

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 7 September / 21 September 2021

Reporting officer: Assistant Director (Corporate Services)

Subject: Housing Revenue Account Budget Monitoring Report –
Quarter One 2021/22

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2021/22, 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 2021/22 financial year for the first quarter to 30 June 2021 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 which impacts on either budgetary provision or results in a permanent change to the staffing establishment to be considered and approved by Management Team.

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. At this stage of the year there are limited variances to report. The main variances within the forecast position compared to the original budget is an increase in the savings resulting from staff vacancies. This saving is largely offset by an increase in the use of the HRA general reserve to finance the rolled forward capital budgets.
- 2.2. The potential impact of Covid-19 was taken into account when setting the 2021/22 HRA budget. Therefore at this stage there are no additional variances to expenditure or income to report. However, officers will continue to closely monitor the impact and highlight variances in the future at the earliest opportunity.
- 2.3. 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 £698k, with the level of reserves being £2.8m at start of year and projected to be £2.1m at year-end.
- 2.4. The significant risk to the HRA's financial position continues to be the lack of clarity regarding funding and regulatory reform and any impacts of the COVID-19 pandemic beyond those considered at the time of budget setting.

Housing Capital

- 2.5. The revised budget for the Housing Capital Programme for the year is £24.0m, with expenditure and commitments to the end of Quarter One of £7.5m. Capital budgets totalling £2.9m have been carried forward to 2021/22, relating to the maintenance of the Council's housing stock, the New Build programme and the provision of Disabled Facilities Grants. The Council was awarded a grant via the Better Care Fund for Disabled Facility Grants that was £187k higher than assumed at the time of setting the budget in February 2021.

3. HOUSING REVENUE ACCOUNT

3.1. Budget 2021/22

- 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 2021. As at 30 June 2021 the forecast reflects a net favourable variance to original budget of £64k. The reduction in funds required will reduce the contribution needed from general reserves.

Description	Original Budget 2021/22 (£)	Forecast 2021/22 (£)	Variation (£)
Supervision and Management	5,996,680	5,862,020	(134,660)
Repairs and Maintenance	7,812,020	7,812,020	0
Depreciation	6,948,300	6,948,300	0
Intensive Management Fund - Expenditure	589,080	589,080	0
Capital Finance	7,794,080	7,896,580	102,500
Sub Total Expenditure	29,140,160	29,108,000	(32,160)
Rents of Dwellings	(26,273,300)	(26,273,300)	0
Other Rental Income	(14,700)	(14,700)	0
Service Charges	(1,782,900)	(1,782,900)	0
Non Dwelling Income	(140,000)	(172,000)	(32,000)
Intensive Management Fund - Income	(521,680)	(521,680)	0
Other Income	(110,620)	(110,620)	0
Sub Total Income	(28,843,200)	(28,875,200)	(32,000)
Contributions to/(from) reserves	(296,960)	(232,800)	(64,160)
Net Surplus/Deficit	0	0	0

Table 1: Housing Revenue Account 2021/22

3.2. SUPERVISION & MANAGEMENT – £135k FAVOURABLE VARIANCE

- 3.2.1. **Vacancy Management: £135k favourable variance** – the HRA staffing budget for 2021/21 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 2021, actual staffing spend was £135k lower than budgeted.

- 3.2.2. **Capita Housing System: nil variance** - the current housing system, Capita, is being supported beyond the previously stated date. The contract extension costs to-date have been absorbed within the current budget.

3.3. REPAIRS & MAINTENANCE - NIL VARIANCE

- 3.3.1. **Repairs & Maintenance – nil variance** – A nil variance is reported at this stage of the financial year, however, we are working closely with the Housing Team to monitor this position going forward.

3.4. DEPRECIATION - NIL VARIANCE

- 3.4.1. **Depreciation – nil variance** – there is no variance to report at this stage.

3.5. CAPITAL FINANCING - £103K ADVERSE VARIANCE

3.5.1. **Interest Cost Savings – £116k – favourable variance** – due to the delays in the new build programme, there was a lower external borrowing requirement in 2020/21. This has reduced the anticipated cost of borrowing in the current financial year, resulting in a favourable variance of £116k against the original budget.

3.5.2. **Contribution to Capital Programme - £219k – adverse variance** – due to the impact of Covid-19 and subsequent delays to the capital programme during 2020/21 there was a reduction in the level of spend during the last financial year and, as a consequence, the draw from the HRA General Reserve to finance the capital spend was not required. However, this year there is now an increase in the required draw from HRA General Reserve to finance an element of the capital carried forward budgets. This has resulted in an adverse variance of £219k.

3.6. RENTS ON DWELLINGS - NIL VARIANCE

3.6.1. **Rents on Dwellings – nil variance** – whilst there remains a possible impact on the rental income due to the impact of Covid-19, this was taken into account when setting the budget for 2021/22 and therefore at this stage of the year no further variance is reported.

3.7. NON DWELLING INCOME - £32k FAVOURABLE VARIANCE

3.7.1. **Commercial Rent - £32k favourable variance** – a favourable variance is forecast due to the increased rental income received for the hire of space for telecommunications masts on HRA land and buildings not known at the time of setting the budget.

3.8. OTHER INCOME – NIL VARIANCE

3.8.1. **Other Income – nil variance** – as with rental income from dwellings there remains a possible impact of COVID-19 on commercial income. Again this was factored in when setting the budget for 2021/22 and therefore at this stage of the year no further variance is reported.

3.9. WORKING BALANCES AND RESERVES

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

	£
Balance Brought Forward from 2020/21	3,000,000
Forecast Outturn position 2021/22	(232,800)
Forecast working balances C/Fwd (as at 30 June 2021) including minimum HRA Working Balance	2,767,200
Add: Transfer from HRA General Reserve (Revenue)	232,800
Forecast Usable Working Balances C/fwd (as at 30 June 2021)	3,000,000

Table 2: Effect on Housing Revenue Account Working Balances

3.9.2. 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 01/04/2021 (£)	Contributions (Income) (£)	Use of Reserve (Expenditure) (£)	Balance 31/03/2022 (£)
HRA General Reserve (Revenue)	(2,763,470)	0	698,260	(2,065,210)
Total	(2,763,470)	0	698,260	(2,065,210)

Table 3: Analysis of Specific Reserves – HRA

4. HOUSING CAPITAL PROGRAMME

- 4.1. The Housing Capital programme for 2021/22 is £23,978,630, of which £21,889,230 relates to HRA capital schemes and £2,089,400 relates to non-HRA capital schemes. These budgets include £1,869,940 and £1,069,800, respectively that are carried forward from 2020/21.
- 4.2. The HRA capital schemes continue to focus on maintaining the minimum decent homes standard for the Council's stock in 2021/22, with £7,666,620 earmarked for this purpose within the Replacement, Improvement, Health & Safety Works and Major Void Works Programmes. A further £250,000 has been set aside to deal with the refurbishment of major void properties. An additional £1,390,010 capital budgets has been agreed to provide the replacement Housing Computer System, Fire Doors and Replacement Play Equipment. The council also continues its commitment to build new homes with £12,582,600 allocated for this purpose.
- 4.3. Good progress has been made during Quarter One with £7,464,260 being spent or committed against the capital schemes detailed above. Officers will continue to monitor the impact of Covid-19 on the delivery of the capital programme.

HOUSING CAPITAL PROGRAMME				
Ref No:	Project	Original Budget 2021-22 inc CFwd (£)	Expenditure Including Commitments (£)	Balance Outstanding (£)
A	Replacement Programmes	3,910,190	1,753,530	(2,156,660)
B	Improvement Programmes	1,771,480	489,770	(1,281,710)
C	Health & Safety Works	1,984,950	1,191,960	(792,990)
D	Major Void Works	250,000	90,040	(159,960)
E	New Build & Acquisitions	12,582,600	2,943,980	(9,638,620)
F	Housing Computer Systems	345,080	347,050	1,970
G	Replacement Play Equipment	127,500	0	(127,500)
H	Bin Housing	49,470	0	(49,470)
I	CCTV	56,960	0	(56,960)
J	Fire Doors	811,000	0	(811,000)
	Sub Total (HRA Capital Programme)	21,889,230	6,816,330	(15,072,900)
K	Renovation Grants (DFG)	2,089,400	647,930	(1,441,470)
	Total (HRA & GF Capital Programme)	23,978,630	7,464,260	(16,514,370)

Table 4: Housing Capital Programme 2021/22

- 4.4. The following works were undertaken or completed by the end of Quarter One 2021/22:

4.4.1. Replacement Programmes (Ref A)

- Kitchens renewals: 28 completed
- Bathroom renewals: 12 completed

- Windows and door renewals: 9 properties completed
- Roofing; 1 Block has had a roof renewal
- Electrical tests: 94 properties completed
- Electrical tests: 12 Blocks completed

4.4.2. Improvement Programmes (Ref B)

- Central heating systems/boilers installations: 180 completed
- Wet room installations: 25 completed
- Domestic stair lifts installations: 2 completed

4.4.3. Health & Safety Works (Ref C)

- Fire detection installs in general let properties: 104 completed
- Fire detection installs in sheltered properties: 152 completed
- Upgrades to door entry systems: 9 blocks
- Lift refurbishment: works commenced at Carl Ekman House

4.5. New Build (Ref E)

4.5.1. In 2012 the authority signed an agreement with the DCLG to retain an element of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing.

4.5.2. From 1 April 2021, MHCLG has amended the rules around the use of RTB receipts, allowing Local Authorities to fund 40% of costs incurred in the delivery of additional housing units from the use of RTB receipts, which is an increase from the previous limit of 30%. This means that Local Authorities are now only required to fund the remaining 60% of costs. MHCLG has also increased the requirement to spend RTB receipts from three to four years after they are generated.

4.5.3. The table below shows a summary of the new build properties that have been delivered since the original agreement was signed in 2012, as well as the number of additional properties, which are at various different stages of delivery within the current programme.

HRA Property Development Stage	Number of Properties
Delivered and Completed	49
Under Construction	78
Planning Permission Granted	6
Feasibility/Concept Design	334
Total Number of HRA Properties	467

Table 5: New Build Delivery

4.5.4. The following is the reported position at the end of Quarter One:

- Whitehill and Nansen Road – 8 x 3 bed houses were completed at Nansen Road on 17 March 2021 with 24 x 1 and 2 bed apartments due to complete at Whitehill Road on 19 July 2021. The introduction of a Local Lettings Plan prioritising existing GBC tenants will increase availability of homes for many more applicants on the Council's housing register.
- St Patrick's Gardens – work is continuing at pace on 23 x 1 and 2 bed apartments fronting Valley Drive. Completion of the scheme, which includes improvements to existing parking, waste collection, landscaping and a new play area, is expected in November.

- Valley Drive – work is also continuing at pace on Blocks A and B of this scheme. Block B will provide 32 x 1 bed Wheelchair Accessible and Adaptable apartments for people over the age of 55 whilst Block A will provide 6x1b/2p; 4x2b/3p; 5x2b4p apartments and 1x3b5p Wheelchair User apartment. Block A is due to complete Spring 2022 with completion of Block B following on in the Summer of 2022.
 - Constable Road – a contractor has been appointed via the SEC to deliver a terrace of 6 x 1 bed bungalows and 1 x 1 bed detached bungalow. The contractor will commence on site w/c 21 July 2021 and will be keeping residents fully informed. The terrace of 6 bungalows are wheelchair accessible and adaptable on the ground floor with a flexible room in the roof space, to enable a carer or family member to stay over. The homes are designed to encourage existing tenants who are under occupying to re-size to a home that better meets their needs, which in turn will free up larger family sized homes for waiting applicants. The single bungalow will be a Wheelchair User dwelling.
 - Armoury Drive - Planning permission for 4 x 2 bed apartments and 2 x 1 bed bungalows on the former St John's Ambulance site in Armoury Drive was granted in December 2020. The scheme has been tendered via the Kent Business Portal and tenders will be evaluated by end July. The two bungalows have been designed to be wheelchair accessible and adaptable on the ground floor with the flexible roof space as provided on the Constable Road scheme.
 - St Columba's Close – feasibility studies have been undertaken with the aim to deliver circa 50 new carbon neutral homes.
 - In 2020/21 the Council purchased 147 Wrotham Road. The property, once renovated will provide interim housing to assist vulnerable residents within the borough.
- 4.5.5. Our partners continue to work hard to maintain business continuity and keep the council informed of any changes and advice from Government that could impact business plans. Following government guidance, increased labour on site has meant that work has progressed significantly despite the many challenges. Our partners are providing regular updates and we have commenced attending site for project meetings.
- 4.5.6. Despite the continuing impact from Covid-19, the council remains committed to increase the housing supply in the borough and continues to work with its stakeholders in the identification, design, and construction of good quality affordable homes.
- 4.5.7. To date, the total number of new Council homes completed, under construction or with planning permission is 133. The Housing Development Team continue to work on a pipeline of potential development sites to increase the supply of social housing.
- 4.5.8. 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 2021, 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.
- 4.5.9. Table 6 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-22
2017-18					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-22
Q2	296,150	691,020	987,170	25,176,290	30-Sep-22
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-22
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-23
2018-19					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-23
Q2	484,630	1,130,800	1,615,430	32,986,460	30-Sep-23
Q3	379,770	886,130	1,265,900	34,252,360	31-Dec-23
Q4	238,610	556,760	795,370	35,047,730	31-Mar-24
2019-20					
Q1	383,470	894,760	1,278,230	36,325,960	30-Jun-24
Q2	1,382,090	3,224,880	4,606,970	40,932,930	30-Sep-24
Q3	544,030	1,269,400	1,813,430	42,746,360	31-Dec-24
Q4	559,730	1,306,040	1,865,770	44,612,130	31-Mar-25
2020-21					
Q1	474,550	1,107,280	1,581,830	46,193,960	30-Jun-25
Q2	39,580	92,350	131,930	46,325,890	30-Sep-25
Q3	400,460	934,410	1,334,870	47,660,760	31-Dec-25
Q4	560,850	1,308,650	1,869,500	49,530,260	31-Mar-26
	14,859,070	34,671,190	49,530,260		

Table 6: New Build

4.7. Housing Computer System (Ref F)

- 4.7.1. Delivery and implementation of the Housing Computer System is being directly impacted by issues the supplier is having with their internal resourcing levels to deliver the required solution. This had been escalated with supplier's senior management and is subject to ongoing discussion.
- 4.7.2. User Acceptance Testing did take place during June and July but was rejected by the Council as it did not pass the Council's acceptance criteria. The Suppliers are resolving issues for a further round of User Acceptance Testing to take place.
- 4.7.3. The expected cost is currently within agreed budget tolerances and the Council will be seeking to pass any additional costs incurred onto the supplier.

4.8. Replacement Playground Equipment (Ref G)

- 4.8.1. A 20-year replacement plan has been agreed and included within the Housing Asset Business Plan. However, due to the Covid-19 pandemic, there has been a delay with the commencement of the works. The improvements that were originally due to take place in 2020/21 will now commence in 2021/22 following a review with the new Housing Management Team.

4.9. Disabled Facility Grants (DFGs) (Ref K)

- 4.9.1. The grant funding awarded to the Council in 2021/22, via the Better Care Fund, was £1.020m which was higher than the £833k that was forecasted when the budget was set

in February 2021. The total funding available for use in 2021/22 is now £2.089m, which is inclusive of the £1.070m that was carry forward from 2020/21.

- 4.9.2. The Council continues to offer the Disabled Facility Grant programme to homes eligible for assistance within the wider remit of the Better Care Fund.
- 4.9.3. Challenges in relation to Covid-19 were overcome and considerable progress continued to be made in Quarter One of 2021/22, including dealing with the backlog of referrals and the completion of adaptations that were approved prior to lockdown.
- 4.9.4. A total of 102 cases have been processed, of which the breakdown is as follows:
- 30 grant cases were approved
 - 15 households had works completed
 - 1 applications were cancelled due to changes in the client's circumstances
 - 56 grant cases are awaiting approval
- 4.9.5. In Quarter One, the Council distributed £222k to private homeowners within the borough who qualify for Disabled Facility Grant assistance. The Council has also committed a further £532k, which is considerably higher than any previous quarter.
- 4.9.6. Some 34 people have benefited from the Private Sector Housing Assistance Policy, 21 people have been assisted through hospital discharge into a safer home environment and a further 13 people have been assisted with energy measures. Data from June hospital discharges is still awaited.
- 4.9.7. Work around hoarding cases continued, providing support and putting measures in place for patients waiting to be discharged to home. The post of the coordinator is out for recruiting as the previous member of staff left.
- 4.9.8. The Council is receiving more complex cases where the health of our clients requires additional adaptations above and beyond the funding that is allowable under the Mandatory DFG. The Council is looking to review its DFG policy to enable these cases to be processed.

4.10. Capital Resources

- 4.10.1. The table below shows the resources available to fund capital projects in future. The use of funding takes into account schemes, which are expected to roll balances forward, as indicated in this report.

Housing Capital Resources	Opening Balance 01/04/2021 (£)	Forecast Income 2021/22 (£)	Forecast Use of Funding 2021/22 (£)	Forecast Final Balance 31/03/2022 (£)
Capital Receipts - HRA	(1,010,350)	(259,490)	779,010	(490,830)
Capital Receipts - GF Housing	(135,380)	0	0	(135,380)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(85,380)	(6,728,410)	6,813,790	0
Major Repairs Reserve - Non Dwellings	(69,700)	0	69,700	0
New Build Reserve: 1-4-1 Receipts	(6,349,860)	(3,078,660)	2,704,060	(6,724,460)
Right to Buy Allowable Debt Reserve	0	(714,840)	714,840	0
Disabled Facility Grants	(1,203,630)	(1,019,600)	2,089,400	(133,830)
Christianfields Overage	0	0	0	0
Meopham Police Station (s106)	(24,500)	0	0	(24,500)
General Reserve (revenue)	(2,763,470)	0	698,260	(2,065,210)
Total	(15,215,270)	(11,801,000)	13,869,060	(13,147,210)

Table 7: HRA and General Fund Housing Capital Resources 2021/22

4.10.2. Projected Capital Expenditure and funding requirements for the HRA can be found in the HRA Business Plan at Appendix two to this report.

4.11. **HRA Business Planning**

4.11.1. 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.

4.11.2. 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.

4.11.3. The latest version of the HRA Business Plans for capital and revenue are attached to this report at Appendices two and three.

4.11.4. The current version of the HRA Business Plan reflects the changes to the use of HRA 1-4-4 Right to Buy receipts which were recently announced by MHCLG and came into effect on 1 April 2021 (para 4.5.2). It also reflects the assumption that the number of properties sold under the Right to Buy scheme will continue to be affected by Covid-19 and that the Council will see a reduction of 20 properties a year as a result, a reduction from the previous assumption that 30 properties will be sold per annum.

4.11.5. Officers will continue to work on the Business Plan in the coming weeks and months to review and assess the impact of other base assumptions within the model.

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 2021/22 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.
Data Protection Impact Assessment	<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>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>
	<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>
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.