

REPORT TO: CABINET

DATE: 12 JULY 2021

TITLE: HOUSING REVENUE ACCOUNT OUTTURN REPORT 2020/21

LEAD OFFICERS: SIMON FREEMAN, HEAD OF FINANCE AND PROPERTY AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446228

ANDREW MURRAY, HEAD OF HOUSING (01279) 446676

CONTRIBUTING OFFICERS: SENIOR MANAGEMENT BOARD

This is not a Key Decision

It is on the Forward Plan as Decision Number I012606

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

It is within the scope of the budget agreed by Full Council in January 2020

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the Housing Revenue Account (HRA) Outturn Report 2020/21 as set out in following paragraphs and in Appendix 1.
- B** Approves the £1.188 million in revenue carry forward requests as set out in Appendix 2 to the report.
- C** Notes that the HRA general working balance as at 31 March 2021 is £16.243 million as set out in Table 1 of the report.
- D** Notes that the Major Repairs Reserve balance as at 31 March 2021 is £1.574 million as set out in Table 3 of the report.
- E** Notes the balance of £7.068 million of retained Right to Buy (RTB) receipts held as at 31 March 2021 in order to finance the new build programme as set out in Table 4 of the report.

REASON FOR DECISION

- A** The report compares the actual outturn with the Quarter 3 projections as at 31 March 2021 and following consultation with budget managers provides explanations for these variances.

- B** The report also provides details of the retained Right to Buy (RTB) capital receipts available as at 31 March 2021. This information will be used to bring forward plans for future new build schemes in order to provide much needed affordable housing.

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 £9.760 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.
2. In March 2021 Cabinet compared the revised 2020/21 budget with the forecast outturn and due to the delays caused by Covid-19 restrictions and other operational changes it was anticipated that the budget deficit would be £2.458 million.

ISSUES/PROPOSALS

HRA Budget 2020/21 – Outturn

3. Set out in Appendix 1 is a comparison of Quarter 3 forecast outturn with the actual outturn. Following consultation with budget managers explanations for the variances are as follows.

Expenditure - Operational

4. General Management – Underspent £895,000
 - a) There is an underspending on employee costs due to the recruitment processes to the of Housing Technical Services and Asset Management teams being suspended due to the pandemic. The underspending in respect of current vacancies has been partly offset by the cost of agency staff.
 - b) During to the Covid-19 pandemic there has been very little or no movement of tenants during the year. Consequently, budgets such as tenant's removal expenses, and moving incentives are underspent. As Covid-19 restrictions are lifted it is anticipated the movement of tenants will increase in 2021/22 and this is the reason for the carry forward request.
5. Special Management – Underspent £775,000
 - a) When the Quarter 3 monitoring report was prepared, budget managers were anticipating the lifting of the Government ban on the eviction of tenants for the non-payment of rent. The lifting of the ban would have

inevitable resulted in increased evictions and increased pressure on the homelessness temporary accommodation budget.

- b) As part of the governments “everyone in” initiative, part funded by the Government the Council were able to source alternative accommodation without the need for the use of Temporary Accommodation along with the support and housing advice provided throughout the pandemic, That has meant that many households have remained/retained their settled accommodation.
- c) All of these factors including the impact of the pandemic has meant that there is an underspend on the Temporary Accommodation budget of £560,000. However there is an expectation that as the moratorium on evictions has recently lifted and normal services resume there will be an increase in homeless approaches which will result in the need for increased temporary accommodation. The numbers in temporary accommodation increased to 284 by the 31 March 2021 and is forecast to increase each year by 2 percent.
- d) There has been a £161,000 underspend in respect of landlords lighting budget due adjustments made to electricity invoices. Initially, invoices are based on estimated invoices and the amended when actual meter readings are provided.

6. Repairs and Maintenance – Underspent £985,000

- a) Repairs and maintenance services are predominantly delivered by HTS (Property and Environment) Ltd (HTS) in accordance with the approved Service Agreement. However, due the Covid-19 restrictions there is a backlog of schemes for standard planned routine repairs totalling £502,450 which had not been completed by the 31 March 2021. An adjustment has been made which is contributing to the underspend. The work will be completed in 2021/22 and is included in the carry over requests.to support delivery of the HTS recovery plans. It is expected for backlog for routine and standard responsive repairs to be completed by October 2021.
- b) There are other external companies providing specialist maintenance services. In same way that HTS has been restricted in repairs activities, other repairs providers have also been prevented from delivering services during the pandemic. This delay in completing this work has also contributed to the budget being underspent.

7. Provision for Bad Debts – Underspent £196,000

- a) Housing rent recovery procedures commenced in July 2020 and tenant rent and service charge rent arrears reduced by £114,418 in 2020/21 to £3.373 million, a reduction of 3.28 percent. This was not what was previously forecast and one reason is that due to the lockdown restriction tenants had more disposable income available.

- b) An adjustment was required, therefore, to the provision for bad debts which has meant that the bad debt budget has not fully been utilised. The annual bad debt provision was utilised in regards to the write off of historic former tenant debt of £245,000.
- c) In terms of performance the rent collected as a proportion of total rent charged exceeded the 98 percent target. The actual percentage achieved was 98.69 percent which is slightly lower in comparison to 2019/20 performance of 98.83 percent, a difference of 0.14 percent. In addition, large arrears cases between (£1,000/£2,000) increased during the pandemic by 42.
- d) The Government issued new guidance on rent collection procedures in July 2020. This meant that the Council's own process had to be re-aligned and, together with the judicial processes, means the Council is still playing catch up. This may mean that there may be ongoing delays.

8. Capital Charges – Underspent £139,000

- a) The house purchase and the new build capital schemes were financed by additional borrowing in 2020/21. The Quarter 3 budget monitoring report assumed the capital charges would be calculated on the full 12 months borrowing. However, as the house purchases took place in the second half of 2020/21 the capital charges have only been calculated on six months borrowing.

9. Dwelling Rents – Adverse Variance £485,000

- a) The Quarter 3 monitoring report forecast a favourable variance of £676,000 based on 52 rent weeks. However, week 52 commenced on Monday 29 March and contained four days income which related to 2021/22. Following consultation with the external auditors when preparing the 2019/20 financial statements, the Council were advised to make an adjustment for the number of days rent which related to the following year, In order to be consistent a similar adjustment has been made in 2020/21, but was not included in the Quarter 3 forecast. The variance relates to the four days rent in 2021/22.
- b) The HRA 30 year business plan assumes a 1.27 percent loss of income due to properties becoming void. This equates to a loss of income of £545,000 or an average 116 properties per week. The actual loss of income due to voids in 2020/21 was £682,359 which reflects the adverse effect of the pandemic on HRA income, In addition to increased number of voids there has also been an increase in void turn round time to 40 days from 16 days in previous years.

10. Service Charges – Additional Income £330,000

- a) The Quarter 3 monitoring report forecast a £790,000 loss of service charge income as a result of services being unable to be delivered to leaseholders. However, before the actual invoices were prepared HTS confirmed that even though the work had to be re-scheduled because of the pandemic, all the services had been delivered. The invoices were prepared on this basis which resulted in the additional income.

HRA General Balances

11. The HRA outturn statement in Appendix 1 shows an overall surplus of £492,000. The movement in HRA balances can be summarised as set out in Table 1 below. It should be noted that the 2018/19 accounts are still to be signed off by the auditor and consequently the opening balance may be subject to amendment.

HOUSING REVENUE ACCOUNT		
2019/20	Narrative	2020/21
£,000		£,000
13,731	Balance as 1st April	15,751
2,020	Surplus /(Deficit) for year	492
15,751	Balance as at 31st March	16,243

HRA Earmarked Reserves

12. The HRA has a number of earmarked reserves and the movement and balances on these reserves can be summarised as follows:

Name of Reserve	Balance at at 31 March 2020	Transfers To Reserve	Transfers From Reserve	Balance at at 31 March 2021
	£	£	£	£
Perpetuity Reserves	1,395,776	174,139	(433,715)	1,136,200
Insurance Fund	2,155,087	220,600	(210,430)	2,165,257
Insurance Claims Reserve	617,006	215,165	(136,665)	695,506
Risk Management Reserve	448,140	60,000		508,140
Housing Insurance Property Reserve	40,111	10,000		50,111
Total Reserves	4,656,120	679,904	(780,810)	4,555,214

Major Repairs Reserve

13. Under the Accounts and Audit Regulations 2015 authorities are required to maintain a Major Repairs Reserve which is used to finance the core element of the Housing Capital Programme (HCP). The 2020/21 movement in the reserve can be summarised in Table 3.

	Balance as at 31 March 2020	Contributions To Reserve	Transfers To Finance CAPEX	Balance as at 31 March 2021
Name of Reserve	£	£	£	£
Major Repairs Reserve	0	10,416,392	(8,842,345)	1,574,047

Retained Right to Buy Receipts

14. Set out in Table 4 is a summary of the retained right to buy receipts as at the 31 March 2021.

Year	Quarter	Balance Brought Forward	Receipts Retained	Receipts Used	Balance Carried Forward
		£	£	£	£
2017/18	Qtr 2		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
2020/21	Qtr 4	7,810,083	662,671	1,404,924	7,067,831

15. It can be seen from Table 4 that in Quarter 4 £1.404 million of retained receipts were used to complete purchase programme. As a consequence of the programme the Council met its target and did not have to repay any receipts back to the Ministry of Housing, Communities and Local Government and will not incur any compound interest charges.
16. It can also be seen from Table 4 that the balance of retained RTB receipts available at the 31 March 2021 is £7.068 million which is available to provide new affordable housing. In March 2021 the Government announced changes to the rules on the use of retained receipts. With effect from the 1 April 2021 local

authorities can finance 40 percent of new build projects from retained receipts (previously it was capped at 30 percent). In addition, authorities are allowed up to five years to use the receipts instead of the previous three years.

Significant Risks/Opportunities

17. The current lockdown restrictions are still continuing and as we have already seen are having an impact on the delivery of Housing services. There are significant risks ahead and these will be updated as part of the ongoing review of the HRA budget and business plan. At this stage it is difficult to assess the impact of the restrictions in the long term.

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

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – Housing Revenue Account Outturn 2020/21

Appendix 2 – HRA Carry Forward Requests 2020/21

Background Papers

None.

Glossary of terms/abbreviations used

HCP – Housing Capital Programme

HRA – Housing Revenue Account

HTS – HTS (Property and Environment) Ltd
RTB – Right to Buy

APPENDIX 1					
HOUSING REVENUE ACCOUNT OUTTURN 2020/21					
	2019/20	2020/21	2020/21	2020/21	2020/21
		Revised	Quarter 3		
HEADING	Actual	Budget	Projected	Actual	Variance
	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>					
General Management	10,908	13,890	13,700	12,805	(895)
Special Management	7,331	8,165	8,233	7,458	(775)
Repairs	10,305	11,250	11,201	10,216	(985)
Rents, Rates & Taxes	85	120	120	121	1
Supporting People	5	5	5	3	(2)
Provision for Bad Debts	358	363	363	167	(196)
Depreciation	10,624	10,470	10,470	10,305	(165)
Direct Revenue Financing	0	7,247	-	-	0
Debt Management Exp	6	16	17	5	(12)
Capital Charges:	6,673	7,067	7,067	6,928	(139)
Total Expenditure	46,295	58,593	51,176	48,008	(3,168)
<u>Income</u>					
Dwelling Rents	(42,155)	(42,796)	(43,472)	(42,987)	485
Garage Rents	(1,031)	(1,049)	(1,020)	(965)	55
Other Rents	(62)	(65)	(93)	(84)	9
Service Charges: Tenants	(1,197)	(1,053)	(820)	(1,015)	(195)
Service Charges: Leaseholders	(1,602)	(2,176)	(1,851)	(2,022)	(171)
Other Charges for Services	(1,457)	(1,003)	(752)	(716)	36
Transfers from General Fund	(616)	(609)	(628)	(602)	26
Interest on Revenue Balances	(195)	(82)	(82)	(109)	(27)
Total Income	(48,315)	(48,834)	(48,718)	(48,499)	219
Balance at 1 April	(13,731)	(15,751)	(15,751)	(15,751)	
(Surplus) / Deficit for year	(2,020)	9,760	2,458	(492)	(2,950)
Balance in hand at 31 March	(15,751)	(5,991)	(13,293)	(16,243)	(2,950)

Appendix 2 HRA Carry Forward Requests 2020/21

BUDGET AREA	Variance £	Carry Forward Request £	Reason for the Carry Forward Requests
Maintenance Buildings	(8,517)	8,500	Delays in delivery of works due to national lockdown - building maintenance
Lift Repair Costs.	(45,108)	45,100	Town wide lift programme (several under warranty period)
Payments to HTS & R&M	(545,993)	502,450	HTS WIP Repairs
Cyclical Maintenance.	(26,437)	26,400	Delays in delivery of works due to national lockdown - building maintenance
Building Defects - Damp	(81,122)	81,100	Restrictions of inspections and work carried out due to national lockdown - Damp
Garage Responsive Repairs.	(12,969)	12,900	Delays in delivery of works due to national lockdown - repairs
HHRS Repairs.	(8,632)	8,600	Delays in delivery of works due to national lockdown for HHRS repairs
Water Hygiene Contract.	(246,484)	155,400	Restrictions of works due to national lockdown
Redecoration Allowance	(40,676)	30,000	Due to services being temporarily suspended due to National Lockdown
Legal Costs	(42,688)	40,000	Due to the delay and suspension of legal action due to the pandemic, we have not been able to carry out legal enforcement
Moving Incentives -	(139,974)	115,000	Due to the Allocation Scheme being temporarily suspended due to the National Lockdown, applicants have been unable to move to alternative accommodation
Tenants Removal Expenses	(8,268)	8,000	Due to the Allocation Scheme being temporarily suspended due to the National Lockdown, applicants have been unable to move to alternative accommodation
Compensation to Tenants	(18,516)	18,500	Due to the National Lockdown, normal services have been temporarily suspended, including the suspension of all home visits.
Consultancy & Consultation	(16,000)	16,000	Due to the temporary suspension of some landlord services, we could not carry out the biennial landlord survey
Maintenance Buildings	(1,574)	1,400	Projects awaiting install date due to restricted access during national lockdown
Burglar & Fire & Compliance	(21,203)	16,400	Alarm Maintenance - Burglar & Fire & Compliance work delayed. Access issues due to Pandemic/Covid 19
Maintenance Buildings	(3,950)	3,900	Maintenance Buildings - Ext Contracts. Deliveries of bins- delayed
Equipment budget	(99,017)	98,400	Underspent due to closure of communal areas due to Covid 19 and long delivery lead times
TOTAL HRA	(1,367,128)	1,188,050	