



## Report of the S151 Officer

Cabinet – 21 July 2022

### Revenue Outturn 2021/22 – Housing Revenue Account [HRA]

|                                    |   |
|------------------------------------|---|
| <b>Purpose:</b>                    | This report details the City and County of Swansea's HRA outturn compared with the approved revenue budget for 2021/22.   |
| <b>Policy Framework:</b>           | Budget 2021/22.<br>Transformation and Future Council<br>(Sustainable Swansea –fit for the future)   |
| <b>Consultation:</b>               | Cabinet Members, Corporate Management Team, Legal Services and Access to Services.  |
| <b>Recommendation(s):</b>          | It is recommended that:<br><br>1) The comments and variations in this report be noted, and that the proposed reserve transfers of £1.005m detailed in Section 2.1 are approved. |
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#### 1. Summary of HRA outturn for 2021/22.

- 1.1 The HRA showed a deficit of £1.005m compared with the original budgeted break even as outlined in the budget report to members on 4<sup>th</sup> March 2021. The summarised HRA is set out in Table A in the Appendix.

- 1.2 The main reason for this £1.005m deficit and movement against an original breakeven is set out below:-

| <b>Item</b>  | <b>£m</b>    |
|--|--------------|
| Planned increased contribution to fund capital expenditure | 0.667        |
| Increased management/revenue repairs costs                 | 1.455        |
| Increased capital charges                                  | 0.121        |
| Decrease in Bad Debt provision                             | -            |
|  | 0.963        |
| Additional income  | -            |
|  | 0.275        |
|  |              |
| <b>Net Deficit</b>   | <b>1,005</b> |

- 1.3 The increased contribution to fund capital expenditure was as a result of the higher than forecast balances brought forward from the previous year which have been utilised to minimise the borrowing requirement.
- 1.4 The increase in management and revenue repairs costs was mainly due to an overspend on revenue repairs, as a result of an increase in demand following the Covid pandemic and increased costs due to inflationary pressures and an increase in disrepair claims.
- 1.5 The previously adopted treasury management strategy of 'internalising' the HRA capital financing requirement has been beneficial to the HRA in recent years. However to mitigate the ongoing Brexit risks, the projected increasing interest rate environment and working cashflow requirements, the decision to externally fund the capital financing requirement by PWLB borrowing at historically low interest rates during 2020/21 was vindicated with the implementation of the first of expected interest rate rises by the BoE in year. The future funding of the approved HRA capital programme shall inevitably be more expensive going forwards. The over spend on capital charges in-year is as a result of the implementation of a more prudent accounting methodology adopted in accordance with proper accounting practice with regard to the paying down of discretionary HRA debt incurred post Subsidy Buyout in 2015.
- 1.6 The reduction in the contribution to the bad debt provision arose because of lower than forecast rent arrears due to the support-led, pro-active approach of the Rent Arrears Team.
- 1.7 The additional income was due to a number of factors, namely as a result of the allocation of the week 53 rent income apportionment and additional income from the Furnished Tenancy Scheme.

## **2. Reserves**

- 2.1 The opening balance for the year was £6.244m. With the final 2021/22 transfer from reserves of £1.005m, the closing balance is £5.239m. The summary reserves position including budgeted usage for 22/23 is set out in Table B in the Appendix.

### **3. Legal Implications**

3.1 There are no legal implications.

### **4. Integrated Assessment Implications**

4.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

4.2 There are no implications arising from this report. The HRA Revenue budget was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. This process has since been replaced with IIA's. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the IIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

**Background Papers:** None

**Appendices:** Appendix A – Summarised HRA 2021/22

## Appendix A

**Table A: Summarised HRA 2021/22**

| <b>Classification</b>               | <b>Original Budget 2021/22</b> | <b>Actual 21/22</b> |
|-------------------------------------|--------------------------------|---------------------|
|                                     | £'000                          | £'000               |
| <u>Expenditure</u>                  |                                |                     |
| Management and Maintenance          | 32,059                         | 32,599              |
| Capital Charges                     | 10,399                         | 10,520              |
| Revenue Funding for capital schemes | 27,457                         | 28,124              |
| Transfer to/from reserves           | 48                             | -1,005              |
| <b>Total Expenditure</b>            | <b>69,963</b>                  | <b>70,238</b>       |
| <u>Income</u>                       |                                |                     |
| Rents and other income              | 69,617                         | 69,892              |
| Affordable Housing Grant            | 346                            | 346                 |
| <b>Total Income</b>                 | <b>69,963</b>                  | <b>70,238</b>       |

**Table B: Movement in Balances 21/22 to 22/23**

| <b>Description</b>                                 | <b>£000's</b> |
|--|---------------|
| Actual balance at 1 <sup>st</sup> April 2021       | 6,244         |
| Actual transfer from Reserves 2021/22              | 1,005         |
| <b>Actual balance 31<sup>st</sup> March 2022</b>   | <b>5,239</b>  |
| Budgeted transfer 2022/23                          | 2             |
| <b>Forecast balance 31<sup>st</sup> March 2023</b> | <b>5,241</b>  |

N.B. Actual usage in 2022/23 will be dependent upon final Capital requirements including slippage of schemes from 2021/22.