

## HOUSING MANAGEMENT ADVISORY BOARD – 14 JULY 2021

### ITEM 8 – HOUSING REVENUE ACCOUNT OUTTURN POSITION 2020/21

This report details the Housing Revenue Account outturn for 2020/21 for revenue and capital expenditure.

#### Revenue Balances Outturn 2020/21

1. The Housing Revenue Account outturn for 2020/21 is a surplus of £3,395k compared with a budgeted deficit of £793k, which is an increase of £4,188k. The full outturn position is detailed in Appendix 1. The Revenue: Contribution to Capital budget of £3,308k was not required to finance the capital programme. This is the primary reason for the large underspend in the Housing Revenue Account for 2020/21.
2. The surplus has been transferred to the HRA Financing Fund which had a balance on 31 March 2021 of £11,631k. The HRA owes £79m in loans following the self-financing settlement in 2012 and, as well as paying the interest due, the principal amounts borrowed will either, in time, need to be refinanced or paid back. The first loan to be paid back following the self-financing settlement is in 2024. The money required to pay back the debt will be from HRA Reserves.
3. The Major Repairs Reserve has a balance at 31 March 2021 of £3,210k.
4. At 31 March 2021, there are general balances totalling £609k, which is in line with the council's recommended £110 balance amount per property. The total HRA Balances at 31 March 2021 are £15,450k.

2019/20 Actual	Housing Revenue Account	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn
£000		£000	£000	£000
(613)	<b>HRA Balance at beginning of year</b>	(610)	(610)	(610)
(171)	(Surplus)/Deficit for the year	0	793	(3,395)
174	Transfer to/from Reserves	3	(790)	3,396
<b>(610)</b>	<b>HRA Balance at end of year</b>	<b>(607)</b>	<b>(607)</b>	<b>(609)</b>
(8,061)	<b>HRA Financing Fund at beginning of year</b>	(8,235)	(8,235)	(8,235)
(174)	Transfer to/from Reserves	(3)	790	(3,396)
0	Revenue Contribution to Capital	1,457	1,457	0
<b>(8,235)</b>	<b>HRA Financing Fund at end of year</b>	<b>(6,781)</b>	<b>(5,988)</b>	<b>(11,631)</b>
(3,364)	<b>Major Repairs Reserve at end of year</b>	(3,364)	(3,111)	(3,210)
<b>(12,209)</b>	<b>Overall HRA balances at end of the year</b>	<b>(10,752)</b>	<b>(9,706)</b>	<b>(15,450)</b>

## Revenue Variances

5. As a result of the assessment of the impact of COVID on the Original Budget, a Revised Budget was approved by Cabinet on 15 October 2020. Comparisons between the outturn position and the budget are based on this revised budget, rather than the original.
6. Supervision and Management (excluding recharges) £454k underspend (11.1% of the revised budget). This includes salaries £267k, underspending on legal costs £37k, Gas £29k, Community Projects £24k, and Furniture in Sheltered Courts £22k, Surveys £16k to be carried forward and the balance being smaller underspends £59k.
7. Repairs and Maintenance (excluding recharges) £322k underspend (5% of the revised budget) This includes underspending salaries £77k, Electrical Works of £183k, as well as underspend of ultimately disputed Electrical Works invoices of £74k relating to prior year. Other underspends include £45k, in Consultants Fees in Capital Team/Planned Maintenance and Fire Risk Assessments £106k. These were offset by overspends of £32k on Relet Repairs and £75k, Door Entry Maintenance and Planned Maintenance £96k, plus other smaller underspends £40k.
8. Net Recharges to the HRA were £37k (2%) greater than the budget. These exclude Pension recharges totalling £97k and Accumulated Absences £112k which do not impact on the bottom-line of the HRA. The Depreciation of £3,464k was credited into the Major Repairs Reserve to the capital programme. Revaluations were reversed out and do not affect the HRA outturn position.

## Rent and rent arrears

9. The 2020/21 rent income for dwellings was £ 1 7 k (0.8%) higher than the budget due to fewer house sales than budgeted. Right to buy sales were budgeted at 40 sales, compared with 26 actual sales. An additional 20 properties were added to the HRA. Void loss was 3.8% against a budget of 3.7%.
10. As at 31 March 2021 rent arrears were £1,094k compared with £1,078k at 31 March 2020. Court costs arrears were £98k at 31 March 2021 compared with £107k at 31 March 2020. These are a net increase of £7k. As a percentage of dwelling rents the total arrears including court costs is 5.79% compared with 5.63% in 2019/20.
11. The total amount of HRA debt written off in the year was £163k compared to £236k in 2019/20. Although Bad Debt top-up at £175k is £418k (70%) lower than the Revised Budget, all outstanding income debts are covered by the HRA Bad debt provision which totals approximately £1.3m at 31 March 2021. Rent and court costs write-offs totalling £155k in 2020/21 compared with £184k in 2019/20.
12. Current dwelling rent arrears increased by £55k between the end of March 2020 and the end of March 2021. Former tenant arrears reduced by £43k over the same period.

Former tenant arrears cash collected over the year was £59k. Rent collection for the year (including arrears brought forward) was 96.33% compared with 96.29% at the end of the previous year.

13. The numbers of tenants receiving universal credit (UC) continues to rise but the rate of change over the year slowed down compared to the two previous years: during the year numbers increased by 356 to 1,427 at the end of March 2021. As expected, and in line with the experience of other landlords, UC rent arrears have increased and the average debt of a tenant receiving universal credit at the end of the year was £641 compared to £592 at the end of March 2020. UC is paid to the claimant as a single monthly payment in arrear. It takes at least five weeks for the Department for Work and Pensions to assess a claim and for tenants to receive their first payment of the benefit. A rent debt is often accrued as a result. In some instances, on receipt of the benefit tenants do not pay the rent to the council. Advice and support is offered to all tenants moving to universal credit by the landlord services financial inclusion and tenancy support teams. Where tenants have vulnerabilities and/or owe eight or more weeks' rent our universal credit officer makes applications to the DWP to switch payment of the housing element of UC from the tenant to the council. Rent recovery action is taken where necessary.
14. The Council's ability to take legal action for non-payment of rent was constrained for much of the year due to the protection for tenants from eviction provided by the Coronavirus Act 2020

15. Housing Revenue Account Carry Forward

£16k Star Survey budget – currently being procured. This was approved by Cabinet on 1 July 2021.

Capital Outturn

16. The outturn for Capital expenditure was £4,026k against a budget of £9,099k, a variance of £5,073k.
17. Slippage of £130k Major Adaptations, £225k Kitchens, £60k Door Replacements, £60k Roofing Works and Insulation and £1,763k acquisition of affordable housing to meet housing need, was approved to be carried forward into the 2021/22 Capital Programme.
18. The movement in the Major Repairs Reserve was:

	2020/21 £'000
Balance at 1st April 2020	(3,364)
Transfer to Major Repairs Reserve (Depreciation)	(3,464)
Capital Expenditure funded from Major Repairs Reserve	3,618
Balance at 31st March 2021	(3,210)

19. contributed £3,464k into the Major Repairs Reserve via Depreciation. This reserve has a balance at 31 March 2021 of £3,210k compared with £3,111k at 31 March 2020. This balance is the unspent amount carried forward to 2021/22. This reserve finances capital expenditure and the repayment of debt, in accordance with the HRA Business Plan.
20. The HRA Capital Programme was financed as per the table below, predominantly from the Major Repairs Reserve.

	<b>2020/21</b>
	<b>£'000</b>
Capital Expenditure	4,026
Financed By:	
Major Repairs Reserve	3,618
Other Capital Contributions	204
Revenue Contributions	0
HRA Capital Receipts	204
	<b>4,026</b>

21. The Revenue Contribution to Capital budget of £3,308k was not required to finance the capital programme. That is the principal reason for the large underspend in the Housing Revenue Account for 2020/21.

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## Appendix 1 – Housing Revenue Account

2019/20 Actual	Housing Revenue Account	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	2020/21 Variance
£000		£000	£000	£000	£000
5,220	<b>Expenditure</b>				
6,718	Supervision and Management	5,550	5,540	5,421	119
191	Repairs and Maintenance	6,769	6,824	6,427	397
270	Rents, Rates and other charges	139	224	261	(37)
3,249	Provision for Bad Debt and Other Charges	383	593	175	418
(17,892)	Depreciation	3,189	3,189	3,464	(275)
18	Net Revaluation increase of non-current assets	0	0	(14,077)	14,077
(2,226)	Debt Management Expenses	10	10	18	(8)
	<b>Expenditure Sub-total</b>	16,040	16,380	1,689	14,691
	<b>Income</b>				
(20,483)	Dwelling Rent Income	(20,937)	(20,580)	(20,597)	17
(366)	Shops, Land and Garages Rent	(360)	(350)	(412)	62
(55)	Warden Service Charges	(57)	(49)	(52)	3
(355)	Central Heating and Communal Charges	(350)	(323)	(286)	(37)
(143)	Leasehold Flat and Shop Service Charges	(158)	(143)	(143)	0
(26)	Hostel Service Charges	(31)	(30)	(28)	(2)
(11)	Council Tax recharged	(11)	(10)	(9)	(1)
(21,439)	<b>Income Sub-total</b>	(21,904)	(21,485)	(21,527)	42
(23,665)	<b>Net Cost/(income) of service</b>	(5,864)	(5,105)	(19,838)	14,733
(85)	Transfer from General Fund - Grounds Maintenance	(84)	(84)	(82)	(2)
2,709	Interest Payable	2,706	2,709	2,701	8
(124)	Investment Income	(66)	(35)	(45)	10
(21,165)	<b>Net Operating Expenditure/(Income)</b>	(3,308)	(2,515)	(17,264)	14,749
3,659	Revenue Contribution to Capital	3,308	3,308	0	3,308
(556)	Pension Adjustment	0	0	(96)	96
(1)	Accumulated Absence Adjustment	0	0	(112)	112
17,892	Reversal of Gain on Revaluation	0	0	14,077	(14,077)
20,994	Appropriations	3,308	3,308	13,869	(10,561)
(171)	<b>(Surplus)/Deficit for the year</b>	0	793	(3,395)	4,188

## Appendix 2 – Controllable Budget Variances – Housing Revenue Account

Charnwood Borough Council HRA Revenue Monitoring Report as at March 2021 Period (202013) Based on Revised Budget	Full Year Budget £000's	Year-to-Date (YTD)			YTD Variance as % of YTD Budget
		Amount £000's	Revised Budget £000's	Variance Under/ (Over) £000's	
<b><i>General Management</i></b>					
<b>Repairs &amp; Maintenance</b>					
Employee Related Costs	2,668	2,590	2,668	77	2.3%
All Other Controllable Costs	3,410	3,144	3,410	266	2.6%
Controllable Income	(54)	(32)	(54)	(21)	39.8%
<b>Total Repairs &amp; Maintenance</b>	<b>6,024</b>	<b>5,702</b>	<b>6,024</b>	<b>322</b>	<b>2.2%</b>
<b>Allocations &amp; Lettings</b>					
Employee Related Costs	720	668	720	52	6.2%
All Other Controllable Costs	31	23	31	8	6.2%
Controllable Income	(13)	14	(13)	(27)	210.5%
<b>Total Allocations &amp; Lettings</b>	<b>738</b>	<b>705</b>	<b>738</b>	<b>33</b>	<b>2.6%</b>
<b>Housing Strategy</b>					
Employee Related Costs	75	51	75	24	30.9%
All Other Controllable Costs	22	3	22	19	87.0%
Controllable Income	0	0	0	(0)	0.0%
<b>Total Housing Strategy</b>	<b>96</b>	<b>54</b>	<b>96</b>	<b>42</b>	<b>43.1%</b>
<b>Supervision &amp; Management</b>					
Employee Related Costs	2,738	2,471	2,738	267	9.0%
All Other Controllable Costs	1,553	1,308	1,553	245	11.7%
Controllable Income	(248)	(190)	(248)	(58)	23.5%
<b>Total Supervision &amp; Management</b>	<b>4,043</b>	<b>3,590</b>	<b>4,043</b>	<b>454</b>	<b>9.1%</b>
<b>Total General Management</b>	<b>10,901</b>	<b>10,050</b>	<b>10,901</b>	<b>851</b>	<b>5.1%</b>
<b><i>Rents, Rates and Other Charges</i></b>					
<b>Rents, Rates and Other Charges</b>					
All Other Controllable Costs	224	261	224	(37)	-16.3%
<b>Total Rents, Rates and Other Charges</b>	<b>224</b>	<b>261</b>	<b>224</b>	<b>(37)</b>	<b>-16.3%</b>
<b>Total Rents, Rates and Other Charges</b>	<b>224</b>	<b>261</b>	<b>224</b>	<b>(37)</b>	<b>-16.3%</b>
<b>Grand Total</b>	<b>11,125</b>	<b>10,311</b>	<b>11,125</b>	<b>2,515</b>	<b>4.7%</b>
<b><i>Income</i></b>					
Dwelling Rent Income - Gross	(21,364)	(21,429)	(21,364)	65	0.3%
Dwelling Rent Void loss	785	832	785	(47)	6.0%
<b>Net Dwelling Rent Income</b>	<b>(20,579)</b>	<b>(20,597)</b>	<b>(20,579)</b>	<b>17</b>	<b>0.1%</b>
Non-Dwelling Rent	(484)	(543)	(484)	59	12.2%
Non-Dwelling Rent Void Loss	133	131	133	2	-1.7%
<b>Net Non Dwelling Rent Income</b>	<b>(351)</b>	<b>(412)</b>	<b>(351)</b>	<b>61</b>	<b>17.5%</b>
Charges for Services & Facilities - Charge	(720)	(642)	(720)	(78)	-10.9%
Charges for Services & Facilities - Void Loss	165	123	165	42	-25.4%
<b>Net Charges for Services and Facilities</b>	<b>(555)</b>	<b>(519)</b>	<b>(555)</b>	<b>(36)</b>	<b>-6.6%</b>
<b>Total Income</b>	<b>(21,485)</b>	<b>(21,527)</b>	<b>(21,485)</b>	<b>42</b>	<b>0.2%</b>

## Appendix 3 – Capital Outturn – Housing Revenue Account

Scheme Details		2020/21				
		Current Budget £	Actual Spend 31/3/21 £	Balance £	Slippage into 2021/22 Requested £	Under/ (Overspend) £
<u>Community, Planning and Housing - HRA</u>						
<i>Live Schemes</i>						
PO Z761	Major Adaptations	450,000	169,033	280,967	130,000	150,967
PO Z301	Minor Adaptations	50,000	15,121	34,879	0	34,879
PO Z302	Stairlifts	60,000	34,799	25,201	0	25,201
PO Z762	Major Voids	280,000	121,183	158,817	0	158,817
<i>Compliance</i>						
PO Z434	Asbestos Removal	150,000	117,977	32,023	0	32,023
PO Z771	Communal Area Improvements	200,000	167,742	32,258	0	32,258
PO Z742	Communal Area Electrical Upgrades	200,000	(71,347)	271,347	0	271,347
PO Z772	Smoke/CO & Heat Detection	30,000	19,184	10,816	0	10,816
PO Z773	Fire Safety Works	300,000	710,199	(410,199)	0	(410,199)
PO Z401	Fire Safety	0	(337,562)	337,562	0	337,562
PO Z374	CO Monitors	0	1,656	(1,656)	0	(1,656)
<i>Stock Maximisation</i>						
PO Z375	Garages	50,000	0	50,000	0	50,000
<i>Decent Homes</i>						
PO Z763	Kitchens	539,900	51,589	488,311	225,000	263,311
PO Z764	Bathrooms	915,000	17,387	897,613	0	897,613
PO Z765	Electrical Upgrades	100,000	785	99,215	0	99,215
PO Z766	Window Replacement	35,000	0	35,000	0	35,000
PO Z767	Heating	439,300	387,249	52,051	0	52,051
PO Z743	Sheltered Housing Improvements	200,000	327	199,673	0	199,673
PO Z768	Door Replacement	745,500	129,900	615,600	60,000	555,600
PO Z769	Roofing Works & Insulation	650,000	422,015	227,985	60,000	167,985
PO Z770	Major Structural Works	250,000	394,420	(144,420)	0	(144,420)
PO Z369	Major Structural Works	0	8,734	(8,734)	0	(8,734)
<i>General Capital Works</i>						
PO Z776	Estate and External Works	305,000	468,614	(163,614)	0	(163,614)
PO Z857	Housing Capital Technical Costs	312,000	193,428	118,572	0	118,572
PO Z378	Door Entry Systems	358,300	305,015	53,285	0	53,285
AS Z760	Acquisition of Affordable Housing to meet housing need	2,447,200	681,579	1,765,621	1,763,400	2,221
AS Z788	Barkby Road, Queniborough - acquisition of 27 dwellings	17,500	19,742	(2,242)	0	(2,242)
PO Z775	Mobility Scooter Storage	15,000	0	15,000	0	15,000
PO Z470	Job Management System	0	(2,781)	2,781	0	2,781
<b>Community, Planning and Housing - HRA - Total</b>		<b>9,099,700</b>	<b>4,025,988</b>	<b>5,073,712</b>	<b>2,238,400</b>	<b>2,835,312</b>