Report to: Housing Review Board

Date of Meeting 29/04/2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Housing Revenue Account & Housing Capital Finance Report

Report summary:

The report provides the Housing Review Board with current draft financial outturn figures for the housing revenue account and housing capital program for the 2020/21 financial year. The report will also consider the implications of any forthcoming regulatory changes.

Producing a Housing Revenue Account has been a statutory requirement for Councils who manage and own their housing stock for some time, and therefore a key document for the Board to influence

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the Housing Revenue Account & Housing Capital Finance Report is approved and recommended to cabinet.

Reason for recommendation:

To give the Housing Review Board an opportunity to contribute towards the review and planning of all landlord service related finances.

Officer**:** Rob Ward, rward@eastdevon.gov.uk, 01404 515616 ext 2357

Portfolio(s) (check which apply)**:**
☐ Climate Action and Emergencies
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Culture, Tourism, Leisure and Sport
☐ Democracy and Transparency
☐ Economy and Assets
☒ Finance
☒ Strategic Planning
☒ Sustainable Homes and Communities

Equalities impact Low Impact

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Climate change High Impact

Risk: Low Risk; Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions.

Links to background information East Devon Financial Information 2020/21

Link to Council Plan:

Priorities (check which apply)

☐ Outstanding Place and Environment
☒ Outstanding Homes and Communities
☐ Outstanding Economic Growth, Productivity, and Prosperity
☐ Outstanding Council and Council Services

Report in full

1 Regulatory Changes: Right to Buy

1.1 In response to a public consultation MHCLG are reforming both the regulations and agreements with councils which propose to improve the flexibility in how and when receipts can be used.

1.2 The benefits of these changes which take effect in the next financial year are;

- Required Spending Timeframe to increase from 3 years to 5 years on all current and future receipts.
- Funding Cap on Receipts to increase from 30% to 40%.
- Reporting timeframe changed from quarterly to annually.

1.3 The one potential future issue for East Devon within the reforms is that there will be a phased reduction placed upon the proportion of acquisitions made within a year from the 22/23 financial year. The aim of this reform is to ensure councils are developing as opposed to acquiring properties which MHCLG deems to be better value for money. The limits imposed will be the following (East Devon's current supply is 100% acquisition);

- From 22/23 – Max 50% of supply to be acquisitions
- From 23/24 – Max 40% of supply to be acquisitions
- From 24/25 onwards – Max 30% of supply to be acquisitions.

1.4 The return for Q4 20/21 has been completed and as the required capital expenditure has been held at the Q4 19/20 level which I assume is to roll out the 3 to 5 year change, this means we are no longer required to pay the £915k of unspent receipts previously advised to the board.

2 Housing Revenue Account – draft position before accruals and reserves

2.1 **Draft Surplus £3.2m (£2.3m increase v budget)**
The current draft surplus on the HRA is £3.2m against a budget of £0.93m before year end accruals and reserves are applied. This figure shows the large levels of underspend in repairs and maintenance due to the pandemic versus the less material impact upon income levels.

2.2 Income £17.8m (£0.7m less than budget)

Although dwelling income levels have remained consistent during the pandemic, there are two factors of note which have contributed to the overall reduction;

- Garage rents (£0.22m v a budget of £0.42 which equates to £0.20m less income)
- Lost rent due to voids (£0.54m v a budget of £0.36m which equates to £0.17m less income.

The remaining £0.34m reduction equates to an approximate 98% recovery rate.

2.3 Expenditure £13m (£2.2m less than budget)
Programmed maintenance and major repairs have seen large underspends due the restrictions imposed by the pandemic. These underspends will be reviewed with the service lead and property and asset manager in the coming weeks to accrue and reserve amounts for catch up works in the 21/22 financial year.

2.4 Financing £0.74m less than budget
The majority of financing charges are still being finalised as part of the year end process, however, due to the reduced levels of spend in the capital program the £0.8k capital contribution budgeted for will no longer be required. The capital receipts available received within the year which are able to fund the capital program are significantly more than the reduced spend levels caused by the pandemic.

3 Housing Capital: Affordable Housing

3.1 As mentioned in Section 1, the rules governing RTB have been reformed and therefore the spend requirement for the year of £5.9m appears to be no longer an issue. The total spend on affordable housing in the year, solely on acquisitions, was £3.2m.

3.2 As the RTB receipts repayment schedule now extends to 5 years the council is in effect £3.2m ahead of the amount we need to have spent by the end of the next financial year. The imposed acquisition limits from the 22/23 financial year onwards requires future focus to be on development opportunities to prevent payback of receipts.

4 Housing Capital – Housing Capital Programme

4.1 The general housing capital program has seen expenditure in the year of £0.3m versus a revised budget of £1.1m. The available capital receipts to fund this program within the year are £0.53m which means a capital contribution from the revenue account is not required.

4.2 The expenditure on Fire Risk Assessment related capital works within the year was £1.2m. This expenditure will be solely funded from the FRA Works & Lift replacement reserve created in 2018 and increased in 2019 to £3m. This will leave a reserve balance of £1.8m.

Financial implications:

Contained within the body of the report.

Legal implications:

No legal observations are required. “Ultimately the approval of any new budgets rests with full Council***.***