

REPORT TO: CABINET

DATE: 5 DECEMBER 2019

TITLE: HOUSING REVENUE ACCOUNT, QUARTER 2
FINANCE REPORT 2019/10

PORTFOLIO HOLDERS: COUNCILLOR MIKE DANVERS, PORTFOLIO
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This is not a Key Decision

It is on the Forward Plan as Decision Number I010145

The decision is not subject to Call-in Procedures for the following reason:

The recommendations are within the scope of the budget which has been approved by Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

A Notes:

- i) A favourable variation against the approved HRA operational/controllable budget of £272,000 representing (-)0.05 per cent of the gross Housing Revenue Account (HRA) budget.
- ii) An unfavourable non-operational variance of £489,000 representing 0.1 per cent of gross HRA budget which includes adjustments to housing capital programme financing resulting from the re-alignment of budgets and associated funding.

- B** Notes the forecast balance at 31 March 2020, of £6,826,000 in respect of the Housing Revenue Account and nil in respect of the Major Repairs Reserve (MRR).

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the approved HRA Business Plan and acknowledges the operational variations in light of the challenges the Council may face in this financial year and future years.

BACKGROUND

1. This report sets out the Council's financial performance against the agreed 2019/20 HRA Budget and provides an indication of the outturn projection as at 31 March 2020.
2. The Council approved a minimum revenue balance of £4,000,000 in 2019/20, £1,500,000 of which is held as a provision against any additional expenditure that may be required as a result of the Grenfell Tower Public Inquiry.
3. The 2019/20 HRA original estimate anticipated a working balance on the HRA of £4,147,000 at 31 March 2020.

ISSUES/PROPOSALS

Variances

4. The projected operational variance for 2019/20 is showing a £272,000 underspend, the key variations are detailed below with a more detailed analysis shown in Appendix A to the report:
 - a) A favourable variance for staffing costs of £383,000 from net savings in salaries due to the re-organisation of housing teams and difficulties recruiting appropriately qualified staff.
 - b) Adverse variance of £95,000 in rent income due mainly to Right to Buy sales in the first half of the year being higher than anticipated. As at 30 September 2019 27 properties had already been sold compared with the annual estimate of 40 sales. In addition there are a number of void properties awaiting refurbishment.
 - c) Favourable variance of £41,000 in respect of estimated HTS pension costs.
 - d) Favourable variance of £38,000 in the HTS contract costs for Repairs and Maintenance due to the lower Building Maintenance Index at September 2019.

e) The impact of the new gas contract has not yet been recognised in the invoicing received and any additional costs in the HRA are in part recoverable from tenants and leaseholders.

5. At 31 March 2019 there was a nil balance on the MRR. The estimated depreciation charge for 2019/20 following a review is anticipated to be £10,092,000 (original estimate £10,085,000) and is expected to be used in full to support the Housing Capital Programme in line with regulations and the HRA Business Plan approved by Council in February 2019.

HRA Balances 2019/20

6. The projected balance at 31 March 2020 reflects the re-profiling of the 2019/20 Housing Capital Programme and the expectation that it will not be necessary to borrow to fund the council house building programme in 2019/20.

Table 1 – HRA Projected Working Balance at 31 March 2020

	£'000
Actual balance in hand 1 April 2019	13,731
Original estimate deficit	(-)6,688
	7,043
Appendix A:	
Operational variances	272
Non Operational variances	(-)489
Projected Working Balance at 31 March 2020	6,826

Significant Risks/Opportunities

7. The following risks (all of which are subject to review) have been identified which could affect the HRA Business Plan:
- a) The outcome of the Grenfell Tower Public Inquiry on landlords across the country;
 - b) Outcomes from national housing policy relating to the sale of larger properties in support of Registered Social Landlord RTB proposals, and future rental income legislative parameters. The Government's Green Paper, 'A New Deal for Housing' (August 2018), proposes that this policy will be abandoned, and legislation will be repealed in due course;
 - c) Welfare Reform: the Government's reduction in benefits to non-working families may have an adverse impact on tenants' ability to pay rent. Essex County Council has also reduced Housing Related Support to the Council;
 - d) Continuing development of a Capital Programme to deliver decent homes in partnership with contractors, and deal with issues such as fire safety and regulation, especially in light of constraints arising from

the enforced reduction in rental income over the 2016/17 – 2019/20 period;

- e) The Homeless Reduction Act that was implemented on the 1 April 2018 increased the legal duties on Councils to take steps to prevent families from becoming homeless and to intervene at an earlier stage. The Act continues to have financial implications on the Council, in terms of the increased numbers and cost of Temporary Accommodation;
- f) The Government has introduced new plans to fix the “broken housing market and build more homes across England”. This includes measures to:
 - i) Reduce the obstacles to house building and help local authorities, developers and small and medium enterprise builders build the homes Britain needs.
 - ii) Publish a consultation paper on the reforming of RTB Receipts, which will allow local authorities to hold receipts for longer than the three years which is currently allowed and which following consultation is awaiting a Government response.
 - iii) Removing the Housing Borrowing Cap. The Government removed the cap in the Autumn Budget on 29 October 2018. Details of its application are to follow.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT and Properties & Facilities)

As contained in the body of the report.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

As contained in the body of the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – HRA Operational Variances, Period 6

Appendix B – Housing Revenue Account Budget Summary 2019/20, Period 6

Glossary of terms/abbreviations used

HRA – Housing Revenue Account

HTS – Harlow Trading Services (Property & Environment) Ltd

MRR – Major Repairs Reserve.