

REPORT TO: **CABINET**

DATE: **15 SEPTEMBER 2022**

TITLE: **HOUSING REVENUE ACCOUNT, QUARTER 1
FINANCE REPORT 2022/23**

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

**OUNCILLOR JAMES LEPPARD, PORTFOLIO
HOLDER FOR FINANCE**

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

**ANDREW MURRAY, DIRECTOR OF HOUSING
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This is not a Key Decision

It is on the Forward Plan as Decision Number I013852

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 February 2022

This decision will affect no ward specifically.

RECOMMENDED that Cabinet notes:

- A** The Quarter 1 - HRA Budget Monitoring report as set out in the report and in Appendix 1.
- B** That the forecast HRA general working balance as at 31 March 2023 will be £6.793 million.

REASON FOR DECISION

- A** The report compares the original budget with actual income and expenditure as at 30 June 2022 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.

BACKGROUND

1. In January 2022 Cabinet approved the 2022/23 Housing Revenue Account (HRA) Budget together with the capital programme, and HRA Business Plan.

This budget was prepared following consultation with budget managers and in conjunction with the medium-term financial strategy.

2. Local Authority Housing has its own ring-fenced HRA. This operates as a “business” of its own, separate to the Council’s other accounting operations. The HRA takes its income from rents and service charges spending resources exclusively on building and maintaining its housing, providing services to tenants and leaseholders. Meets its statutory/regulatory requirements, performs well in its landlord’s duties (e.g. rent collection, repairs, blocks and empty property management) ensuring the customer experience is well regarded, has housing that is safe and well maintained. Listening to tenants and leaseholders, providing housing related support where required. The Business Plan is due to be updated in January 2023.
3. The HRA Business Plan delivery plan has various work streams that have been aligned to the wider Corporate Plan Strategy ambitions. As of 30 June 2022 “milestones” are on target with none being reported significantly off track, cancelled or suspended.

ISSUES/PROPOSALS

4. Set out in Appendix 1 is the Quarter 1 HRA budget monitoring report which summarises all the significant variations between the current budget and the projected outturn. The variations amount to £2.925 million.

Expenditure – Operational

General Management (Predicted Underspend of £50,000)

5. Current indications highlight there are ongoing delays in recruitment and filling vacant posts. Whilst this is still progressing, it is anticipated the salary budget forward forecast will underspend by £50,000 due to delays in recruitment.

Repairs and Maintenance (Predicted Overspend of £30,000)

6. HTS Property and Environment Ltd (HTS) undertake housing and environmental maintenance previously carried out by Kier Harlow Ltd. Comparison of “work in progress” (WIP) for responsive repairs and planned works to June 2022 illustrates a significant increase with WIP. HTS continues to prioritise, within existing resources through the performance management processes with service improvement reporting, and any further financial implications identified. Also, there is an increase in the number of Housing Disrepair Cases being received which require additional external legal support. Adverse variance of £30,000 due to legal costs/other costs.

Expenditure – Non Operational

Impairment Allowance (Provision for Bad Debts)

7. Collection rates for rents and service charges again have maintained from last year's performance. In quarter 1 of 2022/23, 98 percent have been collected in line with targets set. The latest data for quarter one, however, shows that the total cases in arrears have increased by 2.4 percent with a decrease in serious arrears cases over £1,000 and £2,000 compared to 2021/22. There has been an increase of 13 percent in Universal Credit applications which are taking time to process.
8. Government restrictions being lifted. There is still a backlog in Court Cases are beginning to progress through the judicial system with hearings which are now taking seven months for the substantive hearing to take place. Historic former tenant's arrears have reduced. The current budget provision for bad debts is being closely monitored.

Income - Operational

Dwelling Rents and Void Properties (Predicted Shortfall of £32,000)

9. The number of empty council properties for Harlow Council as of June 2022 was 135. This is a considerable reduction in the number of voids when compared to its highest level of 198 in July 2021. The latest figure includes an increase in the number that require major works due to their property condition. As at the end of June 2022/23, there were 100 properties available to let.
10. The turnaround time from a property becoming empty to it being re-let also continues to improve at 28 days compared to its highest level of 56 days. This means more properties available to let in tackling the local housing need. Properties are being fast tracked where possible ensuring that those in the greatest need. There is, however, an increase in number people refusing properties offered to them as well as the "return condition" of properties which are requiring major capital works. Homes, however, continue to be advertised to residents on the Housing Needs Register, and this includes the recent release of 65 new housing association homes giving local families on the register additional choice of homes for which to bid.
11. We are also working hard to build more council housing as part of our wider housebuilding programme. A further 18 new council homes will be available to let to those on the Housing Needs Register with the wider Council "Housebuilding Plan" will continue to provide more council homes for local families over the next few years and into the future. Void performance is reviewed regularly and reported to Cabinet every quarter as part of the council's joint finance and performance report, and the estimated void loss is expected to be 1.3 percent at the end of March 2023, aligned to updated HRA Business Plan assumptions of 1.37 percent. This resulted in an adverse variance of £32,000.

Tenants and Leaseholders Service Charges (Predicted Reduction in Income of £310,000)

12. At the beginning of the year tenant and leaseholders are charged for the services that they have received based on estimates. This includes weekly services charges for services and amenities. At the end of Quarter 1 the collection rate was 34 percent, therefore it is expected the target for 2022/23 will be achieved.
13. In addition, leaseholders are also charged for work delivered under the External Works programmes. The external works programmes recommenced in September 2021 following lock down restrictions being removed. This has required the forecasted income to be re-profiled. It is anticipated that 70 percent of income will be collected in 2022/23 with the remainder being collected in 2023/24 aligned to HRA Business Plan assumptions. Adverse variation of £310,000.

Transfers from the General Fund (Predicted Increased Income of £255,000)

14. HTS distribution of profits of £255,000 which was not included in the original budget.

Direct Revenue Financing (Predicted Increase in Requirement of £2.858 million)

15. Cabinet approved the £2.762 million carry forward of the Housing Capital Programme (HCP) into 2022/23. When the re-profiled schemes are added to the original capital programme the current HCP programme totals £34.715 million.
16. In order order to finance the whole programme it is estimated that there would have to be a direct revenue financing contribution of £7.594 million from the HRA which is an increase of £2.858 million when compared to the amount allowed for in the 2022/23 budget.

Table 1 – HRA Projected Working Balance at 31 March 2023

	£'000
Actual balance in hand 1 April 2022	12,372
Original estimate deficit	-2,654
Operational variances	-67
Non-Operational variances	-2,858
Projected Working Balance at 31 March 2022	6,793

SIGNIFICANT RISKS/OPPORTUNITIES

17. The HRA Business Plan assumes a contribution from revenue to support the Housing Capital Programme (RCCO). Works Contractors, including HTS, are continuing to report ongoing Covid 19 impacts on delivery of the approved works programmes in the short and medium term due to industry capacity issues, lack of supplies, and specialist resources. This will be kept under review, together with the Major Works income assumptions which will need to be realigned to current HRA Business Plan forecasts.
18. New Government regulations on Building Safety was introduced in the first quarter of 2022/23. This has increased the “regulatory”, responsibility on the Council in maintaining its assets to the new required standards following the ongoing Public Enquiry established from the tragic fire in Grenfell London in 2016. These enhanced regulations are being analysed and aligned to current Asset Management Plans to identify next steps in terms of priorities and funding.
19. Included in the 30-year HRA Business Plan, is an assumption there will at any one time 1.37 percent of the total housing stock void. Were the voids to increase from forecasted figures this will have a further financial implication on the HRA Business Plan.

IMPLICATIONS

Strategic Growth and Regeneration

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

As contained in the report.

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

Housing

As contained in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

None specific.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix 1 – Housing Revenue Account 2022/23 – Quarter 1 Budget Monitoring Summary

Background Papers

None.

Glossary of terms/abbreviations used

HCP – Housing Capital Programme

HRA – Housing Revenue Account

WIP – Work in Progress

APPENDIX 1

HOUSING REVENUE ACCOUNT 2022-23 - Quarter 1 Budget Monitoring Summary

Description	2022/23 Approved Budget £'000	Current Budget £'000	Actual Quarter 1 £'000	Forecast Outturn £'000	Variance £'000
<u>Expenditure</u>					
General Management	12,091	12,091	1,359	12,041	-50
Special Management	8,702	8,702	1,593	8,702	0
Repairs	11,581	11,581	2,665	11,611	30
Rents, Rates, Taxes & Other Charges	89	89	-3	89	0
Provision for Bad & Doubtful Debts	376	376	0	376	0
Supporting People Transitional Relief	5	5	1	5	0
Major Repairs Reserve Contribution	11,228	11,228	0	11,228	0
Debt Management Expenses	21	21	0	21	0
Capital Financing Charges	7,001	7,001	-68	7,001	0
Direct Revenue Financing	3,443	3,443	0	6,301	2,858
Direct Revenue Financing: Leaseholder Major Works	1,293	1,293	0	1,293	0
Total Expenditure	55,830	55,830	5,547	58,668	2,838
<u>Income</u>					
Dwelling Rents	-45,597	-45,597	-11,629	-45,565	32
Garage Rents	-1,132	-1,132	-261	-1,132	0
Other Rents	-65	-65	-16	-65	0
Service Charges: Tenants	-1,576	-1,576	-585	-1,421	155
Service Charges: Leaseholders	-2,616	-2,616	-39	-2,461	155
Major Works Contributions: Leaseholders	-1,293	-1,293	0	-1,293	0
Other Charges for Services	-220	-220	-99	-220	0
Transfers from General Fund	-637	-637	-64	-892	-255
Interest on Revenue Balances	-40	-40	0	-40	0
Total Income	-53,176	-53,176	-12,693	-53,089	87
Balance at 1 April (Surplus) / Deficit for year	-12,372 2,654	-12,372 2,654	-12,372 -7,146	-12,372 5,579	0 2,925
Balance in hand at 31 March	-9,718	-9,718	-19,518	-6,793	2,925