

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	25th NOVEMBER 2021	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD Victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2021-22/Nov
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE FINANCIAL MONITORING 2021/22	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the latest revenue financial position 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.
- 2.2 The report details performance up to 30 September 2021 unless otherwise stated and is an update of income and expenditure for 2021/22.
- 2.3 The report covers the Housing Revenue Account (HRA) income and expenditure, and an update to the MTFP.

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 plus careline.
- 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, the budget deficit was increased following the approval of an upgrade to the Housing Management Software of £29,600. A further update has now been made due to the potential pay award for employees of £27,421 which is currently under negotiation for 2021/22. The deficit is now estimated at £1,702,827.
- 3.3 In November 2020, the Government published the Spending Review 2020. As part of the response to the economic impact of the COVID-19 pandemic, the Chancellor

announced that public sector pay increases would be paused for 2021/22, with the exception of NHS staff.

- 3.4 Negotiations regarding public sector pay have been undertaken during 2021 and the National Employers have offered a settlement for the 2021/22 financial year. This has not yet been agreed by the Unions and is still in negotiation. Nothing was included in the MTFP for a pay award in 2021/22 after the Chancellor's announcement.
- 3.5 An update to the HRA's financial position is included in the revised MTFP attached in **Appendix 1**. This shows that the General Reserve balance reduces over the first six years of the ten-year plan due to scheduled debt repayment. Large deficits are due to be funded from the reserve with the lowest point being reached in 2026/27 where the estimated reserve falls to £1,116,514. This is greater than the statutory minimum set for the HRA of £1m but does not leave a big contingency for any unforeseen issues.

Position as at September 2021

- 3.6 A summary of the projected financial position for the year is shown in the following table.

HRA SUMMARY BY AREA - BUDGET MONITORING SEPTEMBER 2021

	ANNUAL			RESERVES	
	Full Year Budget £	Projected Actual £	Projected Variance £	Earmarked £	Net effect on HRA £
Rent and Rechargeable Repairs	-12,484,167	-12,332,303	-151,864	0	-151,864
Repairs and Maintenance	3,478,745	3,511,128	-32,383	0	-32,383
Managing Tenancies	1,802,926	1,846,171	-43,244	8,500	-51,744
Supported Housing	663,447	589,580	73,866	0	73,866
Interest Payable and Receivable	1,737,855	1,582,102	155,753	0	155,753
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
	1,702,827	1,700,698	2,129	8,500	-6,371

- 3.7 The above table shows that the HRA is projected to be adverse to budget by approximately £6,371 in 2021/22 which increases the deficit forecast in the MTFP. The HRA's 10-year MTFP is included in **Appendix 1**.
- 3.8 The main reasons for the variances are detailed below.

HRA VARIANCE TO BUDGET SEPTEMBER 2021

	£'000
Salary savings (vacancies, maternity etc.)	303
Interest Income and Expenditure	156
Additional Careline Income	45
Materials	40
Staff Advertising	-7
Computer Maintenance	-15
Rehoming Costs	-15
Disrepair Claims	-30
Reduced Rent due to Void Dwellings	-152
Agency and Consultancy Staff	-331
TOTAL - OVERALL PROJECTED VARIANCE	-6

- 3.9 Expected salary savings in year relate to vacancies but are more than offset by agency and consultancy to support services. Some posts as part of the approved restructure have been recruited and costs for advertising these posts (£7k) have been incurred. The Head of Housing is in the process of reviewing the vacancies and any further support required.
- 3.10 Investment income is expected to be above budget by approximately £14k on the HRA and expenditure on the loan interest is expected to be lower than budgeted (£141k) due to lower interest rates chargeable. The budget for the variable interest is at 3.50% yet the chargeable rate was 0.23% in September 2021. The variable rate loan is repayable in March 2022 so although interest payments will be lower in the future, savings of this magnitude will not be seen after 2021/22.
- 3.11 Additional income is being received from Derbyshire County Council for the Careline provision. The Council has been informed that this contribution will no longer be received from April 2023. Further detail is included in the risks noted at 3.21.
- 3.12 Savings are being seen on material costs due to a lower level of repairs being carried out by the internal repairs team. Contractor repairs and maintenance are being carried out at a good level and are expected to be within budget for the year.
- 3.13 Although an upgrade to the main Housing computer system was budgeted, additional costs for implementing UPRN details against dwellings has resulted in a bigger cost. This is expected to be a one-off issue.
- 3.14 An enforcement order issued by Derbyshire Fire Service at Pear Tree Court has resulted in extensive remedial works to the property. Consequently, one tenant has had to be rehoused. The tenant is entitled to statutory Home-loss and disturbance payments which are expected to total around £15k. There have also been capital costs incurred for this incident which are reported in more detail in the Capital Monitoring report later on this Agenda.
- 3.15 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. 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.

- 3.16 Rental income is lower in year due mainly to rent loss on void properties. The turnaround time of void properties is improving, and the number of vacant properties is reducing, and losses should level out as the year progresses. 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.
- 3.17 At this stage, RTB is showing a favourable variance as the losses are lower than forecast. A number of applications have been seen however during October which puts a risk on the revenue generation for the year and going forward. If during the remainder of the year another 10 dwellings are sold, this loss will be contained within the budget, any losses above this will impact the deficit further.
- 3.18 Void losses are totalling approximately £221k in the first half of the year. As noted above, this is already above the budget for the year but is expected to level out. 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

- 3.19 As with the General Fund, there are a number of vacant posts within the HRA especially in the repair and maintenance area, that pose a risk to the financial position due to the added cost of agency and support.
- 3.20 Risks to the shortage of available candidates and also market salaries are present, and the Head of Housing is keeping this issue under review.

Careline

- 3.21 Derbyshire County Council has now informed the Council that there will no longer be any funding available for the service managed by the Council after March 2023 although a one-year extension of these contracts has been proposed but not yet confirmed.
- 3.22 A working group including all districts and the County Council has been set up to determine next steps and hopefully mitigate losses for all parties.
- 3.23 Another potential risk to the HRA for the Careline service is the transfer to digital from analogue. Costs of changes are under review and will be considered as part of the overall future Careline provision.
- 3.24 The Head of Housing will report progress and any potential changes to the current Careline service to Housing and Community Services Committee at a future meeting.
- 3.25 A contribution of £130k per annum from the County Council is included over the life of the HRA MTFP. A loss of this level will push the HRA's General reserve below the minimum balance of £1m within four years. This is a huge financial and potentially

reputational risk as the service in its current format is not sustainable without the County contribution. A full review of the service is now in progress.

4.0 Financial Implications

4.1 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 services to deliver targets included with the Plan.

Risk Impact

5.4 None.

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 - NOVEMBER 2021

	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
Approved Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Additional Debt Repayment Transfer	2,150	2,500	2,300	1,500	1,500	1,850	750	750	750	1,000	800
Investment Income	0	18	43	60	60	60	60	60	60	60	0
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	30	30	30	30	30	30	230	30	30	30
Incremental Salary Increases	0	6	6	6	6	7	7	7	7	7	7
HRA Surplus (-) / Deficit	1,703	1,968	1,662	713	544	723	-551	-528	-904	100	-340
HRA General Reserve											
HRA Reserve B/fwd	-8,430	-6,727	-4,760	-3,097	-2,384	-1,839	-1,117	-1,668	-2,196	-3,100	-3,000
(Surplus) / Deficit for year	1,703	1,968	1,662	713	544	723	-551	-528	-904	100	-340
HRA Reserve C/fwd	-6,727	-4,760	-3,097	-2,384	-1,839	-1,117	-1,668	-2,196	-3,100	-3,000	-3,341

