

REPORT TO: CABINET

DATE: 3 DECEMBER 2020

TITLE: HOUSING REVENUE ACCOUNT, QUARTER 2
FINANCE REPORT 2020/21

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SENIOR MANAGEMENT BOARD

This is not a Key Decision

It is on the Forward Plan as Decision Number I011374

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 contents of the report and appendices A and B.
- B** That the forecast HRA general working balance as at 31 March 2021 will be £13.308 million and the balance on the Major Repairs Reserve will be fully utilised to finance the 2020/21 capital programme
- C** The balance of £9.8 million of retained Right to Buy (RTB) receipts held as at 30 September 2020 in order to finance the new build capital programme and house purchase scheme.

REASON FOR DECISION

- A** The report compares the Quarter 2 profiled budget with actual income and expenditure. This is to identify operational variations and provide explanations for those differences.
- B** The report also provides details of the HRA capital receipts available as at 30 September 2020. This information will be used in conjunction with the new build capital monitoring report in order to identify any risks of having to repay retained RTB receipts back to the Ministry of Housing, Communities and Local Government (MHCLG) plus interest compounded quarterly

BACKGROUND

HRA Budget 2020/21 – Quarter 2

- 1. Set out in Appendix B is the 2020/21 HRA Quarter 2 budget monitoring overall summary. It can be seen from the summary that the HRA business plan assumptions as set out in the current budget are in line with actual income and expenditure. However, there are variations in general management as well then provision for bad debts and void properties as detailed below.

Expenditure - Operational

- 2. General Management
 - a) The most significant variation in General Management is the underspending on employee costs which has previously been reported. Recruitment continues to be delayed due to the Covid-19 pandemic. There are also a number of other smaller variations which are shown in the appendix.
- 3. Rent Arrears – Impairment Allowance (Provision for Bad Debts)
 - a) The £240,000 provision for bad debts is being monitored closely following the four per cent reduction in collection performance previously reported in Quarter 1. The latest data shows that there has been a two per cent improvement in performance during the second quarter when benchmarked against previous years. A steady increase in the number Universal Credit applications which are taking time to process and causing debt levels to rise. The Government have issued new guidance/procedures on rent collection which means that the Councils own process will have to be updated.

Income – Operational

- 4. Dwelling Rents and Void Properties

- a) The HRA business plan and the budget assume that in 2020/21 there will be an average of 116 properties void throughout the year. During quarters 1 and 2 the number of empty properties has increased due to the Covid-19 restrictions and at their peak totalled 141. However, by the end of September, the number of void properties had reduced to 122 having been managed under new Covid secure arrangements. The increased level in the number of void properties has a potential £60,000 impact on business plan assumptions and a detailed plan has been established to reduce the number of voids to align with the business plan target by the end of the year.

HRA Capital Receipts

5. The accumulation of retained RTB receipts can be summarised as follows:

Table 1 – Summary of retained RTB receipts

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	533,187	50,187	9,495,384
2020/21	Qtr 2	9,495,384	365,286	23,847	9,836,823

6. It can be seen from Table 1 that as at 30 September 2020 the Council is holding £9.8 million in retained RTB receipts for the 1-4-1 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 MHCLG.
7. At the September 2020 Cabinet meeting Members approved a £12.6 million increase in the 2020/21 Housing Capital Programme (HCP) to purchase up to 45

three bedroom dwellings in order to utilise the retained RTB receipts. This scheme has now started and it is anticipated that no receipts will have to be repaid in 2020/21. However, the programme is being closely monitored to ensure that all properties purchased meet the housing need and can demonstrate value for money.

ISSUES/PROPOSALS

8. Given the current re-profiling of the new build capital programme there is a potential risk that retained RTB receipts could be liable for repayment with the addition of compound interest at 4.1 per cent in the first quarter of 2022/23. This situation will be kept under review as the new build programme is delivered and alternatives will be considered to help avoid this situation should the need arise.
9. On 18 July 2020 the Housing Minister announced the Next Steps Accommodation Programme. This is additional funding to help Councils ensure that vulnerable people still have a safe place to stay. Bids had to be submitted by 20 August 2020, and the Council successfully received a grant of £81,633 for the remainder of 2020/21.
10. In October 2020, MHCLG published a new National Statement of Expectations (NSE) for supported housing. This sets out the Government's expectation of the standard, quality and value for money in supported housing for vulnerable people. Initially MHCLG have funded five pilot schemes to improve quality, enforcement, oversight and value for money in supported housing. There is no announcement for Harlow but it is anticipated that there will be developments in the future.
11. The all England lockdown restrictions which came into force on the 5 November are likely to further impact on the 2020/21 HRA budget and business plan. At this stage it is difficult to assess the impact that these additional restrictions will have on income levels, rent arrears and balances.

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 body of 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 2 Operational Variances

Appendix B - HRA – Quarter 2 Overall Summary

Background Papers

None.

Glossary of terms/abbreviations used

HCP – Housing Capital Programme

HRA - Housing Revenue Account

MHCLG – Ministry for Housing, Communities and Local Government

RTB – Right to Buy