

**REPORT TO:** CABINET

**DATE:** 2 DECEMBER 2021

**TITLE:** HOUSING REVENUE ACCOUNT, QUARTER 2  
FINANCE REPORT 2021/22

**PORTFOLIO HOLDERS:** COUNCILLOR SIMON CARTER, PORTFOLIO  
HOLDER FOR HOUSING

COUNCILLOR JAMES JEPPARD, PORTFOLIO  
HOLDER FOR FINANCE

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

ANDREW MURRAY, DIRECTOR OF HOUSING  
(01279) 446676

**CONTRIBUTING OFFICERS:** SENIOR MANAGEMENT BOARD

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I012609**

**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 2 – Housing Revenue Account (HRA) Budget Monitoring report as set out in the following paragraphs and in Appendix 1.
- B** That the forecast HRA general working balance as at 31 March 2022 will be £7.055 million.

**REASON FOR DECISION**

- A** The report compares the original budget plus carry forwards with actual income and expenditure as at 30 September 2021 and, following consultation with budget managers, forecasts the projected outturn at year end. This comparison identifies operational and non-operational variations and provides explanations for them.

## **BACKGROUND**

1. In January 2021 Cabinet approved the 2021/22 HRA Budget together with the capital programme. The original budget deficit of £3.486 million increased to £12.552 million following approved carry forwards and increased Direct Revenue Financing to fund the delayed 2020/21 capital schemes. This budget was prepared following consultation with budget managers and in conjunction with the HRA 30 year business plan and the medium term financial strategy. The business plan is currently being updated.

## **ISSUES/PROPOSALS**

2. Set out in Appendix 1 is the Quarter 2 HRA budget monitoring report which summarises the significant variations between the current budget and the projected outturn. The operational variations amount to a forecast net overspend of £82,000 against the current budget. A predicted reduction in the requirement for Direct Revenue Financing of £3.446 million improves the forecast to a £3.364 million underspend.
3. Following the Government's four step "Road Map" published in March 2021, a Road map for council services and activities reopening was produced. The Council has produced a Road Map to drive recovery of the Housing work streams following the easing of restrictions. During the lockdowns, the Council has taken government advice into account at each stage and has reviewed services to safely deliver services and to limit any risk of spreading the virus to residents, operatives and council staff. The Housing Recovery Plans build on the necessary service changes already implemented and seek to establish a strong service recovery.

## **SUMMARY OF VARIATIONS**

### **Expenditure Operational**

4. General Management (Predicted Overspend of £193,000)
  - a) This has arisen due mainly to:
    - i) Recruitment issues following Covid19 (£29,000).
    - ii) An increase in charges to be made to the HRA following a review of HRA and General Fund staff time splits (£190,000). This has come about following various restructures, implementation of additional IT, etc.
    - iii) Savings on the costs of a Tenant Survey (-£34,000)
    - iv) Other, small variations (£8,000)

- b) Although plans are in place to address recruitment, it is still taking longer than usual.
5. Special Management (Predicted Overspend of £4,000)
- a) There is a small net increase in recharges from the General Fund.
6. Repairs and Maintenance (Predicted Underspend of £139,000)
- a) The HRA has incurred additional voids costs and waking watch hours due to the need to enhance fire safety precautions (£66,000). These have been offset by water hygiene works being behind schedule due to access problems (-£205,000).
  - b) A comparison of work in progress for responsive repairs illustrates an increase in activity emerging from lockdown. HTS (Property and Environment) Ltd continues to carry out an in-depth analysis of the jobs included in WIP and trends within their Annual Service Charge. Performance at Quarter 2 against the key performance indicators that govern the contract demonstrate that targets are generally being met. The backlog of repairs and an increase in activity in the first two quarters has meant delays in delivery as a result of challenges in responding to complaints and enquiries. It is anticipated that the backlog of standard priority jobs will be completed by November 2021. This will be monitored through the performance management processes.
  - c) Planned priority works are of a less urgent nature and HTS (Property and Environment) Ltd have developed a two tier phased plan. It is anticipated that the backlog of planned works will take in the region of twelve months to clear.

### **Expenditure – Non-Operational**

7. Direct Revenue Financing (Predicted Reduction in Requirement of £3.446 million)
- a) Cabinet approved a £12.6 million carry forward of the Housing Capital Programme (HCP) into 2021/22. When the re-profiled schemes are added to the original capital programme the current HCP programme is £38.923 million. A report elsewhere on this agenda shows that the latest HCP predicted outturn for 2021/22 is £27.332 million.
  - b) In order to finance this new position, there would need to be a direct revenue financing contribution of £10.991 million from the HRA, a reduction of £3.446 million.

### **Income – Operational**

8. Rents (Predicted Shortfall of £212,000)

- a) This shortfall arises due to void levels being higher than predicted. At the time of setting the budget, the subsequent lockdown was not expected, so it was anticipated that the target void level of 116 average voids during the year would be achievable. However, the number of voids has been higher than this for the first half of the year, but is improving.
- b) During Quarter 2, there were on average 140 empty properties, a reduction from Quarter 1, but higher than previous years' profiles. Again, whilst there is a reduction in turnaround time from Quarter 1, the figure remains higher than previous years' top quarter performance. Recovery plans still forecast the level of voids to reduce to 116, the target contained in the HRA Business Plan, by the end of this financial year.
- c) Collection rates for rents and service charges have improved slightly in Quarter 2 of 2021, by 0.33 percent, remain above targets set and are favourable when benchmarked against the previous year's profiles. The latest data for Quarter 2 shows the total cases in arrears have decreased slightly by 0.70 percent. There has also been a decrease in serious arrears cases over £1000 by 3.37 percent and a decrease in cases over £2000 by 2.8 percent compared to Quarter 1.
- d) Whilst cases are still progressing through the judicial system, a backlog of legacy cases under Covid arrangements are now taking in excess of eight months before an initial court review hearing is heard, with further delays being experienced while awaiting a date for the substantive hearing to take place. However with effect from the 1 November 2021, the courts listing arrangements brought in by Covid arrangements will cease and therefore all new cases will no longer require an initial court review hearing prior to the substantive hearing. The number of cases currently within the judicial system awaiting a possession hearing is circa 30. Historic former tenant's arrears totalling £156,389 have been written off. The current provision for bad debts will be kept under review.

9. Garage Rents (Predicted Shortfall of £55,000)

- a) The income shortfall arises due to an increase in the number of void garages.

10. Other Rents (Predicted Increased Income of £17,000)

- a) The increase is due to a backdated rent review. The income has been received by the Council.

11. Charges for Services and Facilities (Predicted Increased Income of £246,000)

- a) There is a favourable variance of £255,000 in respect of the 2021/22 HTS distribution of profits which was not included in the original budget, offset by a £9,000 adverse variance relating to laundry income and Right to Buy Administration income.
- b) At the beginning of the year tenants 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. At the end of Quarter 2, the target collection rate was 46 percent. However, the actual collection rate is 56.07 percent so whilst service charge income will always remain a risk due to the current financial climate, current performance is good.

**Table 1 – HRA Projected Working Balance at 31 March 2022**

	£'000
Actual Balance in Hand 1 April 2021	16,243
Predicted Use of Balances Quarter 1	(12,552)
	3,691
Appendix 1	
Operational variances	(82)
Non-operational variances	3,446
Projected Working Balance at 31 March 2022	7,055

### **Significant Risks/Opportunities**

12. The Council recommenced delivery of the Housing Investment Programme (HIP) in April/May 21. The backlog of works programmes is being worked through and all programmed properties have been prioritised for completion in the 2021 programme. Whilst regulatory and compliance work continues, work continued during lockdown and all 2021 compliance work has been completed.
13. Initially all construction activities were suspended aligned with Government working restrictions. When sites were able to reopen, due to the intrusive nature of some of the internal programmes of work and the need for social distancing, isolating, shielding etc., further challenges are being experienced.
14. The impact on delivery of the work programmes continues to highlight supply chain availability both in terms of the workforce required to deliver the programme and the acute shortage of certain building materials. The forward forecast will be kept under review with any change to current forecasts on programme reported and aligned to HRA business plan assumptions at the end of the year.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance (Includes ICT, and Property and Facilities)**

As contained in the body of the report.

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

### **Housing**

As contained in the body of the report.

**Author: Andrew Murray, Director of Housing**

### **Community Wellbeing**

None specific.

**Author: Jane Greer, Director of Communities and Environment**

### **Governance (Includes HR)**

None specific.

**Author: Simon Hill, Director of Governance and Corporate Support**

## **Appendices**

Appendix 1 – Housing Revenue Account 2021-22 – Quarter 2 Budget Monitoring Summary

## **Background Papers**

None.

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

HCP – Housing Capital Programme

HRA – Housing Revenue Account

HTS – HTS (Property and Environment) Ltd

WIP – Work in Progress

## APPENDIX 1

### HOUSING REVENUE ACCOUNT 2021-22 - Quarter 2 Budget Monitoring Summary

Description	2021/22 Approved Budget £'000	Current Budget £'000	Actual Quarter 2 £'000	Forecast Outturn £'000	Variance £'000
<b><u>Expenditure</u></b>					
General Management	10,299	10,526	2,462	10,719	193
Special Management	8,418	8,538	3,199	8,542	4
Repairs	11,262	12,102	5,854	11,963	(139)
Rent Rates Taxes & Other Charges	87	87	0	87	0
Provision for Bad & Doubtful Debts	357	357	0	357	0
Supporting People Transitional Arrangements	5	5	1	5	0
Depreciation & Impairment	10,736	10,736	261	10,736	0
Debt Management Expenses	17	17	0	17	0
Interest Charges	7,261	7,261	3,370	7,261	0
Revenue Contribution to Capital Expenditure (Non-Operational)	6,559	14,437	0	10,991	(3,446)
<b>Total Expenditure</b>	<b>55,000</b>	<b>64,066</b>	<b>15,148</b>	<b>60,677</b>	<b>(3,389)</b>
<b><u>Income</u></b>					
Dwelling Rents	(43,763)	(43,763)	(22,159)	(43,530)	233
Garage Rents	(1,081)	(1,081)	(643)	(1,026)	55
Other Rents	(65)	(65)	(67)	(82)	(17)
Charges for Services and Facilities	(6,572)	(6,572)	(2,875)	(6,818)	(246)
Interest on Revenue Balances	(32)	(32)	0	(32)	0
<b>Total Income</b>	<b>(51,513)</b>	<b>(51,513)</b>	<b>(25,744)</b>	<b>(51,489)</b>	<b>25</b>
Balance at 1 April	(16,243)	(16,243)	(16,243)	(16,243)	
(Surplus) / Deficit for year	3,486	12,552	(10,596)	9188	(3,364)
Balance in hand at 31 March	(12,757)	(3,691)	(26,840)	(7,055)	(3,364)