

WAVERLEY BOROUGH COUNCIL

EXECUTIVE

18 JANUARY 2022

Title:

HOUSING REVENUE ACCOUNT PROGRESS REPORT
APRIL – NOVEMBER 2021

Portfolio Holder: Cllr Anne-Marie Rosoman, Portfolio Holder for Housing

Head of Service: Hugh Wagstaff, Head of Housing Operations

Key decision: Yes

Access: **Public**

1. Purpose and summary

To share the Landlord Service Advisory Board HRA progress report and request virements to balance the budget. The report was shared with the Board on 2 December and updated by Finance on 13 December to reflect the November budget monitoring information.

The report will provide the Executive with a status update on the income and expenditure of the HRA Revenue and Capital Accounts for the first seven months of 2021/22. Informing the Executive of the financial performance of the service with information on the balance of the account, any underspends and overspends and requested virements.

2. Recommendation

It is recommended that the Executive approves virements¹ of budgets within the HRA to realign the budget to need as detailed in Annexe 1.

3. Reason for the recommendation

To update the HRA budgets according to needs and ensure services and works continue to be delivered during 2021/22. The original HRA budget for 2021/22 was agreed by Council in February 2021 during the Covid-19 pandemic. In light of the changes in needs from tenants, access to suppliers, contractors etc. this report seeks to provide an update to the landlord services advisory board and realign budgets in line with the current

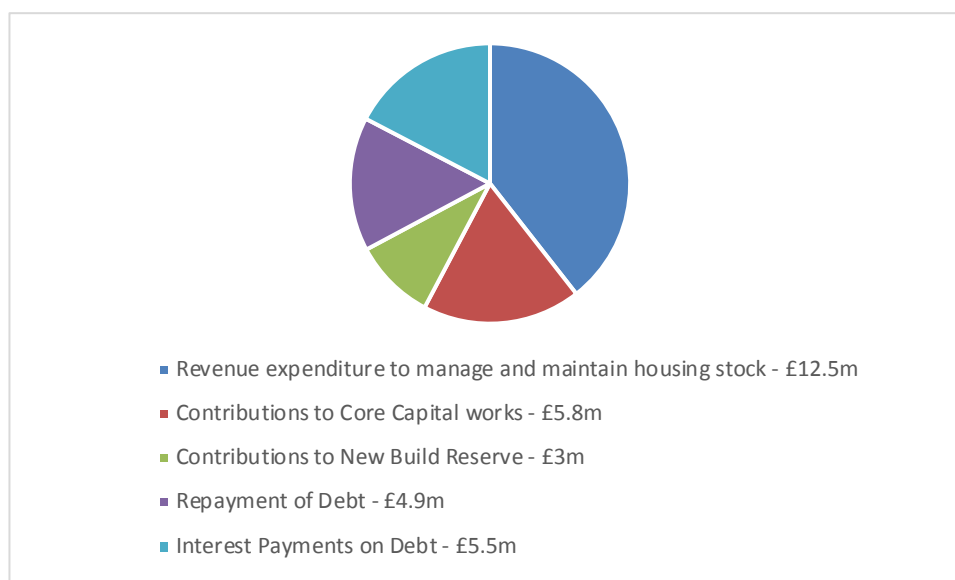
¹ To move funds from one budget to another

identified needs.

4. Background

Performance against Budget – period to end of October 2021

4.1 Waverley Borough Council's HRA has an income budget in 2021/22 of £31,727,000. This is allocated in the budget to four main areas of expenditure:



4.2 The overall forecast of the position at the financial year-end is an underspend of £22,000. However, within this forecast there are a few significant underspends and overspends. The details of the significant items are listed below.

4.3 Revenue overspend:

Area of spend	2021/22 approved budget	2021/22 actual to 31/10/21	Forecast 2021/22 overspend
Voids works	£595,400	£719,900	£692,000
Underachievement of rental income from Garages	(£352,700)	(£182,500)	£36,300
Occupied – responsive repairs	£1,489,000	£858,100	£123,000
Senior Living Accommodation Agency Budget	£140,000	£112,500	£150,000

- Voids works –The budget was significantly under-estimated for this year. Delays in capital works due to contractor issues around Brexit and Covid are causing an increase in the need for responsive revenue works.
- Rental income from garages is less than anticipated in the budget. The

initiative to increase the income from the garages by making them fit for rent and promoting them was impacted by the pandemic and has been put on hold in this financial year due to greater priorities for repairs to homes.

- Occupied Responsive Repairs – delays in the planned maintenance capital works due to contractor issues have meant that the requirement to address repairs from the revenue budget has increased in this year
- Senior living agency budgets – an increase to costs due to the Fire Risk assessment for a senior living accommodation, which identified a need for fire wardens to be on site to assist residents in the event of a fire, until such time that the works can be done to make the building safe.

4.4 Revenue underspend:

Area of spend	2021/22 approved budget	2021/22 actual to 31/10/21	Forecast 2021/22 underspend
Additional Rental income	£28,784,000	£16,708,000	£377,300
Cyclical maintenance	£1,215,000	£307,200	£175,400
Reduce HRA extraordinary cost budget	£103,520	£900	£102,620
Reduce contribution to core capital expenditure	£5,825,450	£5,478,550	£345,980

- Rental income from dwellings – this financial year is forecast to have an over-recovery against budget of £377,300. This is due to an underestimate of the budget when set last year.
- Repairs and Maintenance – cyclical maintenance – there is a forecast underspend due to spend on budgets for garages, internal decorations, and energy efficiency works being postponed.
- Extraordinary Costs – this is a revenue contingency budget in the HRA general admin account.
- Capital Expenditure – the schemes within the Capital Programme has been reviewed and are forecast to underspend by at least £346,000 in this financial year. This means that the call on the HRA revenue account to fund Capital works will be reduced and can be used to fund the increased revenue spend instead.

4.6 Capital works on existing homes:

The capital budget for 2021-2022 was approved by council at £5,824,000. This covers the standard programmed work on homes including, structural, roofing and windows works, expenditure on health and safety and disabled adaptations as well

as communal, estate and garage works.

4.7 Due mainly to issues with contractors there is forecast to be an underspend against budget in 2021-2022 of £750,000. This represents 13% of the approved budget. The following tables of the budgets shows the major variances:

4.8 Capital overspend:

Area of spend	2021/22 approved budget	2021/22 actual to 31/10/21	Forecast 2021/22 overspend
Voids Capital works	£300,000	£274,100	£263,100
Roofing and associated works	£50,000	£0	£100,000

- Voids Capital works – as with the revenue Voids works, the budget for the required capital work on empty homes was not reflected in the 2021-22 budget as more homes have become vacant and the planned kitchen and bathroom works have been delayed, resulting in more kitchen and bathroom replacements to empty homes.
- Roofing and associated works – due to additional work and increased orders.

4.8 Capital underspend:

Area of spend	2021/22 approved budget	2021/22 actual to 31/10/21	Forecast 2021/22 underspend
Windows and Doors	£450,000	£0	£450,000
Programmed work	£387,000	£39,300	£237,000
Kitchens and bathrooms	£455,000	£168,000	£165,000

- Windows and Doors - it has not been possible to commence this workstream in this financial year due to problems with contractor and access to homes
- Programmed work –the largest contributing factor to this underspend was the aim to spend £200,000 on dwelling remodelling. This has not been able to be carried out in this financial year.
- Kitchens and Bathrooms - the withdrawal of the contractor for the programme has led to a forecast underspend.

4.9 Any underspend achieved on the core capital programme will be held in the Major Repairs Reserve. This allows the service to draw down these funds when ready to progress schemes in the future as these works will still be required to maintain the quality of the housing stock.

4.10 New Housing Delivery

Waverley has an ambitious programme of delivering new social housing. This is

made up of building our own houses as well as renovating some old estates (e.g. Ockford Ridge) and commissioning developers to manage new builds on our behalf.

4.11 There was an approved budget of £18,630,000 for this financial year. The forecast spend is £6,537,000.

Area of spend	2021/22 approved budget	2021/22 actual to 31/10/21	Forecast 2021/22 underspend
New homes	£18.6m	£2.6m	£12m

4.12 Delays in progressing schemes have been caused by standard issues in this area, e.g. pre-application planning support has been closed for seven months, and negotiations with contractors and other public authorities. The budget is currently being reviewed for 2022-23 and following years.

4.13 In conclusion, although overall the HRA forecasts an underspend at the end of the year, the challenges of overspends and underspends must be noted and considered when progressing next year's budget setting process.

5. Relationship to the Corporate Strategy and Service Plan

The report supports the Council's Corporate commitment to promote "*Good quality housing for all income levels and age groups*" and aim to "*be the best council landlord in the South East and to be acknowledged so by our tenants*".

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

The HRA is a ringfenced fund in which tenants rents are spent on tenants services in maintaining and providing homes. Above details the current years progress and updates to this years budget, however it should be noted that all HRA funds remain within HRA budgets and/or balances for use when required.

6.2 Risk management

Risks for the service are classified as Financial, Legal/Regulatory, Safety, Service Delivery or Reputational. The Corporate Risk Register reports, manages and mitigates risks to the HRA.

6.3 Legal

No comment.

6.4 Equality, diversity and inclusion

All housing services delivered through the HRA business plan are subject to an Equality Impact Assessment to ensure everyone can access them.

6.5 Climate emergency declaration

The HRA business plan sets out the budgets for the development of new homes and improvements of current homes. The Council adopted new Design Standards in July 2021 to develop homes that are carbon neutral in operation. In addition, the Council is developing an Asset Management Strategy to improve the energy

efficiency of current homes thus cutting carbon emissions.

7. Consultation and engagement

Consulted with Landlord Services Advisory Board, housing operations managers Head of Housing Operations and Head of Finance.

8. Other options considered

Considered HRA budgets and ways to balance account.

9. Governance journey

Reported to Landlord Services Advisory Board 2 December, Executive Briefing 4 January and Executive on 18 January.

Annexes:

Annexe 1 – Proposed Virements over £100,000

Background Papers

There are / are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Agreed and signed off by:

Legal Services: 24 November 2021

Head of Finance: RP 23 November 2021 and PV 10 December 2021

Strategic Director: 23 November 2021 and 21 December 2021

Proposed Virements over £100,000

Revenue Virements over £100,000	
Increase voids	£692,000
Reduce garage rental income	£36,300
Increase occupied responsive repairs budgets	£123,000
Increase senior living accommodation agency budget	£150,000
Increase dwelling rental income budget	-£377,300
Reduce cyclical maintenance budget	-£175,400
Reduce HRA extraordinary costs budget	-£102,620
Reduce contribution to core capital expenditure budget	-£345,980
Total	£0

Capital Virements over £100,000	
Increase void capital works budget	£263,100
Increase roofing and associated works budget	£100,000
Reduce windows and doors budget	-£363,100
Total	£0