. Since 2011 the number of households in TA in London has increased significantly. In 2022 – the last year we have full data for – 57,000 households were in TA, which 51% higher than 10 years ago.  
Note: This is based on government data sets, it counts households rather than individuals.