

**REPORT TO:** CABINET

**DATE:** 25 MARCH 2021

**TITLE:** HOUSING REVENUE ACCOUNT, QUARTER 3  
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 I011386**

**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 2021.

**This decision will affect no ward specifically.**

**RECOMMENDED that** Cabinet notes:

- A** The Quarter 3 - HRA Budget Monitoring report as set out in the following paragraphs and in Appendix 1 and 2.
- B** That the forecast HRA general working balance as at 31 March 2021 will be £13.293 million and that the Major Repairs Reserve will only be partially used to finance the 2020/21 capital programme, leaving an estimated balance of £941,000.
- C** The balance of £7.8 million of retained Right to Buy (RTB) receipts held as at 31 December 2020 in order to finance the new build capital programme and house purchase scheme.

## **REASON FOR DECISION**

- A** The report compares the revised budget with actual income and expenditure as at 31 December 2020 and following consultation with budget managers forecasts the projected outturn at year end. This comparison identifies operational variations and this report provides explanations for the variances.
- B** The report also provides details of the retained RTB capital receipts available as at 31 December 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**

- 1. In January 2021 Cabinet approved the revised 2020/21 HRA Budget together with the 2021/22 budget and capital programme. The revised budget deficit of £9.76 million was prepared following consultation with budget managers and in conjunction with the HRA 30 year business plan and the medium term financial strategy. This is due to be updated in 2021/22.

## **ISSUES/PROPOSALS**

### **HRA Budget 2020/21 – Quarter 3**

- 2. Appendix 1 is the quarter 3 HRA budget monitoring report which summarises all the significant variations between the revised budget and the projected outturn. The variations amounts to a forecast underspend of £7.302 million resulting in an anticipated deficit of £2.458 million. Appendix 2 provides a further breakdown of these variations with detailed explanations summarised below.

### **Expenditure - Operational**

- 3. General Management
  - a) There is an underspending of £229,000 on employee costs due to the reorganisation of Housing Property Services, Technical Services and Asset Management teams. Recruitment continues to be delayed due to the Covid-19 pandemic.
- 4. Special Management
  - a) Increased costs continue to be required to provide for additional Personal Protective Equipment (PPE) as part of Covid-19 revised risk assessments. This is particularly in relation to sheltered accommodation where the anticipated overspend is £68,000.

## 5. Repairs and Maintenance

- a) Repairs and maintenance services are predominantly delivered by HTS (Property and Environment) Ltd in accordance with the approved Service Agreement. However, there are still some specialist services (lift/water) provided by other companies. It is anticipated that in respect of the work undertaken by these companies there will be a small underspending of £49,000.

## 6. Rent Arrears – Impairment Allowance (Provision for Bad Debts)

- a) The Government have issued new guidance/procedures on rent collection which has meant that the Council's own process needed to be re-aligned. The current £363,000 provision for bad debts is being closely monitored following the sharp rise in rent arrears in Quarter 1. There has been a continued improvement in collection rates in Quarter 3, due to recovery procedures being re-commenced in July 2020.
- b) Even though collection rates have improved, there is still a reduction of one percent (£771,000) in the collection of rent being shown at end of December 2020 when benchmarked against previous year's profiles. The latest data also shows an increase of 47 percent with serious arrears over £2,000, and an increase of 44 percent in Universal Credit applications which are taking time to process causing debt levels to rise.

## 7. Direct Revenue Financing

- a) The Quarter 3 Capital Programmes Finance Report 2020/21 (later on the agenda) once again shows that a significant element of the Housing Capital Programme (HCP) will have to be re-profiled into 2021/22. As a consequence of this re-profiling and the need to borrow to finance the house purchase programme, it is anticipated that no direct revenue financing will be required in 2020/21, resulting in an underspending of £7.247 million.

## **Income - Operational**

### 8. Dwelling Rents and Void Properties

- a) The actual Quarter 3 rental income is higher than originally forecast when the revised budget was prepared. This is because in the revised budget the assumed level of RTB sales and the estimate for the number of void properties was higher than the actual number of sales and void properties. As a consequence, rental income is higher than anticipated resulting in a favourable variance of £676,000.
- b) During Quarter 3, the number of empty properties reduced to 114, which remains above the level of previous year's profiles. There has also been an increase in turnaround time to 36 days due to Covid-19

safety requirements from previous year's profiles which will also have an impact on rental income.

## 9. Tenants and Leaseholders Service Charges

- a) Throughout the year tenant and leaseholders have been charged for the services that they have received based on estimates. In addition, leaseholders are also charged for work delivered under the External Works programmes. All leaseholders have been sent estimated invoices at the beginning of the financial year and tenants have had their accounts charged each week. Due to the Covid-19 restrictions it has not been possible to deliver all the services for which they have been charged and consequently both tenants and leaseholders may be entitled to a rebate on their annual services charges.
- b) There have been delays in External Works programme due to the Covid-19 pandemic. The delays have a major impact on forecasted service charge income for 2020/21. It is anticipated there will be a reduction of over £1 million from the previous year's profile.

## HRA Capital Receipts

10. Set out in Table 1 is a summary of the retained RTB receipts as the end of Quarter 3.

**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
2020/21	Qtr 3	9,836,823	308,288	2,335,028	7,810,083

11. It can be seen from Table 1 that, in Quarter 3, £2.335 million of retained receipts were applied to finance the approved house purchase programme. As a consequence of the programme the Council met its target and did not have to repay any receipts back to the MHCLG and will not incur any compound interest charges. This has been a major programme of housing acquisitions and is a credit to the team involved in delivering the scheme in less than six months.
12. The house purchase programme is continuing and it is forecast that all the required RTB receipts will be used by 31 March 2021 and once again the Council will not have to pay any back to MHCLG and saving £492,000 in interest payment.

### **Significant Risks/Opportunities**

13. Given the current re-profiling of the new build capital programme there is a real risk that retained RTB receipts will have to be repaid plus compound interest at 4.1 percent in the first quarter of 2022/23 .Work will continue to reduce or remove the risk as far as possible.
14. The current lockdown restrictions are still continuing and. as we have already seen, are having a major impact on the 2020/21 HRA budget and business plan. At this stage it is difficult to assess the impact of the restrictions on the final outturn and for 2021/22.

## **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 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 1 – HRA – Quarter 3 Budget Monitoring Summary

Appendix 2 – Operational Variances

## **Background Papers**

None.

## **Glossary of terms/abbreviations used**

HCP – Housing Capital Programme

HRA – Housing Revenue Account

MHCLG – Ministry for Housing, Communities and Local Government

PPE – Personal Protective Equipment

RTB – Right to Buy

## Appendix 1 – HRA – Quarter 3 Budget Monitoring Summary

HEADING	2019/20	2020/21	Quarter 3	Projected	Variance
	Actual	Revised	Actual	Revised	
	£'000	£'000	£'000	£'000	
<b><u>Expenditure</u></b>					
General Management	10,908	13,890	9,032	13,700	(190)
Special Management	7,331	8,165	4,742	8,233	68
Repairs	10,305	11,250	8,209	11,201	(49)
Rents, Rates & Taxes	85	120	2	120	0
Supporting People	5	5	3	5	0
Provision for Bad Debts	358	363	-	363	0
Depreciation	10,624	10,470	29	10,470	0
Direct Revenue Financing	0	7,247	-	-	(7,247)
Debt Management Exp	6	16	-	17	1
Capital Charges:	6,673	7,067	3,370	7,067	0
<b>Total Expenditure</b>	<b>46,295</b>	<b>58,593</b>	<b>25,385</b>	<b>51,176</b>	<b>(7,418)</b>
<b><u>Income</u></b>					
Dwelling Rents	(42,155)	(42,796)	(32,764)	(43,472)	(676)
Garage Rents	(1,031)	(1,049)	(765)	(1,020)	29
Other Rents	(62)	(65)	(70)	(93)	(28)
Service Charges: Tenants	(1,197)	(1,053)	(812)	(820)	233
Service Charges: Leaseholders	(1,602)	(2,176)	(1,888)	(1,851)	325
Other Charges for Services	(1,457)	(1,003)	(317)	(752)	251
Transfers from General Fund	(616)	(609)	0	(628)	(19)
Interest on Revenue Balances	(195)	(82)	0	(82)	0
<b>Total Income</b>	<b>(48,315)</b>	<b>(48,834)</b>	<b>(36,616)</b>	<b>(48,718)</b>	<b>116</b>
Balance at 1 April	(13,731)	(15,751)	(15,751)	(15,751)	
Surplus / (Deficit) for year	(2,020)	9,760	(11,231)	2,458	7,302
Balance in hand at 31 March	(15,751)	(5,991)	(26,982)	(13,293)	7,302

## Appendix 2 – HRA Operational Variances

Item	Adverse £000's	Favourable £000's	Net £000's	Explanation
General Man - Employees		(229)	(229)	Recruitment delays - Covid - 19
General Man - Employees	55		55	HTS Pension Charge
General Man - Consultancy		(16)	(16)	Tenant survey delayed to 2021-22
Special Man - Equipment	68		68	PPE in Sheltered Accommodation
Repairs - External Contract		(49)	(49)	Lower contract payments
Direct Revenue Financing		(7,247)	(7,247)	Re-profiling of the HCP
Dwelling Rents		(676)	(676)	RTB and voids lower than revised
Garage Rents	29		29	Increase in void garages
Other Rents		(28)	(28)	
Service Charges - Tenants	233		233	Service restrictions due to Covid19
Service Charges - L/holders	325		325	Service restrictions due to Covid19
Service Charges - Other	251		251	Service restrictions due to Covid19
Transfers to General Fund		(19)	(19)	Inflation
Deficit/ (Surplus) for year	710	(8,264)	(7,303)	