

Subject: 2019/20 Period 10 Housing Revenue Account Budget Monitoring Report

Report to: ELT
Housing and Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER/RECOMMENDATIONS

To consider the 2019/20 Housing revenue budget monitoring position as at the end of period 10.

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 2019/20 as well as showing the position of the HRA as at the end of period 10.
- 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 30 year Business Plan.

2. Budget Monitoring summary Period 10 (April – January 2020)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 10 is compared to the profiled budgets for the same period. Key variations are identified and explained within Appendix 1, HRA Income and Expenditure 2019/20 and Appendix 2, HRA Capital programme expenditure.

3. Forecasts for 2019/20

3.1. Forecasts are based on actual figures to date, 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 and table 2 shows the HRA Capital Programme and planned resourcing of the programme.

Table 1 - HRA Income and Expenditure Forecast 2019/20

	2019/20 Budget	Revised Budget Forecast	Variance
	£000	£000	£000
Dwelling Rents	(21,279)	(21,279)	0
Other non-dwelling rents	(263)	(263)	0
Charges for services and facilities	(1,418)	(1,443)	(25)
Interest & investment income	(5)	(5)	0
Income Total	(22,965)	(22,990)	(25)
Repairs & Maintenance	8,970	8,659	(311)
Supervision and Management	2,676	2,698	22
Supervision and Management (Staff Costs)	2,201	2,056	(145)
Rents Rates & Taxes	261	311	50
Capital expenditure funded by the HRA	5,636	5,505	(131)
Depreciation	3,482	3,482	0
HRA Interest Payable	2,751	2,751	0
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	392	392	0
Total Expenditure	26,519	26,004	(515)
Transfers (from)/to Earmarked Reserves	(104)	(50)	54
Leasehold Capital Contributions	(0)	0	0
Deficit/(Surplus) for the year	3,450	2,964	(486)
Bfwd HRA Reserves Balance (01 Apr)	11,399	11,399	0
Deficit/(Surplus) for the year	3,450	2,964	(486)
Cfwd HRA Reserves Balance (31 Mar)	7,949	8,435	486

3.2. In summary the £486k forecast budget variance is due to the following:

- Repairs and Maintenance has a revised forecasts underspend of £311k. Demand led responsive repairs, void repairs and cleaning and clearance have continued to reflect a reduction in demand, with a revised underspend of

£371k. This is largely due to the increased capital investment programmes, implemented following the stock condition survey in 207/18.

- As a result of increased capital works programmes such as the replacement kitchen and bathrooms, some revenue programmes have reflected an increase in demand. Increased Asbestos testing requirements have resulted in a forecast overspend of £43k. An increase in activity has also reflected an increase in the completion of large revenue repairs, with a revised forecast overspend of £306k.
- Revenue neighborhood planned works are reflecting a forecast underspend of £130k. This is due to increased resources being utilized within the capital programme.
- A revised underspend of £75k is forecast for asset management costs. This is due to a pending staff review by the joint venture.

Table 2 – Summary of Capital Expenditure and Financing Forecast 2019/20

Capital programme	Original Budget	Revised budget forecast	Variance
	£000	£000	£000
Kitchens & Bathrooms	3,366	4,021	655
Windows & Doors	650	650	0
Energy & Efficiency	1,015	1,015	0
Estate Improvements	80	0	(80)
Neighbourhood Plans	2,465	1,990	(475)
New Affordable Housing	2,139	2,139	0
Planned Maintenance	782	782	0
Specific Plan Projects	1,061	811	(250)
Empty Properties	1,160	1,060	(100)
Total Expenditure	12,718	12,467	(250)
Borrowing	2,139	2,139	0
Capital Receipts	1,471	1,399	(72)
Depreciation	3,471	3,471	0
Revenue funding Capital	5,637	5,459	(178)
Leasehold Capital Contributions	0	0	0
Total Financing	12,718	12,467	(250)

3.3. The revised forecast changes shown within table 2, reflects the best utilization of capital resources in 2019/20. A forecast underspend of £250k within specific plan projects relates to a delay in capital long term voids and whole house works. This is as a result of contract tender delays to ensure the best value for money is achieved. This budget is forecast to be carried forward to 2020/21 to complete the scheduled works.

4. Right To Buy (RTB) Summary 2019/20

- 4.1. Table 3 provides the number of the RTB sales made in quarter 3 against our original anticipated budgeted sales.
- 4.2. The current year has reflected a decline in Right to Buy completions in comparison to prior years. The Council has completed 21 sales year to date with two sales having been completed within period 10.
- 4.3. A further 6 sales are expected within quarter four, projecting 27 completed sales by 31st March 2019 in comparison to 50 completions in 2018/19.

Table 3 – RTB Sales 2019/20

	Forecast Sales	Actual Sales
Qtr. 1	12	7
Qtr. 2	12	5
Qtr. 3	12	7
Qtr. 4	11	0
Total	47	19

5. Conclusion

- 5.1. The Housing Revenue Account currently has a revised 2019/20 forecast deficit of £2.964m, from an originally budgeted forecast deficit of £3.450m, resulting in a favorable movement of £0.486m.
- 5.2. The majority of capital spent is forecast to meet the budget provision of £12.718 million with only £250k forecast to be carried forward into 2020/21.
- 5.3. Year to date the, Right to Buy sales have reflected a decline in completions, with 21 sales completed so far. A further 6 sales are expected to compete within quarter four totaling 27 sales overall.

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 income and expenditure will continue to be monitored in detail during the year, including additional reviews of the HRA 30 year business plan throughout the year.

6.3. 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. RECOMMENDATIONS

7.1. To consider the 2019/20 Housing revenue and capital budget monitoring position – Period 1 to 10 (April – January 2019) and the full forecast budgets for 2019/20.

8. 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:	Sent for information
Section 151 Officer Consultation:	Sent awaiting approval
Existing Council Policies:	N/A
Financial Implications:	Included within detail of the report
Legal Implications (including human rights):	N/A
Risk Implications:	Included within detail of the report
Equality Issues/EQIA assessment:	N/A
Crime & Disorder:	N/A
Every Child Matters:	N/A

Appendix 1 - HRA Income and Expenditure 2019/20

	Profiled Budget to Period 10 £000	Expenditure to Period 10 £000	Variance £000	Comments
Dwelling Rents	(17,511)	(17,458)	53	Rent received from HRA Dwellings is currently lower than expected. Income recovery rates are being closely monitored to ensure that historic levels of performance are maintained.
Other non-dwelling rents	(219)	(197)	22	Income recovery rates are being closely monitored to ensure that historic levels of performance are maintained.
Charges for services and facilities	(1,051)	(1,009)	42	Income recovery rates are being closely monitored to ensure that historic levels of performance are maintained.
Interest and investment income	0	0	0	No Significant Variance.
Income Total	(18,781)	(18,664)	117	
Repairs and Maintenance	7,729	7,041	(688)	Variances to date such as increased asbestos works and planned large repairs resulting in an underspend of £303k. Demand led revenue repairs continue to show reduction in demand such a responsive repairs (636k), void repair (165k) and void clean and clearance (73k). Neighbourhood planned works are underspent by £73k, this is due to a reduced programme being implemented so that capital programmes can be accelerated.
Supervision and Management (Staff Pay)	1,834	1,733	(101)	The underspend year to date is largely due to staff vacancies and turnover within multiple housing teams. The service is working towards recruiting into these posts going forward.
Supervision and Management	526	495	(31)	Reduction in day to day costs partly due to reduced staff numbers.
Rents Rates and Taxes	197	241	44	Increase in void council tax rates payable following the change in allowances.
Capital expenditure funded by the HRA	2,456	2,000	(456)	Revenue financing capital is currently underspend due to

	Profiled Budget to Period 10 £000	Expenditure to Period 10 £000	Variance £000	Comments
				outstanding capital works within the 2019/20 programme. Capital works are expected to meet budget provision and will be monitored closely.
HRA Interest Payable	2,308	2,272	(36)	Saving in year due to interest payments being less than budgeted due to lower rates.
Earmarked Reserves	(67)	(20)	47	
Expenditure Total	14,983	13,762	1,221	

Appendix 2 – HRA Capital Expenditure 2019/20

Capital Programme	Profiled Budget to Period 10 £000	Expenditure to Period 10 £000	Variance £000	Comment
Improvement Programme Kitchen and Bathroom	1,943	1,970	27	Kitchens and bathroom workflows have remaining high year to date and are currently on track to reach the 2019/20 budget demand.
Improvement Programme Windows and Doors	328	323	(5)	No significant variance.
Planned Maintenance	641	544	(97)	<p>Capital major repairs works are currently underspent by £93k. This is a demand led budget and following the increase in capital improvements to the stock, larger one-off capital repairs have reflected a reduction across the stock. Capital rewires are currently £55k underspent. This is partly due to access issues. Workflows are currently forecast to meet the budget provisions by the end of the year.</p> <p>Capital adaptations are overspent by £52k. This is due to increase works being completed to reduce waiting lists.</p>
Energy and Efficiency Improvements	550	725	175	Heating works are currently ahead of schedule, although spend is largely dependent on access. Workflows have been extended to also include the completion of works delayed within 2018/19. Increased capital investment into boiler & heating replacements have reflected a reduction in revenue spend for servicing & repairs required in 2019/20.
Specific Planned Projects	437	213	(224)	Whole house capital works have been delayed. Projects are individually prepared and tendered to receive the most competitive quotes for works. Underspent budgets are forecast to be carried forward to 2020/21.

Capital Programme	Profiled Budget to Period 10 £000	Expenditure to Period 10 £000	Variance £000	Comment
Empty Properties	779	636	(143)	Major voids are currently underspent by £143k. This is partly due to contractor resources being invested into the completion of kitchen and bathroom replacements. Works will continue to be closely monitored through 2019/20.
Neighbourhood Plans	1,611	1,327	(284)	Roofing works are currently overspent by £192k. External wall insulation (EWI) works have been delayed in year and will accelerate once further roofing works have been completed. Both roofing and EWI works are very weather dependant. Works will continue to be monitored throughout quarter four.
Estate Improvements	80	0	(80)	No Sewerage system works are expected to be completed within 2019/20. Spend is determined on the completion of new mains sewer systems by Anglia Water and depends on the access granted by tenants and owner-occupier to connect mains system. There is currently no revised date for the completion of this project due to access restrictions.
New Affordable Housing	1,819	2,062	243	Thirteen properties have been purchased from the open market year to date as part of the planned programme using retained receipts. Currently the 1-4-1 receipt commitments are ahead of the retention requirement.
Total	8,188	7,800	(388)	