

**REPORT TO:** CABINET

**DATE:** 3 MARCH 2022

**TITLE:** HOUSING REVENUE ACCOUNT, QUARTER 3  
FINANCE REPORT 2021/22

**PORTFOLIO HOLDERS:** COUNCILLOR JAMES LEPPARD, PORTFOLIO  
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**CONTRIBUTING OFFICERS:** SENIOR MANAGEMENT BOARD

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number 1012609**

**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 – Housing Revenue Account (HRA) Budget Monitoring report as set out in the following paragraphs and in Appendix 1 to the report.
- B** That the forecast HRA general working balance as at 31 March 2022 will be £13.840 million.

#### **REASON FOR THE DECISION**

- A** The report compares the original budget plus carry forwards with actual income and expenditure as at 31 December 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 £3.486million increased to £12.552million 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 2020-2050 and the Medium Term Financial Strategy (MTFS). The updated 30-Year Business Plan and MTFS have just been agreed by the Council.

## **ISSUES/PROPOSALS**

2. Set out in Appendix 1 to the report is the Quarter 3 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 £273,000 against the current budget. A predicted underspend of £10.422million in non-operational budgets improves the forecast to a £10.149million 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**

#### **General Management (Predicted Underspend of £198k)**

4. This has arisen due to:

- a) A reduction in tenant moves (-£189,000)
- b) Savings on the costs of a Tenant Survey (-£34,000)
- c) Energy certificate renewals (£38,000)
- d) Other, small variations (-£13,000)

#### **Special Management (Predicted Overspend of £52,000)**

5. There is a net increase in recharges from the General Fund of £39,000 and an increase in highways maintenance costs of £15,000. This is offset by a reduction of £2,000 in Supporting People transitional costs.

### **Repairs and Maintenance (Predicted Underspend of £184,000)**

6. 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 having to be rescheduled (-£205,000) and a reduction in insurance costs (-£45,000).
7. Harlow Trading Services (Property and Environment) Ltd (HTS) have developed a set of Recovery Plans for their activities. A comparison of work in progress (WIP) for responsive repairs illustrates an increase in activity following from lockdown. HTS continues to carry out an in-depth analysis of the jobs included in WIP and trends within their Annual Service Charge. Performance at Quarter 3 against the key performance indicators that govern the contract demonstrate that targets are generally being met with their focus being on raising consistency with the customer experience.
8. The backlog of repairs and an increase in activity in the first three 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 March 2022. Progress against the WIP and backlog continues to be monitored through the performance management processes.
9. Planned priority works are of a less urgent nature and HTS 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.

### **Rents, Rates, Taxes and Other Charges (Predicted Overspend of £154,000)**

10. Two housing delivery programme capital schemes which have incurred costs and will no longer proceed have been transferred to revenue, resulting in a pressure of £154,000.

### **Expenditure – Non-Operational**

#### **Interest Charges (Predicted Cost Reduction of £386,000)**

11. Cabinet approved a £12.6million carry forward of the Housing Capital Programme (HCP) into 2021/22. When the re-profiled schemes were added to the original capital programme, the HCP was £38.922million. At Quarter 3, the HCP predicted outturn for 2021/22 has reduced to £20.712million.
12. The original Capital Programme required additional external borrowing in order to fund it. However, now that the 2021/22 programme has reduced, the Council will no longer need to take out additional borrowing.

## **Direct Revenue Financing (Predicted Reduction in Requirement of £10.004million)**

13. The direct revenue financing contribution from the HRA has reduced for the same reason. This is now predicted to be £4.433million, a reduction of £10.004million from the current budget.

## **Income – Operational**

### **Rents (Predicted Shortfall of £168,000)**

14. 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 three quarters of the year.

15. During Quarter 3, there were on average 150 empty properties, a reduction from Quarter 1, but higher than previous years' profiles. Whilst there is also a reduction in turnaround time from Quarter 1, the figure remains higher than previous years' top quartile performance. HTS recovery plans are focussing on improving the void turnaround, and level of voids. The forecast is that the level of voids will reduce to 140 by March 2022.

16. Whilst collection rates for rents and service charges have dipped slightly in Quarter 3 of 2022, by 0.76 percent, as expected in previous years' profiles, it continues to be favourable when benchmarked against the previous year's profiles. The main cause of the variance is that, historically, this performance indicator always drops over the Christmas period, but improves again over the coming months, with the aim of meeting the end of year target. However, the latest data for Quarter 3 shows the total cases in arrears have increased by 41 percent with an increase in serious arrears cases over £1,000 by 20.63 percent and an increase of those over £2,000 by 20.19 per cent compared to Quarter 2.

17. Whilst cases are still progressing through the judicial system, they are still in excess of 8 months before a court hearing is heard. The number of cases currently within the judicial system awaiting a possession hearing is circa 23. Historic former tenants' arrears totalling £321,093 have been written off. The current provision for bad debts continues to be kept under review.

### **Garage Rents (Predicted Shortfall of £55,000)**

18. The income shortfall arises due to an increase in the number of void garages.

### **Other Rents (Predicted Increased Income of £21k,000)**

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

## **Charges for Services and Facilities (Predicted Reduction in Income of £247,000)**

20. This has arisen due to:

- a) A 2021/22 distribution of HTS profits (-£255,000)
- b) Receipt of Homelessness Prevention Grant (-£67,000)
- c) A net increase in Legal costs (£29,000)
- d) The reduction in the Capital Programme leading to a reduction in income due from leaseholders (£522,000)
- e) Other, small variations (£18,000)

21. 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 3, the target collection rate was 71 percent. However, the actual collection rate is 78.15 percent so, whilst service charge income will always remain a risk due to the current financial climate, current performance is exceeding target by 7.15 percent.

## **Income – Non-Operational**

### **Interest on Revenue Balances (Predicted Increased Income of £32k)**

22. Due to the fact that revenue balances are predicted to be higher throughout 2021/22 and at the year end, increased interest will be received in the HRA.

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

	£'000
Actual Balance in Hand 1 April 2021	16,243
Predicted Use of Balances Current Budget	(12,552)
	3,691
Appendix 1	
Operational variances	(273)
Non-operational variances	10,422
Projected Working Balance at 31 March 2022	13,840

23. Table 1 shows the projected working balance for 2021/22.

## **SIGNIFICANT RISKS/OPPORTUNITIES**

24. 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. Regulatory and compliance work continues and continued during lockdown and all 2021 compliance work has been completed.

25. 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.
26. 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 outturn.
27. Included in the 30-Year HRA Business Plan is an assumption that there will be on average 116 voids per annum from 2022/23 onwards. Were the voids level to remain at 150, then this would equate to a rent loss of £171,000 in a full year. If voids remain at an average 150 in Quarter 4, then the additional rent loss in 2021/22 will be £41,000.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

None specific.

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### **Finance**

As contained in the body of the report.

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### **Housing**

As contained in the body of the report.

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

### **Communities and Environment**

None specific.

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

### **Governance and Corporate Support**

None specific.

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

## **Appendices**

Appendix 1 – Housing Revenue Account 2021-22 – Quarter 3 Budget Monitoring Summary

## **Glossary of Terms/Abbreviations Used**

HCP – Housing Capital Programme

HRA – Housing Revenue Account

HTS – Harlow Trading Services (Property and Environment) Ltd

MTFS – Medium Term Financial Strategy

WIP – Work in Progress