

LONDON BOROUGH OF CROYDON

REPORT:	SCRUTINY HOMES SUB-COMMITTEE	
DATE OF DECISION	9 July 2024	
REPORT TITLE:	Update on the Housing Revenue Account and Housing General Fund Finance Update	
CORPORATE DIRECTOR / DIRECTOR:	SUSMITA SEN, CORPORATE DIRECTOR OF HOUSING	
LEAD OFFICER:	Orlagh Guarnori, Head of Finance - Housing	
LEAD MEMBER:	COUNCILLOR LYNNE HALE, DEPUTY MAYOR & CABINET MEMBER FOR HOMES	
DECISION TAKER:	Not applicable	
CONTAINS EXEMPT INFORMATION? (* See guidance)	NO	Public
WARDS AFFECTED:	<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 update on 2023-24

2 RECOMMENDATIONS

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

- 2.1 to note the P10 position presented to Cabinet in April 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) Outturn P10

- 4.4** Forecast revenue overspend of £12.0m against the £96m budget. 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 overspend of £1.8m (4.6%) against the £39.2m budget, with repairs activity of a capital nature (bathrooms/kitchens) being the driver for the overspend.
- 4.6** Any overspends at year end on both revenue and capital budgets will need to be funded from reserves of which there are circa £50m
- 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 Period 10 position of £12.0m overspend is made up of £8.6m responsive repairs costs pressure and £3.4m on disrepair costs, legal fees, and settlements.
- 4.9** The responsive repairs budget for 2024-25 has been increased from £26.86m to £29.4m. This will be closely monitored at an activity level with the service monthly. The budget was built using activity levels and an agreed average order value.
- 4.10** The repairs growth is targeted at five key areas:
 - 1. Responding to the increase in repairs requests that have been received from tenants as a consequence of the historical under-investment in the stock including insufficient growth in responsive repair budgets as well as historic legacy issues identified since the implementation of the new contracts in August 2023.
 - 2. Damp and mould treatments and the significant work being undertaken to tackle our response to reports.
 - 3. Enhancing the capacity to meet the needs of The Social Housing (Regulation) Act 2023, including the changes from "Awaab's Law". New rules will form part of

- the tenancy agreement under which residents can hold landlords to account if they fail to provide a “decent” home.
4. The ongoing work to manage the legacy voids and ensure that we are turning around our stock to a good lettable standard in a timely way.
 5. Tackling the disrepair and legacy disrepair cases that are yet to be addressed.

Housing General Fund Outturn P10

- 4.11** At period 10, the Housing directorate has a General Fund forecast overspend of £3.5m (14.6%) against the budget of £23.9m
- 4.12** Within the P10 forecast one off allocations to budgets of:
- £6.9m of corporate contingency budgets held for 2023/24 have been allocated to the homelessness service.
 - £1.2m has been agreed from the Contain Outbreak Management Fund (COMF) grant to support homelessness costs and clearing of the homelessness casework backlog.
- 4.13** The Housing Needs and Homelessness Transformation Projects are resulting in financial benefits and the realisation of the savings target set in 2023-24 includes:
- The Homelessness and Rough Sleeping Strategy sets out the priorities of the Housing Needs services across 2024-2029. It ensures that the Council complies with its statutory requirements through cost-effective means and mitigates against the risk of government penalties and potential lost grant for lack of compliance.
 - The implementation of the Housing Needs & Homelessness Service restructure is delivering improved customer experience, clearance of assessment backlog and effective demand management. A backlog of circa 2,000 cases was identified as part of the Housing Needs restructure. Resulting in an increase in the number of placements in nightly paid accommodation until their needs are assessed.
 - Supported housing contracts review is ongoing the financial impact of new contracts will not be evident until 2025.
 - Improvement in data quality is expected to deliver financial benefits in 2023-24 year as rent accounts are set up promptly and applications for housing benefit are processed.
- 4.14** 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.
- 4.15** 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.

4.16 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.

Appendices

4.17 Appendix 1. 2023-24 Period 10 Financial Performance Report (for precise Housing figures please refer to the following sections: (i) Housing section set on pages 12-16; (ii) Housing Revenue Account se on pages 27-34).