

**Report to:** **Housing Review Board**

**Date of Meeting:** 17<sup>th</sup> September 2020

**Public Document:** Yes

**Exemption:** None

**Review date for release** None



**Subject:** **Finance Report to end August 2020**

**Purpose of report:**

This report provides the Housing Review Board with the current position to the end of August 2020 and details of the year end forecast of the draft Housing Revenue Account for 2020/21.

This account shows the main areas of anticipated income and expenditure on landlord activities for the year ahead and highlights to the board areas of change and/or items of note.

The report also provides the position of the HRA capital programme for both affordable housing and other capital items outside of the Housing Revenue Account

**Recommendation:**

The Housing Review Board is invited to agree the budget reallocations within the report, note the impact assessments and approve the report on the Housing Revenue Account financial position to end August 2020 and recommend it to Cabinet.

**Reason for recommendation:**

To give the Housing Review Board an involvement opportunity to contribute towards the housing service, accounts, spending, budget management and influence areas of future expenditure.

**Officer:** Rob Ward, Accountant

**Portfolio Holder:** Portfolio Holder for Sustainable Homes and Communities

**Financial implications:** Contained within the body of the report.

**Legal implications:** No legal observations are required.

**Equalities impact:** Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting.

**Climate change:** High Impact

The budget setting and review process gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council.

**Risk:** High Risk

Covid-19 has brought with it a number of high risks that impact our business plan including;

Potential loss of rental income due to risk of residents being unable to pay rent

If our contractors are unable to function this could lead to our Inability to maintain our properties to standards required ensuring homes are habitable

Inability to maintain gas safety compliance as well as other areas of health and safety/compliance, this could have significant consequences.

Inability to repossess properties due to ASB/rental arrears owing to restrictions on Court hearings.

**Links to background information:**

**Link to [Council Plan](#):** Choose Priorities and delete what not appropriate.  
 Outstanding Place and Environment  
 Outstanding Homes an Communities  
 Outstanding Economic Growth, Productivity, and Prosperity  
 Outstanding Council and Council Services

**1. HRA Opening Reserves Balances**

- 1.1 The 2019/20 financial year end resulted in the Housing Revenue Account being in surplus by £0.96m which was £0.19m less than budgeted due to the reasons outlined in the previous report to the HRB. This surplus still remains within the HRA Balance.
- 1.2 During the year end close down due to the onset of COVID19 the decision was made to utilise all capital reserves ahead of the more flexible revenue reserves where possible.
- 1.3 The HRA Balance above the adopted level combined with the HRA volatility reserve equates to a total of **£3.6m** which is available should COVID have a significantly detrimental impact upon the HRA.
- 1.4 The below is the full list of the available reserves at the year-end;

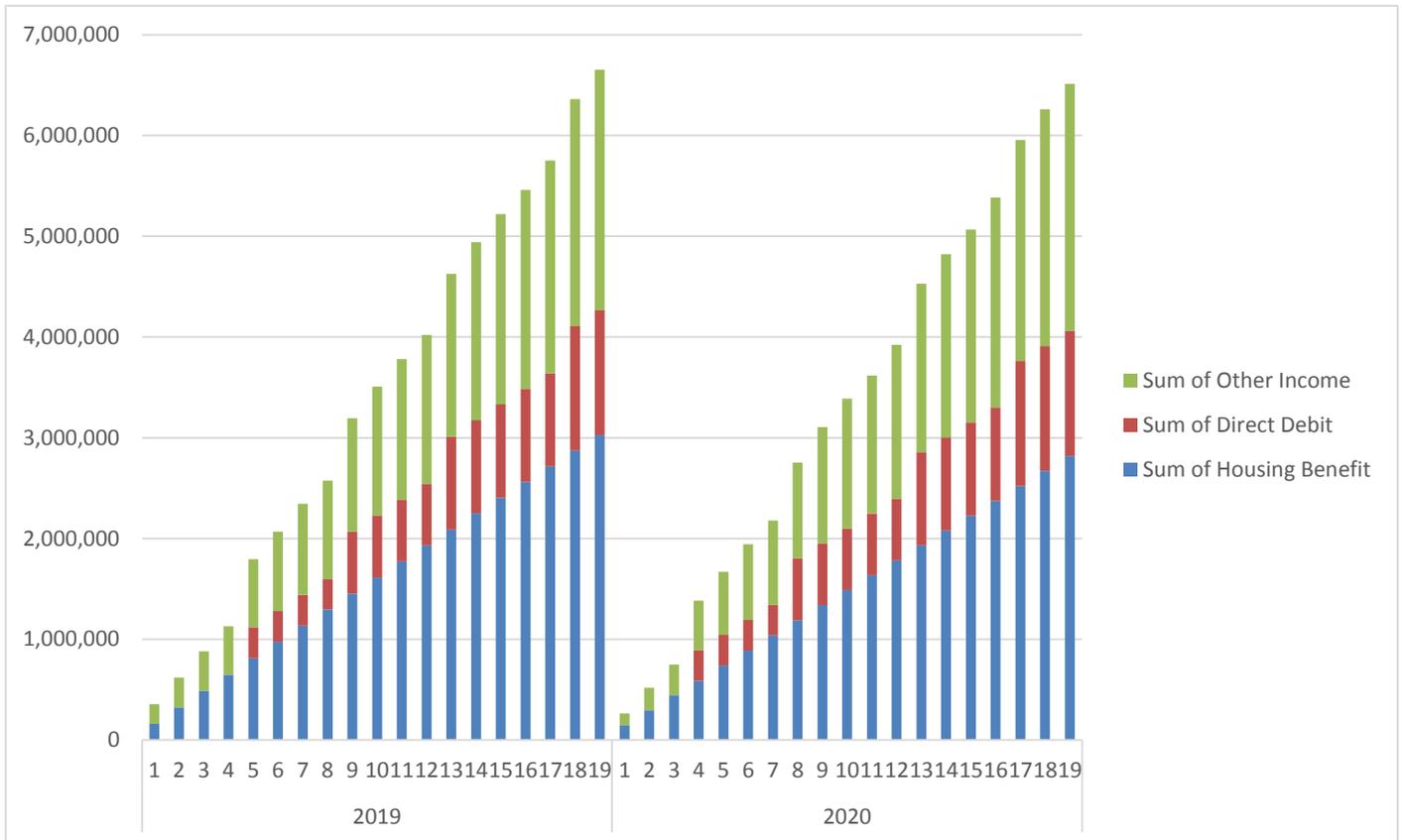
2018/19		2019/20	
Actuals	Revenue Reserve Name	Actuals	Description
-3,100	HRA Balance	-4,059	Adopted level of £500 per dwelling plus £1m buffer
-1,600	HRA Volatility Reserve	-1,600	Earmarked reserve in case of events impacting rental income
-980	New Homes Development Fund	0	Earmarked for new homes
-165	Planned Maintenance Reserve	-515	Earmarked for Future Planned Maintenance commitments
-1,988	FRA & Lifts Reserve	-2,969	Earmarked for FRA Building works and Lift replacement
<b>-7,834</b>		<b>-9,142</b>	

Actuals	Capital Reserve Name	Actuals	Description
-4,469	HRA Capital Receipts	-4,019	30% Government RTB funding of replacements only
-1,377	Hra Retained Capital Receipts	0	Capital Receipts used to finance the capital programs
<b>-5,846</b>		<b>-4,019</b>	

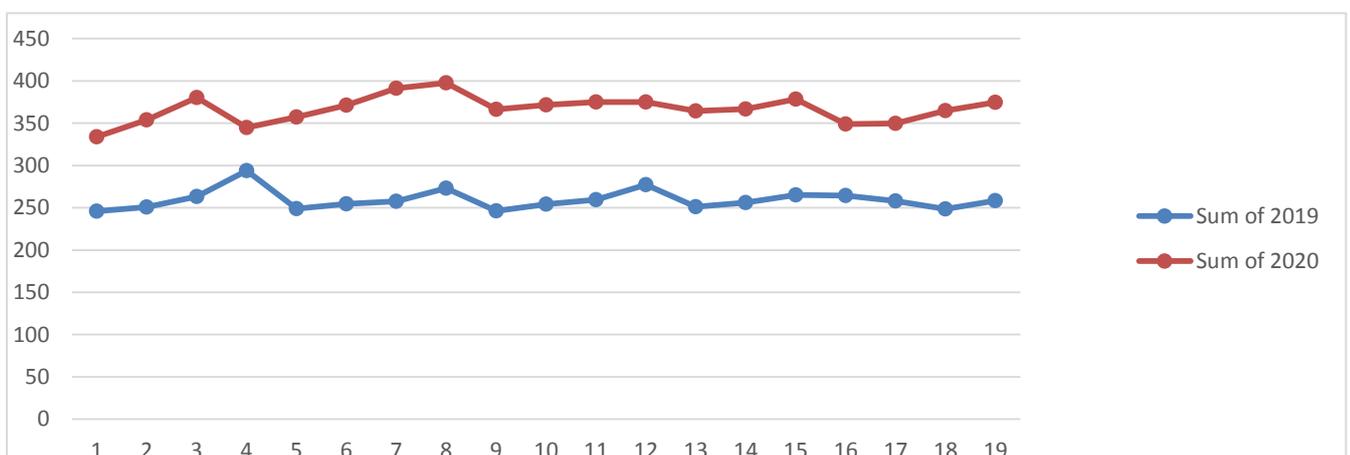
## 2. COVID 19 Income Impact Assessment v Reserves

2.1 Comparative of Rental Income: in order to assess the impact upon rental income the below comparison of the same periods in both 2019 and 2020 was conducted. The 2019 income was inflated by the annual rental increase to obtain a like for like comparative figure and rentals split by income type and analysed on a cumulative basis.

2.2 The below chart shows that thus far our collection rates and income levels are materially consistent with the prior year and that the impact of COVID19 has been largely mitigated.



2.3 A corresponding analysis of the arrears account also shows a similar correlation to last year and no significant increase during the COVID 19 pandemic. The year on year increase in arrears levels was seen prior to February so cannot be entirely attributed to COVID.



2.4 The below table shows the current year to date income position and the current forecast. This forecasted outturn should be considered pessimistic as it uses a reduced rolling average for the remainder of the year to incorporate a potential COVID impact.

Year to Aug 2020			Category	2020/21 Forecast		
Actuals	Budget	Variance		Actuals	Budget	Variance
-7,192,159	-7,319,900	<b>127,741</b>	Gross Property Rents	-17,068,255	-17,567,740	<b>499,485</b>
-93,993	-177,300	<b>83,308</b>	Garage Rents	-245,132	-425,530	<b>180,398</b>
-264,501	-225,900	-38,601	Other Income	-614,171	-542,120	-72,051
-7,550,652	-7,723,100	172,448		-17,927,557	-18,535,390	607,833

2.5 The aforementioned £3.6m in reserves within the HRA above the adopted level is able to offset the following rent reductions, showing that the HRA is able to withstand a significant COVID impact which as yet we are not experiencing.

£3.6m equals;

- 25% reduction in all rent levels for an entire year
- 10% reduction in Housing Benefit rent & 35% reduction in other rents for a year
- 20% reduction in Housing Benefit rent & 30% reduction in other rents for a year

### 3. HRA Outturn as at August 2020

3.1 The current outturn position below is based upon the current spend and monthly rolling averages and/or estimates where appropriate.

3.2 The expenditure below is significantly under budget primarily due to COVID impacting the council's ability to carry out certain types of work, replacing kitchens and bathrooms for example is currently not possible with COVID requirements and work restrictions. It is for this reason that the 20/21 budget allocations require revision which is dealt with in section 5 of this report.

Year to Aug 2020			Category	2020/21 Forecast		
Actuals	Budget	Variance		Actuals	Budget	Variance
-7,550,652	-7,723,100	<b>172,448</b>	INCOME	-17,927,557	-18,535,390	<b>607,833</b>
5,674,365	10,232,400	-4,558,035	EXPENDITURE	14,025,300	16,090,360	-2,065,060
-28,491	631,050	-659,541	FINANCING	1,542,997	1,514,470	<b>28,527</b>
-1,904,778	3,140,350	-5,045,128		-2,359,260	-930,560	-1,428,700

3.3 Upon revision of the planned maintenance budget the forecast will be reviewed and is expected to be more in line with the budgeted figure.

### 4. Capital Position as at August 2020

4.1 Affordable Housing; the Government has currently granted a 6 month extension for the payback of right to buy receipts for the period when development or acquisition of properties was not possible.

4.2 We are hopeful that this extension will be increased as we currently have a Q3 target of £3.4m and to date have either spent or committed £1.7m with an additional Q4 expenditure requirement of £2.4m. The funding for the 70% HRA contribution has been arranged, however, unless significant investment opportunities can be found and quickly we are likely to have to return receipts.

4.3 The capital program as at August 2020 has seen very little spend in light of COVID19.

## 5. Planned Maintenance Budget Realignment

5.1 As mentioned within 3.2 the pandemic has made it necessary to reorganise the planned maintenance programme. The following table shows the proposed reallocation of work, primarily moving budgets from areas considered difficult to undertake during COVID to those which by their nature are less impacted by working restrictions.

		1,907,800					-1,907,800		
Increases		2020/21 Budget			Decreases		2020/21 Budget		
COST CENTRE		Original	Proposed	Variance	COST CENTRE		Original	Proposed	Variance
Electrical Updating		300,000	970,000	670,000	Electrical Heating		102,000	100,000	-2,000
Re-Roofing		0	300,000	300,000	Social Services Adaptations		102,000	100,000	-2,000
Replacement steps; Manor Close, Seaton		0	300,000	300,000	Energy Perf Certificates		20,000	3,000	-17,000
Replacement/upgrading Bin Stores (various locations)		0	150,000	150,000	Subsidence		30,000	10,000	-20,000
Major structural works; Underleys, Beer		0	100,000	100,000	Interior Decoration		20,400	0	-20,400
Balcony & Balustrade at Summersby Close, Seaton		0	100,000	100,000	Replacement Doors		100,000	70,000	-30,000
Electrical Inspections		100,000	150,000	50,000	Lift Maintenance		85,000	45,000	-40,000
Fire door inspections		0	40,000	40,000	Cot: Bathrooms		70,000	0	-70,000
Fra Surveys		0	30,000	30,000	New Boilers - Reactive		71,400	0	-71,400
Fuel Efficiency Measures		120,000	150,000	30,000	Solid Fuel Servicing		180,000	100,000	-80,000
Country House, Sidford		0	30,000	30,000	Asbestos Surveys		270,000	170,000	-100,000
Legionella remedial work		0	25,000	25,000	Asbestos Works		150,000	50,000	-100,000
Communal Areas Mtce		37,740	50,000	12,260	Replacement Bathrooms		210,000	75,000	-135,000
26 Glebe Close Uptonp Mjrrfrb		0	10,000	10,000	Cot: Kitchens		190,000	0	-190,000
Gas Repairs		0	10,000	10,000	Pvcu Fascia Replacement		320,000	70,000	-250,000
Service Rainwater Harvest Sys		8,160	18,160	10,000	Gas Boilers Replacement		800,000	550,000	-250,000
Emergency Light Testing		0	10,000	10,000	Fire Related Building Works		255,000	0	-255,000
Sewage Trtmnt Works		4,850	12,290	7,440	Replacement Kitchens		350,000	75,000	-275,000
Solar PV & Thermal servicing		0	7,000	7,000					
Legionella Testing - Hra Props		20,000	25,000	5,000					
Pat Testing		1,000	5,000	4,000					
Air Source Heat Pump Servicing		0	4,000	4,000					
Fire Equip Servicing and Repair		0	1,000	1,000					
Fire Extinguisher Testing		0	1,000	1,000					
Smoke & Co Alarms		0	600	600					
Clos-O-Mat Servicing		1,000	1,500	500					

## 6. Green Homes Grant Bid & Associated Required Match Funding

6.1 The council has made an application for £500k of Government Grant funding for reducing the carbon footprint of a selection of council properties. The submission deadline was the 1<sup>st</sup> September and the Final Allocation list of awarded grants will be on the 28<sup>th</sup> September.

6.2 In order to obtain the funding the council is required to match fund any award given, the most recent assessment of this additionally required HRA expenditure being an additional £600k to achieve a £1.1m climate change investment.

6.3 Whether or not the council has been successful will be reported to the next housing review board. The match funding will be taken from a variety of sources, being, in order of priority;

- Existing uncommitted climate change budget lines such as Fuel Efficiency Measures, Loft insulation etc
- Reallocations from under budget capital and revenue programs
- Unspent Capital Receipts at the year-end date
- Unallocated revenue reserves