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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM:10</b>
<b>DATE OF MEETING:</b>	<b>17 MARCH 2022</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>VICKI SUMMERFIELD</b> <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a>	<b>DOC:</b> s/finance/committee/2021-22/March 2022/hra revenue financial monitoring Q3
<b>SUBJECT:</b>	<b>HOUSING REVENUE ACCOUNT REVENUE FINANCIAL MONITORING 2021-22</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

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## **1.0 Recommendations**

- 1.1 That the latest revenue financial position on the Housing Revenue Account for 2021/22 as detailed in the report is considered and approved.

## **2.0 Purpose of the Report**

- 2.1 To provide an update on performance against budget for 2021/22 on the Housing Revenue Account (HRA).
- 2.2 The report details performance up to 31 January 2022 unless otherwise stated and is an update of income and expenditure for 2021/22.
- 2.3 There has been no further update to the HRA's Financial Plan approved by the Committee in February 2022, as detailed in **Appendix 1**.

## **3.0 Detail**

- 3.1 The Council is required to account separately for income and expenditure in providing council housing. Income is generated through the HRA from rents from tenants in dwellings, garages and shops, together with provision of the Careline Service.
- 3.2 The Base Budget approved in February 2021 for the HRA was set with an estimated deficit of £1,645,806. As reported in August 2021, the budget deficit was increased following the approval of an upgrade to the Housing Management Software of £29,600. A further update was made in November 2021 due to the pay award for local government employees of £27,421. The deficit is now estimated at £1,702,827.

## Latest Position

- 3.3 The Quarter 2 position was reported to the Committee in November 2021. This highlighted that the HRA was projected to be on Budget overall for 2021/22.
- 3.4 There were, however, some larger variances within the overall position, with savings on vacant posts being offset by agency staff, together with a reduction in rent due to high void levels, being offset by savings in interest payments on HRA debt.
- 3.5 The position as at January 2022 is shown in the following table.

### HRA SUMMARY BY AREA - BUDGET MONITORING JANUARY 2022

	ANNUAL			RESERVES	
	Full Year Budget £	Projected Actual £	Projected Variance £	Earmarked £	Net effect on HRA £
Rent and Rechargeable Repairs	-12,484,167	-12,322,233	-161,934	0	-161,934
Repairs and Maintenance	3,478,745	4,177,455	-698,710	0	-698,710
Managing Tenancies	1,802,926	1,914,147	-111,221	-18,828	-92,393
Supported Housing	663,447	404,356	249,184	0	249,184
Interest Payable and Receivable	1,737,855	1,299,398	438,457	0	438,457
Capital and Debt Repayment	6,277,000	6,277,000	0	0	0
Bad Debt Provision	125,000	125,000	0	0	0
Contingent Sums	102,021	102,021	0	0	0
	<b>1,702,827</b>	<b>1,977,145</b>	<b>-284,224</b>	<b>-18,828</b>	<b>-265,396</b>

- 3.6 The above table shows that the HRA is currently projected to be adverse compared to budget by approximately £265k in 2021/22. This is due mainly to a projected overspend on Housing Repairs of £300k, together with a further reduction in rental income of £100k. This has partly been offset by a further reduction in interest charges of approximately of £135k.
- 3.7 The main reasons for the variances are summarised in the following table.

### HRA VARIANCE TO BUDGET JANUARY 2022

	£'000
Salary savings (vacancies, maternity etc.)	398
Interest Income and Expenditure	282
Additional Careline Income	74
Compensation	20
Cleaning	17
Disrepair Claims	-30
Reduced Rent due to Void Dwellings	-249
Agency and Consultancy Staff	-437
Repairs	-337
Other Variances (net)	-3
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>-265</b>

- 3.8 Expected salary savings in year relate to vacancies but are more than offset by agency and consultancy to maintain services in the interim whilst recruitment takes place.
- 3.9 The reduction in interest charges is due to the interest rate on variable rate debt (£10 million) being around 0.25% compared to a Budget based on 3.5%. As previously reported, this debt will be paid at the end of March 2022, so although interest payments will be lower in the future, savings of this magnitude will not be seen after 2021/22.
- 3.10 As previously reported, successful disrepair claims have been made against the Council which were not covered by the Council's insurance policy. These claims are usually made in defence of rent arrears action by the landlord and have risen in recent years.
- 3.11 They are generally due to long standing repairs and maintenance issues including damp proofing works that may not have been undertaken in a reasonable timeframe. The claims now appear to be reducing and are not expected to be in excess of £30k. The majority of the payments are made up of the claimant's solicitor costs.

### **Housing Repairs**

- 3.12 During the last quarter, it has emerged that there is likely to be a significant overspend of approximately £300,000. This is due to an increase in responsive repairs and in particular, additional works required to bring void properties back to acceptable standards for reletting.

### **Rental Income**

- 3.13 Consequently, this has had an impact on income, which is lower in year due mainly to rent loss on void properties. The turnaround time of void properties has been improving from over 200 days (on average) at one stage in 2020/21, to a current performance of 160 days. The performance on voids has been reported to Housing and Community Services Committee and was considered recently on 10 March 2022.
- 3.14 A budget of £215k for void losses and £21k for Right to Buy (RTB) losses is included as a reduction in the expected rental income each year. The expected loss from voids is now forecast to be approximately £450k.
- 3.15 As at 31 January 2022, the number of RTBs was 18 compared to a Budget of 20 for 2021/22. At this stage, it is not anticipated that RTBs will have any further impact on rental income.
- 3.16 The Council also has a number of "passive" properties that are taken out of the rent roll for varying reasons. Where there is the ability to let properties as they are at decent standard, they are being let to Housing Register applicants as promptly as possible to help mitigate the overall losses.

## **Risk Areas**

### **Vacancies**

- 3.17 As with the General Fund, there are a number of vacant posts within the HRA that pose a risk to the financial position due to the added cost of agency and support.
- 3.18 The general employment market currently is leading to a shortage of available candidates in certain areas, and this is being kept under review.

### **Careline**

- 3.19 As previously reported, Derbyshire County Council have informed the Council that there will no longer be any funding available for the service managed by the Council after March 2023. The reduction in funding of £130,000 per year, has been reflected in the HRA's Financial Plan approved by the Committee in February 2022.
- 3.20 A working group including all districts and the County Council, has been set up to review options for future service delivery. Progress is being reported to the Housing and Community Services Committee and an initial report was considered on 110 March 2022.
- 3.21 Another potential risk to the HRA for the Careline service is the transfer of the system to digital from analogue. Costs will be considered as part of the overall review of future Careline provision.

## **4.0 Financial Implications**

- 4.1 As detailed in the report.

## **5.0 Corporate Implications**

### **Employment Implications**

- 5.1 None.

### **Legal Implications**

- 5.2 None.

### **Corporate Plan Implications**

- 5.3 There are no specific targets within the Corporate Plan but ensuring sustainability of the Council's financial position enables HRA Services to deliver targets included with the Plan.

### **Risk Impact**

- 5.4 Budget risks are detailed in the Report.

## **6.0 Community Impact**

### **Consultation**

6.1 None.

### **Equality and Diversity Impact**

6.2 None.

### **Social Value Impact**

6.3 None.

### **Environmental Sustainability**

6.4 None.

## **7.0 Background Papers**

7.1 None.

## HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2022

	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
	Approved Budget £'000	Approved Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
<b>INCOME</b>											
Rental Income	-12,385	-12,893	-13,124	-13,433	-13,749	-14,073	-14,403	-14,740	-15,085	-15,437	-15,797
Non-Dwelling Income	-127	-124	-127	-130	-133	-137	-140	-144	-148	-151	-155
Supporting People Grant	-130	-130	0	0	0	0	0	0	0	0	0
Other Income	-177	-177	-177	-177	-177	-177	-177	-177	-177	-177	-177
<b>Total Income</b>	<b>-12,819</b>	<b>-13,324</b>	<b>-13,428</b>	<b>-13,740</b>	<b>-14,059</b>	<b>-14,387</b>	<b>-14,720</b>	<b>-15,061</b>	<b>-15,410</b>	<b>-15,765</b>	<b>-16,129</b>
<b>EXPENDITURE</b>											
General Management	1,848	2,053	2,098	2,145	2,192	2,241	2,291	2,342	2,394	2,447	2,502
Supporting People	951	900	925	950	976	1,004	1,032	1,062	1,094	1,126	1,161
Responsive	1,406	1,674	1,714	1,755	1,797	1,840	1,884	1,928	1,974	2,021	2,070
Planned Maintenance	1,975	1,785	1,828	1,873	1,918	1,965	2,013	2,062	2,113	2,164	2,217
Bad Debt Provision	125	125	131	134	137	140	144	147	150	154	158
Interest Payable & Receivable	1,738	1,456	1,456	1,186	1,186	1,186	885	886	886	886	886
Depreciation	4,127	4,213	4,504	4,481	4,458	4,435	4,413	4,390	4,368	4,345	4,323
<b>Net Operating Income</b>	<b>-649</b>	<b>-1,118</b>	<b>-772</b>	<b>-1,216</b>	<b>-1,395</b>	<b>-1,576</b>	<b>-2,058</b>	<b>-2,244</b>	<b>-2,431</b>	<b>-2,622</b>	<b>-2,812</b>
<b>Known variations:</b>											
Reversal of Depreciation	-4,127	-4,213	-4,504	-4,481	-4,458	-4,435	-4,413	-4,390	-4,368	-4,345	-4,323
Capital Expenditure	1,683	1,620	1,433	1,877	1,916	1,847	2,182	2,261	2,489	2,403	1,805
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment - Balance of Depreciation	1,444	1,593	2,221	1,704	1,642	2,038	1,281	1,179	979	1,042	1,618
Major Repairs Reserve	600	600	550	600	600	250	650	650	600	600	600
Asset Replacement Earmarked Reserve	45	45	45	45	45	45	45	45	45	45	50

## HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2022

	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
	Approved Budget	Approved Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Additional Debt Repayment Transfer	2,150	2,500	2,100	1,500	1,300	1,850	750	750	750	1,000	800
Investment Income	0	0	25	25	25	25	25	25	25	25	25
Capital works non-traditional properties	100	100	0	0	0	0	0	0	0	0	0
Potential Pay Award	27	28	29	30	30	31	32	33	33	34	35
ICT Upgrades	30	0	0	0	0	0	0	200	0	0	0
Rent Loss Provision	0	65	66	68	69	71	73	74	76	78	80
Incremental Salary Increases	0	0	5	5	5	5	6	6	6	6	6
<b>HRA Surplus (-) / Deficit</b>	<b>1,703</b>	<b>1,620</b>	<b>1,598</b>	<b>556</b>	<b>180</b>	<b>552</b>	<b>-1,028</b>	<b>-1,012</b>	<b>-1,396</b>	<b>-1,334</b>	<b>-1,717</b>

#### HRA General Reserve

HRA Reserve B/fwd	-8,430	-6,727	-5,107	-3,509	-2,952	-2,772	-2,221	-3,249	-4,261	-5,657	-6,991
(Surplus) / Deficit for year	1,703	1,620	1,598	556	180	552	-1,028	-1,012	-1,396	-1,334	-1,717
<b>HRA Reserve C/fwd</b>	<b>-6,727</b>	<b>-5,107</b>	<b>-3,509</b>	<b>-2,952</b>	<b>-2,772</b>	<b>-2,221</b>	<b>-3,249</b>	<b>-4,261</b>	<b>-5,657</b>	<b>-6,991</b>	<b>-8,708</b>

#### RESERVES

##### Debt Repayment Reserve

Balance B/fwd	-8,006	-1,600	-5,693	-14	-3,218	-6,160	-48	-2,079	-4,008	-5,737	-7,779
Depreciation balance	-1,444	-1,593	-2,221	-1,704	-1,642	-2,038	-1,281	-1,179	-979	-1,042	-1,618
Transfers to reserve	-2,150	-2,500	-2,100	-1,500	-1,300	-1,850	-750	-750	-750	-1,000	-800
Repayment of loan	10000	0	10,000	0	0	10,000	0	0	0	0	10,000
<b>Reserve C/fwd</b>	<b>-1,600</b>	<b>-5,693</b>	<b>-14</b>	<b>-3,218</b>	<b>-6,160</b>	<b>-48</b>	<b>-2,079</b>	<b>-4,008</b>	<b>-5,737</b>	<b>-7,779</b>	<b>-197</b>

##### Earmarked Reserve

Balance B/fwd	-401	-401	-298	-298	-73	-118	-163	-208	-253	-298	-63
Vehicle Replacement Transfer to Reserve	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45	-50
Software Upgrade	45	148	45	0	0	0	0	0	0	0	0
Asset Replacement	0	0	0	270	0	0	0	0	0	280	0
<b>Reserve C/fwd</b>	<b>-401</b>	<b>-298</b>	<b>-298</b>	<b>-73</b>	<b>-118</b>	<b>-163</b>	<b>-208</b>	<b>-253</b>	<b>-298</b>	<b>-63</b>	<b>-113</b>

## HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2022

	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
	Approved Budget	Approved Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

### Major Repairs Reserve

Balance B/fwd	-4,592	-5,292	-5,992	-6,542	-7,142	-7,742	-7,992	-8,642	-9,292	-9,892	-10,492
Transfers to reserve	-600	-600	-550	-600	-600	-250	-650	-650	-600	-600	-600
Earmarked non-traditional properties	-100	-100	0	0	0	0	0	0	0	0	0
<b>Reserve C/fwd</b>	<b>-5,292</b>	<b>-5,992</b>	<b>-6,542</b>	<b>-7,142</b>	<b>-7,742</b>	<b>-7,992</b>	<b>-8,642</b>	<b>-9,292</b>	<b>-9,892</b>	<b>-10,492</b>	<b>-11,092</b>

### New Build Reserve

Capital Receipts B/fwd	-1,642	-1,861	-2,582	-3,197	-3,808	-4,420	-5,031	-5,643	-6,255	-6,866	-7,478
Acquisitions in year	505	0	0	0	0	0	0	0	0	0	
RTB Receipts in year	-724	-721	-615	-612	-612	-612	-612	-612	-612	-612	-612
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
<b>Balance c/fwd</b>	<b>-1,861</b>	<b>-2,582</b>	<b>-3,197</b>	<b>-3,808</b>	<b>-4,420</b>	<b>-5,031</b>	<b>-5,643</b>	<b>-6,255</b>	<b>-6,866</b>	<b>-7,478</b>	<b>-8,089</b>



