

REPORT TO: CABINET

DATE: 10 SEPTEMBER 2020

TITLE: HOUSING REVENUE ACCOUNT, QUARTER 1
FINANCE REPORT 2020/21

PORTFOLIO HOLDERS: COUNCILLOR MIKE DANVERS, PORTFOLIO
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SENIOR MANAGEMENT BOARD

This is not a Key Decision

It is on the Forward Plan as Decision Number I011368

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

The recommendations are within the scope of the budget approved by Full Council in January 2020

This decision will affect no ward specifically.

RECOMMENDED that Cabinet notes:

- A** The HRA Quarter 1 Budget Monitoring Report 2020/21 (attached as Appendix A to the report).
- B** That the forecast HRA general working balance as at 31 March 2021 will reduced to £11.873 million following the decision to finance part of the capital programme from revenue contributions

REASON FOR DECISION

- A** The report compares the Quarter 1 profiled budget with actual income and expenditure in order to identify operational variations and provides explanations for those variances
- B** The report also provides details of the Housing Revenue Account (HRA) capital receipts available as at 30 June 2020. This information will be used to update investment decisions for the delivery of the new affordable housing. This much needed development will help to reduce waiting list times and help tackle homelessness.

BACKGROUND

1. Full Council approved the HRA budget and capital programme in January 2020. The approved budget included a £2.1 million revenue contribution to finance the housing capital programme. The 2019/20 HRA Outturn Report identified a large underspend in the Housing Capital Programme and much of the expenditure has been re-profiled into 2020/21. Due to the Covid-19 pandemic there has been a delay in the start of capital work in 20/20/21 which could result in further re-profiling.
2. As set out in Appendix A to the report, the 2020/21 HRA Quarter 1 budget monitoring statement. It can be seen from the statement that income and expenditure is in line with the profiled budget. However, there are significant variations in general management as well then provision for bad debts and void properties.

ISSUES/PROPOSALS

Operational Expenditure

3. General Management – underspend £0.319 million. The major restructuring of Housing Asset Management, Technical Services and Property Management continues. As a result of the cessation of the Savills's (UK) Ltd partnership, the two year restructure has resulted in a significant number of vacancies and the consequential underspend on employee costs. It is anticipated that the restructure will be completed in 2020/21. In addition there were some other vacancies in the Business Support Unit which proved quite difficult to fill.
4. Rent Arrears – Impairment Allowance (Provision for Bad Debts). It is early in the financial year and at this stage it is not anticipated that there will be any significant pressure on the £240,000 provision for bad debts. However, at the end of week 12 rent arrears had increased by £347,476 (9.96 per cent) as a result of the Covid-19 pandemic and the halt on recovery action. Recovery action has now resumed and the rent arrears will be continually be monitored in order to ascertain if the increase will impact on the budget.

Operational Income

5. Dwelling Rents and Void Properties. Similarly at this stage in the financial year it is not anticipated that there will be any significant loss of rental income due to void properties. The HRA business plan and the budget assumes that in 2020/21 there will be an average of 116 properties void throughout the year. At the end of June, due to the Covid-19 pandemic there were 138 void properties. A detailed plan of action is in place to reduce the number of voids and it remains to be seen how this will affect the rental income budget.

HRA Capital Receipts

6. The accumulation of retained Right to Buy (RTB) receipt can be summarised as follows:

Year	Quarter	Balance Brought Forward	Receipts Retained	Receipts Used	Balance Carried Forward
		£	£	£	£
2017/18	Qtr 2	- 0	1,005,654	-	1,005,654
2017/18	Qtr 3	1,005,654	1,226,277	-	2,231,932
2017/18	Qtr 4	2,231,932	1,553,847	-	3,785,779
2018/19	Qtr 1	3,785,779	-	-	3,785,779
2018/19	Qtr 2	3,785,779	-	-	3,785,779
2018/19	Qtr 3	3,785,779	-	-	3,785,779
2018/19	Qtr 4	3,785,779	-	45,741	3,740,038
2019/20	Qtr 1	3,740,038	1,900,339	33,866	5,606,510
2019/20	Qtr 2	5,606,510	553,213	62,432	6,097,291
2019/20	Qtr 3	6,097,291	1,181,154	42,028	7,236,417
2019/20	Qtr 4	7,236,417	1,844,361	68,393	9,012,385
2020/21	Qtr 1	9,012,385	536,492	50,187	9,498,690

7. It can be seen from Table 1 that as at 30 June 2020 the Council is holding £9.5 million in retained RTB receipts for the one for one replacement of affordable housing. Under the current regulations the Council can only finance 30 per cent of the total cost of the project from retained receipts and there is a three year time limit before the receipts have to be repaid to Ministry for Housing, Communities and Local Government (MHCLG).
8. Given the current re-profiling of the HRA capital programme there is a real risk that these receipts will have to be repaid plus interest at four per cent above base rate (4.1 per cent) compounded quarterly.

9. The receipts retained in Quarter 2 of 2017/18 are due for repayment by 31 October 2020. Due to the delays caused by Covid-19, the MHCLG have relaxed the rules and allowed the Council to delay repayment by three months. However, unless we use £3.74 million by 31 March 2021 it will have to be repaid.
10. A report elsewhere on the Cabinet agenda makes recommendations to undertake open market house purchases up to the value of £12.6 million in order to fully utilise all retained RTB receipts.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained in the report.

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

Housing

As contained in 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 Quarter 1 Budget Monitoring Report 2020/21

Background Papers

None.

Glossary of terms/abbreviations used

HRA – Housing Revenue Account

MHCLG – Ministry for Housing, Communities and Local Government

RTB – Right to Buy

Appendix A – HRA Quarter 1 Budget Monitoring Report

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2020/21					
	Current Estimate 2020/21	Profiled Estimate to period 3	Actual to period 3	Forecast to Year End	Forecast Variance to Current Estimate
	£	£	£	£	£
EXPENDITURE					
General Management	13,958,313	1,397,120	4,999,343	13,639,584	(-)318,729
Special Management	8,333,899	1,820,455	1,483,200	8,333,900	1
Repairs	10,942,615	2,925,483	2,808,428	10,961,615	19,000
Rent Rates Taxes & Other Charges	80,000	19,992	0	80,000	0
Provision for Bad & Doubtful Debts	240,000	0	0	240,000	0
Supporting Peopl	5,000	1,250	836	5,000	0
Depreciation & Impairment	10,229,000	0	0	10,229,000	0
Debt Management Expenses	16,520	0	0	16,520	0
Interest Charges	6,770,000	0	(-)67,553	6,770,000	0
Direct Revenue Financing	2,198,000	0	0	2,198,000	0
	52,773,347	6,164,299	9,224,255	52,473,619	(-)299,728
INCOME					
Dwelling Rents	(-)42,838,000	(-)10,705,216	(-)10,496,060	(-)42,838,000	0
Garage Rents	(-)1,049,000	(-)262,145	(-)234,113	(-)1,049,000	(-)0
Other Rents	(-)65,400	(-)12,597	(-)26,118	(-)65,400	0
Charges for Services & Facilities	(-)6,600,668	(-)3,772,740	(-)2,150,422	(-)6,600,668	0
Interest Receivable	(-)63,000	0	0	(-)63,000	0
	(-)50,616,068	(-)14,752,698	(-)12,906,714	(-)50,616,068	(-)0
Balance in hand at 1st April	13,731,084		13,731,084	13,731,084	0
Surplus/(Deficit) for Year	(-)2,157,279	8,588,399	3,682,459	(-)1,857,551	299,728
Balance in hand at 31st March	11,573,805	8,588,399	17,413,543	11,873,533	299,728