

**REPORT TO:** CABINET

**DATE:** 23<sup>rd</sup> MARCH 2023

**TITLE:** HOUSING REVENUE ACCOUNT, QUARTER 3  
FINANCE AND PERFORMANCE REPORT 2022/23

**PORTFOLIO HOLDERS:** COUNCILLOR JAMES LEPPARD, PORTFOLIO  
HOLDER FOR FINANCE

COUNCILLOR ALASTAIR GUNN, PORTFOLIO  
HOLDER FOR HOUSING

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

ANDREW MURRAY, DIRECTOR OF HOUSING  
(01279) 446676

**SENIOR MANAGEMENT BOARD**

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I013869**

**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 2022

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

- A** Notes the Quarter 3 - HRA Budget and performance Monitoring report as set out in the following paragraphs and in Appendix 1.
- B** Notes that the forecast HRA general working balance as at 31 March 2023 will be £9.432 million.

**REASON FOR THE DECISION**

- A** The report compares the original budget with actual income and expenditure as at 31 December 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 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 Housing Revenue Account (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. Meetings 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 has been aligned to the wider Corporate Plan Strategy ambitions. As of 31<sup>st</sup> December 2022 “milestones” are on target with none being reported significantly off track, cancelled or suspended.

## **ISSUES/PROPOSALS**

4. As is the case with the Council’s General Fund budget planning, the HRA is required to seek to secure savings or introduce new ways of working to ensure it can deliver a sustainable budget whilst providing support for priority services where possible.
5. Set out in Appendix 1 is the Quarter 3 HRA budget monitoring report which summarises all the significant variations between the current budget and the projected outturn. The variations amount to £588k net overspend.

### **Expenditure – Operational**

#### **General Management (Predicted Underspend of £1.238 million)**

6. The suspension of filling vacant posts commenced in quarter 3 pending approval of the 2023/24 budget and further organisational review. It is anticipated the salary budget forward forecast therefore will underspend by £127,000.
7. Pension Fund deficit £1.323 million(-). Following receipt of information from Essex County Council, no pension fund deficit is now expected in 2022-23 and therefore this will underspend by £1.323million.
8. Insurance Premiums £124,000. Premiums have increased by approximately 37% following confirmation of 22-23 prices.

9. Legal costs £168,000. Increased external legal support costs due to increased number of disrepair claims that continue to grow.
10. Moving expenses / Tenants Removal Expenses £123,000(-). Reduced costs due to lower demand forecasted.
11. Redecoration Allowances £28,000(-). Reduced number of allowances due to lower demand forecasted.
12. Other Minor Variations £72,000.

### **Special Management (Predicted Underspend of £285,000)**

13. Lower than anticipated use of temporary accommodation and in addition use of Government grant, it is anticipated to underspend by £415,000. There is no forecasted reduction in service delivery and support for homeless.
14. Increased energy costs £126,000
15. Other minor variances £4,000

### **Repairs and Maintenance (Predicted Underspend of £97,000)**

16. HTS (Property and Environment) Ltd (HTS) undertake housing and environmental maintenance previously carried out by Kier Harlow Ltd.
17. Comparison of “work in progress” (WIP) for responsive repairs and planned works to December 2022 illustrates an ongoing increase in the repairs backlog due to resource capacity and programming. HTS (Property and Environment) Ltd continues to prioritise, within existing resources through the performance management processes with service improvement reporting, and report for further financial implications to be identified.
18. An independent review of HTS’s Repairs and Maintenance activities were completed in December of 2022. A Service Improvement Plan has been developed with revised targets and priorities.
19. In addition, there are a number of favourable forecast variations totalling £89k including cyclical maintenance, water hygiene contract and other minor reductions due to efficiencies in contract procurement and project management.

### **Expenditure – Non-Operational**

#### **Impairment Allowance - Provision for Bad Debts (Predicted Underspend £40,000)**

20. Collection rates for rents and service charges have reduced from last year’s performance, and from Quarter 2. In Quarter 3 of 2022/23 (week 39), 97.32% of rent was collected, 0.68% below the target set, with the total arrears outstanding showing a 6.32% increase when compared with the same period for 2021/22.

The data for Quarter 3 shows that while the total number of cases in arrears increased by 6.4% from Quarter 2, the number remained almost identical to the previous years quarter 3 figure. Serious arrears cases of over £1,000 showed a 9.89% increase from Quarter 2 (and an 8.12% increase year on year), while arrears cases of over £2,000 increased by 4.91% from Quarter 2 (a 2.4% increase from the previous year). It is anticipated this profile will achieve year end targets.

21. It should be noted that the figures for week 39 are inflated due to the impact of the Christmas closedown, as many payments are not able to be processed and applied to accounts during this period, including all payments made by the Department of Work and Pensions relating to Universal Credit. These payments are subsequently applied to accounts the following week. By comparison the number of cases in arrears for the following week (week 40) showed a small reduction from the previous year.
22. Delays in the waiting time for Court cases continued to reduce in general, with most rent arrears cases taking on average 12 weeks to be heard at Court. Some particular cases are still however subject to significant delays with some matters still not having been listed for hearing despite being issued 2 months previously.
23. Historic former tenants' arrears have reduced due to write-offs in 2022/23. The current budget provision for bad debts is suggested to reduce and keep under review.

#### **Major Repairs Reserve Contribution (Predicted Overspend £315,000)**

24. The 2021/22 outturn showed a £291,000 overspend on this budget heading, therefore on this basis it is considered prudent to support the Housing Capital Programme if required and assume £315,000 forecasted adverse variance for this year.

#### **Capital Financing Charges (Predicted Underspend £168,000)**

25. Due to the requirement to reprofile the Housing Capital Programme at quarter 2, the amount of capital financing charges required is forecasted to be £168,000 less than the amount budgeted for in the 2022/23 budget.

#### **Income – Operational**

##### **Dwelling Rents and Void Properties (Predicted Shortfall of £703,000)**

26. The turnaround time from April 2022 has reduced at quarter 3 to 27 days and from previous years levels of 56 days a property becoming empty to it being re-let also continues to maintain performance at 27 days, which is higher than 2022/23 approved Business Plan assumptions.
27. This means more properties available to let in tackling the local housing needs with properties being fast tracked where possible ensuring that those in the greatest need are able to be accommodated. There is, however, still an increase

in properties requiring major works as well as the number of applicants refusing properties, such as size of rooms, property suitability and access to property. The total number of voids at quarter 3 has reduced to 140 and it is anticipated this total will further reduce at outturn slightly higher than assumptions contained in the HRA Business Plan (116 total).

### **Tenants and Leaseholders Service Charges (Predicted Reduction in Income of £1.063 million)**

28. The Accounting treatment of Leaseholders' contributions to major works has been reviewed and changed to allow for ongoing years profiling as well as shown as a direct contribution towards the financing of the corresponding works in the core housing external works capital programme. This adverse variation will be offset by an equivalent reduction in Direct Revenue Financing (£1.293 million) to support the ongoing working balance position.

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

29. The HTS Group Ltd Business Plan was approved in March 2022. As part of the plan, it was requested for HTS an efficiency reduction in the Annual Service Charges. The £255,000 represents the ongoing efficiency reduction which was not included in the original budget. This is currently being jointly reviewed to explore whether further efficiencies can be realised.

### **Income – Non-Operational**

#### **Interest on Revenue Balances (Predicted Increase of £23,000)**

30. Higher than expected reserves and balances within the HRA will lead to an increase in interest due.

#### **Direct Revenue Financing (NET Predicted Increase in Requirement of £606,000)**

31. Leaseholder Major Works Income forecast which spread over usually more than one year will now be shown as a "capital contribution" towards the cost of the capital works. This representation results in the current annual forecast of - £1.293 million to be recast aligned to current HRA Business Plan assumptions with a corresponding reduction in the amount of Direct Revenue Financing required for this particular item. This represents the two funding sources more appropriately with the business plan going forward and the review of processes and procedures for Leaseholder major works completed at quarter 2.

32. The recent recasting of the 30-Year HRA Business Plan shows that, in order to finance the HRA Capital Programme, £5.432 million of Direct Revenue Financing would be required. This represents an increase of £606,000 when compared to the amount allowed for in the 2022/23 budget and prevents the necessity to borrow to support the HRA Capital Programme this year to support priority areas.

**Table 1 – HRA Projected Working Balance at 31 March 2023**

	<b>£'000</b>
Actual balance in hand 1 April 2022 (pre-Audit)	12,968
Current estimate deficit	-2,948
Operational variances	98
Non-Operational variances	-686
Projected Working Balance at 31 March 2023	9,432

Table 1 above shows the projected working balance for 2022/23.

### **SIGNIFICANT RISKS/OPPORTUNITIES**

33. The HRA Business Plan assumes a continued contribution from revenue to support the Housing Capital Programme (RCCO). Works Contractors, including HTS (Property and Environment) Ltd, 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.
34. New Government regulations on Building Safety was introduced in the first quarter of 2022/23. This has increased the “regulatory”, responsibilities and associated costs on works 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 regulations continue to be enhanced and aligned to current Asset Management plans to identify next steps in terms of priorities and funding. The Housing White Paper is expected to be implemented in 2023/24 as part of the new Social Housing Regulation Bill.
35. Included in the 30-year HRA Business Plan, is an assumption there will at any one time 1.37% 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, Chief Executive**

#### **Finance**

As contained in the body of the report.

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

**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 Services**

None specific.

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

**Appendices**

Appendix 1 – Housing Revenue Account 2022/23 - Quarter 3 Budget Monitoring Summary

**Background Papers**

None.

**Glossary of terms/abbreviations used**

HRA – Housing Revenue Account

HTS – HTS (Property and Environment) Ltd

## APPENDIX 1

### HOUSING REVENUE ACCOUNT 2022-23 - Quarter 3 Budget Monitoring Summary

Description	Approved Budget £'000	Current Budget £'000	Actual Quarter 3 £'000	Forecast Outturn £'000	Variance £'000
<b><u>Expenditure</u></b>					
General Management	12,091	12,296	7,441	11,058	-1,238
Special Management	8,702	8,702	5,749	8,417	-285
Repairs	11,581	11,670	9,234	11,573	-97
Rents, Rates, Taxes & Other Charges	89	89	25	100	11
Provision for Bad & Doubtful Debts	376	376	0	336	-40
Supporting People Transitional Relief	5	5	1	1	-4
Major Repairs Reserve Contribution	11,228	11,228	0	11,543	315
Debt Management Expenses	21	21	0	21	0
Capital Financing Charges	7,001	7,001	3,370	6,833	-168
Direct Revenue Financing	3,443	3,443	0	5,342	1,899
Direct Revenue Financing: Leaseholder Major Works	1,293	1,293	0	0	-1,293
<b>Total Expenditure</b>	<b>55,830</b>	<b>56,124</b>	<b>25,820</b>	<b>55,224</b>	<b>-900</b>
<b><u>Income</u></b>					
Dwelling Rents	-45,597	-45,597	-37,569	-45,061	536
Garage Rents	-1,132	-1,132	-1,158	-965	167
Other Rents	-65	-65	-78	-65	0
Service Charges: Tenants	-1,576	-1,576	-1,198	-1,650	-74
Service Charges: Leaseholders	-2,616	-2,616	-140	-2,636	-20
Major Works Contributions: Leaseholders	-1,293	-1,293	0	0	1,293
Other Charges for Services	-220	-220	-251	-356	-136
Transfers from General Fund	-637	-637	-213	-892	-255
Interest on Revenue Balances	-40	-40	0	-63	-23
<b>Total Income</b>	<b>-53,176</b>	<b>-53,176</b>	<b>-40,607</b>	<b>-51,688</b>	<b>1,488</b>
Balance at 1 April (pre-Audit)	-12,372	-12,968	-12,968	-12,968	0
(Surplus) / Deficit for year	2,654	2,948	-14,787	3,536	588
<b>Balance in hand at 31 March</b>	<b>-9,718</b>	<b>-10,020</b>	<b>-27,755</b>	<b>-9,432</b>	<b>588</b>