

URN: 22-083

Subject: Housing Revenue Account Outturn 2021/22

Report to: Housing and Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER

This report presents the following:

- The draft outturn position for the Housing Revenue Account for the 2021/22 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 2021/22
- Details of 2021/22 budget underspends requested to be carried forward to 2022/23.

RECOMMENDATIONS

It is recommended that Housing and Neighbourhoods Committee recommend to Council the following:

1. The outturn position for the Housing Revenue Account for 2021/22 as included in the report and appendices
2. The updated 2022/23 HRA revenue and expenditure budget as detailed at Appendix C
3. The updated 2022/23 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 2021/22 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 2021/22

- 2.1. The Housing Revenue Accounts annual outturn reflects a surplus of £824k, against a budget deficit of £2.784m, resulting in a variance of £3.408m.
- 2.2. The 2021/22 £3.408m outturn variance is largely due to the reduced requirement of revenue to fund capital, following project slippages, cost efficiencies and a reduced Affordable housing receipt requirement following the revision on the Right to Buy retention agreement. This has also resulted in reduced borrowing and therefore reduced interest payable.
- 2.3. The 2021/22 financial year has also reflected significant increases in rent income, this is largely due to reduced Right to Buy sales in the current and prior year, as well as increased additions being introduced into the HRA's affordable housing stock.
- 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 2021/22

Table 1	Budget £000	Outturn £000	Variance £000	Comments
Dwelling Rents	(21,495)	(22,398)	(903)	Increased dwelling rental income due to reduced Right to Buy sales in year, along with increased Affordable stock.
Charges for services and facilities	(1,366)	(1,201)	165	Income received from services and facilities have continued to be impacted by COVID. Enhanced tenancy management charge revised to reflect reduction in staff costs.
Income Total	(22,861)	(23,599)	(738)	
Repairs & Maintenance	9,257	8,541	(716)	Revenue void budgets such as standard void repairs and cleaning & clearance have reflected an underspend of £137k. Asset team costs have also reflected an underspend in year of £318k. This is following part of the Asset team returning to the Council, along with vacancies internally. Asbestos testing is underspent by £114k. This is partly due to asbestos works being included

Table 1	Budget £000	Outturn £000	Variance £000	Comments
				<p>within other capital programmes, such as kitchen and bathroom completions.</p> <p>Major and minor adaptations are underspend £119k, this budget has been requested to be carried forward to allow for backlogged works to be completed in 2022/23.</p> <p>Revenue heating repair costs are underspent by £242k. This is due to reduced demand, following increased completion of capital heating works within the stock.</p> <p>Planned large repairs are overspent by £430k. This area experienced high demand in 2021/22, with all jobs being reviewed to ensure value for money is being achieved.</p>
Supervision and Management	2,729	2,782	53	<p>Increased utility and energy bills reflecting the current market (55k).</p> <p>Savings in year relating to staff car allowance charges (£23k).</p> <p>Overspend includes abortive costs relating to an Affordable Housing scheme, which was unsuccessful during the planning stage (£100k).</p>
Supervision and Management (Direct Employee)	2,807	3,118	311	<p>Overspend as a result of the IAS19 adjustment (£320k).</p> <p>IAS19 requires services to recognise pension costs for employees as provided by the Council's Actuary. These IAS19 addition pension charges do not impact on the yearend position as they are reversed as part of the Pension contribution line at below.</p>
Rents Rates & Taxes - e.g. Council tax, utility charges	284	355	71	<p>Budget overspend as a result of increased empty dwelling rate charges (£25k), along with increased insurance charges following additional perils being added to the Council's policy (£55k).</p>
Depreciation	3,738	3,965	227	<p>Deprecation increased following increased additions in prior years.</p>
HRA revenue contribution to capital expenditure	3,561	2,138	(1,423)	<p>Reduced requirement of revenue to fund capital in year. This is due to capital project slippages, cost efficiencies and a reduced Affordable housing receipt requirement following the revision on the Right to Buy retention agreement.</p>
HRA Interest Payable on Loans	2,945	2,584	(361)	<p>Underspend due to reduced borrowing in year following the reprofiling of the Affordable Housing programme.</p>
Contribution to Pension Reserves	513	(359)	(872)	<p>Budget based on estimates provided in year. Credit reflects IAS19 pension adjustment.</p>

Table 1	Budget £000	Outturn £000	Variance £000	Comments
Earmarked Reserves (Middlegate)	(30)	(79)	(49)	Earmarked reserve to support Middlegate regeneration review spend.
Provision for bad and doubtful debts	150	101	(49)	The bad debt provision has increase by £101k in year, but has reflected a reduced provision increase than budgeted.
Expenditure Total	25,954	23,146	(2,808)	

3. Capital Programme Financing 2021/22

3.1. Appendix B provides details of the outturn on the HRA capital programme 2021/22 along with the explanations for the variances. Table 2 below provides a summary of the outturn position, along with the corresponding impact on the 2021/22 capital financing within the HRA.

Table 2 – Current HRA Capital Programme Financing 2021/22

Table 2	Forecast £000	Budget £000	Outturn £000	Variance £000
Kitchens & Bathrooms	2,869	2,869	2,403	(466)
Windows & Doors	647	647	184	(463)
Planned Maintenance	642	642	559	(83)
Energy Efficiency Improvements	973	1,173	926	(247)
Specific Planned Projects	756	756	394	(362)
Empty Properties	1,035	785	1,367	582
New Affordable Housing - Right to Buy receipts	1,800	3,648	950	(2,698)
Additional Housing	125	500	15	(485)
Neighbourhood Plans	91	91	4	(87)
Housing Transformation Budget	207	607	169	(438)
Keysafe Installation	60	0	29	29
De-carbonisation	828	1,978	782	(1,196)
Non Dwelling Improvements	0	0	13	13
Total Expenditure	10,033	13,696	7,795	(5,901)
Financing:				
Borrowing	1,925	4,148	950	3,198
Capital Receipts	1,338	2,227	729	1,498
Revenue	3,012	3,563	2,030	1,533

Table 2	Forecast £000	Budget £000	Outturn £000	Variance £000
Depreciation	3,738	3,738	3,965	(227)
Capital Grant Contribution	0	0	85	(85)
Capital Contribution	20	20	36	(16)
Total Financing	10,033	13,696	7,795	5,901

- 3.2. Capital improvements have continued to be impacted by the currently COVID pandemic, delaying some programmes due to access restrictions and reduced resource, along with enduring the impact of material prices rises as a result of current market conditions. Although many programmes have completed successfully completed programmed works in year, some budgets are requested to be carried forward to support 2022/23 programmes. Capital underspends identified to be carried forward into 2022/23, total £2,851k. A summary of the changes can be found in the table 3 below. An updated programme is included at Appendix D, whilst the underspends have been carried forward into 2022/23, the programme for affordable housing will be reviewed in year and the profiles updated accordingly.
- 3.3. In addition to the above, the HRA has also been subject to further changes in year, resulting in changes to programme timetables, along with changes of resource available going forward in order to undertake some exciting new developments throughout the Borough.
- 3.4. Earlier in the financial year the Council was successful in bidding and securing £1.6m of grant funding under the Social Housing Decarbonisation fund (SHDF). As a result of this, External Wall Installation programmes had been postponed within 2021/22, in order to profile for a wider programme to be developed in 2022/23. The grant, along with a contribution from GYBC, will be used to support a project targeting a total of 85 properties, 74 Social Housing dwellings and 11 Privately owned homes, across a number of terraced streets in the Borough. Works aim to provide the needed fabric improvements, improving the energy performance of the buildings, as well as improving the quality of life for the tenants. A further carry forward request of £1.015m is requested to support the Councils contribution.
- 3.5. Within the 2021/22 financial year, the Council also submitted a bid to the Department of Levelling Up, Housing and Communities for part of £10m of funding, to support estate regeneration. The Council bid and was awarded £858k. This funding is budgeted to support works to improve leisure and recreation facilities on the Middlegate estate. Works have begun on site, with site completion planned within 2022/23.
- 3.6. Furthermore, The Council was also successful in securing both Homes England and Brownfield land release grant funding, to support the development of 18 new one-bedroom affordable homes at Jubilee Court, Great Yarmouth. This project is budgeted at £3.4m and is being delivered using both the grant and Right to Buy receipts providing some valuable additions to the Great Yarmouth's affordable housing stock.

- 3.7. With effect from 1 April 2021, the regulations around the use of Retained Right to Buy receipts have changed, allowing 1-4-1 receipts to be used to fund 40% of the cost of building/acquiring new Council homes. Prior to this, it has been restricted to 30%. The time frame of which receipts must be spent has also been revised. Receipts are now required to be spent within five years from the sale of the dwelling, not three years.
- 3.8. The above changes have impacted the profile spend of receipts, therefore adjusting the budget requirement for 2021/22 onwards. The Council is currently ahead of its minimum required receipt spend, with the Affordable housing programme currently budgeted to utilise its receipts until 2024/25.
- 3.9. The 2021/22 financial year has reflected lower Right to Buy completions in comparison to market conditions pre-pandemic. This decline appears to be an ongoing result of the pandemic.
- 3.10. Reduced Right to Buy sales impacts on the availability of capital receipts to fund the capital programme each year. As a result of reduced receipts in year, the HRA is reliant on revenue contributions to fund the remaining capital programme and has increased its proportion of revenue contribution.
- 3.11. Total receipts from Right to Buy sales in year equaled £729k, with £351k financing the 40% contribution to new Affordable Housing and the remaining £378k being utilised to fund the capital programme.

4. 2021/22 Budget to be carried forward into 2022/23

- 4.1. Appendix C and D provide the revised position of both the revenue and capital 2022/23 programmes incorporating the 2021/22 carried forward budgets detailed below. Table 3 provides a summary of the 2021/22 budgets required to be carried forward to 2022/23.
- 4.2. As part of approving the updated capital programme for 2022/23, it is recommended that an addition of £125k be added to the Housing transformation project budget to ensure that there is sufficient capacity to deliver the project. Whilst the original project budget did make an allowance for the project implementation resource, during the planning stage of the project it has become evident that the expectation to deliver the project by existing officer resource will not be sufficient given the scope of the review. Without the adequate resource and capacity there is a risk that there would be a detrimental impact on the projected delivery timescales and the ability to deliver innovative and fresh solutions to the project and delivery of the service. The updated capital programme at Appendix D reflects the additional resource required.

Table 3 - Forecasted Requests to Carry forward capital budgets

Project	Budget 2021/22	C/Fwd Budget Amendment	Reason for change:	Financing from:
Housing Transformation Budget	607	438	Capital Budget carried forward to support the implementation and	HRA Revenue

Project	Budget 2021/22	C/Fwd Budget Amendment	Reason for change:	Financing from:
			development of the Housing IT system.	
Additional Housing	500	485	Programmed expenditure reprofiled due to staff capacity being diverted to other projects including 18 new homes at Jubilee Court	HRA Borrowing
De-Carbonisation	1,032	1,015	Capital Budget to support decarbonisation strategy following the successful SHDF bid within 2022/23.	HRA Revenue
Improvement windows & doors	647	467	Capital Budget to support the replacement of aged, glazed screens within communal areas.	HRA Revenue
Neighbourhood Planned works – Stair Enclosures	91	86	Capital Budget to support the improvement of communal doors.	HRA Revenue
Specific Planned Projects – Whole Housing Improvements	756	360	Capital Budget required to support improvements to single skinned dwellings.	HRA Revenue
Revenue Adaptions	378	119	Programme delays due to the pandemic. Carry forward request to address back log of outstanding works.	HRA Revenue
	4,011	2,970		

5. Right To Buy (RTB) Summary 2021/22

- 5.1. Right to Buy sale completions in 2021/22 have reflected a slight increase from the prior year, with a total of 18 completions, but continue to remain lower than the pre 2020/21 numbers (2018/29 – 50, 2019/20 – 27).
- 5.2. The Council have successfully added 7 properties into its available stock, purchased from the open market in 2021/22, along with introducing a six bed dwelling as a result of the conversion of two three bed properties, into the single unit.
- 5.3. The Council is responsible for managing stock of 5,776 dwellings as at the 31 March 2022 (5,787 in 2020/21). Table 4 shows a summary on the movement and breakdown of the Housing Stock during 2021/22.

Table 4 – HRA Housing Stock summary 2021/22

	2020/21	2021/22
Stock as at 1 April	5,774	5,787
Less:		
Sales	-9	-18

	2020/21	2021/22
Conversions	0	-1
Demolished	0	0
Add		
New dwellings	0	0
Repurchase/Purchase	22	8
Stock as at 31 March	5,787	5,776

Summary of Housing Stock		
Houses	2,249	2,237
Flats and Maisonettes	2,639	2,637
Bungalows	899	902
	5,787	5,776

6. HRA Reserve balances

- 6.1. As a result of the 2021/22 reduced deficit in year, the HRA is holding a higher balance moving into 2022/23 than originally anticipated, as shown in Table 5.

Table 5 – HRA Reserves Summary 2021/22

Housing Revenue Account Balances – Movement 2021/22	£000
Opening Balance - 1 April 2021	8,563
Add Expected forecast Surplus/ (Deficit)	(2,205)
Forecast Balance	6,358
Actual Surplus/ (Deficit)	(824)
Balance Carried forward – 1 April 2022 (subject to Audit)	9,387

7. Conclusion

- 7.1. The Housing Revenue Accounts annual outturn reflects a surplus of £824k, against a budget deficit of £2.784m, resulting in a variance of £3.408m. The impact of the 2021/22 surplus, means that the HRA will carry forward £9.387m of reserves into 2022/23.
- 7.2. Right to Buy sale completions in 2021/22 have reflected a slight increase from the prior year, with a total of 18 completions, but continue to remain lower than the pre 2020/21 numbers. Overall the HRA's lettable stock totals 5,776 as at 31st March 2022.
- 7.3. Due to the some capital programme slippage, capital budget totalling £2.851m and revenue budgets of £119k are requested to be carried forward to support 2022/23 programmes.

8. Financial Implications and Risks

- 8.1. The detail within the report highlights the significant variances for the 2021/22 financial year, including a full year review of the HRA revenue and capital budgets

- 8.2. 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 2021/22

	Forecast	Budget £000	Outturn £000	Variance £000
Dwellings Rents	(21,665)	(21,495)	(22,398)	(903)
Non Dwelling rents	(275)	(275)	(251)	24
Interest & Investment income	(15)	(15)	(0)	15
Charges for services and facilities	(1,366)	(1,366)	(1,201)	165
Total Income	(23,321)	(23,151)	(23,850)	(699)
Repairs & Maintenance	9,021	9,257	8,541	(716)
Supervision and Management (Direct Employee)	2,684	2,807	3,118	311
Supervision and Management	2,873	2,729	2,782	53
Rents Rates & Taxes	397	284	355	71
Depreciation	3,738	3,738	3,965	227
Total Expenditure	18,713	18,815	18,761	(54)
HRA Interest Payable	2,790	2,946	2,584	(362)
Capital Grants & Contributions receivable	(20)	(20)	(120)	(100)
Operating income and expenditure	2,770	2,926	2,464	(262)
Capital expenditure funded by the HRA	3,410	3,561	2,138	(1,423)
Provision for bad and doubtful debts	150	150	101	(49)
Transfers (from)/to Earmarked Reserves	(30)	(30)	(79)	(49)
Contribution to Pension Reserves	513	513	(359)	(872)
Total Movement on the HRA	4,043	4,194	1,801	(2,393)
Deficit/(Surplus) for the year	2,205	2,784	(824)	(3,408)
Bfwd HRA Reserves Balance (01 Apr)	8,563	8,563	8,563	0
Deficit/(Surplus) for the year	(2,205)	(2,784)	824	(3,408)
Cfwd HRA Reserves Balance (31 Mar)	6,358	5,779	9,387	3,408

Appendix B - HRA Capital Programme Outturn Variances 2021/22

	Budget £000	Outturn £000	Variance £000	Reason
Kitchens & Bathrooms	2,869	2,403	(466)	Void Kitchen and bathroom improvement spend has exceeded its budget provision for 2021/22 by £244k. Planned kitchen and bathroom spend reflected an underspend in year of £710k. Following pandemic restrictions, the Council experienced increased requirements of kitchen and bathrooms, identified once receiving the dwellings through the void process. The planned kitchen and bathroom programme was reduced in year in order to mitigate the overspend.
Improvement Programme Windows and Doors	647	184	(463)	Programmed Window and Doors have experience delays due programme slippage and resource restrictions. Budget underspend requested to be carried forward to support outstanding communal stairwell screen replacements, alongside further ancillary works to various estates within the Borough.
Planned Maintenance	642	559	(83)	Rewires programme is reflecting a £172k underspend. Planned rewiring works continue to suffer from restricted access availability but are continuing to address the dwellings in need. Capital adaptations works have resulted in a £61k overspend, with the programme aiming to deliver its backlog of work from prior years.
Energy Efficiency Improvements	1,173	926	(247)	Heating works have reflected an underspend of £247k in year, with the 3 rd party contractor delivering the works required below the budget provided. The budget saving is being utilised to support areas of overspend.
Specific Planned Projects	756	394	(362)	Whole house and empty property programmes have experienced delays due to additional time being required to individually prepare and tender each project. Approximately 11 dwellings have been completed in year, with the remaining budget underspend being requested to carry forward into 2022/23, to support improvements to dwellings built using single skinned construction.
Empty Properties	785	1,367	582	Following pandemic restrictions, the Council experienced increased dwellings requiring refurbishment, identified once receiving the dwellings through the void

	Budget £000	Outturn £000	Variance £000	Reason
				process. Overspend in year is being mitigated by savings delivered in other capital programmes such as capital heating budgets.
Additional Housing	500	15	(485)	Schemes are currently still undergoing the project planning process. Budget underspend of £485k is requested to be carried forward into 2022/23.
New Affordable Housing - Right to Buy receipts	3,648	950	(2,698)	Three properties have been purchased off the open market in 2021/22, as part of the planned scheme using Right to Buy retained receipts. Following the revision of the 1-4-1 receipt retention agreement, spend reflects the reduced budget requirement. The Council continues to be ahead of its receipt requirements for 2021/22 & 2022/23.
Decarbonisation	1,978	782	(1,196)	External wall insulation (EWI) and roofing budget allocations are underspent by £1,196k collectively. The external wall installation budget was postponed in year to support the works programmed to be delivered within 2022/23, alongside the SHDF grant funding. Roofing underspend of £194k, as a result of cost efficiencies delivered by the Asset team and the Council being conscious of ongoing material price rises. Overall budget of £1,015k has been requested to be carried forward.
Neighbourhood Plans	91	4	(87)	Underspend of £87k in year, due to the reprofiling of the programme to deliver electronic door systems to communal areas going forward, ensuring they are effective for all tenants. Budget requested to be carried forward into 2022/23.
Housing Transformation Budget	607	169	(438)	Delay to programme has resulted in reprofile of spend. Remaining budget is requested to be carried forward.
Key safe Installation	0	29	29	Spend supported additional works to replace key safes within Housing.
Non Dwelling Improvements	0	13	13	Spend incurred on completion of the ongoing grant funded Middlegate Plays areas project.
	13,696	7,795	(5,901)	

Appendix C – Revised 2022/23 HRA Income and Expenditure

	Original Budget £000	Revised Budget £000	Variance £000
Dwellings Rents	(22,983)	(22,983)	0
Non Dwelling rents	(276)	(276)	0
Interest & Investment income	(16)	(16)	0
Charges for services and facilities	(1,284)	(1,284)	0
Total Income	(24,559)	(24,559)	0
Repairs & Maintenance	9,615	9,734	119
Supervision and Management (Direct Employee)	3,080	3,080	0
Supervision and Management	2,842	2,842	0
Rents Rates & Taxes	330	330	0
Depreciation	3,849	3,849	0
Total Expenditure	19,716	19,716	119
HRA Interest Payable	2,846	2,856	10
Capital Grants & Contributions receivable	(20)	(3,184)	(3,164)
Operating income and expenditure	2,826	(328)	(3,154)
Capital expenditure funded by the HRA	3,031	8,329	5,298
Provision for bad and doubtful debts	150	150	0
Transfers (from)/to Earmarked Reserves	(60)	(60)	0
Contribution to Pension Reserves	571	(200)	(771)
Total Movement on the HRA	3,692	8,219	4,527
Deficit/(Surplus) for the year	1,675	3,048	1,492
Bfwd HRA Reserves Balance (01 Apr)	9,387	9,387	0
Deficit/(Surplus) for the year	(1,675)	(3,048)	1,492
Cfwd HRA Reserves Balance (31 Mar)	7,712	6,339	(1,492)

Appendix D - Revised 2022/23 HRA Capital programme

Capital programme	Original budget £000	Revised budget £000	Variance £000
Kitchens & Bathrooms	2,161	2,161	0
Windows & Doors	455	922	467
Planned Maintenance	595	595	0
Energy Efficiency Improvements	1,173	1,173	0
Specific Planned Projects	846	1,206	360
Empty Properties	800	800	0
New Affordable Housing - Right to Buy receipts	600	2,725	2,125
New Affordable Housing – Additional Non 1-4-1 Provision	500	985	485
Decarbonisation	1,675	2,690	1,015
Neighbourhood Plans	91	177	86
Housing Transformation Budget	0	563*	563
Non Dwelling Improvements *(1)	0	846	846
Total Expenditure	8,896	14,843	5,947
Financing:			
Borrowing	1,100	1,769	669
Capital Receipts	896	896	0
Revenue	3,031	5,145	2,114
Depreciation	3,849	3,849	0
Capital Grant Contribution *(2)	0	3,164	3,164
Capital Contribution	20	20	0
Total Financing	8,896	14,843	5,947

*Additional recommended as outlined in the report.

(1) Middlegate Play area project

(2) Grant breakdown includes:

- Middlegate play areas grant funding £858k
- 18 Affordable units, Homes England grant
- 18 Affordable units, Brownfield grant
- SHDF External Wall Installation Grant £1.6m