

Report to: Housing Review Board
Date of Meeting: 26 March 2020
Public Document: Yes
Exemption: None



Review date for release None

Subject: **Housing Revenue Account update to end of February 2020**

Purpose of report:

This report provides the Housing Review Board with the current position to February 2020 and details of the year end forecast of the draft Housing Revenue Account for 2019/20. This account shows the main areas of anticipated income and expenditure on landlord activities for the year ahead. 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.

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 approve the report on the Housing Revenue Account update to February 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:

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Financial implications:

Financial details are contained within 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 approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council.

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:

2019/20 Draft Revenue and Capital Budget Book

Link to Council Plan:

Outstanding Homes and Communities
Outstanding Council and Council Services

1 Housing Revenue Account Reserves Opening Balances

- 1.1 The Housing Revenue Account (HRA) is underpinned and influenced by the HRA Business Plan. The budget process utilises the principles contained within it, notably, to maintain an acceptable surplus whilst at the same time maintaining stock levels through the purchase programme to counteract the impact of continuing right to buy sales.
- 1.2 The year to date and forecast position of the HRA to the end of December 2020 was presented at the last HRB.
- 1.3 The following tables provide an update on the position of the HRA to the end of February 2020.

2 Housing Revenue Account – current position to February 2020 & Year End Forecast Position

- 2.1 The table below shows a summary of the HRA position compared to the phased budget for this period as well as the forecast position for the year end compared to the revenue budget set for the year. A review of required accrued expenditure to be taken from the current year's revenue is under way.

Year to Feb 2020			Category	2019/20 Forecast		
Actuals	Budget	Variance		Actuals	Budget	Variance
-16,552,640	-16,569,080	16,440	INCOME	-18,019,493	-18,075,360	55,867
15,763,660	16,898,500	-1,134,840	EXPENDITURE	17,777,367	17,676,515	100,852
1,260,190	-883,230	2,143,420	FINANCING	-705,172	-756,310	51,138
471,210	-553,810	1,025,020		-947,299	-1,155,155	207,856

- 2.2 Income is expected to be marginally lower than expected primarily driven by an increase in lost rent resulting from voids. The expenditure in the year is broken down further in the table below.

Year to Feb 2020			Category	2019/20 Forecast		
Actuals	Budget	Variance		Actuals	Budget	Variance
2,525,588	1,608,030	917,558	Responsive Maintenance	2,681,134	1,754,170	926,964
594,651	918,010	-323,359	Annual Programmed Maintenance	785,851	997,000	-211,149
778,794	1,179,980	-401,186	Repairs And Maintenance - Special	1,145,763	1,288,350	-142,587
5,237,752	5,414,840	-177,088	Supervision And Management	5,569,393	5,760,215	-190,822
195,611	230,320	-34,709	Other Expenditure	201,734	250,240	-48,506
3,279,945	4,396,000	-1,116,055	Major Repairs	4,162,951	4,396,000	-233,049
12,612,340	13,747,180	-1,134,840		14,546,827	14,445,975	100,852

2.3 Responsive Maintenance Deep Dive +£927k

Year on Year Comparison

To provide some additional context around the current overspend in responsive maintenance it is worth comparing the overspend with the prior year's outturn. The below table shows the overspend in the prior year and the year on year comparison of 2018 under the cost plus maintenance contract and the 2019 transitional year. In 2018 and in years prior responsive maintenance was over budget which was a main driver in pursuing a new contract.

Rep Cat 3	Accounting DATA		Values		2018		2019		Year on Year Diff
	Prior year		4CAST						
	Sum of Actuals	Sum of Budget	Sum of Diff	Sum of Actuals	Sum of Budget	Sum of Diff			
1 Responsive Maintenance	2,204,197	1,754,440	449,757	2,681,134	1,754,170	926,964		477,207	
1 Responsive Maintenance Total	2,204,197	1,754,440	449,757	2,681,134	1,754,170	926,964		477,207	
Grand Total	2,204,197	1,754,440	449,757	2,681,134	1,754,170	926,964		477,207	

Accounting entries i.e. Year End Accruals

Year-end adjustments such as accruals also have an effect on the overspend and impact on year on year comparatives. With the old contract invoices would come in erratically, depending upon when the contractors would do payment runs or when jobs were authorised by officers for payment in the system. This meant that year end accruals, for work done in the current year to be invoiced in the next year was difficult to quantify. If we remove this element from the year on year comparative the spend in 2018 and 2019 becomes closer.

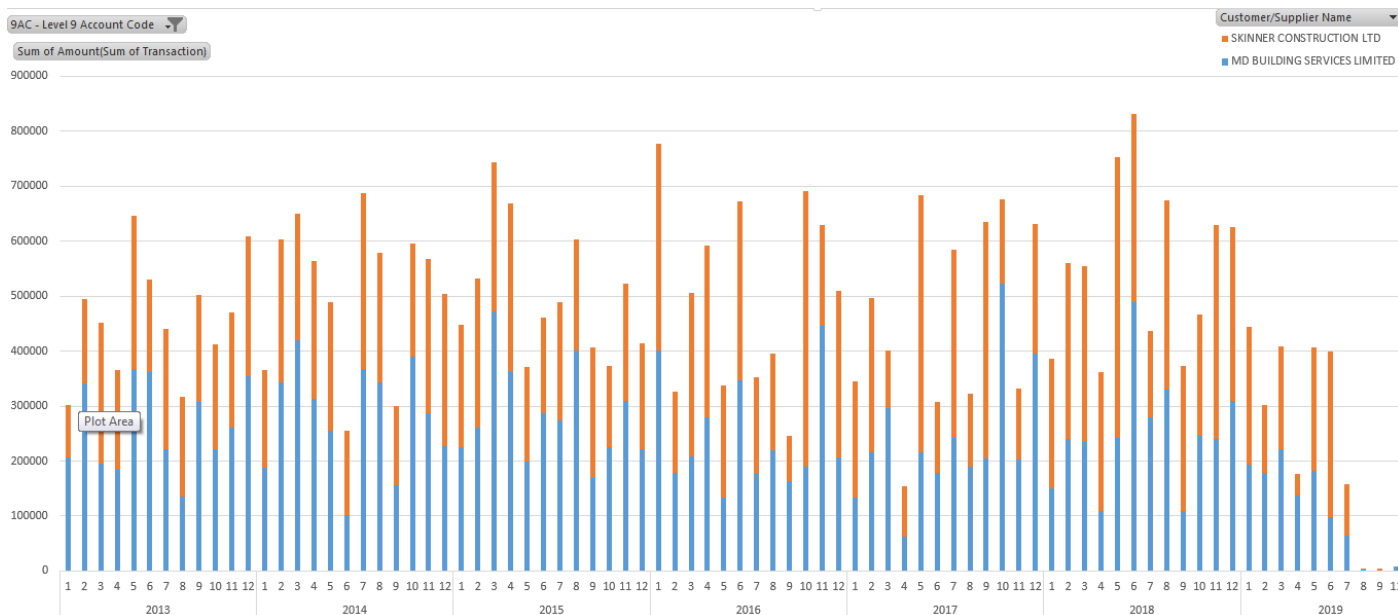
	2018 Actuals	2018 Budget	Diff	2019 Actuals	2019 Budget	Diff	Year on Year
Total	£ 2,204,197	£ 1,754,440	£ 449,757	£ 2,681,134	£ 1,754,170	£ 926,964	£ 477,207
Accounting Adjustments	-£ 397,762		-£ 397,762	-£ 187,577		-£ 187,577	
Total before Accruals	£ 2,601,960	£ 1,754,440	£ 847,520	£ 2,868,711	£ 1,754,170	£ 1,114,541	£ 267,022

Contract switching costs

As a result of the new contract there have been some one off costs, such as the Transfer of Undertakings (Protection of Employment) Regulations which will also have impacted the year on year comparative. If we remove these costs from the current year the increase in 2019 reduces to approx. £170k which is a 7.5% year on year increase and materially consistent with 2018.

New Contract Benefits

As mentioned at the previous HRB the main benefit of the new contract from a financial perspective is consistency and timeliness of invoicing. The below graph showing payments to the previous contractors highlights the inconsistency of expenditure month, making monitoring, forecasting etc much more difficult.



2.4 Additional Information

The appendices now contain numerous additional graphical and tabular pages which show;

- Year to Date and Forecast Income & expenditure split by type versus budget
- Year to Date and Forecast employee expenditure by month
- Summary & Detailed HRA tables

2.5 Reserves Position

Using the above forecasting the revenue reserves position at year end is expected to stay at the adopted levels and still include the volatility reserve with the surplus being used to fund new homes in future years.

Area	Reserve Description	2018	Movement	2019
Revenue	Housing Revenue Account Balance	-3,100	0	-3,100
Revenue	HRA Business Plan Volatility Reserve	-1,600	0	-1,600
TOTAL REVENUE RESERVES		-4,700	0	-4,700

3 Housing Capital: Affordable Housing

3.1 The current business plan includes a programme of expenditure to replace properties lost through RTB sales and ensure that RTB receipts are invested and not returned to central government.

3.2 The following table shows the forecasted spend for the year funded through RTB receipts and the Future Housing development fund through the prescribed 30:70 ratio in order to prevent the return of any receipts to Central Government. It also shows the impact upon the associated reserve accounts and provides their forecast balances at the year-end.

- 3.3 The position with regards to required expenditure for the remainder of the year remains the same as presented at the prior HRB, spend of approximately £130k is required to prevent payback to the government. There will be no additional properties purchased within the year and an assessment is underway to capture all enhancement related spend on properties purchased within year, notably with regards to Sailors Rest. The worst case scenario if no additional expenditure items are identified would see £40.5k RTB receipts returned to government.

4 Capital – Housing Capital Programme

- 4.1 The following Earmarked reserves were set up at the year end and are a combination of capital receipts and revenue contributions along with forecasted expenditure during the year. The capital receipts will be utilised prior to the revenue contributions.
- 4.2 Spend to date allocated against these reserves is currently £342k with an additional £198k committed to the Fire Safety Work at Summersby Close & Powell Close in Seaton, totalling £540k with other tenders in the pipeline.

Reserve Description	Revenue	Capital	Total
Fire Risk Assessment Reserve	-1,988,369	-1,011,631	-3,000,000
Replacement Lifts Reserve	0	-550,000	-550,000
TOTAL EARMARKED RESERVES	-1,988,369	-1,561,631	-3,550,000

- 4.3 The residual capital receipts will be used to fund the capital program, the prior years balance brought forward plus the year to date RTB receipts equate to enough to cover the budgeted spend for the year. No revenue contribution to capital from the HRA will be required within the year.

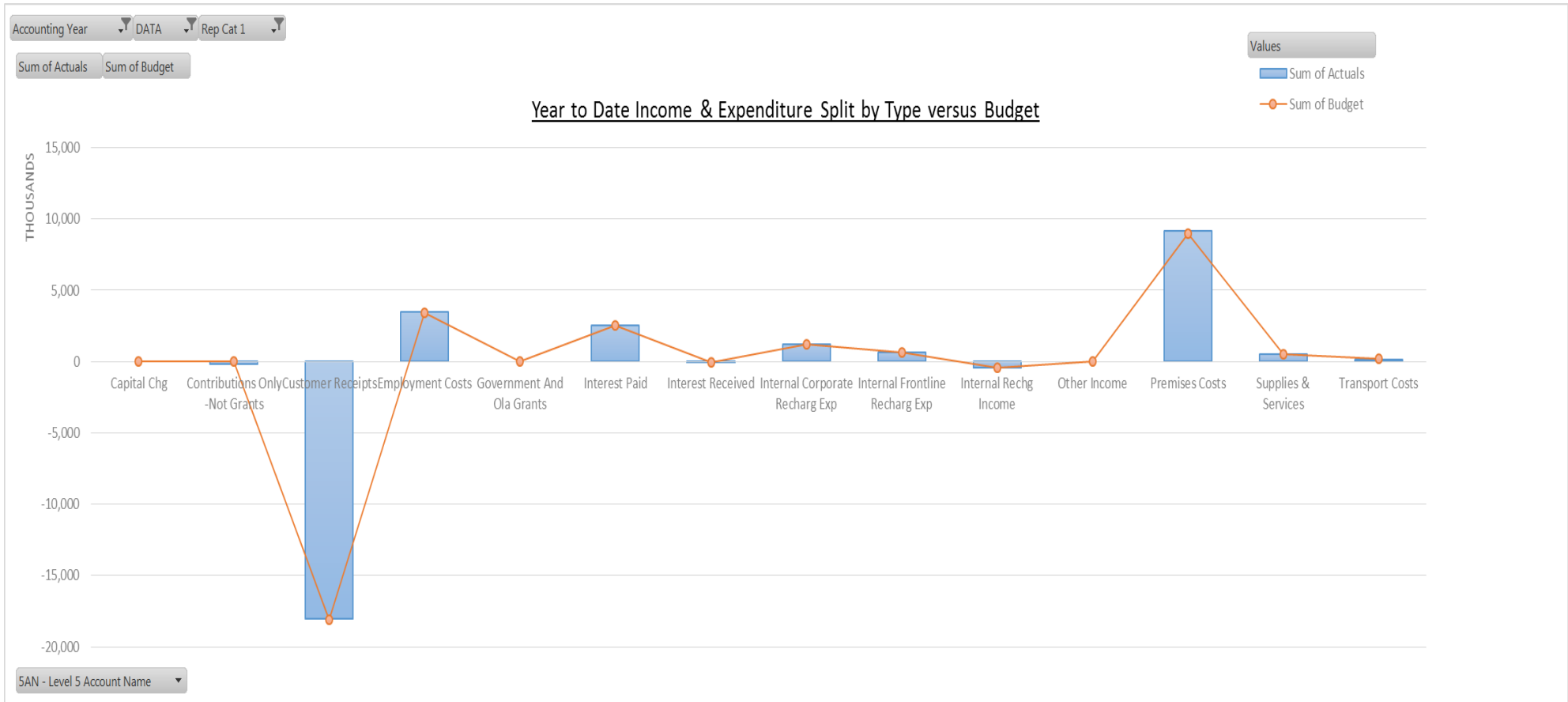
Housing Capital Programme	2019/20		
	Year to Date		
	Total	Capital Receipts	Revenue Cont
	£	£	£
Opening Bal (YE 2018)	(338,854)	(338,854)	0
Addition of Q1+Q2 RTB Receipts	(238,572)	(238,572)	0
Current Balance before Exp	(577,426)	(577,426)	0
Year to Date Expenditure	357,405	357,405	0
Current Balance	(220,021)	(220,021)	0
Forecast Future Expenditure	142,595	142,595	0
Forecast Balance 2019 YE	(77,426)	(77,426)	0

APPENDICES

Housing Revenue Account Summary

				DATA		Values						
Rep Cat 1	Rep Cat 2	Rep Cat 3	Rep Cat 4	Prior year			YTD			4CAST		
				Sum of Actuals	Sum of Budget	Sum of Diff	Sum of Actuals	Sum of Budget	Sum of Diff	Sum of Actuals	Sum of Budget	Sum of Diff
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents		-17,266,783	-17,259,560	-7,223	-15,605,878	-15,682,040	76,162	-16,998,940	-17,107,710	108,770
		2 Garage Rents		-424,241	-463,130	38,889	-410,400	-390,060	-20,340	-446,958	-425,530	-21,428
	2 Other Income	1 Other Income		-554,496	-544,930	-9,566	-536,363	-496,980	-39,383	-573,595	-542,120	-31,475
1 INCOME Total				-18,245,519	-18,267,620	22,101	-16,552,640	-16,569,080	16,440	-18,019,493	-18,075,360	55,867
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance		2,204,197	1,754,440	449,757	2,525,588	1,608,030	917,558	2,681,134	1,754,170	926,964
		2 Annual Programmed Maintenance		1,066,596	947,000	119,596	594,651	918,010	-323,359	785,851	997,000	-211,149
	2 Repairs And Maintenance - Special	1 Repairs And Maintenance - Special		1,390,344	1,302,400	87,944	778,794	1,179,980	-401,186	1,145,763	1,288,350	-142,587
		1 Supervision And Mgt General		4,153,689	4,030,340	123,349	3,786,576	3,785,260	1,316	4,027,254	4,032,725	-5,471
	3 Supervision And Management	2 Supervision And Mgt Special		1,566,673	1,597,110	-30,437	1,451,175	1,629,580	-178,405	1,542,139	1,727,490	-185,351
		1 Other Exp non Sewerage		219,235	235,960	-16,725	191,080	210,530	-19,450	196,801	226,120	-29,319
	4 Other Expenditure	2 Sewerage		14,464	54,070	-39,606	4,531	19,790	-15,259	4,934	24,120	-19,186
		Adjustment to Bad Debt Provision		7,760	0	7,760						
5 Capital Charges & Bad Debt	Depreciation		-239,707	1,312,250	-1,551,957	0	3,151,320	-3,151,320	3,230,540	3,230,540	0	
	Major Repairs Expenditure		4,151,537	4,406,000	-254,463	3,279,945	4,396,000	-1,116,055	4,162,951	4,396,000	-233,049	
2 EXPENDITURE Total				14,534,788	15,639,570	-1,104,782	12,612,340	16,898,500	-4,286,160	17,777,367	17,676,515	100,852
3 FINANCING	1 Interest on Balances	(blank)		-38,870	-20,170	-18,700	0	-45,540	45,540	1,398	-49,730	51,128
	2 Loan Principal & Interest repayments	(blank)		2,511,317	2,562,960	-51,643	1,260,189	2,313,630	-1,053,441	2,523,970	2,523,970	0
	3 Other	(blank)		5,179,336	-10	5,179,346	0	-1,063,260	1,063,260	-1,159,930	-1,159,940	10
	4 MIRS	(blank)		-3,941,605	0	-3,941,605	0	-2,088,060	2,088,060	-2,070,610	-2,070,610	0
3 FINANCING Total				3,710,178	2,542,780	1,167,398	1,260,190	-883,230	2,143,420	-705,172	-756,310	51,138
Grand Total				-553	-85,270	84,717	-2,680,110	-553,810	-2,126,300	-947,299	-1,155,155	207,856

Housing Revenue Account: Year to Date Income & Expenditure by Type



Housing Revenue Account: Forecast Income & Expenditure by Type

Accounting Year DATA Rep Cat 1

Sum of Actuals Sum of Budget

Values

Sum of Actuals

Sum of Budget

Forecast Income & Expenditure Split by Type versus Budget



5AN - Level 5 Account Name

Housing Revenue Account: Employee Costs by Month & Type

