

**URN:** 21-099

**Subject:** 2021/22 Period 4 Housing Revenue Account Budget Monitoring Report

**Report to:** ELT  
Housing and Neighbourhoods Committee – 23 September 2021

**Report by:** HRA Service Accountant

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

It is recommended that Members:

Consider the 2021/22 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 2021/22 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 2021/22 and of the HRA Business Plan.

## **2. Budget Monitoring at Period 4 (April – July 2021)**

- 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 2021/22 and Appendix 2, HRA Capital programme expenditure.

- 2.2. The Housing Revenue Account currently has a revised 2021/22 forecast deficit of £2.805m, from an originally budgeted forecast deficit of £2.954m, resulting in a favorable movement of £149k.
- 2.3. The majority of capital programmes are currently on track to meet the profiled budget provision. Programmes are forecast to continue at a higher rate of productivity to complete the works highlighted by the stock condition survey and continue to improve overall stock condition.

### 3. Forecasts for 2021/22

- 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 and table 2 shows the HRA Capital Programme and planned resourcing of the programme

**Table 1 - HRA Income and Expenditure Forecast 2021/22**

	Original Budget £000	Revised Forecast £000	Variance £000
Dwelling Rents	(21,495)	(21,495)	0
Other non-dwelling rents	(275)	(275)	0
Charges for services and facilities	(1,366)	(1,366)	0
Interest & investment income	(15)	(15)	0
<b>Income Total</b>	<b>(23,151)</b>	<b>(23,151)</b>	<b>0</b>
Repairs & Maintenance	9,257	9,175	(82)
Supervision and Management (Direct Employee)	2,580	2,562	(18)
Supervision and Management	3,126	2,963	(163)
Rents Rates & Taxes	284	338	54
Depreciation	3,738	3,738	0
Capital expenditure funded by the HRA	3,561	3,621	60
HRA Interest Payable	2,946	2,946	0
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	513	513	0
<b>Total Expenditure</b>	<b>26,155</b>	<b>26,006</b>	<b>(149)</b>
Transfers (from)/to Earmarked Reserves	(30)	(30)	0
Leasehold Capital Contributions	(20)	(20)	0
<b>Deficit/(Surplus) for the year</b>	<b>2,954</b>	<b>2,805</b>	<b>(149)</b>
<b>Bfwd HRA Reserves Balance (01 Apr)</b>	<b>8,563</b>	<b>8,563</b>	<b>0</b>
<b>Deficit/(Surplus) for the year</b>	<b>2,954</b>	<b>2,805</b>	<b>(149)</b>
<b>Cfwd HRA Reserves Balance (31 Mar)</b>	<b>5,609</b>	<b>5,758</b>	<b>149</b>

- 3.2. The changes incorporated within the revised budget are overall predictions and continue to capture the full impact of the COVID-19 pandemic.
- 3.3. Revised forecasts include the revision of supervision and management recharges, reflecting a reforecast reduction overall.

- 3.4. Repairs and maintenance budgets continue to reflect a reduction in demand led revenue void spend, along with responsive repair works. Both of these budgets will continue to be monitored going forward.

**Table 2 - HRA Capital Expenditure and Financing Forecast 2021/22**

<b>Capital programme</b>	<b>Original Budget £000</b>	<b>Revised Forecast £000</b>	<b>Variance</b>
Kitchens & Bathrooms	2,869	2,869	0
Windows & Doors	647	647	0
Planned Maintenance	642	642	0
Energy Efficiency Improvements	1,173	1,173	0
Specific Planned Projects	756	756	0
Empty Properties	785	1,035	250
New Affordable Housing - Right to Buy receipts	3,648	3,648	0
New Affordable Housing – Additional Non 1-4-1 Provision	500	500	0
Decarbonisation	1,978	1,728	(250)
Neighbourhood Plans	91	91	0
Housing Transformation Budget	607	607	0
Key Safe Installation	0	60	60
<b>Total Expenditure</b>	<b>13,696</b>	<b>13,696</b>	<b>60</b>
<b>Financing:</b>			
Borrowing	4,150	4,150	0
Capital Receipts	2,227	2,227	0
Revenue	3,561	3,621	60
Depreciation	3,738	3,738	0
Leasehold Contribution	20	20	0
<b>Total Financing</b>	<b>13,696</b>	<b>13,696</b>	<b>60</b>

- 3.5. The Major void programme has been subject to increased demand year to date. This budget increase is forecast to be supported by reductions in expected spend within the Decarbonisation programme. Decarbonisation works will continue to be completed, but due to time pressures, are forecast to be completed following roofing completions resulting in slippage of some of the programme into next year.
- 3.6. Programmes continue to be on track, with works being completed on long term voids, with three dwellings currently undergoing renovation. Along with this, other programmes such as windows and doors and neighbourhood plans are on track, with the latter delivering the upgrade of communal doors and screen upgrades.

#### 4. Right To Buy (RTB) Summary 2021/22

- 4.1. Table 3 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 3 – RTB Sales 2021/22**

	<b>Estimated Sales</b>	<b>Actual Sales</b>
<b>Qtr. 1</b>	8	5
<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>5</b>

#### 5. Conclusion

- 5.1. The Housing Revenue Account currently has a revised 2021/22 forecast deficit of £2.805m, from an originally budgeted forecast deficit of £2.954m, resulting in a favorable movement of £149k.
- 5.2. The majority of the HRA revenue income & expenditure budgets are on track to meet 2021/22 budget provisions and will continue be monitored going forward.

#### 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 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 2021/22

	<b>Profiled Budget to Period 4 £000</b>	<b>Expenditure to Period 4 £000</b>	<b>Variance £000</b>	<b>Comments</b>
Dwelling Rents	(7,516)	(7,605)	(89)	Rent received from HRA Dwellings. Increase in revenue received following the increased acquisitions added to the stock in 2020/21. Income recovery is currently at 94%.
Charges for services and facilities	(489)	(455)	34	Income received from services and facilities. Enhanced tenancy management charge reflects a reduction in staff costs included within the charge.
<b>Income Total</b>	<b>(8,005)</b>	<b>(8,060)</b>	<b>(55)</b>	
Rents, Rates, Taxes and Other Charges	182	248	66	Increased insurance premiums as a result of the COVID-19.
Repairs and Maintenance	3,038	2,860	(178)	Planned large repair works are currently overspent by £96k. This overspend is forecast to be partly supported by revenue neighbourhood plan works. Revenue void repair works are currently overspent by £20k. This is a demand led budget requirement and will continue to be monitored. Asset management is underspent by £178k. This is due to asset team vacancies year to date.
Supervision and Management (Staff Pay)	817	780	(37)	Staff vacancies year to date within multiple housing teams. Services are working towards recruiting into these posts going forward.
Capital Expenditure funded by Revenue	117	216	99	Increased revenue to support capital expenditure. This is due to reduced capital receipts in year to finance the overall capital spend year to date.
Interest Payable and Similar Charges	977	836	(141)	Reduced borrowing required year to date, along with reduced interest rates received.
<b>Expenditure Total</b>	<b>5,131</b>	<b>4,940</b>	<b>(191)</b>	

## **Appendix 2 - Capital Expenditure 2021/22**

<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>
Planned Maintenance	204	153	(51)	Major repairs and maintenance works are currently £23k underspent. This budget is demand lead and remains as a works provision. Rewires are currently underspent by £78k, capital adaptations are overspent by £50k. Both budgets are forecast to meet provisions in year.
Energy and Efficiency Improvements	391	327	(64)	Heating budgets are currently underspent by £64k. These programmes have now been increased and are forecast to reach the programmed budget allocation.
Empty Properties	233	469	236	Major void works are ahead of schedule year to date. The Major void programme is forecast to exceed its original budget provision. An additional £250k is forecast to be moved from the EWI programme, to support increased demand.
New Affordable Housing	744	673	(71)	Two properties have been purchased off the open market year to date, as part of the planned scheme using Right to Buy retained receipts. Currently the programme is ahead of its receipt requirement.
Key Safe Installation	0	29	29	Additional works to replace key safes within Housing. Programme continuation from works started in 2020/21.
Housing Transformation Budget	70	0	(70)	Delay to programme has resulted in reprofile of spend.
Decarbonisation	579	333	(246)	External wall insulation (EWI) has reflected a £263k underspend, due to roofing works needing to be completed prior to the completion of EWI works. The EWI programmed budget is expected to be surplus for works to be completed in 2021/22. £250k is forecast to be used to support the Major Void programme.
<b>Total</b>	<b>2,221</b>	<b>1,984</b>	<b>(237)</b>	