

Housing Revenue Account 2021-22 Provisional Year End Position

Corporate Priority:	Providing high quality council homes and landlord services Ensuring the right conditions to support delivery (inward)
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision:	No
Subject to call-in:	No Not key decision

1 Summary

- 1.1 Since the adoption of the Housing Improvement Plan in 2019, the Council has rebuilt tenancy management and housing asset structures and established several new policies. Significant progress has been made and whilst further work remains, we are now able to return to a more typical business as usual position. In that context, this report sets out the provisional year end position for the Housing Revenue Account (HRA), subject to external audit approval, for 2021-22 and provides information on the Council's balances and reserves.
- 1.2 The provisional revenue outturn shows an underspend against the approved budget of £694k with £150k being carried forward into 2022-23. The significant underspend is attributable to a number of factors which are described in more detail below and in the appendix. There is considerable underspend with regard to the capital budget largely due to delays in work while the teams realign and new contracts are procured without the certainty of a finalised business plan. The Asset Management Plan will also be a critical factor going forward to ensure the plan is deliverable. The final position is still subject to external audit approval for 2021-22.

- 1.3 This report should be read alongside the HRA Business Plan 2022-2052, which provides a forward look and strategic framework for the Council's Housing Revenue Account, financial sustainability and plans.

2 Recommendation

That Cabinet:

2.1 Notes the provisional year end position, variations to the 2021-22 approved year end position and the resultant effect on the Council's balances and reserves for the HRA as set out below and in the attached papers for both revenue and capital.

3 Reason for Recommendations

- 3.1 It is important that Cabinet are aware of the financial position of the HRA in order to ensure they can make informed decisions that are affordable and financially sustainable for the HRA and the links to the business plan.

4 Background

- 4.1 In November 2019 Council adopted the Housing Improvement Plan (HIP) in order to address resourcing issues, manage health & safety obligations and deliver a step change within the housing and landlord service; ensuring it could effectively manage and maintain its one thousand eight hundred units of housing stock. This was further reinforced in the Corporate Strategy Priority 2, adopted in September 2020; "Providing high quality council homes and landlord services." Significant progress has been made and with the adoption of the business plan will continue within a business as usual position. The Asset Management Plan is due to be brought in for the 2023-24 budget setting which will further reinforce this position.
- 4.2 The HRA is a large and complex budget; as such it is monitored on a monthly basis as a key service. The operation of the HRA is governed by the Local Government and Housing Act 1989 and one of the key requirements is that the Council will produce and publish an annual budget for the HRA which avoids a deficit; and that the Council has a duty to review, and if necessary, revise that budget from time to time. If it appears that the HRA is heading for a deficit then all reasonable and practicable steps must be taken to avoid a deficit at the year end.

5 Main Considerations

- 5.1 The figures shown in Appendix 1, and summarised in the table below, compare the provisional year end position for 2021-22 to the original estimate set in February 2021 and the approved estimate (the approved estimate being the original estimate as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year). The approved estimate is the authorised budget for spending purposes. The report also shows the resultant effect on the contribution from reserves (Appendix 1 line 45) and reasons for major budget variations. It should be recognised, however, that the figures are still subject to external audit certification.

5.2 A summary of appendix 1 is shown below:

2021-22

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	7,575,100	6,578,593	-996,507
Income	-7,801,490	-7,487,138	314,352
Net Interest Charges	1,107,960	1,109,789	1,829
Revenue Contribution to Capital	269,600	255,414	-14,186
Total Expenditure	1,151,170	456,658	-694,512
Contribution to/from(-) Reserves	-1,151,170	-456,658	694,512
In Year Surplus(-)/Deficit	0	0	0

5.3 The provisional year end position shows an actual deficit of income over expenditure of £456,658 at “Total Expenditure” level, being an underspend of £694,512 against the approved budget deficit of £1,151,170. The Total Expenditure is the Net Operating Expenditure at line 43 on Appendix 1 plus the Revenue contribution to Capital amount at line 44. There are a number of budget variances that make up this underspend and as part of the budget monitoring and review process all budget holders have been requested to provide reasons for significant variations against their latest approved budget on individual service accounts. The details for which are outlined in Appendix 1 attached and for any variances in excess of £10k further comments have been included in line with financial protocols. However, the main ones to note are:

5.3.1 General Management £4k underspend, whilst we rebuild and strengthen the service some of our vacancies and roles have been challenging to fill and not fully off-set by agency fees. An inability to incur court fees during the pandemic have also contributed to the underspend. Partially offset by higher and longer voids incurring Council Tax and the use of consultants for the Intensive Housing Management Service (IHMS) review and Business Plan formation.

5.3.2 Special Services £158k underspend due to budgeting for full establishment whilst vacancies were being filled for key roles and reduced requirement for food supplies during the pandemic as no lunch clubs held for non-residents until later in the year, as well as the high voids at Gretton Court for the residents lunches. The contract works budget was also underspent and the budgets will be assessed as part of the Asset management plan later this year.

5.3.3 Repairs & Maintenance £845k underspend, as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have not been fully offset by agency costs. Asbestos surveying was below the levels budgeted and a carry forward requested for this budget to complete over 50% of the stock by the end of 2022-23 of £150k. Contract works were also underspent partially off set by the overspend on voids and schedule of rates works above those within the ‘price per property’ agreement. These budgets will be assessed as part of the asset management plan later this year.

5.3.4 As identified in this and previous Cabinet reports as a risk, the ability to cleanse the repairs commitments from the Northgate Housing System has resulted in works not being completed, as the duplication of commitments and accruals showed insufficient

budget availability, effectively stopping works being done. The cleansing of the system is on-going with its importance now truly recognised.

- 5.3.5 Income shortfall of £314k. £174k due to higher and longer void property rates, especially in our sheltered schemes and the pandemic affecting the meals for non-resident lunch clubs. Voids performance is improving and we have recently been actively reletting properties at Gretton Court to reduce future rent loss. The increase in arrears balances and the prudent increase of the March CPI in the percentages used for the provision for non-payment of arrears has resulted in an overspend of £149k.
- 5.3.6 The actual contribution to reserves against the budgeted contribution from reserves reflects the underspends noted above and as approved in February 2021 the HRA working balance remains at £750k. This has resulted in a reduced need to draw on the reserves by £694k in line with the underspend. When the £150k carry forward is taken into account this results in a reduced draw on the reserves of £544k.
- 5.3.7 There have been no significant changes to the accounting requirements of the HRA accounts in 2021-22.

5.4 Balances

- 5.4.1 The updated actual and estimated reserves position following the final amount of carry forwards at the end of each financial year is noted below:

HRA Year End Balances:	2020-21 Actual £'000	2021-22 Provisional Actual £'000	2022-23 Estimate £'000	2023-24 Estimate £'000	2024-25 Estimate £'000
HRA Working Balance	750	750	750	750	750
Major Repairs Reserve	2,872	3,484	3,519	3,278	2,139
Regeneration & Development Reserve	5,605	5,113	3,565	3,198	2,945
Capital Receipts Reserve	3,728	3,147	698	908	1,121
Total HRA Balances	12,955	12,494	8,532	8,134	6,955
Estimated balances at budget setting 2021-22 (including working balance)	10,130	7,710	5,559	5,157	N/A
Difference	2,825	4,784	2,973	2,977	N/A

- 5.4.2 The significant difference in 2021-21 is due to the underspends on the revenue and capital as noted above and below, with the underspend carrying on into the future years.
- 5.4.3 It should be noted that the updated HRA Business Plan, informs these estimates and work on the Asset Management Plan will be completed in time for budget setting for 2023-24, which is expected to provide a 5 year capital programme and a full review of the revenue budgets for future years within the capability of the 30 year business plan, which may result in changes to these figures.

5.5 In-year Movement on Balances

The table below shows how the underspends noted above and below directly affect the reserves in year compared to the originally budgeted balances and the estimates for 2022-23.

	Major Repairs Reserve	Regeneration & Development Reserve	Capital Receipts Reserve
	£'000	£'000	£'000
Budgeted Balance at 31.3.22	1,997	3,764	1,284
Revenue Carry Forward from 2020/21	0	-100	0
Underspend			
Capital	1,487	755	1,910
Revenue	0	694	0
Change in receipts	0	0	-47
Provisional Balance at 31.3.22	3,484	5,113	3,147
Carry forward to 2022-23			
Capital	-52	-34	-731
Revenue	0	-150	0
Budgeted Movement 2022-23			
Capital	-1,690	-1,023	-1,925
Revenue	1,777	-341	0
Other Receipts	0	0	207
Estimated Balance at 31.3.23	3,519	3,565	698

5.6 Capital Provisional Year End Position

5.6.1 In relation to the HRA capital programme against the budget of £6,542k, the provisional outturn is £1,950 resulting in an underspend of £4,592k, of which £1,257k will be carried forward into 2022-23.

5.6.2 Appendix 2 provides an overview of the main variances, the larger of which are summarised in the table below:

Project	Budget £'000	Underspend £'000	Amount To Carry Forward To 21-22	Reason
Aids & Adaptations	368	141	0	This underspend is being appraised and a new approach being considered to ensure that we provide a more timely and efficient service for our tenants.
Replace Exterior Doors & Windows	612	334	0	Stock conditions surveys not complete in time to identify properties

Rewire Council Properties	414	198	52	Part of fire alarm work, carry forward to fire safety budget in 2022-23
Fire Safety & Fire Risk Assessment	1,212	949	360	Bin stores, fire alarm upgrades and passive fire works – all on order for delivery early in the new year
Replacement Kitchens & Bathrooms	454	375	0	The results of the stock condition survey were not know until late in the financial year and the tender process to appoint contractors has taken longer than expected. Stock condition data has identified a number of kitchens that are due to be replaced in 22/23 and the tender for the contractor is being evaluated now. Work should start in summer 2022 with a programme of around 60 kitchens.
Affordable Housing (Use Of Right To Buy Monies)	1,460	1,257	57	Negotiations are now on-going to purchase 8 units using the Right to Buy receipts to reduce the risk of them not being spent.
Scooter Pods	253	226	33	This is an ongoing programme of work which requires a carry forward. The work is on site and due to complete soon
Energy Efficiency	200	200	640	Extension received to complete these works to the end of April before the grant funding would have to be returned.

Replacement Windows & Doors	612	278	0	The results of the stock condition survey were not known until late in the financial year, leaving insufficient time to identify enough properties to fill the programme.
Reroofing works	223	215	0	Tender for roofing of New Street / Chapel Street took longer than expected. Tender now complete and contract being awarded to allow completion in 22/23 with full budget spend.

6 Options Considered

- 6.1 No other options considered as, if the report was not provided, Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively.

7 Consultation

- 7.1 The Statement of Accounts (subject to audit) which includes the HRA revenue out-turn position will be advertised as available for public inspection on the website and the auditors available to answer questions from 9 July to 19 August 2022.
- 7.2 Whilst TFEC has disbanded, we have commenced consultation with tenants via the "Your Voice" meetings and that our response to the housing white paper will see us taking a more robust approach to meaningful consultation.

8 Next Steps – Implementation and Communication

- 8.1 External audit will be undertaking their independent assessment of the Council's financial statement position and accounts production as part of the statutory duties through the audit taking place later in the year.
- 8.2 The out-turn as part of the audited statement of accounts will be considered by the Audit and Standards Committee following completion of the audit work which has not yet been timetabled.

9 Financial Implications

- 9.1 All financial implications have been addressed in paragraph 4 to this report.
- 9.2 The Council has been closely monitoring the financial impact of COVID-19 in terms of both additional expenditure incurred and income shortfalls. No additional funding has been allocated to HRA services from the government.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 The HRA is framed by the Local Government and Housing Act 1989. The Act created the ring-fence and the structure within which the HRA operates and provides rules as to its operation. There are no legal implications arising from this report.

Legal Implications reviewed by: Deputy Monitoring Officer 05.07.22

11 Equality and Safeguarding Implications

- 11.1 Equalities and safeguarding issues were addressed in setting the current year's budget. There are no further issues arising from this report.

12 Community Safety Implications

- 12.1 Community safety issues were addressed in setting the current year's budget. There are no further issues arising from this report.

13 Environmental and Climate Change Implications

- 13.1 No implications have been identified.

14 Other Implications (where significant)

- 14.1 No other implications have been identified.

15 Risk & Mitigation

The HRA is a high risk service account that the Council has a duty under the Local Government and Housing Act 1989 to ensure that it avoids being in a deficit situation. This requires that effective budget monitoring procedures are set in place to monitor HRA expenditure and income against the budget and careful consideration is given to determining the level of the working balance.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Repairs to overspend against budget in future years, due to low spend in previous years	Significant	Critical	Medium Risk
2	Economic climate, COVID-19 and welfare reform changes continue to cause hardship on tenants causing higher levels of rent arrears and reduced collection performance	High	Critical	High Risk
3	Increasing right to buy sales over those budgeted for cause reductions to rent income streams	High	Marginal	Medium Risk
4	Ability to cleanse repairs commitments from Northgate Housing System	Significant	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High		3	2	
	4 Significant			1,4	
	3 Low				
	2 Very Low				
	1 Almost impossible				

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix 1 – HRA Provisional Year End Position

17.2 Appendix 2 – HRA Capital Provisional Year End Position

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