

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

2021/22 HOUSING REVENUE ACCOUNT – MONTH 6 MONITORING REPORT

REPORT BY DEPUTE CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To provide the Council Executive with a report on financial performance following the month 6 monitoring exercise.

B. RECOMMENDATION

It is recommended that Council Executive notes the outcome of the month 6 monitoring exercise and the projected outturn.

C. SUMMARY OF IMPLICATIONS

I. Council Values	Focusing on customers' needs, being honest, open and accountable, making best use of resources, working in partnership.
II. Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III. Implications for Scheme of Delegations to Officers	None.
IV. Impact on performance and performance Indicators	None.
V. Relevance to Single Outcome Agreement	None.
VI. Resources - (Financial, Staffing and Property)	A breakeven position is projected at this stage.
VII. Consideration at PDSP	Not applicable.
VIII. Other consultations	Head of Finance & Property Services.

D. TERMS OF REPORT

D.1 Introduction

The council approved a £56.576 million Housing Revenue Account (HRA) budget on 16 February 2021. This report provides information on the financial position in relation to the HRA as at 30 September 2021 and provides a projection to the year end.

D.2 Summary of Month 6 Financial Information

The table below summarises the position for the main expenditure headings and provides a projected outturn:

Table 1	2021/22 Budget £'000	Committed Expenditure to 30 September £'000	2021/22 Projected Outturn £'000	2021/22 Projected Variance £'000
Employee Costs	5,145	4,645	4,805	(340)
Premises Costs	19,241	5,953	19,009	(232)
Transport Costs	92	87	92	0
Supplies & Services	2,672	1,451	2,573	(99)
Third Party Payments	127	58	127	0
Transfer Payments	2,279	205	1,562	(717)
Support Services	2,552	1,276	2,552	0
Capital Financing	13,306	6,653	13,306	0
CFCR	11,162	5,997	11,994	832
Total Expenditure	56,576	26,325	56,020	(556)
Income	(56,576)	(29,552)	(56,020)	556
Net Expenditure	0	(3,227)	0	0

Employee Costs

Employee costs are forecast to underspend by £340,000, mainly as a result of vacant posts and staff turnover. The 2021/22 budget included provision for the establishment of a customer experience team and appointments have now been made to these posts.

There have also been a number of vacancies due to staff turnover, which have resulted in one off savings during the recruitment period to fill these posts.

Premises Costs

Based on current information, premises costs are anticipated to underspend by £232,000. This is mainly a result of lower spend forecasts for insurance repairs and an underspend in estates management due to staff turnover.

Expenditure on repairs remains a key risk area; it is demand led and reactive to customer requirements, and any adverse weather can also materially impact on expenditure. There is some evidence that tenants may have held off reporting repairs in 2020/21 due to Covid-19 and are requesting them now. This potential volatility will require the budget to be closely monitored during the remainder of 2021/22.

Supplies & Services

Supplies and Services are forecast to underspend by £99,000 due to a combination of savings across a number of budget headings, including legal fees and printing costs. This is, in part, a consequence of restricted activity due to Covid-19.

Transfer Payments

Transfer payments comprise void losses, irrecoverable rents and bad debt provision for rents. They also include additional costs incurred as a consequence of Covid-19, such as additional signage and personal protective equipment for staff in both Housing Services and in Building Services, and additional vehicle hires and welfare facilities for Building Services operatives in order to maintain social distancing.

The forecast underspend of £717,000 in transfer payments is a consequence of updated estimates for the level of bad debt provision, partly offset by Covid-19 additional costs.

Capital Financing & CFCR

The CFCR is the amount of income raised through the housing revenue account that is not spent directly on revenue costs, but is earmarked to fund capital works, mainly consisting of refurbishment and upgrade programmes to maintain and improve the housing stock. The mix between borrowing and CFCR is largely dependent on the required level of borrowing and associated capital financing charges as well as the level of CFCR affordable to the HRA.

The level of CFCR is also subject to confirmation dependant on other movements within the HRA revenue account, principally in relation to expenditure on reactive repairs and levels of housing rent. At this stage, the forecast CFCR contribution is £11.994 million.

Income

Income budgets for 2021/22 relate to the estimated level of rent and other miscellaneous charges due to the HRA. Forecast income has been projected based on the latest information relating to housing stock, taking account of new build completions.

Based on the 2020/21 rental income outturn, and factoring in stock changes during 2021/22, chargeable income is forecast to be £556,000 under budget. This is in part due to Covid-19 restrictions delaying additions to the housing stock via new build completions and open market acquisitions.

The change to the benefits system means that those tenants who are entitled to housing benefit now receive the housing cost element of their entitlement directly as part of their lump sum Universal Credit payment rather than this being paid directly to the council, which has resulted in uncertainty in relation to rent payments. It is possible to partly mitigate this through tenants applying for Managed Payments or Scottish Flexibilities, however the council has no control over these as ongoing financial arrangements and the tenant can cancel the arrangements at any time.

The change to the system has also meant that the council is no longer involved in benefit claim processing for tenants claiming Universal Credit, meaning that there is no knowledge of new claims until tenants begin to accumulate arrears. Staff had previously assisted with the claim process, and ensured that the housing cost elements of the claim were correct, verified and evidenced. This change has had the effect of delaying early advice and support for tenants struggling to manage their finances, with the service continuing to reshape processes to enable these interventions as early as possible where arrears occur. Both of these factors directly caused by the implementation of Universal Credit have impacted on rent collection rates and the level of current tenant arrears.

The value of current tenant arrears at 3 October was £4.151 million (6,511 cases), with the equivalent position in 2020/21 of £3.716 million. Arrears and their impact on the financial position of the HRA will continue to be closely monitored.

The committed income noted above at month 6 includes house rent, garage rent, insurance recoveries, factoring income and other general recoverable charges, and is an assessment of the total income due to 30 September 2021. The £30.386 million in rental income collected in cash to 3 October 2021 is £969,000 higher than the £29.417 million of rental income collected in cash at the same stage in 2020/21, and equates to a cash collection rate of 95% at month 6.

E. CONCLUSION

A breakeven position is forecast on the basis of the information available.

Appendices/Attachments: None

Contact Person: stephen.ross@westlothian.gov.uk – Tel No: 01506 281311

Graeme Struthers
Depute Chief Executive
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