

REPORT TO COUNCIL HOUSING AND DEVELOPMENT ADVISORY BOARD

Date of Meeting: 17 November 2020

REPORT TO EXECUTIVE

Date of Meeting: 1 December 2020

REPORT TO COUNCIL

Date of Meeting: 15 December 2020

Report of: Director Finance

Title: 2020/21 HRA Budget Monitoring Report – Quarter 2

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:

2.1. It is recommended 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:

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 second 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:

There is nothing significant to draw Members attention to this quarter. Members should note that Appendix 3 still indicates that most of the HRA's available resources will be used by 2023-24.

6. What are the legal aspects?

6.1. 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 of Vires for the Monitoring Officers.

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*
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	
MANAGEMENT	1,108,135
TENANCY SERVICES	1,302,920
SUNDRY LANDS MAINTENANCE	573,830
REPAIR & MAINTENANCE PROGRAMME	6,785,570
REVENUE CONTRIB TO CAPITAL	5,246,550
CAPITAL CHARGES	3,513,540
HOUSING ASSETS	2,093,020
RENTS	(19,195,320)
INTEREST	1,893,360
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 2, indicate that there will be a net surplus of £953,095 in 2020/21 – See appendix 2. This represents a movement of £5,068,944 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	Forecast Outturn Budget Variance at Quarter 2
	(Under)/Overspend	(Under)/Overspend
Revenue Contribution to Capital	(£4,500,000)	(4,800,000)
Officer Responsible: Service Lead – Housing Assets		
<ul style="list-style-type: none"> The amount of revenue contributions required to finance the HRA Capital programme in 2020-21 has been reduced by £4.8m and transferred to 2021-22. 		

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 contributions are required towards capital financing this year but the contribution is still required in future years.

Management Costs	£62,637	£56,967
<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 other areas of the HRA. • £12k Amalgamation of various forecast overspends in relation to COVID-19, including cost of letters to tenants, empty property charges and additional cleaning costs. 		
Tenancy Services	(£46,766)	(£34,926)
<p>Officer Responsible: Service Lead – Housing Tenancy Services</p> <ul style="list-style-type: none"> • (£50k) Savings in employee costs, due to recruitment delays as a result of COVID-19. • £15k Forecast additional cleaning costs of sheltered accommodation due to COVID-19. 		
Repair & Maintenance Programme	(£465,136)	(£610,136)
<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 interruption of works during COVID-19 lockdown. • (£75k) forecast underspend on re-pointing. The emerging retrofit programme, details of which will be shared with members in due course, is impacting on previously planned general maintenance and spend areas need to be 		

rearranged/re profiled accordingly. Savings identified here will be used to compensate against revenue overspends elsewhere.

- (£70k) forecast underspend on Legionella testing. Testing has not been possible due to COVID-19 closures. Savings identified here will be used to compensate against revenue overspends elsewhere.
- £12k amalgamation of various minor forecast over and underspends.
- The response repairs and various service contracts have started to catch-up following the disruptions in the early part of the year, assurances have been obtained from contractors where necessary.

Housing Assets	£11,857	£158,761
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Officer Responsible: Service Lead – Housing Assets

- £134k Forecast overspend in employee costs. COVID-19 has caused significant delays in the recruitment of officers to the new housing asset restructure. This has resulted in the use of agency staff, in a number of positions, for much longer than originally budgeted. The impact of this has been calculated to the end of the financial year. The recruitment process resumed in August-20 and a 3-step plan is now in place to recruit to all positions, currently filled by agency staff, before March-21.
- £11k Forecast overspend in tenant decant costs. This is largely due to additional costs arising from COVID-19 lockdown issues.
- £10k Forecast overspend on legal fees in social housing delivery. These additional costs relate to additional, unexpected cost of legal advice for a site tender and COVID-19 advice for on-going developments.
- £4k amalgamation of various minor forecast over and underspends.

Rents	£nil	£nil
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Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead Revenues, Benefits and Customer Access

- 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. Rent collection and arrears are monitored regularly and no variance to budget is deemed necessary to report at this stage.

Interest	£161,828	£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. 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)	(£5,068,944)
Projected HRA deficit / (surplus)	(647,909)	(941,273)

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	941,273
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31 March 2021	£7,180,748

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 fallen by £766k since last reported, this is due to an increase in the amount of right-to-buy receipts anticipated to be surrendered back to DCLG, pending investment in replacement affordable housing.

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 £15.36 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 last reported to Council on 20 October 2020. Since that meeting the following changes have been made that have decreased the 2020/21 programme.

Description	2020/21	Approval / Funding
HRA Capital Programme	£36,395,300	
Budgets deferred to future financial years	(£8,602,723)	Council - 20 October 2020
Revised HRA Capital Programme	£27,792,577	

8.8 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £25,155,805 compared to the £27,792,577 approved programme; a reduction of £2,636,772 which has slipped into 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.

Scheme	Forecast Overspend / (Underspend)
Adaptations	£100,000
<p>Officer Responsible – Planned Works Lead</p> <p>Additional, unforeseen works have to be completed on one of the larger on-going adaptation projects, resulting in additional expected costs of £100k. The overspend here is going to be met by efficiencies in the Estate improvement and Kitchens & Bathrooms programmes.</p>	

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/(brought forward from) future years
Fire Risk Assessment Works	£200,000
<p>Officer Responsible – Planned Works Lead</p> <p>The planned works programme has been largely on-hold for the start of the year, during the COVID-19 lockdown period.</p> <p>The planned works and compliance teams 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 next year. All work has been prioritised to ensure full delivery of FRA responsibilities.</p>	
Structural Repairs	(£60,000)

Officer Responsible – Planned Works Lead

A large project that was budgeted as an adaptation has been moved to structural repairs, budget has been brought forward from future years to cover this.

Edward's Court Extracare Scheme**£250,000****Officer Responsible – Service Lead – Housing Assets**

Kier Construction are still working to their programme which shows that completion will be achieved by the end of March 2021. They are showing some slippage against this programme due to the continued Covid-19 restrictions, but are yet to issue an updated programme. In general work is progressing well on site.

LAINGS Refurbishments**£100,000****Officer Responsible – Service Lead – Housing Assets**

The scheme is progressing well now following the Covid-19 shutdown, the first 6 properties will be completed and handed over before Christmas this year, with the next 6 following in April 2021 and the final 6 in June/July 2021.

Hamlin Gardens**£900,000****Officer Responsible – Service Lead – Housing Assets**

There have been delays on this project due to retender requirements - the project is back as a council housing build rather than ECL. There is now a main contractor in place and contract is being finalised. Start on site is expected in January 2021 and the construction will run for 20 months.

Vaughan Road**£1,250,000****Officer Responsible – Service Lead – Housing Assets**

The initial tender price has come in too high and ECL is working hard with the main contractor to bring the build cost down to within the allocated budget. The process will delay the start on site until around March 2021. The hope is to mitigate some of this delay by undertaking the demolition and site preparation works outside of the main contract and these works will start before the end of 2021.

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.

Key Variances from Budget

There are no projected variances to report at the end of Quarter 2. 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?

For clarity, these are specific financial risks, alongside the risks captured in the corporate risk register.

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 COVID 19 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 2.

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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

11.4.1 There are no significant equality 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. Many of the revisions referred to in the report relate to the establishment of the Council's Carbon Neutrality Plan and the target to achieve carbon neutrality by 2030 for all council housing properties.

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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