

REPORT TO EXECUTIVE

Date of Meeting: 6 October 2020

REPORT TO COUNCIL

Date of Meeting: 20 October 2020

Report of: Director Finance

Title: 2020/21 HRA Budget Monitoring Report - Quarter 1

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To advise Members of the overall financial position of the HRA Revenue and Capital Budgets for the 2020/21 financial year after three months.

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights further areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring, by officers.

2. Recommendations:

It is recommended that the Executive note the report and Council notes and approves (where applicable):

- The HRA forecast financial position for 2020/21 financial year;
- The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4

3. Reasons for the recommendation:

3.1. To formally note the HRA's projected financial position and to approve the reported variations to the HRA Capital Programme.

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep a HRA in accordance with proper accounting practices and to review the account throughout the year. Members are presented with a quarterly financial update in respect of the HRA and this is the first update for 2020-21.

4. What are the resource implications including non financial resources.

The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2020/21 are set out in the body of this report.

The impact on the HRA's available financial resources are set out in Appendix 3.

5. Section 151 Officer comments:

The HRA has taken advantage of the low interest rates available to finance the planned investment in new Housing approved by Council. This will have a long term benefit for the HRA whilst also supporting the Council as a whole during the challenges presented by the Covid-19 restrictions.

Although the reduction in expenditure is significant in this financial year, members should note in Appendix 3 that the medium term forecast demonstrates that virtually all available resources will be used up by 2023-24.

6. What are the legal aspects?

The Housing Revenue Account is framed by the Local Government and Housing Act 1989. This Act created the ring-fence and the structure within which the HRA operates and covers the detailed operation of the HRA, including the credits (income) and debits (expenditure) which make up the account.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

HRA BUDGET MONITORING – QUARTER 1

8.1 Background to the HRA

The Housing Revenue Account (HRA) records expenditure and income relating to council housing and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council. This includes tenancy management, repairs and maintenance, council house building and council house retrofits.

8.2 Projected Surplus/Deficit

	£
Approved Budgeted Deficit/ (Surplus)	3,321,605*
Housing Tenancy Services Restructure budget - Council approved 25 February 2020	149,026
Supplementary budgets – Council approved 21 July 2020	657,040
Emergency budget – Council approved 21 July 2020 (£nil impact on total surplus/deficit)	-
Revised Budgeted Deficit	4,127,671

*2020/21 Approved Budget Represented By	£
85A1 MANAGEMENT	1,108,135
85A2 HOUSING CUSTOMERS	1,302,920
85A3 SUNDRY LANDS MAINTENANCE	573,830
85A4 REPAIR & MAINTENANCE PROGRAMME	6,785,570
85A5 REVENUE CONTRIB TO CAPITAL	5,246,550
85A6 CAPITAL CHARGES	3,513,540
85A7 HOUSING ASSETS	2,093,020
85A8 RENTS	(19,195,320)
85B2 INTEREST	1,893,360
85B4 MOVEMENT IN WORKING BALANCE	(3,321,605)
Net Cost	£nil

The approved budget was in a deficit position due to a large anticipated revenue contribution to capital in the year.

8.3 The budget variances, anticipated at quarter 1, indicate that there will be a net surplus of £647,909 in 2020/21 – See appendix 2. This represents a movement of £4,775,580 compared to the revised budgeted deficit of £4,127,671 for 2020/21. The key budget deviations are explained below.

Budget Heading	Forecast Outturn Budget Variance at Quarter 1 (Under)/Overspend
Revenue Contribution to Capital	(£4,500,000)
<p>Officer Responsible: Service Lead – Housing Assets</p> <ul style="list-style-type: none"> The amount of revenue monies required towards financing the HRA Capital programme in 2020-21 has been reduced by £4.5m and transferred to 2021-22. <p>A larger than anticipated portion of the 2020-21 capital programme has been funded by borrowing, due to the PWLB loan taken out in April 2020. Therefore, less revenue monies are required towards capital financing this year but the contribution is still required in future years.</p>	
Management Costs	£62,637
<p>Officers Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets</p> <ul style="list-style-type: none"> (£35k) Forecast savings in employee costs, due to recruitment delays as a result of COVID-19. £80k Forecast additional consultancy fees in relation to the implementation of the new housing IT system. Overspend is being met by a saving in employee costs across the HRA. £18k Amalgamation of various forecast overspends in relation to COVID-19, including cost of letters to tenants, empty property charges and additional cleaning costs. 	
Housing Customers	(£46,766)
<p>Officer Responsible: Service Lead – Housing Tenancy Services</p> <ul style="list-style-type: none"> (£58k) Savings in employee costs, due to recruitment delays as a result of COVID-19. £11k Forecast additional cleaning costs of sheltered accommodation due to COVID-19. 	

Repair & Maintenance Programme	(£465,136)
<p>Officer Responsible: Service Lead – Housing Assets</p> <ul style="list-style-type: none"> • (£477k) forecast underspend on low maintenance and painting, this is due to delays in the programme as works could not be completed during COVID-19 lockdown. • £12k amalgamation of various minor forecast over and underspends. • The response repairs and various service contracts are anticipating to catch-up following the disruptions in the early part of the year, assurances have been obtained from contractors were necessary. 	
Housing Assets	£11,857
<p>Officer Responsible: Service Lead – Housing Assets</p> <ul style="list-style-type: none"> • £12k Forecast overspend in employee costs, largely due to an extension of fixed-contract fire safety officer as more work has been identified in this area, following COVID-19 lockdown. Overspend is being met by a saving in other employee costs across the HRA. 	
Rents	£nil
<p>Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead Revenues, Benefits and Customer Access</p> <ul style="list-style-type: none"> • The rents for 2020-21 were reviewed as part of the COVID-19 Emergency budget. The anticipated fall in rents of £824k is therefore already built in to the approved budget. This is believed to be worst case scenario, but no reasonable variance should be reported at this stage, for purposes of prudence. 	
Interest	£161,828
<p>Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets</p> <ul style="list-style-type: none"> • Reflects the actual interest cost of the new PWLB loan taken out for the HRA in April 2020, this will be used to fund the next wave of Council property developments. The loan was agreed earlier than originally anticipated in order to benefit from the low interest rate offered at the time. This has reduced the cost to the HRA over the life of the loan. 	

<ul style="list-style-type: none"> This also reflects the lower anticipated interest receivable by the HRA. Interest rates received on investments have fallen significantly since the start of the year and the impact of this will be reflected in the interest earned on HRA balances. 	
Total budget (underspend)/overspend	£4,775,580
Projected HRA deficit / (surplus)	(647,909)

8.4 Impact on HRA Working Balance

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The forecast balance, as at 31 March 2021, is set out below:

Movement	2019/20
Opening HRA Working Balance, as at 1 April 2020	£10,239,475
Forecast surplus for 2020/21	647,909
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31 March 2021	£6,887,384

8.5 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 3 for the period to 2023/24.

The forecast total available resources has improved by £1,039k since last reported, this is largely due to an upward estimation of capital receipts for 2020/21.

8.6 HRA Debt

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

Executive on 8 October 2019 approved the first Council House Building Programme, which will deliver 100 new homes into the HRA at a cost of £18 million. It is expected that these schemes will be funded using the new freedoms to borrow in conjunction

with potential grant from Homes England and retained Right to Buy receipts, which will be determined on a site by site basis.

As at 31 March 2020, the HRA's borrowing remained at the former 'debt cap' level of £57,882,413, as no new borrowing was undertaken before the year end.

At Spring Budget 2020, the Government announced a new, discounted rate of PWLB lending to support social housing, which enables the Council to borrow at 1% below the rate at which the local authority would usually borrow from the PWLB, specifically for social housing projects.

On 5 April 2020, the Council took out a loan of £15.4 million from the PWLB to support the social housing programme and therefore took advantage of the discounted rate.

The HRA currently has approval to borrow a further £3.9m, this will likely be required in the next 12 months.

8.7 HRA Capital Programme

The 2020-21 HRA Capital Programme was approved by Council on 25 February 2020. Since that meeting the following changes have been made that have increased the 2020/21 programme.

Description	2020/21	Approval / Funding
HRA Capital Programme	£27,789,232	
Thornpark Rise	2,600,000	Executive 8 th October 2019 (Slipped to 2020/21)
Anthony Road	900,000	Executive 7 July 2020
Budgets carried forward from 2019/20 HRA Capital Programme	3,811,578 1,194,490	Council 21 April 2020 Council 21 July 2020
Energiesprong Project	100,000	Council 21 July 2020
Revised HRA Capital Programme	£36,395,300	

8.8 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £27,792,577 compared to the £36,395,300 approved programme; a reduction of £8,602,723 that will be slipped to future years.

8.9 Capital Budget Variances

The details of key (greater than +/- £50k) variances from budget are set out below. The Service Lead – Housing Assets will be able to provide further details in respect of these areas, if required.

Schemes to be deferred to 2021/22 and beyond

Schemes which have been identified as being wholly or partly deferred to 2021/22 and beyond are:

Scheme	Budget deferred to future years
Balcony walkway improvements	£144,697
Communal Area Improvements - Flooring	£78,210
Communal Door and Screen Replacements	£121,460
Reroofing - Flats	£257,904
Reroofing – Houses	£298,514
Porch Canopies	£135,310
Structural Repairs	£171,704
Window Replacements	£301,614
Fire Risk Assessment Works	£200,000
Officer Responsible – Planned Works Lead The planned works programme has been largely on-hold for the start of the year, during the COVID-19 lockdown period. The planned works team have worked together with external contractors to review and update work programmes for the rest of the year, this has resulted in the above anticipated budget slippages into future years.	
Bathroom Replacement Programme	£68,074
Kitchen Replacement Programme	£396,769
Officer Responsible – Planned Works Lead	

<p>The kitchens and bathroom contract has now been awarded and works are anticipated to start in October, this delay will result in slippage of the programme budget into future years.</p> <p>The contractor has provided assurances over a strong programme of works for the remainder of 2020/21 in order to go some way in catching up.</p>	
Rennes House Structural Works	£2,218,347
<p>Officer Responsible – Service Lead – Housing Assets</p> <p>Works have been put on hold for the start of the year until decisions are made on how to proceed with the project, a report is due to go to executive on 1 December 2020. Significant works aren't likely to commence until later in autumn.</p>	
LAINGS Refurbishments	£400,000
<p>Officer Responsible – Service Lead – Housing Assets</p> <p>This project was shut down by the main contractor during the COVID-19 lockdown, this has delayed the programme and pushed back the anticipated completion date to July 2021.</p>	
Hamlin Gardens	£1,619,145
Vaughan Road	£2,159,975
<p>Officer Responsible – Service Lead – Housing Assets</p> <p>There has been a delay in starting these projects due to difficulties during COVID-19 lockdown, works are due to start in October 2020.</p>	

COUNCIL OWN BUILD FINAL ACCOUNTS TO 31 MARCH 2021

8.10 The Council's own build properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

8.11 Key Variances from Budget

There are no projected variances to report at the end of Quarter 1. The budgeted net surplus of £15,470 is still projected to be achieved during 2020/21.

9. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to two key purposes, as set out in the Corporate Plan; help me find somewhere suitable to live and maintain our property assets.

10. What risks are there and how can they be reduced?

It is not permissible for the HRA to go into an overall financial deficit position, it is therefore important to ensure that an adequate level of HRA balances is maintained as a contingency against risks. The HRA resolve to retain a working balance at no less than £4 million to mitigate against financial risks.

The full implications of COVID19 are yet to be fully established but additional service delivery costs have been experienced to date and this is set to continue, a specific record is being kept of such activity.

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates. Appendix 1 sets out the risks identified, at Quarter 1.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because there are no significant quality and diversity impacts associated with this decision.

12. Carbon Footprint (Environmental) Implications:

We are working towards the Council's commitment to carbon neutral by 2030. The impact of each scheme is considered prior to approval.

13. Are there any other options?

None

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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