STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

REPORT FOR INFORMATION

Report Title	**HOUSING REVENUE ACCOUNT OUTTURN 2020/21**
Purpose of Report	To present to the Committee a forecast of the outturn position against the revenue budget and Capital programme for the Housing Revenue Account for 2020/21.
Decision(s)	**The Committee RESOLVES to to note the Housing Revenue Account revenue and capital outturn position for 2020/21**
Consultation and Feedback	Budget holders have been consulted about the outturn position in their service areas. The feedback has been incorporated into the report to explain differences between budgets and actual income and expenditure.
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Options	None
Background Papers	None
Appendices	None

1. Introduction

1.1 This report sets out the final outturn position for the Housing Revenue Account (HRA) for the 2020/21 financial year.

1.2 The purpose of this report is to inform members of the variances to budget and the level of balances held by the HRA as a result of closing the accounts for the year.

2. HRA Outturn Position Summary

2.1 The HRA is a self financing account for the Council's landlord function, which must be budgeted to break even (net of transfers to/from HRA reserves).

Revenue

2.2 The revenue outturn position of the HRA shows a net underspend of -£0.373m (1.7% of gross expenditure budget). A summary of this variation can be found in Table 1 (following paragraph **Error! Reference source not found.**2).

2.3 It is proposed that this is transferred to earmarked reserves to fund future expenditure on retrofit and transformation. Further details can be found in Section 4.

Capital

2.4 The capital outturn position shows total expenditure of £7.171m, a variance of -£4.965m against the revised budget of £12.136m. A summary of this variance can be found in Table 5 (following paragraph 6.2).

2.5 There is proposed capital slippage of £3.838k along with timing changes of -£5.089m, and the inclusion of Decarbonsation projects totalling £1.065m, giving a new capital programme for 2021/22 totalling £22.573m. Further detail of these changes are included in Section 9.

3. Housing Revenue Account Revenue Outturn Position

3.1 The outturn position for the HRA shows a net underspend of -£373k (1.7% of gross expenditure). A breakdown of this variance is included in Table 1 below. This is a change of +£99k (+0.4%) from the Quarter 3 forecast.

3.2 It is proposed that this underspend be transferred to HRA earmarked reserves to fund transformation and retrofit, as detailed in Section 4. A summary of the position of HRA General Reserves can be found in Section **Error! Reference source not found.**.

Table 1 – HRA Revenue Summary

	Para Refs	Revised Budget £k	Amount £k	Additional Reserve Transfers £k	Outturn Variance £k
Dwelling rents and service charges		(22,424)	(22,228)	0	196
Other charges and income		(629)	(715)	0	(86)
Provision for bad debt		110	138	0	28
Total Income		**(22,943)**	**(22,805)**	**0**	**138**
Supervision and management		4,155	3,751	0	(404)
Repairs and maintenance		4,235	3,947	21	(267)
Independent Living service		630	602	0	(28)
Other expenditure		542	661	0	120
Independent Living Modernisation		329	403	0	74
Total Expenditure		**9,890**	**9,364**	**21**	**(505)**
Support Service Charges from the GF		1,995	1,876	0	(120)
Revenue Funding of Capital Programme (Depn & RCCO)		6,218	6,289	0	71
Provision for repaying debt		918	0	918	0
Interest Payable/Receivable		3,309	3,352	0	43
Total Other Costs and Income		**12,440**	**11,516**	**918**	**(6)**
Total Housing Revenue Account		**(612)**	**(1,924)**	**939**	**(373)**
Transfers to/(from) HRA Earmarked reserves		431	431	0	0
Transfers to/(from) HRA General Reserves		181	181	0	0
Total Transfers to/from reserves		**612**	**612**	**0**	**(373)**

Note: table may contain rounding differences

3.3 Detail of the variances follow.

3.4 **Income – £136k income pressure**

As previously reported rental income has been lower than budgeted. Void properties increased during the lockdown period in 2020 as new tenancies were only given in exceptional circumstances. Although empty properties were being let from late summer, this can only happen at a pace in line with capacity for repairs works to be undertaken and tenancy management to start tenancies. This has unfortunately slowed the process of letting all the properties and the higher level of voids, although reducing, will continue into 2021/22.

3.5 **Supervision and Management – (£404k) underspend**

A number of posts have been vacant during the year, with total staffing underspend of £232k. £119k of this relates to Contract Services (excluding Property Care which is included in Repairs and Maintenance).

Some areas currently have underspends in running costs, primarily where work or programmes have been delayed or changed due to Covid-19, such as consultancy work and estate works. There has also been fewer small parcels on land being sold at auction as part of the planned review of garage sites.

3.6 **Repairs and maintenance – (£267k) underspend**

The underspend on repairs and maintenance predominantly relates to the planned cyclical programme (decorating and rendering) (-£223k underspend). The programme was re-profiled to support safe working around covid and concentrated on houses and bungalows before undertaking work in communal areas due to the number of people being enclosed in areas for lengths of time. The remaining works which mainly comprise of 1 block and flooring has been moved as priority work for the 2021/22 programme. A carry forward of £21k is being requested in order to support the revised programme for 2021/22.

The in house Property Care service had an overall overspend against budget of £81k. Further detail on Property Care is included in Section 7.

3.7 **Other expenditure - £120k overspend**

The cost of grounds maintenance, particularly rubbish collection from communal areas, continues to be higher than budgeted. A Cleaner Estates Strategy Action Plan was presented to Housing Committee in June 2021.

There has also been additional spend on play areas.

3.8 **Independent Living Modernisation – funded from earmarked reserve**

The Independent Living Modernisation Programme (previously known as the Sheltered Modernisation Programme) includes modernisation works to green and amber schemes, as well as the decanting costs and void costs e.g. council tax for the red schemes. It consists of works to schemes that are part revenue and part capital and the budget is split based on estimates.

This is fully funded from the Sheltered modernisation earmarked reserve, along with a contribution towards the lost service charges that formed part of the original business case.

Improvement works at Willow Road, the first Independent+ scheme, were successfully completed in December 2020. Springfields Court, the fourth Hub to be created, completed just into financial year 2021/22, in April 2021, with works having started in January.

3.9 **Support Charges from the General Fund – (£120k) underspend**

Charges from the General Fund for shared and support services such as IT, HR and finance are £120k lower than budgeted for the year. This is largely due to underspends on salaries and running expenses across these services, as reported in the General Fund Outturn position to Strategy and Resources (July 2021).

3.10 **Interest payable/receivable – £43k loss of income**

Investment rates have significantly reduced due to Covid-19. This is expected to continue into 2021/22.

4. HRA Earmarked Reserves

4.1 The HRA base budget included a transfer to reserves for the Independent Living Modernisation Programme, as well as transfers from the same reserve to fund the works in year.

4.2 The budget setting papers (Housing Committee in December 2020 and approved at Council in February 2021) included a change in the way for making provision for repaying borrowing, and transfer to earmarked reserves has been included in the outturn position.

4.3 There is a proposed carry forward of £21k for cyclical maintenance (para 3.6).

4.4 The overall position of the HRA for 2020/21 is an underspend of £373k, and it is proposed to put this into earmarked reserves:

4.5 Capital funding of GCEC Energy Retrofit Project - £39k

Upfront capital funding of £39k is needed in order to bring forward the retrofit of seven Independent Living properties at Draycott, Cam. This would allow air source heat pumps, PV panels and batteries to be installed at the properties, with an ongoing revenue cost to be included in future budgets.

4.6 Retrofit - £100k

An allowance towards any additional one-off costs for the creation of a long term retrofit programme expected following a report to Housing Committee in September 2021.

4.7 Transformation - £239k

The HRA will need to contribute towards the council wide Fit for the Future programme, and this would include funding for this. There is also an allowance for specific change management for housing.

4.8 Members could choose to recommend to Strategy and Resources Committee and Council that some of these reserves are allocated to different projects or general reserves in 2021/22.

4.9 The transfers to/from earmarked reserves are summarised in the table below.

Table 3 – Earmarked Reserve Transfers

Earmarked Reserve	Opening balance £k	Transfers in £k	Transfers out £k	**Closing balance £k**	Net transfers £k
Independent Living Modernisation	2,405	1380	-949	**2,836**	431
Estate Redevelopment	1,170			**1,170**	0
Staffing	250			**250**	0
HRA General Contingency	100			**100**	0
Carry forwards – Cyclical maintenance	0	21		**21**	21
Provision for repaying borrowing	0	918		**918**	918
Underspend 20/21 – Transformation	0	234		**234**	234
Underspend 20/21 - Retrofit	0	139		**139**	139
	3,925	**2,692**	**-949**	**5,668**	**1,743**

5. HRA General Reserves

5.1 The opening balance of HRA general reserves at 1 April 2020 was £4,430k. The base budget included a transfer to general reserves of £181k.

Table 4 – HRA General Reserves

	2020/21 £k	2021/22 £k
Opening balance	4,430	4,611
Budgeted transfer to/(from) general reserves – Council Feb 2021	181	281
Closing balance	**4,611**	**4,891**

Note: table includes rounding differences

6. HRA Capital Programme

6.1 The HRA has a budgeted capital programme of £12,136k for 2020/21, of which £7,171k has been spent, although it should be noted that most of the variance relates to the opportunity led pots for purchasing land and property which does not constitute a true in year underspend.

6.2 The below table give a breakdown of the capital programme, with further details of variances following.

Table 5 – HRA Capital Outturn

Capital Schemes	Para Refs	2020/21 Original Budget £k	2020/21 Revised Budget £k	2020/21 Amount £k	2020/21 Outturn Variance £k	Slippage £k
Central Heating	6.7	745	403	72	(331)	200
Disabled Adaptations	6.8	150	130	76	(54)	
Kitchens and Bathrooms	6.9	589	177	3	(174)	170
Major Works	6.10	450	450	748	298	
Compliance	6.11	271	271	404	133	
Doors and Windows	6.12	884	744	582	(162)	162
Electrical Works	6.13	200	194	129	(65)	
Environmental Works	6.14	150	170	100	(70)	
Door Entry		242	212	231	19	
External Works	6.15	2,387	2,197	2,051	(146)	145
Lifts		21	21	24	3	
Major Works TOTAL	**6.3**	**6,089**	**4,969**	**4,418**	**(551)**	**677**
Depot	6.16	0	0	18	18	
Other Capital Works TOTAL		**0**	**0**	**18**	**18**	
Southbank, Woodchester	6.18	495	660	656	(4)	
Acquisitions	6.20	1,320	2,000	1,000	(1,000)	
New Homes Contingency		50	50	0	(50)	
Canal side: Corner of A419/Downton Rd (Former Ship Inn site)		50	15	11	(4)	4
Glebelands	6.19	50	45	22	(23)	23
Cambridge House	6.19	30	21	15	(6)	6
Broadfield Road, Eastington	6.19	1,126	11	57	46	(46)
Orchard Road, Ebley		686	23	23	0	
Queens Drive, Cashes Green		876	12	12	(0)	
Ringfield Close, Nailsworth	6.19	2,897	14	302	288	(288)
Summersfield Road, Minchinhampton	6.19	1,086	50	124	74	(74)
Gloucester St and Bradley St, WuE		20	2	0	(2)	
Opportunity Land Acquisition Pot	6.22	3,000	3,000	0	(3,000)	3,000
Next Steps Accommodation Purchases	6.21	0	600	108	(492)	492
Completed Schemes		0	0	3	3	
New Build and Development TOTAL		**11,686**	**6,503**	**2,333**	**(4,170)**	**3,116**
Independent Living Modernisation	6.23	475	664	402	(262)	45
Independent Living Modernisation TOTAL		**475**	**664**	**402**	**(262)**	**45**
TOTAL CAPITAL SCHEMES		**18,250**	**12,136**	**7,171**	**(4,965)**	**3,838**

6.3 **Major Works – (£551k) underspend/slippage**

6.4 Major works totalling £4,418k have been delivered during 2020/21.

6.5 The 2020/21 programme has been reprogrammed a number of times to support government guidelines in relation to covid-19.

6.6 The mobilisation of MD Group (the new planned works contractor) has gone well, and although unable to start internal works the external works programme has been completed where possible. Any works not able to be finished during 2020/21 will be carried forward to the 2021/22 programme and completed as a priority. All tenants have been kept in contact with and the new Tenant Liaison Officer has been doing “walk abouts” in the areas.

6.7 Central Heating – (£331k) underspend/slippage

Heating Installs have been on hold due to the pandemic and replacements were on a service based approach which reduced the overall spend. This year has seen fewer critical failures than previous years, which is down to higher value repairs being carried out and our maintenance programme being delivered in-house for gas boilers, with external specialists maintaining renewable technologies.

Slippage of £200k is being requested in order to replace the heating system at Walter Preston Court in 2021/22. It has been delayed due to Covid-19 restrictions, to prevent entering homes where not strictly necessary – this is a scheduled replacement and the current system in place is still functioning. It is planned to carry out the plant room upgrade in July/August 2021 following the easing of lockdown restrictions, and when there would be the least impact of loss of heating on tenants.

6.8 Disabled Adaptations – (£54k) underspend

The first 5 months of the contract works were suspended as a result of Covid-19, due to the vulnerabilities of the tenants requiring the work. When works recommenced a prioritisation programme was agreed with NHS partners, in order to catch up works where possible, with a small amount of work being moved on to the 2021/22 programme.

6.9 Kitchens and Bathrooms – (£174k) slippage

Internal works were put on hold due to Covid, the pilot programme for MD Group will be prioritised for the 2021/22 programme which is currently due to start after 21 June. All tenants have been contacted and we anticipate the full programme to be delivered in 2021/22.

6.10 Major Void Works – £298k overspend

A number of void properties were carried forward from last year adding to the voids being completed in this year. Some voids are being returned in poor condition, including items to be cleared from the property and garden, further adding to the spend needed in order to relet them.

6.11 Compliance – £133k overspend

Asbestos removal is responsive, and the asbestos removals programme was managed in line with the cyclical programmes. This resulted in an overspend due to movement in the cyclical programme with works to Willow Road being added to the programme.

6.12 Doors and Windows – (£162k) slippage

The programme initially concentrated on communal replacements, then as restrictions eased appointments were arranged with tenants. There was a higher level of no access and also a number of tenants advising that they were shielding. All outstanding windows and doors have been moved to the 2021/22 programme which has already commenced.

6.13 Electrical Works – (£65k) underspend

Rewires were put on hold due to the length of time and disruption to the internal areas of tenants homes, and only properties which required works for compliancy were completed. From 2021/22 the electrical programme will be completed by the in house team Property Care.

6.14 Environmental Works – (£70k) underspend

The 2020/21 programme runs alongside the external works and cyclical programme and due to the re-profiling of these programmes for Covid-19 reasons this has impacted on the programme.

6.15 External Works – (£146k) slippage

The programme was due to start following initial mobilisation in January 2021 however the lockdown put in place at that time delayed this. Following a review of the guidelines the programme began in February 2022 which has gone well, although we have had to resolve issues with delays in materials to ensure the programme is continued. All outstanding work has been made a priority on the 2021/22 programme.

6.16 **Other Capital Works - £18k additional spend**

A further £18k has been spent on fitting out the internal space at the Littlecombe Depot. This is works that carried over from last year and were completed at the start of the financial year.

6.17 **New Build and Regeneration – £322k additional spend**

6.18 Southbank, Woodchester – (£4k) underspend

The build of five new houses at Southbank was completed on budget. Three homes have been added to the general needs rented stock and two properties are shared ownership.

6.19 New Build Programme – £375k spend brought forward (net)

The New Homes and Regeneration Programme is progressing well with three developments (Ringfield Close, Broadfield Road & Summersfield Road) currently on site delivering 36 affordable homes, all of which are due to complete in this financial year. The specification was reviewed in light of the Council's Carbon 2030 commitments and we are pleased to report that the new homes will all achieve EPC A ratings. Glebelands and Cambridge House are currently in planning with a decision due in late summer, if planning is secured this will deliver a further 36 affordable homes. Planning permission has been secured for Orchard Road and Gloucester Street/Bradley Street, both of which are currently being progressed with an anticipated start on site in May 2022. It is anticipated that Cambridge House and Glebelands will be delivered on similar timescales, subject to planning. All options will be explored to bring the delivery of these sites forward sooner. In addition to this, officers are actively progressing a pipeline of schemes which will bring forward delivery of additional new homes beyond the existing programme.

There is an overspend of £408k collectively over the three developments which are currently on site. This is because SDC entered into contract with Beard Construction and were able to bring forward the demolition of existing structures on site in addition to starting groundworks and associated infrastructure works. The budget for 2021/22 will be adjusted to account for this.

There was a collective underspend of £28k for Glebelands & Cambridge House because planning was submitted later than originally anticipated.

6.20 Purchase of Property - £1,000k underspend

A budget of up to £2m was made available for the purchase of properties to add to the housing stock. Six properties were purchased during 2020/21, at a total cost of £1m (including fees). Further details on these properties is included in Section 10, HRA Stock.

6.21 Next Steps Accommodation - £492k slippage

Following the successful bid for Next Steps Accommodation Project grant funding towards the purchase of up to four one bedroom units for ex rough sleepers, one property was purchased up to 31 March. The remaining budget of £492k will be slipped into 2021/22 in order to find and purchase additional properties within the strict grant funding deadlines.

6.22 Opportunity Land Acquisition Pot – (£3,000k) slippage

As detailed in the budget setting papers, a £3 million budget was included in the capital programme which would allow site/s to be purchased should any site/s of interest become available. It was stated in the reports that as this was very much an opportunistic pot, there was no guarantee that site/s would be purchased in 2020/21 and so the budget would need to remain available in any subsequent years.

6.23 Independent Living Modernisation – (£168k) underspend

The underspend in capital relates to a difference in cost between revenue and capital and doesn't affect the overall project which is on target. The funding for Independent Living Modernisation remains separate and any under- or overspends would increase or reduce the funding pot for the modernisation works and not impact the wider HRA.

Improvement works at Willow Road, the first Independent+ scheme, were successfully completed in December 2020. Springfields Court, the fourth Hub to be created, completed just into financial year 2021/22, in April 2021, with works having started in January.

7. In House Repairs Service

7.1 The new in house repairs and maintenance service – Property Care, went live on 1 April 2020.

7.2 Overall the new service was overspent against budget by £81k, however the budget did not include any allowance for starting and operating during a pandemic and so a direct comparison cannot be made. The overspend has been managed within the position of the HRA and has not caused any specific financial pressures.

7.3 Below is commentary from the Operations Manager.

7.4 The first year of operation for Property Care has been a challenge in respect of managing the team through change from commercial contractor to in-house service. We also had those challenges compounded with the impact of the pandemic on our operational resources. The financial impact was felt in a number of ways, some of which were easily identifiable such as additional costs of compliance and PPE for all front line services and support staff. Other costs increased because of the type of works we were able to be complete under lockdowns. An example of this would be external works which were an increased area of work undertaken because of the safe systems of work. We also had a legacy of these works, associated with the out-going contractors , that we re-prioritised to deliver under responsive repairs with availability of our workforce. The nature of these works is largely more time consuming in terms of available labour resources and also more costly in respect of material and specialist contractor elements. The shortages of materials, such as concrete posts, meant we had to make decisions to change to alternative solutions such as timber fencing. Significant roofing repairs were carried out throughout the year, again inflating the anticipated costs of the repairs. We also had to adapt to changes in available resources internally and with our supply chain over Covid testing and isolation. This had an impact over all our responsive work streams and led to a increase in number of voids held as works in progress and, in association with an increase in such areas as property clearance and generally poor property condition, led to an increase in the major works required at those properties.

7.5 We do have our challenges with visibility of financial information through the systems we utilise. This is highlighted through the changes in quarter 3 to quarter 4. The volumes of transactions and associated commitment costs for significant repair works are not as robust as we would wish them to be. We do have weaknesses with managing large volumes of transactional data and ensuring our cut off is accurately reflected in the financial outturn. This will be an ongoing challenge into 2021/22 year as routine works return into operations and backlogs of works are processed and measured. We are prioritising our supporting resources to be able to increase data management capacity to accommodate the processing of duplicate information between systems until the IT project is delivered. The return of investment programmes of work and cyclical maintenance will relieve and share the financial pressure upon the repairs service in the current year. We also welcome the introduction of the task and finish panel from Housing Committee in the current year and how that can aid understanding the financial management of the services.

8. Capital Financing

8.1 The total capital spend of £7,171k has been financed as follows.

Table 7 – Capital Financing 2019/20

Source of Funding	£k	Programmes funded
Major Repairs Reserve	4,442	Major works and some new build and development
Revenue Contribution to Capital Outlay (RCCO)	402	Sheltered Modernisation
Capital Receipts	1,348	New build and development, including acquisitions
Borrowing	761	Acquisitions
Grants	218	Homes England funding towards Ringfield Close, Southbank and the Next Steps Accommodation Project (NSAP) acquisition
Total Funding	**7,171**	

9. Capital Budget 2021/22

9.1 As detailed in Section 6 a net total of £3.838m is being requested as capital slippage into 2021/22. This predominantly relates to the Opportunity Land Acquisition Pot of £3.000m, with £0.492m for Next Steps Accommodation Project, a net negative slippage of £0.375m on new build schemes (where spend was brought forward into 2020/21), and a total of £0.677m for major works.

9.2 SDC has also been awarded a grant of £426k from the Department for Business, Energy and Industrial Strategy (BEIS) for 2021/22 from the Social Housing Decarbonisation Demonstrator Fund, in a joint bid with Cheltenham Borough Homes and Two Rivers Housing. It is proposed that this is added to the 2021/22 capital programme (in line with the Budget Setting report approved at Council in February 2021). The total cost of the scheme to retrofit 28 independent living properties is £1.065m, with SDCs contribution to be funded from the existing heating programme.

9.3 There is also a proposal to include the upfront cost (£39k) of a cooperative energy project in the capital programme for 2021/22. This project would retrofit to up to 7 independent living properties with air source heat pumps, PV panels and batteries with Gloucestershire Community Energy Cooperative. This addition would be funded from the 2020/21 revenue underspend, with ongoing costs of up to £5k pa funded from the revenue budget.

9.4 The New Build programme has also been revised to reflect the current forecast. This is only a change in timing, with the schemes and the overall budget remaining the same.

9.5 Taking into account these changes, the proposed revised capital programme for 2021/22 can be found in the below table.

Table 8 – Revised Capital Budget 2020/21

Capital Programme	2021/22 Original Budget (£'000)	2020/21 Slippage (£'000)	Other changes (£'000)	2021/22 Revised Budget (£'000)
Central Heating	855	200	(639)	416
Disabled Adaptations	150			150
Kitchens and Bathrooms	1,318	170		1,488
Major Works	450			450
Compliance	422			422
Doors and Windows	1,288	162		1,450
Electrical Works	150			150
Environmental Works	500			500
Door Entry	180			180
External Works	3,274	145		3,419
Lifts	80			80
Special Projects	500			500
Fire Risk Assessment Works	150			150
Decarbonisation Projects	0		1,104	1,104
Major Works	**9,317**	**677**		
IT Systems	435			435
HRA Other Capital	**435**	**0**	**0**	**435**
Acquisitions	2,000			2,000
New Homes Contingency	50	0		50
Canal side: Corner of A419/Downton Rd (Former Ship Inn site)	51	4		55
Glebelands	2,544	23	(2,492)	75
Cambridge House	1,395	6	(1,323)	78
Broadfield Road, Eastington	1,494	(46)		1,448
Orchard Road, Ebley	840		(830)	10
Queens Drive, Cashes Green	494		(444)	50
Ringfield Close, Nailsworth	3,302	(288)		3,014
Summersfield Road, Minchinhampton	1,024	(74)		950
Gloucester St and Bradley St, WuE	55			55
Opportunity Land Acquisition Pot	0	3,000		3,000
Next Steps Accommodation Project	0	492		492
New Build and Development	**13,249**	**3,116**	**(5,089)**	**11,276**
Independent Living Modernisation	358	45		403
Independent Living Modernisation	**358**	**45**		**403**
HRA Capital Total	**23,359**	**3,838**	**(4,624)**	**22,573**

10. HRA Stock Numbers

10.1 The total number of dwellings available to rent or part rent part buy (excluding those held vacant pending development) has increased by one to 4,992.

Table 9 – Summary of Housing Stock Numbers 2020/21

	Rented	Shared Ownership	Total
Opening stock at 1 April 2019	**4,952**	**39**	**4,991**
Additions:			
Southbank	3	2	5
Acquisitions	7		7
Less:			
Right to Buy sales	-10		-10
Shared Ownership staircasing		-1	-1
Closing stock at 31 March 2020	**4,952**	**40**	**4,992**

10.2 The number of properties sold under Right to Buy was significantly lower than would normally be expected, with 10 sold during the year (21 in 2019/20). This is expected to return to higher levels as the Governments white paper and the Charter for social housing residents contains a direction to support the route to self ownership

10.3 With the completion of the Southbank new build properties (three rented plus two shared ownership properties), along with seven properties purchased off the open market the number of rented properties has remained the same. Shared ownership properties have increasing by one following a shared ownership homeowner ‘staircasing’ to 100% and buying the property outright.

10.4 A summary of the acquisitions made during the year can be found in the below table:

Table 10: HRA acquisitions 2020/21

Area	Type	House/Flat	Bedrooms	Price Paid
Stonehouse	General Needs	House	2 bed	£147,000
Paganhill	General Needs	Flat	1 bed	£87,500
Stonehouse	General Needs	House	3 bed	£210,000
Stonehouse	General Needs	House	3 bed	£170,000
Stroud	Next Steps	Flat	1 bed	£105,000
Stonehouse	General Needs	House	2 bed	£172,500
Stonehouse	General Needs	House	2 bed	£180,000

10.5 Acquisitions were assessed strictly on the basis of availability and affordability, particularly linked to the expected need of using Right to Buy receipts within the deadline (which has since been changed by Government – see Section 11). This meant that choice of housing that met the needs of the service within a very buoyant housing market was limited.

11. Right to Buy Receipts Update

11.1 The Council is able to retain Right to Buy (RTB) receipts (after a set payment to the Treasury, a Council share, an allowance for the self financing debt relating to the RTBs, and an admin allowance), but only if they are spent on new affordable rented housing.

11.2 A total of 10 properties were sold under Right to Buy in 2020/21, with a total capital receipt of £1,168k. This is after discounts totalling £795k were applied. There are also capital receipts of £83k for the repayment of discount for two properties which were resold during a five year window after the Right to Buy in which part of the discount must be repaid.

11.3 The below table shows the breakdown of these receipts.

Table 11 - Right to Buy receipts 2020/21

	£000s	
Treasury share	576	Amount paid to Government under the RTB legislation
Local authority share	243	Amount that can be kept locally without match funding restrictions
Admin costs	12	Allowance to cover administration costs
Attributable debt	92	Allowance for self financing debt relating to sold properties. Note: this does not need to be used to repay borrowing
Buyback allowance	12	Allowance of up to 50% for repurchasing ex council houses (relates to costs incurred in past years)
Additional 141 receipts	175	Remaining amount that must be match funded within the legislation
Not pooled	141	Some new build schemes are not ‘pooled’ and all the capital receipt is kept locally for replacement housing
	1,251	

11.4 It was reported at Quarter 3 Budget Monitoring that delays, largely out of our control, have led to delays which could impact on our ability to use all Right to Buy receipts within the time scale, which would have led to needing to hand over Right to Buy receipts to Government with interest payments.

11.5 However, in late March it was announced by Government that the rules around the use of Right to Buy receipts would be changed, and rather than receipts needing to be used within three years of receipt, this would be extended to five years. It was also announced that the receipts could be used for up to 40% of the cost of new build (previously it was 30%), and could be used towards shared ownership properties as well as rented homes.

11.6 This is very welcome and will give greater flexibility in the funding of the new build programme going forward.

12. Other HRA Capital Receipts

12.1 Shared ownership capital receipts totalled £244k, which relate to a new shared ownership property at Southbank, and the receipt from an occupier choosing to purchase the remaining shares. The sale of the second shared ownership property at Southbank will fall into the 2021/22 financial year.

12.2 A total of £64k has been raised from the sale of decanted garages and other small areas of HRA land.

12.3 These capital receipts are earmarked for future new build schemes.

13. Major Repairs Reserve

13.1 The HRA must transfer the annual depreciation charge to the Major Repairs Reserve (MRR), which should be used to fund capital works or repayment of debt.

13.2 In 2020/21 the depreciation transfer totalled £5,887k and is reported under 'Revenue Funding of Capital Programme (Depreciation and RCCO)'. The remaining £402k on this reporting line relates to Revenue Contribution to Capital Outlay (RCCO) for Independent Living Modernisation capital spend funded from the revenue earmarked reserve.

13.3 The capital spend of £4,418k on Major Works, £18k on works at Littlecombe Depot, and £6k of development spend has been funded from the reserve, giving a net increase in year of £1,445k. A summary of the reserve is in the below table.

Table 12 – Major Repairs Reserve

	£k
Opening balance	4,520
Transfer to reserve – depreciation charge	5,887
Use of reserve – funding of capital works	(4,442)
Closing balance	**5,965**

13.4 This balance is taken into account in the MTFP, and will be utilised, along with future depreciation charges, to fund future major works, and potentially the annual contribution towards repaying borrowing.