

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 7 September 2020 / 13 October 2020

Reporting officer: Director (Corporate Services)

Subject: Housing Revenue Account Budget Monitoring Report –
Quarter One 2020/21

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2020/21, including known variances agreed or identified through budgetary control activity.

To update Members on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

Recommendations:

This report is for information only.

1. INTRODUCTION

- 1.1. The Constitution of the council requires Members to receive reports in respect of the council's finances and financial performance. This report therefore provides an assessment of performance against approved budgets for the 2020/21 financial year for the first quarter to 30 June 2020 as well as updating Members on other key areas of financial performance.
- 1.2. The council continues to operate robust budgetary control actions to ensure good financial governance and respond to the pressures on the council's finances. In addition to the reporting of financial performance through regular budget monitoring reports, these actions include:
 - Requiring all financial decisions and major acquisitions to be brought to Management Team for discussion and approval;
 - Appropriate controls in approving purchase orders;
 - Requiring recruitment activity (relating to both permanent and temporary appointments, and including use of overtime) to be considered and approved by Management Team;
 - Monitoring the delivery of activity under the council's *Bridging the Gap* Strategy, as set out in the current Medium Term Financial Strategy (MTFS).

2. EXECUTIVE SUMMARY

HRA (Revenue)

- 2.1. At the end of Quarter One, income and expenditure for the year remains balanced, albeit there remains an anticipated contribution from reserves to fund projected revenue expenditure for the year. The main variance within the forecast position compared to the original budget is an increased contribution to meet the anticipated reduction in rental income. This is partially offset with the projected underspend within salaries.
- 2.2. The level of Working Balances at year-end are projected to be £3.0m, the minimum level of Working Balances for the HRA. Movements in the year are projected to result in a net decrease in the General HRA Reserves of £1.6m, with the level of reserves being £3.03m at start of year and projected to be £1.4m at year-end.
- 2.3. The significant risk to the HRA's financial position continues to be the lack of clarity regarding funding and regulatory reform.

Housing Capital

- 2.4. The revised budget for the Housing Capital Programme for the year is £22.4m, with expenditure and commitments to the end of Quarter One of £5.8m. Capital budgets totalling £1.816m have been carried forward to 2020/21, relating to the maintenance of the Council's housing stock, the New Build programme and the provision of Disabled Facilities Grants.

3. HOUSING REVENUE ACCOUNT

3.1. Budget 2020/21

3.1.1. The table below sets out the current forecast spend against the original budget for the Housing Revenue Account (HRA), based on variances to 30 June 2020. As at 30 June 2020 the forecast reflects a net adverse variance to original budget of £251k. The additional funds required will be met by an increased contribution from general reserves.

Description	Original Budget 2020/21 (£)	Forecast 2020/21 (£)	Variation (£)
Supervision and Management	6,037,100	5,909,100	(128,000)
Repairs and Maintenance	8,022,810	8,022,810	0
Depreciation	6,888,800	6,888,800	0
Intensive Management Fund - Expenditure	662,300	662,300	0
Capital Finance	8,516,010	8,516,010	0
Sub Total Expenditure	30,127,020	29,999,020	(128,000)
Rents of Dwellings	(25,812,570)	(25,477,570)	335,000
Other Rental Income	(33,550)	(33,550)	0
Service Charges	(2,115,620)	(2,115,620)	0
Non Dwelling Income	(140,000)	(140,000)	0
Intensive Management Fund - Income	(521,480)	(521,480)	0
Other Income	(114,200)	(70,200)	44,000
Sub Total Income	(28,737,420)	(28,358,420)	379,000
Contributions to/(from) reserves	(1,389,600)	(1,640,600)	(251,000)
Net Surplus/Deficit	0	0	0

Table 1: Housing Revenue Account 2020/21

3.2. SUPERVISION & MANAGEMENT – £128k FAVOURABLE VARIANCE

3.2.1. **Vacancy Management: £166k favourable variance** – the HRA staffing budget for 2020/21 incorporates a vacancy allowance of £100k for the year. It is anticipated that this will occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts held vacant pending the re-design of services. For the first three months to 30 June 2020, actual staffing spend was £166k lower than budgeted.

3.2.2. **Capita Housing System: £38k adverse variance** - the current housing system, Capita, will be supported beyond the previously advised sunset date. The negotiated fee of £75k includes a premium for the service extension. Some of this cost can be met from the existing budget for software support (£37k), reducing the impact of the negotiated fee to an expected overspend of £38k. This will provide support to March 2021, enabling housing to provide an uninterrupted service to tenants while the development and implementation of the new system is underway. It is expected that the additional cost can be absorbed within the Supervision & Management budget constraint.

3.3. RENTS ON DWELLINGS - £335K ADVERSE VARIANCE

- 3.3.1. **Rents on Dwellings - £300k – adverse variance** – due to the impact of Covid-19, it is expected that there will be a negative impact on rent income in 2020/21. The rental income continues to be monitored and if required, an appropriate adjustment will be made to the bad debt provision.
- 3.3.2. **Void losses - £35k – adverse variance** – during the initial lockdown period, Council properties that became vacant were not able to be re-let within the usual timescales, therefore during this period there was a loss of rental income which is estimated to be in the region of £35k.

3.4 OTHER INCOME - £44K ADVERSE VARIANCE

- 3.4.1 **Other Income – £44k - adverse variance** – as a result of Covid-19, commercial income, income for hall lettings and investment returns will be affected. At this stage, it is estimated to be in the region of some £44k.

3.5 Working Balances and Reserves

- 3.5.1. The variances outlined in this report have the following effect upon HRA working balances:

	£
Balance Brought Forward from 2019/20	3,000,000
Forecast Outturn position 2020/21	(1,640,600)
Forecast working balances C/Fwd (as at 30 June 2020) including minimum HRA Working Balance	1,359,400
Add: Transfer from HRA General Reserve (Revenue)	1,640,600
Forecast Usable Working Balances C/fwd (as at 30 June 2020)	3,000,000

Table 2: Effect on Housing Revenue Account Working Balances

- 3.5.2. The working balances are supplemented by specific reserves established to assist with future funding obligations or initiatives. The table below provides a summary of the forecast movements on these specific reserves during the year.

HRA Specific Reserves	Opening Balance 01/04/2020 (£)	Forecast Contributions (Income) (£)	Forecast Use of Reserve (Expenditure) (£)	Forecast Balance 31/03/2021 (£)
HRA General Reserve (Revenue)	(3,037,750)	0	1,640,600	(1,397,150)
Total	(3,037,750)	0	1,640,600	(1,397,150)

Table 3: Analysis of Specific Reserves – HRA

3.6 HRA Business Planning

- 3.6.1. The HRA Business Plan is reviewed on an ongoing basis in order to take into account longer-term assumptions around inflation rates, central government grants and energy

prices, together with building in all known variances to the budget resulting from Management Team and Cabinet decisions.

- 3.6.2 The HRA Business Plan reflects the current and future financial spend profiles identified in the recent Stock Condition Survey. It also reflects future forecasts of the New Build Programme beyond the existing three year scheme based on the current assumption on the number of Council Houses sold per annum.
- 3.6.3 The latest version of the HRA Business Plan is attached to this report at Appendix Two.
- 3.6.4 On 9 October 2019 HM Treasury announced that it would increase the interest rates on all new loans from the Public Works Loan Board (PWLB) by 100 basis points (one percentage point) on top of usual lending terms. This appeared to be in response to a substantial increase in the use of PWLB by local authorities over recent months, given the cost of borrowing had fallen to record lows. This action effectively made the PWLB the lender of last resort for local authorities.
- 3.6.5 That increase was then reversed for some forms of borrowing on 11 March 2020, when the Government announced that local authorities could borrow for HRA schemes from the PWLB at up 120 basis point (1.2%) below standard rates. At the same time the Government announced a consultation on the future of the PWLB. The Council responded to the Consultation which closed on 31 July and we are currently awaiting the results and details of any potential changes.
- 3.6.6 Ordinarily the Council assumes 30 properties will be sold per annum, however, in light of the COVID-19 pandemic, this is likely to be reduced to around 20 for the current financial year.
- 3.6.7 Further work will be undertaken over the coming weeks to review the impact the above changes will have on the Business Plan as well as other base assumptions within the model.

4 HOUSING CAPITAL PROGRAMME

- 4.1. The Housing Capital programme for 2020/21 is £22,366,960, of which £20,658,970 relates to HRA capital schemes and £1,707,990 relates to non-HRA capital schemes. These budgets include £941,660 and £875,190, respectively that are carried forward from 2019/20.
- 4.2. The HRA capital schemes continue to focus on maintaining the minimum decent homes standard for the Council's stock in 2020/21, with £7,330,110 earmarked for this purpose within the Replacement, Improvement, Health & Safety Works and Major Void Works Programmes. An additional £929,000 capital budgets have been agreed including the replacement Housing Computer System, Fire Doors and Replacement Play Equipment. The council also continues its commitment to build new homes with £12,399,860 allocated for this purpose.
- 4.3. In Quarter One, Central Government guidelines and restrictions were implemented to help reduce the transmission of the Covid-19 pandemic. This had a severe impact to the delivery of the capital investment programmes, with most contractors providing emergency service only.
- 4.4. In challenging times, there have been positive outcomes. Gas compliancy rates have continued to average at 98-99%, and some installations were carried out in accordance with strict guidelines. Where possible, specifications and surveys were carried out in preparation of sites re-opening and work commencing.

HOUSING CAPITAL PROGRAMME				
Ref No:	Project	Original Budget 2020-21 inc CFwd (£)	Expenditure Including Commitments (£)	Balance Outstanding (£)
A	Replacement Programmes	4,122,450	2,794,480	(1,327,970)
B	Improvement Programmes	1,702,350	328,120	(1,374,230)
C	Health & Safety Works	1,305,310	650,690	(654,620)
D	Major Void Works	200,000	14,360	(185,640)
E	New Build & Acquisitions	12,399,860	1,512,030	(10,887,830)
F	Housing Computer Systems	600,000	370,260	(229,740)
G	Replacement Play Equipment	103,750	0	(103,750)
H	Bin Housing	13,190	0	(13,190)
I	CCTV	37,060	0	(37,060)
J	Fire Doors	175,000	0	(175,000)
	Sub Total (HRA Capital Programme)	20,658,970	5,669,940	(14,989,030)
K	Renovation Grants (DFG)	1,707,990	167,460	(1,540,530)
	Total (HRA & GF Capital Programme)	22,366,960	5,837,400	(16,529,560)

Table 4: Housing Capital Programme 2020/21

- 4.5. The following works were undertaken or completed by the end of Quarter One 2020/21:

4.5.1. Replacement Programmes (Ref A)

- 29 kitchen replacements on void properties, planned programme is due to re-commence in October 2020;

- 12 bathroom replacements on void properties, bathroom programme re-commencement to be confirmed;
- 262 properties had electrical tests and/or remedial works including rewiring, minor works and upgrades to consumer units;
- 32 blocks has had communal electrical tests and/or remedial works completed;
- Windows and doors at Carl Ekman were 95% complete prior to lockdown. It is anticipated that works will be completed in July 2020.

4.5.2. Across the Replacement Programmes, £100k is expected to be rolled forward into 2021/22 to enable the backlog of programmed works due to Covid-19, to be completed.

4.5.3. Improvement Programmes (Ref B)

- 93 properties had new central heating systems installed;
- 3 properties had new storage heating installed;
- 2517 properties had CO (carbon monoxide detectors installed);
- No installations have been carried out under the aids and adaptations programme. Due to the vulnerable nature of the tenants, contact has been restricted to emergency breakdown works only.

4.5.4. Health & Safety Works (Ref C)

- Asbestos management removals completed for communal areas at various sites.

4.6. New Build (Ref D)

4.6.1. The authority signed an agreement with the DCLG to retain part of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing. The following is the reported position at the end of Quarter One:

- Construction continues on the former Whitehill Tenants Associations Club site where Westridge Construction Limited will deliver 24 x 1 and 2 bed apartments and 8 x 3 bed houses. However, works has been severely disrupted due to the Global Pandemic Covid-19, with reduced labour on site and several sub-contractors scaling back their operations. This has delayed the programme delivery by five months which gives us a revised completion date of October 2020 for the 3 bed houses and February 2021 for the 24 apartments;
- Westridge Construction took possession of the Valley Drive Site in February 2020 that will deliver 32 x 1 bed apartments for over 55's and 16 x 1, 2 and 3 bed general needs apartments. However, disconnection of the mains services had been delayed due to the statutory undertakers suspending all non-emergency works due to Covid-19. UKPN has advised electrical disconnection is confirmed for August. However, the gas disconnection cannot take place until November due to the backlog of priority works due to the impact of Covid-19. Westridge Construction continues to seek opportunities for an early disconnection should this become available. All pre-commencement planning conditions have been discharged and following disconnection of all services, demolition will commence. The development completion date is now expected in 2022;

- Westridge Construction took possession of the site at St Patrick's Gardens in May to construct 23 x 1 and 2 bed apartments. The design freeze has now been completed with no further changes anticipated. Preliminary works are now underway to hoard the site and a letter drop carried out to local residents advising them of the impending;
 - Constable Road planning permission to construct 7 x 1 bed bungalows and new play area to the open amenity space. Tenders have now been received and a cost analysis is underway with a quality review of the tender submissions to be completed by the 3rd August 2020;
- 4.6.2. Since the start of the coronavirus pandemic our partners have been working hard to maintain business continuity and keep the council informed of any changes and advice from Government and WHO, that could impact the business plans. The underlying message was the health and wellbeing of all staff, clients, and third-party suppliers was of paramount importance, and any measures in respect of social distancing and safe working practice would be implemented without fail. This approach has led to reduced labour on site and a disruption to the supply chain with several key stakeholders temporarily closing their works. These measures have impacted our programme and will delay practical completion by several months. However, our partners will continue to provide us with all the advice and information to ensure that we receive regular updates so we can react and adjust as necessary to any further events.
- 4.6.3. Despite the current impact from the Covid-19 pandemic, the council remains determined to deliver on its agenda of increasing the housing supply and continues to work with its stakeholders in the identification, design, and construction of good quality affordable homes.
- 4.6.4. The Housing Development Team are currently working on approximately 20 sites that are at various stages of the planning, design and build process from initial conception to works on site.
- 4.6.5. The council is permitted to retain part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing. As at 1 April 2020, the RTB Allowable Debt reserve had a nil balance. This was due to the proposal to use any balance from the RTB Allowable Debt reserve to help fund the New Build projects, ahead of any other funding source, as this can either be used to repay debt or finance the capital programme.
- 4.6.6. Table 13 summarises the one for one receipts retained from the sale of Right To Buy properties, since 2012, along with the level of GBC's contributions required to deliver the New Build programme and a summary of when expenditure needs to be delivered to avoid having to return funds to Central Government.

	One for one receipts retained	GBC 70% contribution to new build	Value of new build expenditure expected	Cumulative value of new build expenditure expected	Date of new build expected by
	£	£	£	£	
2012-17 c/f	6,905,580	16,113,020	23,018,600	23,018,620	31-Mar-20
2017-18					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-20
Q2	296,150	691,020	987,170	25,176,290	30-Sep-20
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-20
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-21
2018-19					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-21
Q2	484,630	1,130,800	1,615,430	32,986,460	30-Sep-21
Q3	379,770	886,130	1,265,900	34,252,360	31-Dec-21
Q4	238,610	556,760	795,370	35,047,730	31-Mar-22
2019-20					
Q1	383,470	894,760	1,278,230	36,325,960	30-Jun-22
Q2	1,382,090	3,224,880	4,606,970	40,932,930	30-Sep-22
Q3	544,030	1,269,400	1,813,430	42,746,360	31-Dec-22
Q4	559,730	1,306,040	1,865,770	44,612,130	31-Mar-23
Q1	453,610	1,058,420	1,512,030	46,124,160	31-Jun-23
	13,837,240	32,286,920	46,124,160		

Table 5: New Build

4.7. Housing Computer System (Ref E)

- 4.7.1. Following a report to the Leader of the Council, the procurement process to purchase the replacement Housing Management System was completed in early June 2020 with the projected officially starting on 16 June 2020.
- 4.7.2 The project is now well underway and various scoping sessions have been completed for different elements of the new system. A dedicated Project Manager has also been appointed to work with the Assistant Director (Housing) and departmental managers to help manage this particular project as part of the on-going transformation of the services within housing, and the Council's aspirations to provide a proactive, supportive and financially efficient Housing Service.

4.8. **Replacement Playground Equipment (Ref G)**

4.8.1. A 20 year replacement plan is due to commence in 2020/21. This project has been included within the Housing Asset Business Plan and is due to commence in 2020/21.

4.9. **Disabled Facility Grants (DFGs) (Ref I)**

4.9.1. The grant funding awarded to the Council, via the Better Care Fund, in 2020/21 was £832,800. The total funding available is £1,707,980 which includes carry forward from 2019/20 of £875,180.

4.9.2. The Council continues to offer the Disabled Facility Grant programme to homes eligible for assistance that comply with the wider remit of the Better Care.

4.9.3. In Quarter One of 2020/21 there was a considerable delay in the assessment and progression of residents who were considered to be in the vulnerable category for Covid-19. The implementation of social distancing measures allowed assessments to recommence late June.

4.9.4. In addition to this, a number of contractors were furloughed which meant there was a reduction in the progression of completing existing grants.

4.9.5. A total of 63 cases have been processed, of which the breakdown is as follows:

- 4 grant cases were approved
- 12 households had works completed
- 0 applications were cancelled due to changes in the client's circumstances
- 47 grant cases are awaiting approval

4.9.6. The Council distributed £167,460 to private homeowners within the borough who qualify for Disabled Facility Grant assistance as well as other grants associated with the Better Care Fund.

4.9.7. A total of 64 people have benefited from the Private Sector Housing Assistance Policy which enables people to gain access to funding which otherwise would not have been available. It has assisted 61 people to have better managed hospital discharges into a safer home environment and a further 3 people have been assisted with energy measures. This quarter has seen a significant increase in the number of people being discharged from hospital, compared to previous periods, as hospitals were facilitating quicker discharges to manage the pressures on the NHS due to the emerging Covid-19 pandemic.

4.10. Capital Resources

4.10.1. The table below shows the resources available to fund capital projects in future.

Housing Capital Resources	Opening Balance 01/04/2020 (£)	Income 2020/21 (£)	Use of Funding 2020/21 (£)	Projected Balance 31/03/2021 (£)
Capital Receipts - HRA	(1,160,010)	(259,490)	1,215,620	(203,880)
Capital Receipts - GF Housing	(86,180)	0	0	(86,180)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(86,170)	(6,888,800)	6,888,800	(86,170)
Major Repairs Reserve - Non Dwellings	(849,390)	0	694,200	(155,190)
New Build Reserve: 1-4-1 Receipts	(6,443,440)	(2,928,210)	2,278,100	(7,093,550)
Right to Buy Allowable Debt Reserve	0	(714,840)	714,840	0
Disabled Facility Grants	(875,220)	(832,800)	1,707,990	(30)
Christianfields Overage	(766,000)	0	0	(766,000)
General Reserve (revenue)	(3,037,750)	0	2,226,510	(811,240)
Borrowing	0	0	8,102,500	0
Total	(16,877,160)	(11,624,140)	23,828,560	(12,775,240)

Table 6: HRA and General Fund Housing Capital Resources 2019/20

4.10.2. Projected Capital Expenditure and funding requirements for the HRA can be found at Appendix Three to this report.

IMPLICATIONS	APPENDIX 1
Legal	There are no specific legal matters arising from this report.
Finance and Value for Money	The financial implications are contained within the body of this report.
Risk Assessment	The purpose of this report is to demonstrate financial performance as at 30 June against the original budget set for the 2020/21 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>N/A</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No decision – paper is for information only.</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks

Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.