

SUBJECT:	FINANCIAL PERFORMANCE – QUARTERLY MONITORING
REPORT BY:	CHIEF EXECUTIVE & TOWN CLERK
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Extract regarding Housing Revenue Account:

1. Purpose of Report

1.1 To present to Members the third quarter's performance (up to 31st December), specifically including the financial impact of the Covid19 pandemic, on the Council's:

- General Fund
- Housing Revenue Account
- Housing Repairs Service
- Capital Programmes

1.2 Financial Procedure Rules require members to receive, on a quarterly basis, a report prepared jointly by the Chief Finance Officer and Corporate Management Team commenting on financial performance to date. This report is designed to meet this requirement. Whilst quarterly performance reporting for the third quarter has been paused in light of the Covid19 pandemic response, due to the challenging financial circumstances the Council currently faces it has been necessary to continue work on reporting the latest financial position.

EXTRACT

4. Housing Revenue Account

4.1 For 2020/21 the Council's Housing Revenue Account (HRA) net revenue budget was set at a £75,000 use of balances, resulting in an estimated level of general balances at the year-end of £921,071, after allowing for the 2019/20 outturn position.

4.2 The HRA is currently projecting an in-year variance of a £772,391 underspend, which would increase the General Balances to £1,693,462 at the end of 2020/21.

4.3 Although the forecast position is an underspend there are a number of forecast year-end variations in income and expenditure as a result of Covid19 along with variances arising from measures taken to address the budget pressures. Full

details of the main variances are provided in Appendix D while the table below sets out the key variances:

	Forecast £'000
Increased expenditure arising as a result of Covid19	77
Income losses as a result of Covid19	458
Reduced repairs and maintenance expenditure	(605)
Measures approved at Q1 (budget review, furlough)	(369)
ToFS Savings	(44)
Coronavirus Job Retention Scheme (in addition to Q1)	(61)
2020/21 national pay award implications	46
Increased rental income arising from Buy-Backs	(130)
HRS Repatriation	(69)
Net other variances	(76)
Overall forecast budget surplus	(772)

4.4 The following paragraphs, 4.5 – 4.6 set out further detail on the key financial challenges arising as result of Covid19 that the Council is facing in 2020/21.

4.5 **Exceptional costs of dealing with Covid19**

In response to the pandemic, the Council has had to adjust its service provision in order to meet the needs of its tenants. This has increased costs as follows:

- **Establishment of Housing Rent Hardship Fund** – in support of the existing Discretionary Housing Payments scheme the Council established an additional hardship fund specifically for Council tenants who were experiencing problems with meeting their housing rent payments.
- **Provision of PPE and COVID secure status for HRA services and buildings** – Whilst the majority of Council officers are able to continue to deliver services from their homes there were still a number of service areas where this was not possible, in these such circumstances the Council has to ensure that sufficient measures are in place to protect both the officers as well as service users. The Council must ensure that its offices and buildings meet the COVID secure status which has required additional cleaning regimes, physical changes to public spaces, signage etc. and that the officers and service users are sufficiently protected through the use of PPE and other measures whilst services are being delivered.

4.6 The more significant pressure facing the HRA is in relation to its income streams, primarily it's housing rent income, as follows:

- **Housing Rents** – in order to provide assistance to the Council's housing rent payers the Council undertook a number of positive actions by moving the 2-week rent free period usually awarded in December to the beginning of April as well as establishing a specific hardship fund. These positive

actions helped in keeping rent arrears in a positive position. However, as the impact of these measures has already been applied and as the financial impacts in the economy begin to take effect it is estimated that the level of rent arrears will increase to around £1.2m-£1.5m by the end of March 2021 (from £0.825m at March 2020), as at the end of December arrears are £1.131m. Whilst a provision for bad debts is maintained this increase in arrears will require additional contributions to the provision of approx. £375,000. The Council will though continue to support its housing tenants with the aim of keeping arrears as low as possible.

- **Housing Voids** – during the period of the initial lockdown it was not possible to re-let a number of void properties in the Council's housing stock resulting in a loss of rental income. Although the restrictions of the first lockdown have reduced the Council is still experiencing a higher than average level of voids due to social distancing measures in place increasing the amount of time that it takes for newly void properties to be prepared for re-letting.
- **Treasury Management** – following the drop in interest rates on 19th March 2020 to 0.1% the level of investment interest earned by the Council is set to reduce. Although a number of fixed term deposits are currently in place as these expire during the course of the year the level of interest earned on new investments will fall away.
- **Court Cost charges** – as a result of the initial closure of the Court service and limited court time since reopening, the Council has been unable to progress on Housing Rent arrears through the court system and has subsequently not generated fees payable by the rent payer in addition to the arrears.

4.7 As per the General Fund, the HRA could not absorb this level of budget shortfall without a range of measures aimed at reducing expenditure in the current year. The measures taken to ensure the HRA maintains a balanced budget for 2020/21 were similar to those in the General Fund and are summarised as follows:

- **Budget Review** – A review of all of the Council's revenue budgets undertaken to identify one off budget reductions.
- **Coronavirus Job Retention Scheme** – a range of staff from primarily income generating areas were placed on furlough.
- **Savings through Repairs and Maintenance** – further savings in addition to the budget review.
- **Earmarked Reserves** - When announcing the Rent Hardship Fund, as set out above, funding for the initiative was agreed from a specific earmarked reserve.

4.8 The total of these measures along with other income and expenditure variances in year have resulted in the HRA currently forecasting a budget underspend at the year end. As with the General Fund there are a number of financial assumptions which may change during the course of the next 3 months and could

alter the current forecast position. At this point it is therefore proposed that the use of the earmarked reserve to resource the Rent Hardship is reviewed following the final outturn position and in addition that the underspend on repairs and maintenance is considered for allocation, subject to the final outturn position.

5. Housing Repairs Service

5.1 For 2020/21 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

5.2 At quarter 3 HRS are forecasting a surplus of £204,670 in 2020/21 (appendix E provides a forecast HRS Summary), with full details of the main variances provided in appendix F. However, as with the General Fund and HRA this forecast is based on a number of assumptions which, due to uncertainties related to Covid19, may change during the next three months. In addition, there has been a delay in undertaking the internal billing process which provides a further level of uncertainty to the forecast position.