

REPORT TO: CABINET

DATE: 13 JULY 2023

TITLE: HOUSING REVENUE ACCOUNT OUTTURN REPORT 2022/23

PORTFOLIO HOLDERS: COUNCILLOR DAVID CARTER, DEPUTY LEADER, AND PORTFOLIO HOLDER FOR HOUSING

COUNCILLOR JAMES LEPPARD, PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE

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CONTRIBUTING OFFICERS: SENIOR MANAGEMENT BOARD

CORPORATE PRIORITY: FIX COUNCIL HOUSING

This is not a Key Decision

It is on the Forward Plan as Decision Number I015968

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 2022

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the Housing Revenue Account (HRA) Outturn Report 2022/23 as set out in following paragraphs and in Appendix 1.
- B** Approves the £241,000 in revenue carry forward requests as set out in Appendix 2 to the report.
- C** Notes that the HRA effective general working balance as at 31 March 2023 is £14.548 million as set out in Table 1 of the report.
- D** Notes that the Major Repairs Reserve balance as at 31 March 2023 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 2023 and following consultation with budget managers provides explanations for these variances.

BACKGROUND

1. In January 2023 Cabinet approved the revised 2022/23 HRA Budget together with the 2023/24 budget and capital programme. The revised budget deficit of £2.948 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 2023/24.
2. In March 2023 Cabinet compared the revised 2022/23 budget with the forecast outturn and it was anticipated that the budget deficit would be £3.536 million.
3. Fixing council housing is a corporate priority for the council and having a strong financial position to fulfil this priority is imperative. The following budget information and report recommendations support this position and provide the council with resources it needs to deliver on this priority.

ISSUES/PROPOSALS

HRA Budget 2022/23 – Outturn

4. 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

5. General Management – Adverse variation £101,000. This has arisen due to:
 - a) Reduction in employee costs due to suspension of filling vacant posts commencing in Q3 pending approval of the 2023/24 budget and further organisation review (-£115,000).
 - b) Following receipt of information from Essex County Council, no pension fund deficit payment was forthcoming in 2022-23 thus realising a £1.323 million favourable variation, however, to assist in mitigating against future years increased costs, it is proposed this sum is transferred into a specific HRA Earmarked Reserve as outlined in table 2.
 - c) Insurance premiums have increased by £191,000 (approximately 37%) following confirmation of 22/23 prices.

- d) Moving incentives, tenants' removal expenses and compensation to tenants (£-159,000).
- e) Redecoration allowance (-£33,000).
- f) Due to the complexities around the increase in Disrepair cases which are currently ongoing and yet to conclude legal costs have increased by £211,000.
- g) Other small variations (£6,000).

6. Special Management – Underspent £693,000

- a) The main variation reflects a £744,000 reduction in the use of temporary accommodation due to lower than anticipated level of numbers in temporary accommodation, despite an increase in the number of homelessness applications. There has been an increase in the number of people sleeping rough, with the rough sleeping count reporting 5. We continue to work with our partners (Streets2Homes) to provide support and outreach interventions.
- b) The council completed 390 homeless assessments and prevented around 33% of households from becoming homeless enabling to assist in securing a home for longer than six months.
- c) There is a £51,000 adverse variation made up of mainly small variations.

7. Repairs and Maintenance – Underspent £86,000

- a) There were several favourable variations including asbestos revenue, insurance claims and central support costs.

8. Rents, Rates and Taxes - £65,000

- a) The variance reflects an increase in the average level of voids throughout 22/23 and their empty home costs.

9. Provision for Bad Debts – Favourable variation £149,000

- 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 £2.033 million as at 31 March 2022 to £1.768 million as at 31 March 2023.
- c) Collection rates for rents and service charges out turned at 98.21% at year end, exceeding target by 0.21%. This performance continues to be favourable when benchmarked. The data for quarter 4 shows the total

cases in arrears have decreased by 11% from quarter 3 and while serious arrears cases of over £1,000 have remained at similar levels, there has been a reduction of nearly 19% in arrears cases over £2000.

- d) It has been previously reported that delays within the Judicial System have directly impacted on the council's enforcement on persistent non-payment and serious rent arrears via possession proceedings. However, these delays have now reduced, and the timescales for hearings for general rent arrears cases have now returned to close to pre-pandemic levels. There are still, lengthy delays in relation to certain types of cases (including those involving temporary accommodation or other tenancy related issues), with some of these cases still seeing delays of some 9 months from cases being issued until a first Court hearing takes place. While many of these cases also involve non-payment of rent, resulting in increased arrears accruing during the Court process, these cases are now the exception, rather than the rule.
- e) Historic former tenant arrears have reduced due to write offs in 2022/23. The current budget provision for bad debts is suggested to reduce and to be kept under review.

10. Depreciation and Capital Charges - £273,000 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. Interest Charges - £268,000 adverse variance

- a) The variation reflects interest charged in respect of the internal borrowing element of the Housing capital programme funding requirement and reduced debt management expenses.

12. Direct Revenue Financing - £4.736 million favourable variance

- a) Leaseholder Major Works Income is now 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 item.
- b) The reduction in direct revenue financing of the core Housing Capital Programme (HCP) follows the reprofiling required for the 2022-23 capital programme into 23/24 and has resulted in a -£3.443 million favourable variation and assists in maintaining a sufficient HRA working balance for future years.

13. Rents – Adverse Variance £629,000

- a) This shortfall reflects the average level of voids within the system, being higher than predicted. At the time of setting the budget, it was anticipated that the HRA Business Plan average level of voids at one time would be 116. However, the average level of voids has been higher. During quarter 4, the number of empty voids reduced to 132. A reduction from 197 at its highest peak emerging from the pandemic. Whilst progress is being made to reduce turnaround times for void properties it is slower than anticipated due to the volume of voids in the system and the delays to clearing the backlog of void works.
- b) Work undertaken as part of the Plan B review has resulted in a focus of resources at Mead Park in delivering void works and the increased use of sub-contractors to deliver void works.

14. Leasehold Service Charges – Favourable Variance £14,000

- a) Income from service charges is marginally up by £14,000 due to the actual cost of services higher than anticipated when the 22-23 budget was set.

15. Other Charges for Services – Adverse Variance £1.129 million

- a) 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.
- b) There is a -£164,000 favourable variation due to the actual recovery of the cost of services higher than anticipated when setting the 22/23 budget.

16. Transfers from General Fund – Favourable Variance £256,000

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

17. Interest on Revenue Balances – Favourable Variance £509,000

- a) Higher than expected reserves and balances – mainly because of reduced direct revenue financing and reprofiling of the capital programme - within the HRA has led to an increase in interest due.

HRA General Balances

- 18. The HRA outturn statement in Appendix 1 shows an overall surplus of £1.580 million. The movement in HRA balances can be summarised as set out in Table 1.

Table 1 - HRA - General Working Balances

HOUSING REVENUE ACCOUNT		
2021/22 £'000	Narrative	2022/23 £'000
16,242	Balance as at 1 April	12,968
-3,274	Surplus / (Deficit) for year	1,821
	Proposed Carry Overs	-241
12,968	Effective Balance as at 31st March	14,548

The working balance are amounts of managed cash flows, funds to protect annual budgets against less predictable costs and uncommitted surpluses.

HRA Earmarked Reserves

19. The HRA has several earmarked reserves and the movement and balances on these reserves can be summarised in Table 2 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 2022 £	Transfers to Reserve £	Transfers From Reserve £	Balance as at 31 March 2023 £
Perpetuity Reserves	1,053,209	306,629	-466,813	893,025
Insurance Fund	2,281,913	258,710	-174,381	2,366,242
Insurance Claims Reserve	745,506	50,000		795,506
Risk Management Reserve	568,140	60,000	-53,691	574,449
Housing Insurance Property Reserve	60,111	10,000		70,111
Pensions Reserve	0	1,333,333		1,333,333
Earmarked grant Reserves	0	25,913		25,913
Total Reserves	4,708,879	2,044,585	-694,885	6,058,579

Major Repairs Reserve

20. 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 2022/23 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 2022 £	Contributions to Reserve £	Transfers to Finance CAPEX £	Balance as at 31 March 2023 £
Major Repairs Allowance	0	11,110,168	-11,110,168	0

Significant Risks/Opportunities

21. The council recommenced delivery of the Housing Investment Programme (HIP) in May of 2021. Ongoing national economic challenges including high inflation and the ongoing impact of the pandemic have resulted in increases to the cost of works and materials, which creates significant challenges to both the Capital Programme and HRA Business Plan. In some areas there are still significant delays due to the availability of the supply chain both in terms of work force and materials. The impact of these delays and increased costs is monitored through the monthly Programme and Project Management meetings. With quarterly reviews of any changes being reported within the quarterly financial reporting.
22. 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 2023/24 onwards.
23. 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.

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Appendices

Appendix 1 – Housing Revenue Account Outturn 2022/23

Appendix 2 – HRA Carry Forward Requests 2022/23

Background Papers

None.

Glossary of terms/abbreviations used

HCP – Housing Capital Programme

HRA – Housing Revenue Account

Appendix 1
HOUSING REVENUE ACCOUNT OUTTURN 2022/23

HEADING	2022/23 Approved Budget £'000	Current Budget £'000	Actual Outturn £'000	Proposed Carry Forwards £'000	Total Outturn £'000	Variance £'000
Expenditure						
General Management	12,091	12,296	12,380	17	12,397	101
Special Management	8,473	8,473	7,778	2	7,780	-693
Repairs	11,580	11,669	11,361	222	11,583	-86
Rents, Rates & Taxes	89	89	154		154	65
Provision for Bad Debts	376	376	227		227	-149
Supporting People	5	5	1		1	-4
New Builds abortive costs	0	0	0		0	0
Depreciation & Impairment	11,228	11,228	10,955		10,955	-273
Debt Management Expenses	21	21	7	▶	7	-14
Interest Charges	7,001	7,001	7,283	▶	7,283	282
Direct Revenue Financing	3,443	3,443	0	▶	0	-3,443
Direct Revenue Financing: Leaseholder Major Works	1,293	1,293	0		0	-1,293
Total Expenditure	55,600	55,894	50,146	241	50,387	-5,507
Income						
Dwelling Rents	-45,597	-45,597	-45,110		-45,110	487
Garage Rents	-1,132	-1,132	-976		-976	156
Other Rents	-65	-65	-79		-79	-14
Service Charges	-4,000	-4,000	-4,014		-4,014	-14
Revenue Works Contributions	-30	-30	-104	▶	-104	-74
Major Works Contributions	-1,293	-1,293	0	▶	0	1,293
Other Charges for Services	-152	-152	-242	▶	-242	-90
Transfers from General Fund	-637	-637	-893		-893	-256
Interest on Revenue Balances	-40	-40	-549		-549	-509
Total Income	-52,946	-52,946	-51,967	0	-51,967	979
Balance at 1 April	-12,372	-12,968	-12,968		-12,968	0
(Surplus) / Deficit	2,654	2,948	-1,821	241	-1,580	-4,528
Balance in hand at 31 March	-9,718	-10,020	-14,789	241	-14,548	-4,528

Appendix 2 HRA Carry Forward Requests 2022/23

BUDGET AREA	Carry Forward Request £	Reason for the Carry Forward Requests
R&M - Asbestos	58,476	Asbestos Flat Blocks Re-inspection Surveys- due to to an increase in capital activity on the final quarter delaying the re-inspections to be carried out.
Housing Management - Compensation to Tenants	9,084	Various repairs to changing laundry facilities at The Wayre and Rosemary Close. Works have been ordered and due to start works w/c
Flat Blocks - Lift Costs	1,788	Dispute in payment of invoice require supporting evidence
R&M - Stair Lift Maintenance	35,450	Awaiting quotes for removals and new installs
R&M - Cyclical Maintenance	54,163	Projects have been committed. Delays in consultation
R&M - Garage Responsive Repairs	1,738	Ongoing work
Housing Operations (Property) - Training	2,000	Ongoing training for team
Housing Operations (Property) - Courses	1,432	Pending training for team ongoing
R&M - HHRS Repairs	5,650	STORT TOWER. Quote 051563/TB. Bird Control. Work in brief; cleaning, disinfection, and proofing work
Housing Operations (Property) - IT Support	3,655	New position (Surveyors) to be filled on a permanent basis.
R&M - Lift Repairs	9,000	Awaiting invoice to be paid for lift management fees
R&M - Lift Repairs	58,376	Disputes with several invoices not been resolved and needing supporting
GRAND TOTAL	240,812	