

URN: 21-124

Subject: Housing Revenue Account Outturn 2020/21

Report to: Council – 22 July 2021

Report by: HRA Service Accountant

SUBJECT MATTER

This report presents the following:

- The draft outturn position for the Housing Revenue Account for the 2020/21 financial year, which has been used to inform the production of the statutory account for audit and subsequent approval
- Details of the more significant year-end variances compared to the current budget for 2020/21
- Details of 2020/21 budget underspends requested to be carried forward to 2021/22.

RECOMMENDATIONS

That Council approve:

1. The outturn position for the Housing Revenue Account for 2020/21 as included in the report and appendices
2. The updated 2021/22 HRA revenue and expenditure budget as detailed at Appendix C
3. The updated 2021/22 HRA capital programme and associated financing of the as detailed within the report and at Appendix D.

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 full 2020/21 financial year's outturn.
- 1.3. The position as reported has been used to inform the publication of the draft statement of account which are subject to external audit review ahead of approval by the Audit and Risk Committee by the statutory deadline.

2. HRA Outturn 2020/21

- 2.1. The Housing Revenue Accounts annual outturn was a deficit of £1.001m against a budget deficit of £1.446m, resulting in a variance of £445k.
- 2.2. The 2020/21 £445k outturn variance is largely due to savings on demand lead annual revenue repair workflows such as void repairs and gas servicing and maintenance. These revenue services have reflected a reduction in demand, as a result of increased capital improvements works in prior year, increase stock quality overall.
- 2.3. The Housing Revenue Account has been impacted by the 2020/21 COVID-19 pandemic. Reduced Right to buy sales in year, have resulted in reduced receipts available for financing programmes in 2020/21. To mitigate this reduction, the revenue financing capital contribution has been increased.
- 2.4. A summary of the outturn position for the HRA is included at Appendix A, table 1 below provides details of the year end variances of the income & expenditure account.

Table 1 – HRA Income and Expenditure Outturn Variances 2020/21

Table 1	Current Budget £000	Outturn £000	Variance £000	Comments
Dwelling Rents	(21,817)	(21,903)	(86)	Increased dwelling rent due to reduced Right to Buy sales in year, along with increased Affordable stock added.
Other non-dwelling rents - Garage & stores rentals	(275)	(240)	35	Garage & Stores rent income reduced due to the impact of COVID-19.
Charges for services and facilities	(1,442)	(1,193)	249	Income received from services and facilities impacted by COVID-19. Enhanced tenancy management charge revised to reflect reduction in staff costs included in charge.
Capital Grants & Contributions receivable	(50)	(28)	22	Reduced expenditure in year has resulted in a reduced reserves contribution.
Income Total	(23,584)	(23,364)	220	

Table 1	Current Budget £000	Outturn £000	Variance £000	Comments
Repairs & Maintenance	8,984	8,419	(565)	Revenue repair budgets such as responsive repairs and voids have reflected an underspend of £591k. Asbestos testing is underspent by £55k. This is partly due to asbestos works being included within other capital programmes, such as kitchen and bathroom completions. Revenue neighbourhood planned works is overspent by £157k. This captures the completion of canopy works. Revenue heating repair costs are underspent by £242k. This is due to reduced demand, following increased completion of capital heating works within the stock.
Supervision and Management	2,908	2,693	(215)	Reduced utility costs in year reflecting an underspend of £57k. Staff cost savings relating to car allowance (£23k) and mobile charges (£9k) are underspent in year. Revenue computer costs are reduced in year due to the system upgrade delays (£55k).
Supervision and Management (Direct Employee)	2,439	2,376	(63)	Underspend due to staff turnover and vacancies in year.
Rents Rates & Taxes - e.g. Council tax, utility charges	249	322	73	Increased empty dwelling rate charges and increased insurance premiums due to the impact of COVID-19.
Depreciation	3,780	3,678	(102)	Deprecation reduced against budget estimate.
HRA revenue contribution to capital expenditure	3,267	4,041	774	Reduced capital receipts available in year, due to reduced Right to Buy sales. Increased revenue contribution to fund the capital improvement programme completed.
HRA Interest Payable on Loans	2,874	2,691	(183)	Underspend due to reduced borrowing in year and lower interest rates received
Contribution to Pension Reserves	394	58	(336)	Budget based on estimates provided in year. Reduced costs in the year reflect vacancies held.

Table 1	Current Budget £000	Outturn £000	Variance £000	Comments
Earmarked Reserves (Middlegate)	0	(32)	(32)	Earmarked reserve to support Middlegate regeneration review spend.
Expenditure Total	24,895	24,246	(649)	

3. Capital Programme Financing 2020/21

3.1. Appendix B provides details of the outturn on the HRA capital programme 2020/21 along with the explanations for the variances. Table 2 below provides a summary of the outturn position, along with the corresponding impact on the 2020/21 capital financing within the HRA.

Table 2 – Current HRA Capital Programme Financing 2020/21

Table 2	Current Budget £000	Outturn £000	Variance £000
Kitchens & Bathrooms	3,050	3,376	326
Windows & Doors	650	592	(58)
Planned Maintenance	665	387	(278)
Energy Efficiency Improvements	1,185	1,270	85
Specific Planned Projects	620	418	(202)
Empty Properties	700	614	(86)
New Affordable Housing - Right to Buy receipts	3,280	3,289	9
Additional Housing	250	0	(250)
Neighbourhood Plans	2,090	1,895	(195)
Housing Transformation Budget	415	18	(397)
Keysafe Installation	0	47	47
Total Expenditure	12,905	11,906	(999)
Financing:			
Borrowing	3,520	3,293	(227)
Capital Receipts	2,288	895	(1,393)
Revenue	3,267	4,012	745
Depreciation	3,780	3,678	(102)
Leasehold Contribution	50	28	(22)
Total Financing	12,905	11,906	(999)

3.2. Capital improvements have been impacted by the currently COVID-19 pandemic, delaying some programmes due to access restrictions and reduced resource. Although many programmes have completed planned outturn numbers, some budgets are requested to be carried forward to support 2021/22 programmes. Underspends identified to be carried forward into 2021/22, total £1,267k. A summary of the changes can be found in the table 3 below.

3.3. The 2020/21 financial year has reflected a significant decline in Right to Buy completions in comparison to prior years. This decline appears to be an impact of the current Covid-19 pandemic.

3.4. Reduced Right to Buy sales impact the availability of capital receipts to fund the capital programme. As a result of reduced receipts in year, the HRA is reliant on revenue contributions to fund the remaining capital programme and has increased the contribution by £745k.

3.5. Total receipts from sales in year equaled £395k. The remaining receipts have been drawn from the capital receipt reserve to support the service in 2020/21.

4. 2020/21 Budget to be carried forward into 2021/22

4.1. Appendix C and D provide the revised position of both the revenue and capital 2021/22 programmes incorporating the 2020/21 carried forward budgets detailed below.

4.2. Table 3 provides a summary of the 2020/21 budgets required to be carried forward to 2021/22.

Table 3 - Forecasted Requests to Carry forward capital budgets

Project	Current budget 2020/21	C/Fwd Budget Amendment	Reason for change:	Financing from:
Housing Transformation Budget	415	396	Transformation underspend	HRA Revenue
Additional Housing	250	250	Programmed works delayed due to COVID-19	HRA Borrowing
De-Carbonisation	400	240	External wall installation programme to follow roofing completions	HRA Revenue
Empty Properties	700	85	Major voids spend underspent	HRA Revenue
Improvement windows & doors	650	55	Window and doors programme delay due to fire door installations	HRA Revenue
Planned Maintenance	200	31	Major Adaptations restricted due to COVID-19	HRA Revenue
Specific Planned Projects	600	210	Long term void underspend	HRA Revenue
	3,215	1,267		

5. Right To Buy (RTB) Summary 2020/21

- 5.1. Overall 2020/21 reflected a decline in the number of RTB sales in comparison to previous years (2017/18 – 47, 2018/29 – 50, 2019/20 - 27). The Council have completed 9 Right to Buy Sales during 2020/21 against an estimated figure of 37.
- 5.2. Reduced RTB sales in year, along with increased acquisitions and new build dwelling additions being added, means the overall lettable stock total has increased in year to 5,787.
- 5.3. The Council is responsible for managing stock of 5,787 dwellings as at the 31 March 2021 (5,766 in 2019/20). Table 4 shows a summary on the movement and breakdown of the Housing Stock during 2020/21.

Table 4 – HRA Housing Stock summary 2020/21

	2019/20	2020/21
Stock as at 1 April	5,783	5,774
Less:		
Sales	-27	-9
Conversions	0	0
Demolished	0	0
Add		
New dwellings	0	0
Repurchase/Purchase	10	22
Stock as at 31 March	5,766	5,787

Summary of Housing Stock		
Houses	2,244	2,249
Flats and Maisonettes	2,633	2,639
Bungalows	897	899
	5,774	5,787

6. HRA Reserve balances

- 6.1. As a result of the 2020/21 reduced deficit in year, the HRA is holding a higher balance moving into 2020/21 than originally anticipated, as shown in Table 5.

Table 5 – HRA Reserves Summary 2020/21

Housing Revenue Account Balances – Movement 2020/21	£000
Opening Balance - 1 April 2020	9,559
Add Expected forecast Surplus/ (Deficit)	(1,446)
Forecast Balance	8,113
Actual Surplus/ (Deficit)	(1,001)
Balance Carried forward – 1 April 2021 (subject to Audit)	8,558

7. Conclusion

- 7.1. The Housing Revenue Accounts annual outturn was a deficit of £1.001m, against a budget deficit of £1.446m, resulting in a variance of £445k. The impact of the 2020/21 deficit, means that the HRA will carry forward £8.558m of reserves into 2021/22.
- 7.2. Reduced Right to Buy sale completions in 2020/21, along with increased acquisitions and new build dwelling additions being added, means the overall lettable stock total has increased in year to 5,787.
- 7.3. Due to the impact of COVID-19 restrictions on capital improvement works, budget totalling £1,267k is requested to be carried forward to support 2021/22 programmes.

8. Financial Implications and Risks

- 8.1. The detail within the report highlights the significant variances for the 2020/21 financial year, including a full year review of the HRA revenue and capital budgets
- 8.2. The HRA monitoring report aims to capture all impacts as a result of the 2020/21 COVID-19 pandemic. This includes capital budget carry forward requests to support 2021/22 shortfalls.
- 8.3. The position as reported, has been used to inform the publication of the draft statement of account, which are subject to external audit review ahead of approval by the Audit and Risk Committee by the statutory deadline.

9. 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?

Area for consideration	Comment
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 A - HRA Income and Expenditure 2020/21

	Budget £000	Outturn £000	Variance £000
Dwellings Rents	(21,817)	(21,903)	(86)
Non Dwelling rents	(275)	(240)	35
Interest & Investment income	(15)	(16)	(1)
Charges for services and facilities	(1,442)	(1,193)	249
Total Income	(23,549)	(23,352)	197
Repairs & Maintenance	8,984	8,419	(565)
Supervision and Management (Direct Employee)	2,439	2,376	(63)
Supervision and Management	2,908	2,693	(215)
Rents Rates & Taxes	249	322	73
Depreciation	3,780	3,678	(102)
Capital expenditure funded by the HRA	3,267	4,041	774
HRA Interest Payable	2,874	2,691	(183)
Provision for bad and doubtful debts	150	135	(15)
Total Expenditure	24,651	24,355	(296)
Transfers (from)/to Earmarked Reserves	0	(32)	(32)
Capital Grants & Contributions receivable	(50)	(28)	22
Contribution to Pension Reserves	394	58	(336)
Deficit/(Surplus) for the year	1,446	1,001	(445)
Bfwd HRA Reserves Balance (01 Apr)	9,559	9,559	0
Deficit/(Surplus) for the year	1,446	1,001	(445)
Cfwd HRA Reserves Balance (31 Mar)	8,113	8,558	445

Appendix B - HRA Capital Programme Outturn Variances 2020/21

	Current Budget £000	Outturn £000	Variance £000	Reason
Kitchens & Bathrooms	3,050	3,376	326	Kitchen and bathroom improvement spend has exceeded its budget provision for 2020/21, with 513 Kitchen and 412 bathroom improvements being completed.
Improvement Programme Windows and Doors	650	592	(58)	Programmed Window and Doors have experience delays due to fire doors availability restrictions. Remaining budget allocation is requested to be carried forward.
Planned Maintenance	665	387	(278)	Rewires programme is reflecting a £257k underspend. Capital adaptations works have resulted in an £31k underspend. Planned maintenance works have been reduced as a result of the COVID-19 lockdowns, works overall have been reduced due to limited access availability. Remaining adaptation budget is requested to be carried forward.
Energy Efficiency Improvements	1,185	1,270	85	Heating works have been accelerated in year. Capital overspends have been support by revenue repair heating savings in year.
Specific Planned Projects	620	418	(202)	Whole house and empty property programmes have experienced delays due to additional time being required to individually prepare and tender each project. Reduced workflows have also been as a result of increased number of affordable homes purchased requiring works. Remaining long term void budget is requested to be carried forward.
Empty Properties	700	614	(86)	Major voids reduced workflows is due to increased completions of the number of affordable homes purchased, requiring works.
Additional Housing	250	0	(250)	Due to delays, no spend was incurred within 2020/21. Budgeted provision is to be carried forward to 2021/22.
New Affordable Housing - Right to Buy receipts	3,280	3,289	9	Twelve properties have been purchased from the open market year to date as part of the planned programme using retained receipts. New build works have also been completed on two sites,

	Current Budget £000	Outturn £000	Variance £000	Reason
				resulting in an additional eight affordable units. Currently the 1-4-1 receipt commitments are ahead of the retention requirement.
Neighbourhood Plans	2,090	1,895	(195)	Neighbourhood planned works reflect an overspend of £157k, including the completion of dwelling canopies. External wall insulation (EWI) has reflected a £299k underspend, due to roofing works needing to be completed prior to the completion of EWI works. Budget is requested to be carried forward for EWI improvements in 2021/22.
Housing Transformation Budget	415	18	(397)	Delay to programme has resulted in reprofile of spend. Remaining budget is requested to be carried forward.
Key safe Installation	0	47	47	Additional works to replace key safes within Housing. Programme to continue within 2021/22 against key safe budget allowance.
	12,905	11,906	(999)	

Appendix C – Revised 2021/22 HRA Income and Expenditure

	Original Budget £000	Revised Budget £000	Variance £000
Dwellings Rents	(21,495)	(21,495)	0
Non Dwelling rents	(275)	(275)	0
Interest & Investment income	(15)	(15)	0
Charges for services and facilities	(1,366)	(1,366)	0
Total Income	(23,151)	(23,151)	0
Repairs & Maintenance	9,257	9,257	0
Supervision and Management (Direct Employee)	2,580	2,580	0
Supervision and Management	3,126	3,126	0
Rents, Rates, Taxes and Other Charges	284	284	0
Depreciation	3,738	3,738	0
Capital Expenditure funded by the HRA	2,334	3,561	1,227
HRA Interest Payable	2,945	2,946	1
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	513	513	0
Total Expenditure	24,927	26,155	1,228
Transfers (from)/to Earmarked Reserve	(30)	(30)	0
Capital Grants & Contribution receivable	(20)	(20)	0
Net (surplus)/Deficit for the year	1,726	2,954	1,228
HRA Reserves Balance B/Fwd.	8,558	8,558	0
Deficit/(Surplus) in year	1,726	2,954	1,228
HRA Reserves Balance C/Fwd.	6,832	5,604	(1,228)

Appendix D - Revised 2021/22 HRA Capital programme

Capital programme	Revised budget £000	Revised budget £000	Variance £000
Kitchens & Bathrooms	2,869	2,869	0
Windows & Doors	592	647	55
Planned Maintenance	611	642	31
Energy Efficiency Improvements	1,173	1,173	0
Specific Planned Projects	546	756	210
Empty Properties	700	785	85
New Affordable Housing - Right to Buy receipts	3,648	3,648	0
New Affordable Housing – Additional Non 1-4-1 Provision	250	500	250
Decarbonisation	1,738	1,978	240
Neighbourhood Plans	91	91	0
Housing Transformation Budget	211	607	396
Total Expenditure	12,429	13,696	1,267
Financing:			
Borrowing	4,110	4,150	40
Capital Receipts	2,227	2,227	0
Revenue	2,334	3,561	1,227
Depreciation	3,738	3,738	0
Leasehold Contribution	20	20	0
Total Financing	12,429	13,696	1,267