

DATA LABEL: PUBLIC

**COUNCIL EXECUTIVE****2022/23 HOUSING REVENUE ACCOUNT – MONTH 9 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 9 monitoring exercise.

B. RECOMMENDATION

It is recommended that the Council Executive notes the outcome of the month 9 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)	The council approved a £58.684 million Housing Revenue Account (HRA) budget on 15 February 2022.
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 £58.684 million Housing Revenue Account (HRA) budget on 15 February 2022. This report provides information on the financial position in relation to the HRA as at 31 December 2022 and provides a projection to the year end.

D.2 Summary of Month 9 Financial Information

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

	2022/23 Budget £'000	Committed Expenditure to 31 December £'000	2022/23 Projected Outturn £'000	2022/23 Projected Variance £'000
Employee Costs	5,267	3,908	5,310	43
Premises Costs	20,174	15,386	21,023	849
Transport Costs	97	165	58	(39)
Supplies & Services	2,673	2,101	2,460	(213)
Third Party Payments	136	799	100	(36)
Transfer Payments	2,293	700	2,270	(23)
Support Services	2,552	1,914	2,552	0
Capital Financing	13,971	10,478	13,971	0
CFCR	11,521	8,359	11,146	(375)
Total Expenditure	58,684	43,810	58,890	206
Income	(58,684)	(46,681)	(58,890)	(206)
Net Expenditure	0	(2,871)	0	0

Employee Costs

Employee costs are forecast to overspend by £43,000. Although there are still expected to be one off staffing savings resulting from vacant posts and staff turnover, these savings are now helping to mitigate the pay award package, which is above the level assumed when the budget was approved in February 2022.

Premises Costs

Based on current information, premises costs are anticipated to overspend by £849,000, mainly as a result of severe weather conditions that resulted in burst pipes and flood damage over the Christmas period. It is expected that a high proportion of these costs can be recovered through insurance, and assumptions around insurance recovery income have also been updated. However, there may be some unrecoverable costs resulting from the adverse weather conditions, such as B&B accommodation for decanted tenants, overtime costs for building services staff and a loss of rental income from an increase in void properties while repairs are carried out. The net position and impact on the HRA budgets will be monitored closely for the remainder of the financial year.

Expenditure on other repairs remains a key risk area; it is demand led and reactive to customer requirements, and further adverse weather can materially impact on expenditure. A number of market pressures are continuing to result in increased material costs, and a lack of subcontractor availability means that premium rates are being paid for external suppliers.

Supplies & Services

Supplies and Services are forecast to underspend by £213,000 due to a combination of savings across a number of budget headings, including legal fees and printing costs. During the Covid-19 period, the newsletter and other communications to tenants were moved to an online platform, meaning printing costs have reduced notably.

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, which relate mainly to additional vehicle hires for Building Services operatives in order to maintain a one metre distancing rule for the first part of the year. As these measures have now been relaxed and a number of vehicles have been off-hired, then further Covid related costs should be minimal.

The forecast underspend of £23,000 in transfer payments comprises of overspends in void rent costs and additional Covid-19 costs, offset by an underspend in the bad debt provision for rents.

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 month 6 monitoring, the CFCR was projected to reduce to £11.092 million. At this stage, the forecast CFCR contribution is £11.146 million.

Income

Income budgets for 2022/23 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.

At month 6 monitoring, overall income was projected to under recover by £441,000. Based on the rental income received to date, and factoring in stock changes during 2022/23, chargeable income is forecast to be £206,000 over budget. While the housing rental income is expected to under recover due to delays in additions to the housing stock via new build completions and open market acquisitions, increased assumptions around insurance recoveries resulting from the impact of recent severe weather have resulted in an overall expected over recovery of income.

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 31 December 2022 was £4.305 million (5,926 cases), with the equivalent position in 2021/22 of £3.833 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 9 includes house rent, garage rent, insurance recoveries, factoring income and other general recoverable charges, and is an assessment of the total income due to 31 December 2022. The £47.032 million in rental income collected in cash to 1 January 2023 is £1.498 million higher than the £45.534 million of rental income collected in cash at the same stage in 2021/22, and equates to a cash collection rate of 97% at month 9.

E. CONCLUSION

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

Appendices/Attachments: None

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