

Appendix A4 – Housing Revenue Account (HRA)

2021/22 – P04 Budget Monitor Report

a: Revenue Budget Monitor

	Revised Budget	Forecast Outturn	Outturn Variance	Of which :	
				Covid	Non Covid
P04	£0.0m	£0.3m	£0.3m overspend	£2.3m	(£2.0m)
P02	£0.0m	(£1.5m)	(£1.5m) underspend	£0.0m	(£1.5m)

Forecast Outturn Variance by month £m									
May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
(1.5)	(1.5)	0.3							
		▼							

Revenue Position – Income and Expenditure

HRA Income and Expenditure	2021/22 - Full Year					Current Forecast Variance P4		Previous Forecast Variance P2		Movement	
	Budget £000	Current Forecast £000	Forecasted Outturn Variance £000	Previous Forecast P2 £'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)	(113,639)	(145)	(113,718)	78	0	(145)	0	(223)	0	78
Voids	1,200	1,200	0	1,009	191	0	0	0	(191)	0	191
Non-dwelling rents	(1,171)	(933)	238	(1,176)	243	0	238	0	(4)	0	242
Charges for services and	(8,621)	(8,778)	(157)	(8,761)	(17)	0	(157)	0	(140)	0	(17)
Contributions towards	(30)	9	39	0	9	0	39	0	30	0	9
TOTAL INCOME	(122,117)	(122,142)	(25)	(122,645)	503	0	(25)	0	(528)	0	503
Repairs & Maintenance	33,854	33,805	(48)	33,996	(191)	0	(48)	0	142	0	(190)
Supervision & Management	32,219	30,870	(1,349)	31,022	(151)	0	(1,349)	0	(1,197)	0	(152)
Special Services	9,771	9,957	186	9,890	67	0	186	0	119	0	67
Rents, rates, taxes and other	755	731	(25)	751	(21)	0	(25)	0	(4)	0	(21)
Depreciation & impairment	29,444	29,444	0	29,444	0	0	0	0	0	0	0
Debt management	41	41	0	41	0	0	0	0	0	0	0
Movement in the allowance	1,362	1,362	0	1,362	0	1,600	(1,600)	0	0	1,600	(1,600)
Movement on Impairment	421	2,021	1,600	421	1,600	0	1,600	0	0	0	1,600
TOTAL EXPENDITURE	107,867	108,232	365	106,928	1,304	1,600	(1,235)	0	(940)	1,600	(295)
NET COST OF HRA SERVICES	(14,250)	(13,910)	340	(15,717)	1,807	1,600	(1,260)	0	(1,468)	1,600	208
Net interest payable, pension costs and other non	11,043	11,043	0	11,043	0	0	0	0	0	0	0
Capital Expenditure Funded	3,206	3,204	(2)	3,206	(2)	0	(2)	0	0	0	(2)
SURPLUS FOR THE YEAR ON H	0	338	338	(1,468)	1,804	1,600	(1,262)	0	(1,468)	1,600	206

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.

The HRA forecast as at Period 4 is an overspend of £0.3m, a movement of £1.8m on the reported forecast at Period 2 of a (£1.5m) underspend. The overspend will be met from the HRA general reserve, which will be transferred at the end of the year. The movement in forecast by service area is explained below:

Summary by Service		2021/22 - Year to date						Previous Forecast		
Service	Service Description	Revised Budget	Forecast Outturn P4	COVID-19 Exp	COVID-19 Inc	Covid-19 Pressures (B)	Non-Covid Pressures (C)	Outturn Variance	Forecast Outturn P2	Movement in Forecast
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
321	Strategy, Planning & Governance	17,284	16,899			0	-384	-384	16,914	-15
322	Responsive Repairs	28,385	27,998			0	-388	-388	28,264	-266
323	Planned Programmes	15,006	15,621	0		0	614	614	15,409	211
324	Estate Management	-105,326	-106,285	0		0	-959	-959	-106,676	390
326	Estate Regeneration	536	390			0	-145	-145	505	-115
Division: Housing Services - HRA		-44,115	-45,377	0	0	0	-1,262	-1,262	-45,583	205
X10	HRA - Funding & Expenditure	11,465	13,065		1,600	1,600	0	1,600	11,465	1,600
X11	HRA - Capital Financing	3,206	3,206			0	0	0	3,206	0
X12	HRA - Year-end transactions	29,444	29,444			0	0	0	29,444	0
Division: HRA Funding & Expenditure		44,115	45,715	0	1,600	1,600	0	1,600	44,115	1,600
TOTAL HRA		0	338	0	1,600	1,600	-1,262	338	-1,468	1,805

- **321 Strategy, Planning & Governance- (£0.384m) underspend.** Main variance budget to outturn forecast at P4 is due to the following: the Moving Forward Together project is on hold therefore budget saving of (£0.250m), increase in income from overhead recharges to projects on Joinery shop (£0.120m), other minor variance (£0.014m).
- **322 Responsive Repairs - (£0.388m) underspend.** Lower number of relets and voids therefore less repair costs of (£1.6m), offset by additional repair costs, due to use of sub-contractors of £1.1m. Leaseholder recharge income lower than expected by £120k. The leaseholder service is currently under review. The movement of (£0.266m) previously reported is due to a review of void repairs at P4.
- **323 Planned Programmes - £0.614m overspend.** Renewal of heat management contract was higher than expected by £0.380m, an increase in spend of £0.200m on communal amenities energy cost which was originally forecast to budget but has been changed to actuals for last year. Increase in costs of £0.060m due additional safety testing required on lifts, offset by other minor variations (£0.026m) The movement on forecast is mainly due to the communal amenities.
- **324 Estate Management - (£0.959m) underspend.** The main underspend is on salary savings due to vacancies of (£0.664m), additional rents largely from unsecured tenanted properties (£0.145m) and (£0.107m) additional service charges income from caretaking, inflationary increase not included in budget, (£67k) savings from court cost and other minor variations of £24k. The movement on previously reported forecast of £0.390m due to lower rent loss on voids revised to budget at P4 £190k, Leaseholder costs reviewed, forecast based on 2019/20 charges, changes in salary forecasts, new cost centre not included in P2 £41k
- **326, Estate Regeneration - (£0.145m) underspend,** Savings on consultancy fees of (£0.145m). An increase of (£0.115m) on previously reported forecast.

b: Risks and Opportunities

Risk	Key Causes	Key Consequence	Key Mitigations
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	Revised Budget	Expenditure to Date	Forecast Outturn	Outturn Variance
-----------------	----------------	---------------------	------------------	------------------

P4 £110.6m	£110.6m	£9.7m 8.8% of Budget	£87.3m 79% of Budget	(£23.3m)
P2 £110.6m	£110.6m	£1.7m 1.5% of Budget	£84.9m 77% of budget	(£25.7m)

		Current Year (2021)			
Project	Project Description	Budget	Expenditure to Date	Forecast	Variance
		£000s			
Housing Revenue Account					
Total for HRA1 - Planned Programme - Major Projects		16,341	1,818	12,012	(4,329)
Total for HRA2 - New Build and Land Enabling		64,765	4,222	52,937	(11,828)
Total for HRA3 - Building Maintenance and Improvements		28,982	3,640	21,981	(7,001)
Total for HRA4 - HRA Infrastructure		500	6	375	(125)
Total Housing Revenue Account		110,589	9,686	87,306	(23,283)

An overall net underspend of (£23.3m), is forecast at period 4 on the 2021/22 HRA Capital Programme, a decrease of £2.4m reported at P2. The underspend is due to delays 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 (£4.3m) against a budget of £16.3m due to a delay in the works. Key variations are on the following schemes:
 - £0.2m cost increase due to revision of heating component lifecycles
 - (£0.2m) underspend against rewires based on current rate of repairs to date
 - (£0.1m) underspend on window replacements as some works moved to External Repairs, contract re-tendering and two sites being held back on capacity grounds
 - (£2.1m) Kitchen Contract and the timing of a new contract coming into effect
 - (£1.6m) Retro Fit Pilot, which it is anticipated will be clawed back in 2022/23
 - (£0.5m) savings against major repairs to blocks
- **New Build and Land Enabling** – An underspend (£11.8m) against a budget of £64.8m. The budget has undergone significant re-profiling during the year to date as a number of schemes continue to suffer delays due to Covid, and other issues such as Environmental concerns. However, a number of schemes have now either achieved planning, or are close to doing so, and the procurement of development partners is in progress. This has resulted in greater confidence that these schemes will be on site this year, with the resultant increase in spend now forecast.

- **Building Maintenance and Improvement** – An underspend of (£7.0m) against a budget of £29.0m, is due largely to the potential bringing forward of Major Refurb works at Silcox Road and Northfield House, £1.1m overspend, as well as a £0.5m increase to the contingency budget for works to blocks £0.1m for works to acquired properties and £0.3m additional requirement for structural works, offset by (£0.4m) underspend against Night Storage Replacement and (£8.6m) underspend on Major Refurbishments at Walwyn Gardens, Ropewalk House, Barton Hill, Bishport 5 and Eccleston & Phoenix.