

**URN:**

**Subject:** 2020/21 Period 4 Housing Revenue Account Budget Monitoring Report

**Report to:** ELT – 23 September 2020  
Housing and Neighbourhoods Committee - 1 October 2020

**Report by:** HRA Service Accountant

#### **SUBJECT MATTER/RECOMMENDATIONS**

It is recommended that Members:

Consider the 2020/21 Housing revenue and capital budget monitoring position as at the end of period 4.

## **1. Introduction**

- 1.1. There is a statutory requirement to maintain a Housing Revenue Account (HRA) and that account must not show a deficit. The HRA is a separate (ring fenced) account of the Council covering income and expenditure relating to its role as landlord. Under the self-financing arrangements for local authorities, the HRA records the costs of management and maintenance of the Council's dwellings and the related income from rents and other charges. The Government provides guidance on what should be included in the HRA to protect Council tenants.
- 1.2. Although there is not a requirement for a similar separation of capital expenditure, the capital programme as it relates to the HRA is separately monitored. This report outlines the estimated forecasts for the full financial year 2020/21 as well as showing the position of the HRA as at the end of period 4.
- 1.3. The regular review and monthly monitoring of the HRA budgets provides a sound basis for the preparation of estimates for 2020/21 and of the HRA Business Plan.

## **2. Budget Monitoring at Period 4 (April – July 2020)**

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 4 is compared to the profiled budgets for the same period. Key variations are identified and explained within Appendix 1, HRA Income and Expenditure 2020/21 and Appendix 2, HRA Capital programme expenditure.

- 2.2. The Housing Revenue Account currently has a revised 2020/21 forecast deficit of £2.317m, from an originally budgeted forecast deficit of £1.703m, resulting in an adverse movement of £614k to be funded by reserves.
- 2.3. The increased forecast deficit is due to the 2020/21 COVID-19 pandemic. Revisions included within the revised forecast reflect the overall estimated impact, such as a reduction in rental income received.
- 2.4. The capital programme is currently on track to meet the profiled budget provisions, despite delays to programmed works due to reduced access and contractor availability. Programmes are forecast to continue at a higher rate of productivity to complete the works highlighted by the stock condition survey.

### 3. Forecasts for 2020/21

- 3.1. To prepare updated forecasts detailed analysis has been undertaken of actual figures, known variations (as indicated in the budget monitoring analysis) and planned changes identified by the review work. The latest forecasts are set out below; table 1 shows the HRA Income and Expenditure forecast.

**Table 1 - HRA Income and Expenditure Forecast 2020/21**

	Original Budget £000	Revised Budget £000	Variance £000 (Underspend)
Dwelling Rents	(21,753)	(21,153)	600
Other non-dwelling rents	(275)	(275)	0
Charges for services and facilities	(1,442)	(1,441)	1
Interest & investment income	(15)	(15)	0
<b>Income Total</b>	<b>(23,485)</b>	<b>(22,884)</b>	<b>601</b>
Repairs & Maintenance	8,984	8,984	0
Supervision and Management (Direct Employee)	2,439	2,439	0
Supervision and Management	2,908	2,921	13
Rents Rates & Taxes	249	249	0
Depreciation	3,780	3,780	0
Capital expenditure funded by the HRA	3,268	3,268	0
HRA Interest Payable	3,066	3,066	0
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	394	394	0
<b>Total Expenditure</b>	<b>25,238</b>	<b>25,251</b>	<b>13</b>
Transfers (from)/to Earmarked Reserves	0	0	0
Leasehold Capital Contributions	(50)	(50)	0
<b>Deficit/(Surplus) for the year</b>	<b>1,703</b>	<b>2,317</b>	<b>614</b>
<b>Bfwd HRA Reserves Balance (01 Apr)</b>	<b>9,435</b>	<b>9,435</b>	<b>0</b>
<b>Deficit/(Surplus) for the year</b>	<b>1,703</b>	<b>2,317</b>	<b>614</b>
<b>Cfwd HRA Reserves Balance (31 Mar)</b>	<b>7,732</b>	<b>7,118</b>	<b>(614)</b>

- 3.2. The changes incorporated within the revised budget are overall predictions following the impact of the 2020/21 COVID-19 pandemic.

#### **4. Right To Buy (RTB) Summary 2020/21**

- 4.1. Table 2 provides the number of the RTB sales made year to date at period 4 against our anticipated budgeted sales. Further analysis will be undertaken in Quarter 2 to review the projected sales anticipated for the full year.

**Table 2 – RTB Sales 2020/21**

	<b>Estimated Sales</b>	<b>Actual Sales</b>
<b>Qtr. 1</b>	8	7
<b>Qtr. 2</b>	9	0
<b>Qtr. 3</b>	10	0
<b>Qtr. 4</b>	10	0
<b>Total</b>	<b>37</b>	<b>7</b>

#### **5. Conclusion**

- 5.1. The majority of the HRA revenue income & expenditure budgets are on track to meet 2020/21 budget provisions, with the exception of reduced income streams following the COVID-19 pandemic.

#### **6. Financial implications and Risks**

- 6.1. The detail within the report highlights the significant variances for the year to date, including a full year impact to the HRA revenue and capital budgets
- 6.2. The HRA monitoring report aims to capture all impacts as a result of the 2020/21 COVID-19 pandemic. This includes a revised full year forecast to depict a more accurate outturn position overall.
- 6.3. The income and expenditure will continue to be monitored in detail during the year, including additional reviews of the HRA 40 year business plan throughout the year.
- 6.4. The HRA is dependent mainly on the rental income stream of the social housing rents, and we have a dedicated team monitoring tenant arrears on a regular basis.

#### **7. Background Papers**

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

<b>Area for consideration</b>	<b>Comment</b>
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	

Existing Council Policies:	
Financial Implications (including VAT and tax):	
Legal Implications (including human rights):	
Risk Implications:	
Equality Issues/EQIA assessment:	
Crime & Disorder:	
Every Child Matters:	

### **Appendix 1 - HRA Income and Expenditure 2020/21**

	<b>Profiled Budget to Period 4 £000</b>	<b>Expenditure to Period 4 £000</b>	<b>Variance £000</b>	<b>Comments</b>
Dwelling Rents	(7,581)	(7,422)	159	Rent received from HRA Dwellings. Rent received variance impacted by COVID-19 YTD. Rental income will continue to be monitored going forward.
Other non-dwelling rents	(92)	(79)	13	Garage & Stores Rents Income – Income received impacted by COVID-19.
Charges for services and facilities	(532)	(462)	70	Income received from services and facilities impacted by COVID-19.
<b>Income Total</b>	<b>(8,205)</b>	<b>(7,963)</b>	<b>242</b>	
Repairs and Maintenance	2,856	2,340	(516)	Revenue repair works reduced YTD. This is due to improved stock condition as a result of an increased capital programmes in prior years. Repair works have also been impacted by COVID-19 due to reduced access.
Supervision and Management (Staff Pay)	813	737	(76)	Staff vacancies year to date within multiple housing teams. Services are working towards recruiting into these posts going forward.
Supervision and Management	206	260	54	Reduced costs year to date due to a reduction in utilities, such as electric etc. Other costs are also reduced, such as printing and stationary and staff travel.
<b>Expenditure Total</b>	<b>3,875</b>	<b>3,337</b>	<b>(538)</b>	

## **Appendix 2 - Capital Expenditure 2020/21**

<b>Capital Programme</b>	<b>Profiled Budget to Period 4 £000</b>	<b>Expenditure to Period 4 £000</b>	<b>Variance £000</b>	<b>Comment</b>
Improvement Programme Kitchen and Bathroom	413	406	(7)	No significant variances.
Improvement Programme Windows and Doors	40	25	(15)	No significant variances.
Planned Maintenance	35	10	(25)	Major repairs and maintenance works are currently £25k underspent. This budget is demand lead. As a result of the COVID-19 lockdown, large repair works overall have been reduced due to limited access availability.
Energy and Efficiency Improvements	195	140	(45)	Heating workstreams have been reduced due to the COVID-19 pandemic. These programmes have now been increased and are forecast to reach the programmed budget allocation.
Specific Planned Projects	207	261	54	Long term and Whole house works are ahead of the schedule YTD. This is due to increased workstreams in order to clear dwellings which were previously delayed.
Empty Properties	233	260	27	Major void works are ahead of schedule year to date. This is partly due to the reduction in access of other programmes during COVID-19. The overall programme is forecast to reach its budget provision.
Neighbourhood Plans	203	168	(35)	Neighbourhood Planned works are currently behind schedule due to the COVID-19 pandemic. This programme will continue to be monitored but is forecast to reach its budget allocation for 2020/21.
New Affordable Housing	700	771	71	Five properties have been purchased off the open market year to date, as part of the planned scheme using retained receipts. Currently the programme is ahead of schedule.
<b>Total</b>	<b>2,026</b>	<b>2,041</b>	<b>15</b>	