

**WAVERLEY BOROUGH COUNCIL**

**LANDLORD SERVICES ADVISORY BOARD**

**28 JULY 2022**

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**Title:**

**FINANCIAL OUTTURN 2021/22**  
**HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN**

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**Portfolio Holder:** Cllr Mark Merryweather, Portfolio Holder for Finance, Assets & Commercial Services and Cllr Paul Rivers, Co-Portfolio Holder for Housing

**Head of Service:** Peter Vickers, Head of Finance and Property and Hugh Wagstaff, Head of Housing Operations

**Key decision:** Yes

**Access:** Public

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**1. Purpose and summary**

- To report the financial outturn (the performance against budget) for the year 2021/22 for the Housing Revenue Account against revenue and capital budgets.
- To alert board members to emerging pressures and risks to the 2022/23 budget
- To note the ongoing strategic review of the HRA Business Plan

This report contains the following Annexes:

Annexe One – HRA revenue outturn 2021/22 summary

Annexe Two – HRA core capital outturn 2021/22 summary (planned works)

Annexe Three – HRA core capital outturn 2021/22 summary (housing delivery)

**2. Recommendation**

2.1 That the Board:

- i. note the 2021/22 outturn position for the HRA including the agreed budget carry forward amounts,
- ii. note the emerging pressures and risks set out in the report, and
- iii. identify any areas for further review and consideration for budget setting 2023/24

**3 Reason for the recommendations**

3.1 Reporting the financial outturn builds on the quarterly monitoring during the year and shows the extent to which the Council has kept within its income and expenditure budgets, demonstrating transparency and good governance.

3.2 This report follows up on actions identified in the budget report agreed by Council in February. It should be noted that the HRA business plan strategic review is underway and will be reported to the Executive, via Landlord Services Advisory Board and scrutiny committee, in the autumn.

#### **4 Outturn Position 2021/22 – Housing Revenue Account**

4.1 A summary of the HRA revenue outturn is shown at Annexe One. In total, there was a net underspend of £319k after allowing for agreed budget carry forwards. [Note + is an overspend or under achievement of income and – is a saving or over achievement of income]

4.2 The underspend of £319k represents a 3% movement from against the total service budget of £12million. This compares to a figure of £41k reported at Q3. The underspend was regularly reviewed during the year but increased unexpectedly in the last quarter due additional grant funding for staffing and services related to the impact of covid.

4.3 A summary of the main variations from the 2021/22 budget are listed below:

Budget item	Variance from latest budget 2021/22 £'000
Staff costs	-204
Other costs	-221
Income from fees and charges	-12
Other income	-18
Rent income	136
<b>Total</b>	<b>-319</b>

4.4 The underspend of staff cost had an impact on service delivery in particularly on capital projects eg new homes and replacement kitchen bathrooms and roofs.

4.5 Other costs include a reduction in forecast overspend on repairs and reduction in the general fund recharge to HRA eg savings on legal fees and insurance during the year.

4.6 The variance in rent income is due to a miscalculation in the rental income due.

4.7 The approved HRA carry forward items and amounts were noted in the Quarter 4 Performance Report and totalled £65k. Carry forward items are activities and budgets planned for 2021/22 that will now be completed in 2022/23.

4.8 Waverley borrowed £189m in 2012 to become self financing. The HRA have repaid £5million Public Works Loan Board debt and £5.5m in interest in 2021/22 as per the business plan. The principal debt remaining is £166m, which is a total debt (including interest) of £211m to be repaid annually for 19 years.

- 4.9 The HRA capital programme outturn and any budget carry forwards for 2021/22 is summarised at Annexe Two and Three. From the capital planned work budget of £5.8m there was an underspend of £0.9m.
- 4.10 From the new homes delivery budget of £18.6m there was an underspend of £9.7m.
- 4.11 During 2021/22 there were challenges in procurement and delivery due to difficulty in recruitment and escalating costs of and access to material. This impacted the ability to spend the budget in 2021/22.

## **5 2022/23 Budget and emerging pressures on the HRA business plan**

- 5.1 The HRA business plan includes a forward look over the next four years to anticipate the spending pressures faced by Waverley. Planning now to meet known changes in the future provides greater opportunity to mitigate the impact. Good preparation will mean that Waverley has sufficient funds to meet unexpected costs and that limited financial resources are targeted to Waverley's residents' highest priorities.
- 5.2 It is five months since the Council set its 2022/23 budget so officers have reviewed the latest position and considered emerging pressures on the longer term outlook for Waverley's financial plans. These updates are summarised below:
- Cost of living and its economic impact on Waverley's community, businesses and residents – this is leading to higher demand for services, the need for closer monitoring of debts and greater demand for hardship funds, both Waverley and Government funded. An Executive working group for the Cost of Living was set up in June 2022 to investigate the impact of cost of living on the council and residents of Waverley.
  - Inflation on Waverley's budgets – pay, contracts, IT, utilities – currently £110k adverse variance projected in 2022/23 for General Fund but offset by buoyant income in car parks and treasury yield plus robust management of staff costs in Q1. There will also be impacts in the HRA, particularly on utility costs. This will have further negative impact in future years as inflation compounds.
  - Constraints on income – housing rents
  - Capital schemes – affordability and deliverability of capital schemes – need to reassess and reprioritise
  - Recruitment and retention – impact on services and cost of agency cover
  - Other national economic factors – including heightened cybercrime risk and increasing volatility in economic markets

5.3 Housing rent constraints, inflation on costs and affordability will be a key consideration in the ongoing HRA business plan strategic review which will be reported to members in the autumn.

## **6. Conclusion**

HRA outturn demonstrates underspend during the year, due to challenges in recruitment, reduced general fund recharges and postponement of works. Where possible the budget has been carried forward to complete works in 2022/23.

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## **Background Papers**

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

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