

URN: 21-103

Subject: 2021/22 Period 6 Housing Revenue Account Budget Monitoring Report

Report to: ELT
Housing and Neighbourhoods Committee –8TH November 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 6.

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 6.
- 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 6 (April – September 2021)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 6 is reviewed to produce estimated forecasts, compared against original budgets, for the 2021/22 financial year. Key variations are identified and explained within Appendix 1, HRA Income and Expenditure 2021/22 and Appendix 2, HRA Major Capital Programme 2021/22.
- 2.2. To prepare updated forecasts, detailed analysis has been undertaken of actual figures and any further changes identified from the budget monitoring process, completed alongside services via review work. Updated 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.

- 2.3. The Housing Revenue Account summary, displayed within table 1, shows a revised 2021/22 forecast deficit of £2.199m, from an originally budgeted forecast deficit of £2.784m, resulting in a favorable movement of £584k.
- 2.4. The forecast changes incorporated within Table 1 and Appendix 1 are overall predictions to capture the full impact of the COVID-19 pandemic.
- 2.5. The HRA employee turnover for 2021/22, to the end of period six is currently 13.51%, in comparison to period four, which was 9.65%. It should be noted, that the average headcount for the HRA is currently 73.
- 2.6. Employee turnover is the total number of leavers as a percentage of the average head count of employees over the period. In financial terms, turnover will result in underspends against direct employee related budget, for example pay, NI and pension when posts become vacant up to the point of recruitment. Some of the in-year vacancy savings will be offset using agency and interim appointments. Overall, for the period to the end of September there is an underspend of (£113k) of direct employee costs, with a revised budget forecast reduction of £123k in 2021/22.
- 2.7. Repairs and maintenance budgets continue to reflect a reduction in demand led revenue void spend, along with gas heating repair spend. Both budgets are demand led and will continue to be monitored going forward.
- 2.8. Both revenue funding capital and interest payable budgets are forecast to be underspent in year. This is due to the reduction in capital spend, as detailed in table 2. The reduction of major capital programmes has reduced the revenue required to fund the capital programme, although much of this underspend is forecast to be carried forward to 2022/23. The reduced interest payable is due to the reduction of the affordable and additional housing schemes. This has resulted in reduced borrowing in year and therefore reduced interest incurred.
- 2.9. Increased rents, rates & taxes spend forecast is following increased insurance costs received in year. This is partly due to increased premiums received, along with additional perils being added to the policy.

Table 1 - HRA Income and Expenditure Forecast 2021/22

	Original Budget 2021/22 £000	Current Budget 2021/22 £000	P6 YTD Actual 2021/22 £000	Full Year Forecast £000	Full Year Forecast Variance £000
Dwelling Rents	(21,495)	(21,495)	(11,645)	(21,665)	(170)
Other non-dwelling rents	(275)	(275)	(278)	(275)	0
Charges for services and facilities	(1,366)	(1,366)	(620)	(1,366)	0
Interest & investment income	(15)	(15)	0	(15)	0
Income Total	(23,151)	(23,151)	(12,543)	(23,321)	(170)
Repairs & Maintenance	9,257	9,257	4,075	9,019	(238)
Supervision and Management (Direct Employee)	2,580	2,580	1,177	2,457	(123)
Supervision and Management	3,126	2,956	312	3,096	140
Rents Rates & Taxes	284	284	253	397	113
Depreciation	3,738	3,738	1,869	3,738	0
Capital expenditure funded by the HRA	3,561	3,561	295	3,410	(151)
HRA Interest Payable	2,946	2,946	1,327	2,790	(156)
Provision for bad and doubtful debts	150	150	0	150	0
Employer's Pension Adjustment	513	513	0	513	0
Total Expenditure	26,155	25,985	9,308	25,570	(415)
Transfers (from)/to Earmarked Reserves	(30)	(30)	(30)	(30)	0
Leasehold Capital Contributions	(20)	(20)	(17)	(20)	0
Deficit/(Surplus) for the year	2,954	2,784	(3,282)	2,199	(585)
Bfwd HRA Reserves Balance (01 Apr)	8,563	8,563	8,563	8,563	8,563
Deficit/(Surplus) for the year	2,954	2,784	(3,282)	2,199	(585)
Cfwd HRA Reserves Balance (31 Mar)	5,609	5,779	11,845	6,364	9,148

3. Budget Monitoring Forecasts – Major Capital Programme

- 3.1. The Housing Revenue Account currently has a major capital works budget of £13.696m for 2021/22. As at period 6, the 2021/22 capital budget forecast is revised to deliver a £10.033m programme in year, this reflects the reduction in the affordable housing programme (see below)
- 3.2. Actual capital spend to the end of September 2021 totals £3,286k, as summarised in table two.
- 3.3. Capital projects have been affected by the increased difficulty in sourcing materials. Budget totaling £1.875m is currently forecast to be carried forward into 2023/24.
- 3.4. The Major void programme has been subject to increased demand to the 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.
- 3.5. Other programmes continue to be on track, such as windows and doors and neighbourhood plans, with the latter delivering the upgrade of communal doors and screen upgrades.
- 3.6. The Council has recently submitted a capital funding bid under the Social Housing Decarbonisation fund (SHDF), to support project spend targeting a total of 85 properties, 74 Social Housing dwellings and 11 Privately owned homes, across a number of terraced streets in the borough. Total project cost for the scheme is £1.9m, with funding contributions broken down within the table below:

Capital costs	Total Properties	Total SHDF capital grant £000	Total GYBC capital contribution £000	Total costs £000
Great Yarmouth Council properties	74	£920	£638	£1,558
Owner Occupied infills	11	£204	£0	£204
Administration Fee's		£124	£62	£187
Total		£1,248	£700	£1,949

- 3.7. If successful, the Council, along with Eon, who will manage the day to day delivery of this project as our delivery partner, will aim to deliver a programme to decarbonise the way residents heat their homes.
- 3.8. Proposed works are to complete a further external wall insulation programme, providing the needed fabric improvements that enable properties to improve the energy performance of the buildings, as well as improving the quality of life for the tenants. The Council is still currently awaiting the bid outcome.
- 3.9. The Council had also submitted a bid to the Department of Levelling Up, Housing and Communities for part of £10m of funding available in 2020/21, to support estate regeneration. The Council bid and was awarded £858k. This funding will be used support works to improve leisure and recreation facilities on the Middlegate estate. Resident engagement will inform the proposed works. This capital funding needs to be spent by the 31st March 2022.

3.10. 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.

3.11. The above changes have impacted the profile spend of receipts, therefore adjusting the budget requirement for 2021/22 onwards. The table below displays a high-level review of changes in order to prevent receipt return:

Financial Year	Current Budgeted spend		New requirement		Year of Receipts
	Receipt	Capital	Receipt	Capital	
	£000	£000	£000	£000	
2021/22	1,094	2,554	0	0	N/A
2022/23	487	1,136	0	0	N/A
2023/24	1,054	2,458	725	1,087	2018/19
2024/25	1,263	2,948	526	789	2019/20
2025/26	1,310	3,056	117	176	2020/21

3.12. As per the above table, the new receipt requirements have reduced the volume of receipts required to be spent prior to 2023/24.

3.13. To reflect this, the Council has reduced its affordable housing budget to be spent in 2021/22, from £3.648m to £1.8m. Although reduced, this will ensure that the Council remains ahead of its minimum receipt spend required, as well as continuing to add new homes to its stock. The use of Retained Right to Buy Receipts and associated borrowing will continue to be closely monitored to ensure effective and timely spend.

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

Capital programme	Original Budget 2021/22 £000	Current Budget 2021/22 £000	P6 YTD Actual 2021/22 £000	Full Year Forecast £000	Full Year Forecast Variance £000
Kitchens & Bathrooms	2,869	2,869	535	2,869	0
Windows & Doors	592	647	149	647	0
Planned Maintenance	611	642	343	642	0
Energy Efficiency Improvements	1,173	1,173	160	973	(200)
Specific Planned Projects	546	756	87	756	0
Empty Properties	700	785	647	1,035	250
New Affordable Housing - Right to Buy receipts	3,648	3,648	723	1,800	(1,848)
New Affordable Housing – Additional Non 1-4-1 Provision	250	500	11	125	(375)
Decarbonisation	1,738	1,978	601	828	(1,150)
Neighbourhood Plans	91	91	1	91	0
Housing Transformation Budget	211	607	0	207	(400)
Key Safe Installation	0	0	29	60	60
Total Expenditure	12,429	13,696	3,286	10,033	(3,663)
Financing:					
Borrowing	4,108	4,150	723	1,925	(2,225)
Capital Receipts	2,227	2,227	382	1,338	(889)
Revenue	2,336	3,561	295	3,012	(549)
Depreciation	3,738	3,738	1,869	3,738	0
Leasehold Contribution	20	20	17	20	0
Total Financing	12,429	13,696	3,286	10,033	(3,663)

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 6 against our anticipated budgeted sales. Further analysis will be undertaken in Quarter 3 to review the projected sales anticipated for the full year.

Table 3 – RTB Sales 2021/22

	Estimated Sales	Actual Sales
Qtr. 1	8	5
Qtr. 2	9	0
Qtr. 3	10	0
Qtr. 4	10	0
Total	37	5

- 4.2. Right to Buy sales continue to be significantly below previous sales levels, with five sale completions in quarter 1 and no sales in quarter two. A number of sales have already taken place in quarter 3 year to date.
- 4.3. It is estimated that approximately 21 sales will complete by the end of the financial year, which is revised from a budget estimate of 37. This will be kept under close review.
- 4.4. The continued low level of sales will be impacting upon the level of capital receipts available to support the capital programme in 2021/22, as well as the level of Right to Buy Retained Receipts available.

5. Conclusion

- 5.1. The Housing Revenue Account currently shows a revised 2021/22 forecast deficit of £2.199m, from an originally budgeted forecast deficit of £2.784m, resulting in a favorable movement of £584k. The Income and expenditure position will continue to be monitored going forward.
- 5.2. Major Capital spend to the end of September 2021 totals £3,286k. Spend is expected to increase as the year progresses, although projects have been affected by time pressures and the increased difficulty in sourcing materials. Budget totaling £1.875m is currently forecast to be carried forward into 2023/24.

6. Financial implications and Risks

- 6.1. The detail within the report highlights the significant variances, including estimated forecasts of the 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 increased costs and reduction to income streams.
- 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?

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 1 - HRA Income and Expenditure 2021/22

	Current Budget 2021/22 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
Dwelling Rents	(21,495)	(21,665)	(170)	Rent received from HRA Dwellings. Increase in forecast rental income, following increased acquisitions being added to the stock and reduced Right to Buy sales in the prior and current year.
Income Total	(21,495)	(21,665)	(170)	
Rents, Rates, Taxes and Other Charges	284	397	113	Increased insurance premiums as a result of the COVID-19 and increased perils.
Repairs and Maintenance	9,257	9,019	(238)	Planned large repair works are currently forecast to increase by £217k. This increase is mitigated by the reduction of revenue neighbourhood planned works and revenue car park budgets. Revenue heating works are forecast to reduce by £243k. This is partly due to increased capital works in prior years reducing over repair costs required.
Supervision and Management	2,956	3,096	140	Utility charges forecast to increase by an estimated £39k. RTB income is revised to reflect reduced sales estimated in year. Sales are revised from a budgeted 37 sales, to 21. Increased temporary staff costs to maintain service operation while the recruitment process is completed. Revised CCTV budget allocation in order to maintain the service going forward (£23k).
Supervision and Management (Staff Pay)	2,580	2,457	(123)	Staff vacancies year to date within multiple housing teams. Services are working towards recruiting into these posts going forward. This saving is partly offset by interim and agency staff being appointed in year (As above).
Capital Expenditure funded by Revenue	3,561	3,410	(151)	Reduced revenue required to fund the capital programme for 2021/22.
Interest Payable and Similar Charges	2,946	2,790	(156)	Reduced borrowing required in year due to the revised Affordable and

	Current Budget 2021/22 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
				Additional housing budgets, resulting in reduced interest payable.
Expenditure Total	21,584	21,169	(415)	

Appendix 2 – Major Capital Programme 2021/22

Capital Programme	Current Budget 2021/22 £000	Full Year Forecast £000	Full year Forecast Variance £000	Comments
Energy and Efficiency Improvements	1,173	973	(200)	Heating budgets have been reduced by £200k. This budget is forecast to be carried forward into 2022/23.
Empty Properties	785	1,035	250	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 support increased demand.
New Affordable Housing – Additional Non - 1-4-1 Provision	500	125	(375)	Programme delays year to date. Schemes are currently still undergoing the project planned process. £375k forecast to be carried forward to continue projects into 2022/23.
New Affordable Housing – Right to Buy receipts	3,648	1,800	(1,848)	Two properties have been purchased off the open market year to date, as part of the planned scheme using Right to Buy retained receipts. The 1-4-1 receipt retention agreement has been recently revised, changing how authorities can use the 1-4-1 receipts available to them. Budget allocation has been revised to reflect this change.
Key Safe Installation	0	60	60	Additional works to replace key safes within Housing. Programme continuation from works started in 2020/21.
Housing Transformation Budget	607	207	(400)	Delay to programme has resulted in reprofile of spend. Budget to be carried forward to support the programmes completion.
Decarbonisation	1,978	828	(1,150)	External wall insulation (EWI) and roofing budget allocations are to be reduced by 1,150k for 2021/22. The Council has recently submitted a bid to further complete works on dwellings which display low energy performance in 2022/23. £1.1m is forecast to be carried forward to support this bid.
Total	8,691	5,028	(3,663)	