

DATA LABEL: PUBLIC

**COUNCIL EXECUTIVE****2021/22 HOUSING REVENUE ACCOUNT – OUTTURN REPORT****REPORT BY DEPUTE CHIEF EXECUTIVE****A. PURPOSE OF REPORT**

To provide the Council Executive with a report on financial performance in relation to the Housing Revenue Account (HRA) as at 31 March 2022.

B. RECOMMENDATION

It is recommended that Council Executive notes the final outturn position for financial year 2021/22.

C. SUMMARY OF IMPLICATIONS

I. Council Values	Being honest, open and accountable, focusing on our customers' needs, making the best use of our 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	Outcome 10 – We live in well designed, sustainable places where we are able to access the services we need.
VI. Resources - (Financial, Staffing and Property)	A breakeven position was achieved in 2021/22.
VII. Consideration at PDSP	Not applicable.
VIII. Other consultations	Head of Finance & Property Services.

D. TERMS OF REPORT

D.1 Introduction

This report provides information on the final outturn in relation to the HRA as at 31 March 2022.

D.2 Financial Position

The HRA achieved a breakeven position for 2021/22. Final capital financing charges were less than budgeted, with material underspends also noted in employee costs and supplies & services. These underspends were offset, in part, by overspends in premises costs. Income recovery was less than budgeted. Overall, this resulted in an increased contribution in Capital Funded from Current Revenue (CFCR). The enhanced CFCR provision ensures not only a breakeven position, but provides a cost effective means of financing housing capital investment.

The table below summarises the position across income and expenditure categories, with comments on the most material issues noted in the text below.

	2021/22 Budget £'000	2021/22 Out-turn £'000	2021/22 Variance £'000
Employee Costs	5,195	4,803	(392)
Premises Costs	19,241	19,683	442
Transport Costs	92	55	(37)
Supplies & Services	2,700	2,296	(404)
Third Party Payments	979	947	(32)
Transfer Payments	2,279	1,997	(282)
Support Services	2,552	2,552	0
Capital Financing	13,306	13,030	(276)
CFCR	11,162	11,680	518
Total Expenditure	57,506	57,043	(463)
Total Income	(57,506)	(57,043)	463

Employee Costs

Employee costs were underspent by £392,000 during 2021/22, mainly as a result of vacant posts and staff turnover. There were a number of staff within the HRA on secondment and backfill arrangements were determined based on operational and business need, resulting in some short term savings within the area. There were also a number of vacancies due to staff turnover, which resulted in one off savings during the recruitment period to fill these posts.

Premises Costs

Expenditure on premises totalled £19.683 million. The majority of spend in this area is incurred on repairs and maintenance works undertaken by Building Services. Covid-19 rules and regulations and staff absence due to illness or isolation continued to impact on repairs and maintenance work during 2021/22. Towards the end of the financial year there was increased expenditure to assist with repairs and void works and this contributed to a £442,000 overspend in premises costs.

Supplies & Services

Expenditure on supplies and services totalled £2.296 million, an underspend of £404,000. This is due to a combination of savings across a number of budget headings, including legal fees and printing costs, primarily as a result 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 totalling £558,000 incurred as a consequence of Covid-19, which includes Covid related costs such as additional vehicles and welfare unit facilities for Building Services staff working on property repairs and maintenance and the HRA capital programme to ensure social distancing could be maintained.

Irrecoverable rents to the value of £368,000 were written off during 2021/22. Although levels of arrears at 31 March 2022 were higher compared to the position at 31 March 2021, particularly for current tenants, the increase in the level of bad debt provision required for the year was less than budgeted. The cost incurred for void losses on housing stock was also less than had been provided for in the approved budget.

Capital Financing & CFCR

Capital Financing Charges and Capital Funded from Current Revenue (CFCR) reflect the level of borrowing required to finance the Housing Capital investment programme. Loans fund charges during the year are predominantly determined by the level of borrowing and associated interest rates, however it should be noted that the level of charge to the HRA can also be influenced by the proportionate split between HRA and General Fund services.

HRA capital financing charges were underspent by £276,000. The £11.680 million CFCR entry in the HRA revenue outturn is also replicated in the Housing Capital outturn funding position.

Income

Income budgets for 2021/22 primarily relate to the estimated level of rents and other miscellaneous charges due to the HRA revenue account. Grant funding relating to the HEEPS scheme administered through the HRA is also included.

Actual income posted to the HRA account is total rent due from tenants and includes rents received and rents being pursued as housing arrears. Rent collected as a percentage of total rent due in 2021/22 was 98%. Account is taken of housing stock changes such as new build completions, open market acquisitions, mortgage to rent, and demolitions.

During 2021/22, 41 new build completions were recorded and a further 31 open market acquisitions were concluded. The transfer of 13 non stock houses from General Services to HRA, as approved by Council Executive on 22 March 2022, was also completed. Covid-19 restrictions delayed the additions to the housing stock, meaning that additional rental income was only generated for a smaller proportion of the year than originally estimated, which is the main reason for the overall income under recovery of £463,000.

Cumulative arrears at the end of the financial year 2021/22, including both house and garage rents, amounted to £3.502 million for current tenants and £1.337 million for former tenants.

E. CONCLUSION

A breakeven position was achieved in 2021/22. Expenditure savings resulted in an increased CFCR contribution in 2021/22, thereby reducing the borrowing requirement to fund the HRA capital programme.

Appendices/Attachments: None

Contact Person: Pamela Bell, Senior Service Accountant
pamela.bell@westlothian.gov.uk – Tel No: 01506 281282

Graeme Struthers
Depute Chief Executive
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