

Appendix A4 – Housing Revenue Account (HRA)

2021/22 – P02 Budget Monitor Report

a: Revenue Budget Monitor

	Revised Budget	Forecast	Outturn	Of which:
P02	£0.0m	Outturn	Variance	Covid
		(£1.5m)	(£1.5m) underspend	Non Covid
				£0.0m
				(£1.5m)

Forecast Outturn Variance by month £m									
May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
(1.5)									

Revenue Position – Income and Expenditure

HRA Income and Expenditure	2021/22 - Full Year					Current Forecast Variance		Previous Forecast Variance		Movement	
	Budget £000	Current Forecast £000	Forecasted Outturn Variance £000	Previous Forecast £'000	Variance from previous forecast £'000	COVID £000	Non COVID £000	COVID £000	Non COVID £000	COVID £000	Non COVID £000
Dwelling rents	(113,495)	(113,718)	(223)	(223)	0	0	(223)	0	0	0	(223)
Voids	1,200	1,009	(191)	(191)	0	0	(191)	0	0	0	(191)
Non-dwelling rents	(1,171)	(1,176)	(4)	(4)	0	0	(4)	0	0	0	(4)
Charges for services and facilities	(8,621)	(8,761)	(140)	(140)	0	0	(140)	0	0	0	(140)
Contributions towards expenditure	(30)	0	30	30	0	0	30	0	0	0	30
TOTAL INCOME	(122,117)	(122,645)	(528)	(528)	0	0	(528)	0	0	0	(528)
Repairs & Maintenance	33,854	33,996	142	142	0	0	142	0	0	0	142
Supervision & Management	32,219	31,022	(1,197)	(1,197)	0	0	(1,197)	0	0	0	(1,197)
Special Services	9,771	9,890	119	119	0	0	119	0	0	0	119
Rents, rates, taxes and other charges	755	751	(4)	(4)	0	0	(4)	0	0	0	(4)
Depreciation & impairment of non-current assets	29,444	29,444	0	0	0	0	0	0	0	0	0
Debt management	41	41	0	0	0	0	0	0	0	0	0
Movement in the allowance for bad debts	1,362	1,362	0	0	0	0	0	0	0	0	0
Movement on Impairment provision	421	421	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	107,867	106,928	(940)	(940)	0	0	(940)	0	0	0	(940)
NET COST OF HRA SERVICES	(14,250)	(15,717)	(1,468)	(1,468)	0	0	(1,468)	0	0	0	(1,468)
Net interest payable, pension costs and other non operational charges	11,043	11,043	0	0	0	0	0	0	0	0	0
Capital Expenditure Funded From The HRA	3,206	3,206	0	0	0	0	0	0	0	0	0
SURPLUS FOR THE YEAR ON HRA SERVICES	0	(1,468)	(1,468)	(1,468)	0	0	(1,468)	0	0	0	(1,468)

Key Messages

The HRA, is a ring-fenced account within the General Fund, it cannot budget for a deficit, it is required to be self-financing over time. In each year, there will be either a net spend or a net surplus, which will either be covered off from or carried to the HRA General Reserve.

At period P2 the HRA is reporting an underspend of (£1.5m), the breakdown of this, across the Service areas is shown in the table below:

Summary by Service		2021/22 - Year to date							Previous Forecast		
Service		Revised Budget	Forecast Outturn	Adjustments	COVI D-19 Exp	COVI D-19 Inc	Covid-19 Pressures (B)	Non-Covid Pressures (C)	Outturn Variance	Forecast Outturn	Movement in Forecast
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
321	Strategy, Planning & Governance	17,392	17,022				0	-369	-369	0	17,022
322	Responsive Repairs	28,277	28,156				0	-122	-122	0	28,156
323	Planned Programmes	15,006	15,409				0	403	403	0	15,409
324	Estate Management	-105,326	-106,676				0	-1,350	-1,350	0	-106,676
326	Estate Regeneration	536	505				0	-30	-30	0	505
Division: Housing Services - HRA		-44,115	-45,583	0	0	0	0	-1,468	-1,468	0	-45,583
X10	HRA - Funding & Expenditure	11,465	11,465				0	0	0	0	11,465
X11	HRA - Capital Financing	3,206	3,206				0	0	0	0	3,206
X12	HRA - Year-end transactions	29,444	29,444				0	0	0	0	29,444
Division: HRA Funding & Expenditure		44,115	44,115	0	0	0	0	0	0	0	44,115
TOTAL HRA		0	-1,468	0	0	0	0	-1,468	-1,468	0	-1,468

- **321 Strategy, Planning & Governance underspend of (£369k)**, of which the main variances are (£250k) from MFT Project on Hold and (£80k) salary savings due to vacancies.
- **322 Responsive Repairs underspend of (£122k)**, main variances being (£1,415k) salary savings due to vacancies offset by £1,259k overspend on R&M costs in relation to catch-up of 2020/21 works, delayed due to Covid.
- **323 Planned Programmes - £403k overspend** of which the main variances are £400k additional R&M Costs due to backlog caused by Covid and £89k increase in energy costs which have been offset by salary savings of (£147k) (after agency Costs) due to staff vacancies.
- **324 Estate Management (£1,350k) underspend** - (£1,001k) salary savings due to vacancies, (£230k) reduction in void costs, additional; rents due largely to unsecured tenanted properties of (£181k) and (£166k) service charges income, offset by £244k increase in service delivery costs relating to MBUS, Homeswapper, purchase of white goods and storage costs for the Sofa project.
- **326, Estate Regeneration (£30k) underspend** - salary savings of £121k (after Agency Fees) resulting from a redundant post offset by £91k in additional Legal fees as a result of the complexity of Housing Delivery schemes.

b: Risks and Opportunities

Risk	Key Causes	Key Consequence	Key Mitigations
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Universal Credit (UC) and increased number of tenants in arrears following Covid 19.	UC continues to be a risk with increased monthly claimants and High level arrears cases continuing to rise as enforcement action continues to be suspended	Arrears for UC tenants will increase as well as the number of claimants	DHP applied for UC cases where applicable Use of Managed Payments All team training on UC management Weekly meeting with DWP Fortnightly UC review meetings with Team Leaders Implementation of Rent Sense – January 2021
Impact of Grenfell enquiry outcomes	Additional works as a result of Grenfell enquiry outcomes, or the outcomes of independent fire safety checks on clad blocks; public /political pressure to install sprinklers	This could cost up to £25m if a complete programme is required	Need to retain flexibility in capital programme to meet outcomes of Grenfell enquiry that does not result in disruption to the rest of the programme
Zero Carbon Target	BCC Climate Emergency target for all council properties to meet net zero carbon by 2030	May be required to retro fit and ensure compliance for new builds	City Leap may enable innovative solutions. Funding is yet to be identified for this work
Review of Decent Homes Standard	Social Housing White Paper announced a review of the Decent Homes Standard, currently under consultation no date yet for introduction of new standard	Increased spend in the housing stock to bring up to the new minimum standard, estimated cost over 30 years £100m	Re-prioritise spend, review income and continue to find ways to delivery Services more effectively.
Increase in income arrears and unable to spend Right to Buy receipts within designated timeframe	Impact of Covid-19 social distancing and economic disruption	Impact on the ability to development new stock and to progress the Housing Investment Programme	Monitor impact of Covid on 2020/21 budget and 30 year business plan and develop action plan for recovery including use of Rentsense to target arrears. Recent changes to the RTB Receipts Pooling requirements will go some way to mitigating the risk of not being able to spend 1-4-1 receipts within the requisite timeframe.
Impact of Brexit	Potential disruption to supply of materials / labour	Delays to planned programme work	Reprioritise work that can be done

c: Capital

Approved Budget £110.6m	Revised Budget £110.6m	Expenditure to Date £1.7m 1.5% of Budget	Forecast Outturn £84.9m 77% of budget	Outturn Variance (£25.7m)
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		Current Year (2021)			
Project	Project Description	Budget	Expenditure to Date	Forecast	Variance
£000s					
Housing Services Capital - Housing Revenue Account					
Total for HRA1 - Planned Programme - Major Projects		30,438	776	18,081	(12,357)
Total for HRA2 - New Build and Land Enabling		64,765	290	48,398	(16,367)
Total for HRA3 - Building Maintenance and Improvements		14,886	606	17,971	3,085
Total for HRA4 - HRA Infrastructure		500	6	401	(99)
Total Housing Services Capital - Housing Revenue Account		110,589	1,678	84,851	(25,738)

An overall net underspend of (£25.7m), is forecast at period 2 on the 2021/22 HRA Capital Programme, the underspend is due to delay in works and will be re-profiled to future years in the HRA 5 year Capital Programme.

The main variations in the forecast are:

- **Planned Programme** – An underspend in the year of (£12.4m) against a budget of £30.4m, due to a delay in the works. Key variations are on the following schemes:
 - (£1m) - Kitchen Contract and the timing of a new contract coming into effect
 - (£9.8m) - External Major Repairs, replacement Plant and Equipment and works to Bishport 5, Walwyn Gardens and Ropewalk House
 - (£1.6m) - Retro Fit Pilot, which it is anticipated will be clawed back in 2022/23
- **New Build and Land Enabling** – An underspend (£16.4m) against a budget of £64.8m. The budget has undergone significant re-profiling in the first two months of the financial year as a number of schemes continue to suffer delays due to Covid, and other issues such as Environmental concerns. A number of schemes have now either achieved planning, or are close to doing so, and the procurement of development partners is in progress.
- **Building Maintenance and Improvement** – An overspend of £3.1m against a budget of £14.9m, is due largely to the potential bringing forward of Major Refurb works at Silcox Road.