

REPORT TO: CABINET

DATE: 21 JULY 2022

TITLE: HOUSING REVENUE ACCOUNT OUTTURN
REPORT 2021/22

PORTFOLIO HOLDERS: COUNCILLOR SIMON CARTER, PORTFOLIO
HOLDER FOR HOUSING

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This is not a Key Decision

It is on the Forward Plan as Decision Number I013849

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 2021

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the Housing Revenue Account (HRA) Outturn Report 2021/22 as set out in following paragraphs and in Appendix 1.
- B** Approves the £294,000 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 2022 is £12.372 million as set out in Table 1 of the report.
- D** Notes that the Major Repairs Reserve balance as at 31 March 2022 is £0 million as set out in Table 3 of the report.

REASON FOR DECISION

- A** The report compares the actual outturn with the current budget as at 31 March 2022 and following consultation with budget managers provides explanations for these variances.

BACKGROUND

1. In January 2022 Cabinet approved the revised 2021/22 HRA Budget together with the 2022/23 budget and capital programme. The revised budget deficit of £9.026 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 2022/23.
2. In March 2022 Cabinet compared the revised 2021/22 budget with the forecast outturn and it was anticipated that the budget deficit would be £2.403 million.

ISSUES/PROPOSALS

HRA Budget 2021/22 – Outturn

3. Set out in Appendix 1 is a comparison of Quarter 4 total outturn with the current budget. Following consultation with budget managers explanations for the variances are as follows.

Expenditure -

4. General Management – Underspend £535,000. This has arisen due to:
 - a) A reduction in employee costs due to recruitment complexities positive variance (-£225,000)
 - b) Due to the ongoing recovery and backlog associated with void properties and the impact on movement within allocations has resulted in reduced movement of stock impacting tenant moves hence carryover request positive variance (-£240,000)
 - c) Redecoration allowance positive variance (-£45,000) aligns with recovery.
 - d) Due to the complexities around the increase in Disrepair cases which are currently ongoing and yet to concluded there is requirement to secure carryover funds positive variance (-£96,000)
 - e) Other small variations adverse (£71,000)
5. Special Management – Underspent £672,000

- a) The main cause of the underspend is a reduction in the use of temporary accommodation due to lower than anticipated level of numbers in temporary accommodation down 45 from 284 with the rough sleeping count reporting 0. Working closely with Streets2Homes to provide advice and support, the number of people sleeping rough is averaging 0.
- b) The council completed 345 homeless assessments and prevented around 20 percent of households from becoming homeless enabling to assist in securing a home for longer than six months.
- c) The council have enhanced partnership working with Essex County Council in providing extra care housing at Sunners Farm Close, tackling housing needs for the most elderly and vulnerable. The supported housing service has also achieved national quality “recognition” (Telecare Accreditation) for the tenth year, providing additional security for our most vulnerable residents and the wider community.

6. Repairs and Maintenance – Underspend £537,000

- a) Lower demand required on Contract arrangements due to asset management replacement and upgrade.
- b) Works contributing to Disrepair is ongoing and aligned to legal and specialist surveying processes resulted in delayed spend.

7. Rents, Rates and Taxes - £120,000

The variance reflects an increase in the average level of voids throughout 21/22 and their empty home costs.

8. Provision for Bad Debts – Favourable variation £142,000

- a) The provision for bad debts was not utilised because of the Improved performance on rent recovery.
- b) In terms of performance the net amount of rent arrears due to the authority has reduced from £1.998 million as at 31 March 2021 to £1.761 million as at 31 March 2022.
- c) Collection rates for rents are higher than forecast at quarter 3 and above previous years profiles. Data for Q4 shows the total cases in arrears have decreased by 4.9% with a decrease in serious arrears cases over £1,000 by 12% decrease in those over £2,000 by 9.6%.
- d) While cases are still progressing through the judicial system, they are still in excess of 9 months before a court hearing is heard. The number of cases currently within the judicial system awaiting a possession hearing in circa of 28. Historic former tenant arrears totalling £476,670

have been written off during the year, and the current provision of former bad debts continue to be kept under review.

9. Abortive Costs associated with the House Building Programme - £500,000 variance

- a) Following a review of the House Building programme a number of schemes were aborted (either in full or part). Under current rules expenditure incurred in respect of schemes aborted can no longer be classed as capital and fall as a charge to the revenue account.

10. Depreciation and Capital Charges - £175,000 favourable variance

- a) The favourable variation reflects receipt of more up to date information from the valuation office on asset values and the level originally forecasted.

11. Direct Revenue Financing - £9.556 million positive variance

- a) The reduction in direct revenue financing of the core Housing Capital Programme (HCP) reflects the reprofiling required for the 2021-22 capital programme into 22/23.

12. Rents – Adverse Variance £ 411,000

- a) This shortfall reflects the number of voids being higher than predicted. At the time of setting the budget, it was anticipated that the average level of voids at one time would be 116. During quarter 4, the number of empty voids reduced to its lowest level in the year of 131. A reduction from 197 at its peak emerging from the pandemic. There is also a reduction in turnaround times at its peak of 60 at the beginning of the year to 39 at the end of March 22. Although it is expected for further reductions in turnaround times through quarter 1 for 22/23, the figure remains higher than previous year's top quartile performance. HTS recovery plans are focusing on improving both void turnaround times and level of voids. .

13. Leasehold Service Charges – Adverse Variance £321,000

- a) Income from service charges is down by £321,000. The beginning of the year, tenants and leaseholders have been charged for the services they have received based on estimates. In addition, leaseholders are also charged for works delivered on the external works programme. At the end of quarter 4 the target collection rate was 95 percent with an outturn of 98.6 percent.

14. Other Charges for Services – Adverse Variance £1.664 million

- a) The HIP re-commenced in May 2021 with the external works contracts. The backlog of works programmes following the pandemic are being

worked through and continue to be worked through prioritised for completion 22/23. The reprofiling of the external works programmes has meant that the forecasted major works income has been lower than originally budgeted. It is expected this to be recovered in 22/23 and 23/24 as part of the HRA Business Plan forecasts.

15. Transfers from General Fund – Favourable Variance £244,000

- a) This has arisen due to an increase in the profit share from HTS Property and Environment Ltd dividend share.

HRA General Balances

16. The HRA outturn statement in Appendix 1 shows an overall deficit of £3.274 million. 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. The working balance are amounts of managed cash flows, funds to protect annual budgets against less predictable costs and uncommitted surpluses.

Table 1 - HRA - General Working Balances

HOUSING REVENUE ACCOUNT		
2020/21 £'000	Narrative	2021/22 £'000
15,751	Balance as at 1 April	15,646
-105	Surplus / (Deficit) for year	-3,274
15,646	Balance as at 31st March	12,372

HRA Earmarked Reserves

17. The HRA has a number of earmarked reserves and the movement and balances on these reserves can be summarised as set out below. These reserves are funds set aside to meet known or predicted spending and are ring-fenced.

Table 2 - Movement in Earmarked Reserves

Name of Reserve	Balance as at 31 March 2021 £	Transfers to Reserve £	Transfers From Reserve £	Balance as at 31 March 2022 £
Perpetuity Reserves	1,136,200	365,169	-448,167	1,053,202
Insurance Fund	2,165,257	219,570	-102,914	2,281,913
Insurance Claims Reserve	695,506	50,000		745,506
Risk Management Reserve	508,140	60,000		568,140
Housing Insurance Property Reserve	50,111	10,000		60,111
Total Reserves	4,555,214	704,739	-551,081	4,708,872

Major Repairs Reserve

18. 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 2021/22 movement in the reserve can be summarised in Table 3.

Table 3 - Summary of Major Repairs Reserve

Name of Reserve	Balance as at 31 March 2021 £	Contributions to Reserve £	Transfers to Finance CAPEX £	Balance as at 31 March 2022 £
Major Repairs Allowance	1,574,047	10,919,615	-12,493,662	0

Significant Risks/Opportunities

19. The council recommenced delivery of the Housing Investment Programme (HIP) in May of 21. The impact on delivery of work programmes continues to highlight supply chain availability both in terms of work force required to deliver the programme and the ongoing acute shortage of certain building materials. The ongoing impact will be kept under review and any changes to business plan forecasts on programme aligned to HRA Business Plan assumptions 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 voids level to remain at 135, then this would equate to a rent loss of £156,000 in a full year.
20. In terms of Legal enforcement for income management, all restrictions on Possession actions implemented by the Government in response to the Coronavirus pandemic have now been lifted, however the backlog of cases within the County Court system continues to impact on the Council, with significant delays in Court hearings, taking on average 9 months from point of application to initial hearing date. This prevents the Council from dealing with the persistent non-payers in a timely manner, increasing levels of arrears prior to any possession order being made. This is also the case for breaches of tenancy conditions.

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.

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Communities and Environment

None specific.

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Governance and Corporate Services

None specific.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix 1 – Housing Revenue Account Outturn 2021/22

Appendix 2 – HRA Carry Forward Requests 2021/22

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 2021/22

HEADING	2020/21 Actual £'000	2021/22 Approved Budget £'000	Current Budget £'000	Actual Outturn £'000	Proposed Carry Forwards £'000	Total Outturn £'000	Variance £'000
Expenditure							
General Management	12,805	10,299	10,526	9,786	205	9,991	-535
Special Management	7,458	8,418	8,538	7,866		7,866	-672
Repairs	10,216	11,262	12,102	11,476	89	11,565	-537
Rents, Rates & Taxes	121	87	87	207		207	120
Supporting People	3	5	5	2		2	-3
Provision for Bad Debts	167	357	357	215		215	-142
New Builds abortive costs	0	0	0	500		500	500
Depreciation	10,305	10,736	10,736	11,027		11,027	291
Direct Revenue Financing	0	6,559	14,437	4,881		4,881	-9,556
Debt Management Expenses	5	17	17	6		6	-11
Capital Charges	7,525	7,261	7,261	6,795		6,795	-466
Total Expenditure	48,605	55,000	64,066	52,761	294	53,055	-11,011
Income							
Dwelling Rents	-42,987	-43,763	-43,763	-43,524		-43,524	239
Garage Rents	-965	-1,081	-1,081	-933		-933	148
Other Rents	-84	-65	-65	-89		-89	-24
Service Charges - Tenants	-1,015	-1,175	-1,175	-1,072		-1,072	103
Service Charges - Leaseholders	-2,022	-2,434	-2,434	-2,216		-2,216	218
Other Charges for Services	-716	-2,340	-2,340	-676		-676	1,664
Transfers from General Fund	-602	-623	-623	-867		-867	-244
Interest on Revenue Balances	-109	-32	-32	-110		-110	-78
Total Income	-48,500	-51,513	-51,513	-49,487	0	-49,487	2,026
Balance at 1 April	-15,751	-16,243	-16,243	-15,646		-15,646	597
(Surplus) / Deficit	105	3,486	12,552	3,274		3,274	-9,278
Balance in hand at 31 March	-15,646	-12,757	-3,691	-12,372	0	-12,372	-8,681

* Due to 2018/19 audit adjustment

Appendix 2 HRA Carry Forward Requests 2021/22

BUDGET AREA	Carry Forward Request £	Reason for the Carry Forward Requests
R&M - Payments to HTS	38,377	HTS R&M, Delays in completing works in WIP from 2021/22 following Covid 19
R&M - asbestos	25,000	Asbestos Flat Blocks Re-inspection Surveys- due to programmed being delayed for covid 19 in 20-21 has a continuous effect on current programmes
R&M - Damp	25,500	High level of moisture, ventilation system required, ongoing improvement / Damp issue, ventilation improvement to property
General Management - Redecoration Allowance	28,000	Due to delays in void management due to Covid 19, we have 149 voids in the system that will require allocation of redecoration allowances.
General Management - Legal Costs	30,000	Due to delays experienced due to Covid 19, we have a rise in disrepair cases, currently totalling 49 which require legal input and representation
General Management - Tenants Removal Expenses	18,000	Due to the delays experienced from Covid 19, there have been delays with the void and allocation of property's, with currently 149 voids awaiting repair works and allocation. This therefore directly impacts on the ability for tenants to move and therefore claim removal expenses in certain cases.
General Management - Compensation to tenants	70,000	A number of cases are still unresolved and being investigated through legal for disrepair cases and Ombudsman interventions, therefore we have no indication as to what if any compensation will be awarded by the public bodies
General Management - Use of consultants	34,000	Delayed Tenants' Survey until 2022-23 plus additional consultancy re Tenant profiling
General Management - IT support	25,000	Due to an ongoing dispute with Orchard over charging dates, we are waiting for Orchard to investigate the matter before we pay the invoice
GRAND TOTAL	293,877	