*Report Number: SWT 96/21*

# Somerset West and Taunton Council

## Community Scrutiny – 24 November 2021

## 2021/22 Housing Revenue Account Financial Monitoring as at Quarter 2 (30 September 2021)

**This matter is the responsibility of Executive Councillor Fran Smith, Housing**

**Report Author: Kerry Prisco (Management Accounting and Reporting Lead)**

### 1 Executive Summary

1.1 This report provides an update on the projected outturn financial position of the Council's Housing Revenue Account (HRA) for the financial year 2021/22 (as at 30 September 2021).

1.2 The current HRA **Revenue Budget** forecast is a projected overspend of £566k.

1.3 The revenue position is under significant pressure as it continues to be affected by the ongoing impact of COVID and operating within an environment of economic recovery. The service has a backlog of responsive and planned maintenance and compliance works to be undertaken. Costs are escalating in terms of materials, staffing, compliance, and servicing costs. Future financial pressures are still to be confirmed in terms of staff pay award, income collection, cost of implementing regulatory changes, and the cost of implementing a unitary authority. A thorough analysis of risks and uncertainties facing the HRA has been undertaken and careful monitoring of these will continue for early indications of further financial pressures.

1.4 There is currently sufficient capacity in general reserves to cover new in-year pressures identified to date and the current forecast outturn position.

1.5 The **unearmarked reserves** are projected to be £2.493m which is £492k above the recommended minimum balance of £2m.

1.6 Whilst best endeavours to forecast with as much accuracy as possible we have seen a historical change in forecasts each quarter and to year end. However, it is essential that action is implemented in the remainder of this year to control spending to reduce the forecast overspend and maintain adequate reserves. The housing senior management team are currently working through options to see what can be done to contain the overall position.

1.7 The HRA **Capital Programme** has a total approved budget of £118m. The profiled budgeted spend for 2021/22 is £29m and this is currently forecast to underspend in the year by £11.5m due to slippage of costs/works into 2022/23.

1.8 The **earmarked reserves** opening balance is £1.1m. Of this £869k has been returned to general reserves to mitigate in-year budget pressures. A further £175k is being proposed to be returned to general reserves.

## 2 Recommendations

2.1 This report is to be noted as the HRA's forecast financial performance and projected reserves position for 2021/22 financial year as at 30 September 2021.

2.2 The Executive approves the return of £175k from earmarked reserves to general reserves.

## 3 Risk Assessment

3.1 Financial forecasts are based on known information and projections based on assumptions and reasonable estimates. As such any forecast carries an element of risk. The current forecasts included in this report are considered reasonable given the extra element of risk around COVID and pace of economic recovery and based on experience it is feasible the year end position could change. It is common for further variances to emerge during the last quarter, reflecting an optimism bias within previous forecasting.

3.2 Despite the risks related to forecasting assumptions, it is essential that measures are implemented promptly to ensure the financial resilience of the Housing Revenue Account and adequate reserves are maintained. The current forecast highlights a risk that reserves may fall below acceptable levels by the end of this financial year if the projected over spend outturn position was to increase.

3.3 Salient in year budget risks are summarised in section 9 in this report. The Council manages financial risk in several ways including setting prudent budgets, carrying out appropriate monitoring and control of spend, and operating robust financial procedures. The Council also holds both general and earmarked reserves which include contingencies to manage budget risk, though these are low for the HRA.

## 4 Background and Full details of the Report

4.1 This report provides the Housing Revenue Account (HRA) forecast end of year financial position for revenue and capital expenditure as at 30 September 2021.

4.2 The regular monitoring of financial information is a key element in the HRA's Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the HRA's Medium Term Financial Plan and 30-Year Business Plan.

4.3 Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas. Budget Holders, with support and advice from their finance business partners, update their forecasts monthly based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year-end, and several risks and uncertainties are highlighted within this report. However, the following forecast is reasonable based on current information.

## 5 HRA Revenue Budget 2021/22 Forecast Outturn

5.1 The HRA is a ring-fenced, self-financing, account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

5.2 The Council retains all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of capital debt.

5.3 The current year end forecast outturn position for the Housing Revenue Account for 2021/22 is a net overspend of £566k. This is a slight reduction on the projected overspend of £610k as reported in Q1, though the outturn position is still of significant concern.

**Table 1: HRA Revenue Outturn Summary**

| | Current Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | Forecast Variance % |
|---|---|---|---|---|
| Gross Income | -27,668 | -27,398 | 269 | 1.0% |
| Service Expenditure | 15,334 | 15,924 | 590 | 2.1% |
| Other Expenditure | 12,333 | 12,040 | -293 | -1.1% |
| **Total** | **0** | **566** | **566** | **2.0%** |

5.4 The variances to budget are shown in more detail in Table 2 and following explanations.

**Table 2: Summary of Forecast Variances for the Year**

| | Current Budget £000 | Outturn Forecast £000 | Variance £000 |
|---|---|---|---|
| **Gross Income:** | | | |
| Dwelling Rents | -24,951 | -24,660 | 291 |
| Non-Dwelling Rents | -704 | -696 | 8 |
| Charges for Services / Facilities | -1,623 | -1,650 | -27 |
| Other Income | -389 | -392 | -2 |
| **Sub-Total Gross Income** | **-27,667** | **-27,398** | **269** |
| | | | |
| **Service Expenditure:** | | | |
| Development & Regeneration | 287 | 22 | -265 |
| Community Resilience | 154 | 162 | 8 |
| Tenancy Management | 2,051 | 2,105 | 54 |
| Maintenance | 4,202 | 4,884 | 682 |

| | | | |
|---|---|---|---|
| Assets | 1,286 | 1,149 | -137 |
| Compliance | 2,317 | 2,755 | 438 |
| Performance | 5,037 | 4,889 | -187 |
| **Sub-Total Service Expenditure** | **15,334** | **15,924** | **590** |
| | | | |
| **Central Costs / Movement in Reserves:** | | | |
| Revenue Contribution to Capital | - | - | - |
| Interest Payable | 2,669 | 2,669 | - |
| Interest Receivable | - | - | - |
| Change in Provision for Bad Debt | 180 | 180 | - |
| Depreciation | 7,663 | 7,370 | -293 |
| Capital Debt Repayment | 1,821 | 1,821 | - |
| **Sub-Total Central Costs / Movement in Reserves:** | **12,333** | **12,040** | **-293** |
| | | | |
| **Net Surplus(-) / Deficit for the Year** | **-** | **566** | **566** |

**Income**

5.5 **Dwelling Rent Income:** the budgeted income for 2021/22 is £24.951m, which reflects an assumption of 2% void losses and applying a 52-week year. The overall current projections suggest that less income will be recovered than predicted when setting the budget and providing an allowance for voids. Some of this is due to stock reductions related to the North Taunton regeneration scheme. However, it is early in the year and future level of voids could impact on the outturn. The current projection for dwelling rent income is an under recovery against budget of £291k however we will work hard on rent collection to minimise the impact as far as possible throughout the rest of the year.

5.6 **Charges for Services / Facilities:**

5.7 The budgeted income for 2021/22 for the **Service Charge Income for Dwellings** (after discounts have been applied to tenants such as Piper Charge to Sheltered Housing and Extra Care) less an average 2% void loss and applying a 52-week year, is £1.380m. The current projections suggest that c£37k more income will be recovered than predicted when setting the budget and providing an allowance for voids. However, it is early in the year and future level of voids could impact on the outturn.

5.8 The budgeted income for **Meeting Halls** for 2021/22 is £10k. The current projection is that no income will be received due to COVID restrictions preventing this service to be provided. We have just re-opened meeting halls and are tentatively taking some bookings, so are hoping this position will improve for Q3 reporting.

**Expenditure**

5.9 **Development & Regeneration:** The underspend relates to a few posts held vacant for the early part of the year. The delivery of new development projects has not required this resource as the service has focused on establishing a development pipeline. The development pipeline of 342 units is now established and following procurement and planning this resource in the structure will be required as the service increasingly moves into delivery from 2021/22.

5.10 **Maintenance**: this relates to the ongoing repairs and maintenance of the housing stock either tenanted or void activity undertaken to ensure our Lettable Standard is met. The current forecast predicts an overspend of £682k which relates to rising cost of materials and delivering the backlog of repairs following covid restrictions.

5.11 **Assets**: The underspend is primarily due to the delivery of the pre-planned maintenance external decorations programme being delayed due to covid restricting staffing resources.

5.12 **Compliance**: The projected cost pressures in respect of compliance activity and works has increased significantly, with the projected overspend in this area increasing from £233k (Q1) to £438k. The variance shown is primarily caused by two key areas of compliance activity, namely the updated property asbestos survey programme and the property electrical inspection programme. In particular, the electrical safety checks being undertaken are identifying a higher level of required remedial actions – these cost pressures against the HRA revenue budget are being reviewed and will be mitigated as far as possible by capitalising where appropriate to do so.

5.13 **Performance:** Of the total budget of £5m, £3.972m relates to shared costs such as support services, pension deficit, governance leaving £1.065m on operating costs such as staffing, insurance, training, travel, stationery, printing and bank charges, as well as the Tenants Empowerment and Tenants Action Group. The underspend is mainly an updated projection of shared support staff plus a combination of various small overspends offset by part year vacancy savings in the performance team and forecast underspends in both Tenants Empowerment and Tenants Action Group costs.

5.14 **Depreciation:** This is the current estimate for depreciation charges for the HRA. These will be finalised at the end of the financial year. Depreciation costs are credited to the Major Repairs Reserve and reinvested in the housing stock through financing of the capital programme.

## 6 HRA Capital Programme

6.1 The HRA approved Capital Programme is £118.3m. This consists of £13.8m of new schemes approved for 2021/22 plus £104.5m of previously approved schemes in prior years (see **Appendix A**).

6.2 The Council plans to finance this investment through the Major Repairs Reserve, Capital Receipts, Revenue Funding and Borrowing (see **Appendix B**).

6.3 The HRA Capital Programme relates to in-year works and longer-term schemes that will be completed over the next ten years. The current planned profiled spend is summarised in **Appendix C.** The budget has been profiled to reflect the estimated timing of costs for the approved schemes, with £29.9m profiled to be spent in 2021/22 with the balance of £88.4m projected forward into future years.

6.4 Further information on the three distinct areas of the HRA capital programme and its financial performance to date against this financial year can be found below and in **Appendix D.** It is currently forecast that the programme will underspend against profiled budget for 2021/22 by £11.5m with those costs slipping into subsequent years.

6.5 **Major Works**: The approved budget of £14.5m is funded by the Major Repairs Reserve and relates to spend on major works to existing dwellings. New schemes approved for 2021/22 total £8.9m with slippage from the prior year of £5.6m.

6.6 All internal capital programme works were placed on hold during the COVID lockdown periods, and some external works were also delayed, causing budget slippage to occur from the 2020/21 financial year. We have therefore put in place plans to increase the level of overall capital programmes to be delivered in 2021/22, although it should be noted that delivering this volume of works will be very challenging. We are recruiting additional capital programme staff resources to assist with delivery of these programmes and we are also undertaking further procurement for a range of new capital contracts.

6.7 The 2021/22 capital programme includes major programmes such as:

- Kitchens
- Bathrooms
- Air Source Heat Pumps
- Heating improvements
- Insulation and ventilation
- Door entry systems
- External doors
- Fasciae and soffits
- Roofing
- Windows
- Special Projects (e.g. major refurbishment, external improvement works, structural works, etc.)

6.8 The current forecast projection is an underspend against in-year profiled budget of £5.6m which will fall into subsequent years.

6.9 **Improvements**: The approved budget of £3.8m is funded by the Major Repairs Reserve and relates to spend on improvements to existing dwellings. New schemes approved for 2021/22 total £1.1m with slippage from the prior year of £2.7m.

6.10 As noted in Major Works above, all internal capital programme works were placed on hold during the COVID lockdown periods causing budget slippage to occur from the 2020/21 financial year and this also affected some improvement programmes. Fire safety improvement works are being prioritised following recommendations from recently completed Fire Risk Assessments. We have therefore carried out further procurement on two significant areas (installation of replacement fire doors, and new emergency lighting to communal areas) and these contracts are to commence shortly. The spike in procurement activity is placing increased pressure on contract management and procurement capacity, with additional temporary resources recently recruited to help mitigate this.

6.11 The current forecast projection is an underspend against budget of £669k on fire safety and £40k on aids and adaptations.

6.12 **Social Housing Development Programme:** The approved budget of £100m is for the provision of new housing through schemes such as Phases A-E for North Taunton Regeneration (NTWP), Seaward Way, Oxford Inn, Zero Carbon Affordable Homes and other buybacks to increase the Council's housing stock.

6.13 The new build programme has entered into one contract (Phase A NTWP) and is due to enter into a second contract (Seaward Way) in 2021/2022. This will obligate SWT through contract £21m of spend between 2021 and 2024 and SWT will gain 101 new low carbon council homes and a community facility. Both contracts are design and build and therefore provide the council with cost certainty with costs risk primarily borne by the contractors. The service is also bringing forward a new planning application for NTWP phases B and C.

6.14 The Director of Housing will consider the decanting of Phase Ci (12 tenanted units) in late summer in anticipation of a start on site for Phase B and Ci early next financial year. Rent loss at NTWP will increase up to 2025/2026 at which time additional units, over those demolished, will generate greater income at the point of phase D delivery. Predicted void loss is reflected in the HRA Business Plan and this will continue to be updated with business plan reviews. The decant strategy will decant customers in smaller subphases and retain as many customers within the scheme area through a two-move approach in order to maximise rental income. Some NTWP dwellings will continue to be used for temporary accommodation providing an income to mitigate some rent loss.

6.15 The service will review the delivery timescales and budget for the 61 new build units in the zero carbon affordable homes pilot and Oxford Inn following planning permission which is subject to a requirement to mitigate against phosphates. The garage income from these sites will not be affected by the proposed development until contracts are let for the schemes. Refurbishment schemes at Oake and NTWP Phase E will commence 2022/2023 with rent loss being controlled by limiting the number of units under refurbishment to circa four per scheme at any one time.

6.16 Please note that there have been changes to the use of Right To Buy (RTB) receipts which are favourable to SWT and its new build programme. The new rules will increase the subsidy available for new build schemes by circa 10% and reduce the borrowing required for the schemes. All schemes are being future proofed to meet 2030 and 2050 low and zero carbon targets.

6.17 The current forecast projection is an underspend against budget of £5.2m as new build schemes are projected to meet RTB 1-4-1 spend requirements instead of purchases and some delays in schemes commencing.

## 7 HRA Earmarked Reserves

7.1 The HRA Earmarked Reserves at the beginning of 2021/22 totalled £1.107m (see **Table 3** below). Of this £869k was approved to be returned to General Reserves by Full Council on 5 October 2021. A further £175k is now being proposed to be returned General Reserve as this will now be funded from flexible capital receipts. The remaining funds have been earmarked to be spent within the next two years.

**Table 3: Earmarked Reserves Balances**

| **Description** | **Opening Balance 01/04/2021 £000** | **Return to General Reserves £000** | **Projected Balance 31/3/2022 £000** |
|---|---|---|---|
| HRA One Teams | 26 | -20 | 6 |
| HRA Social Housing Development Fund | 849 | -849 | 0 |
| HRA Hinkley | 57 | 0 | 57 |
| HRA Contribution to Change | 175 | -175 | 0 |
| **HRA Total** | **1,107** | **-1,044** | **63** |

## 8 HRA Unearmarked Reserves

8.1 The HRA general reserves at the start of the year were £2.686m. This is £686k above the minimum recommended reserve level of £2m. Remaining at or above these targets provides financial resilience to in year pressures through volatility and unforeseen cost increases and income reductions.

8.2 General reserves have increased by £869k through the return of earmarked reserves that are no longer required for their original purpose (approved by Full Council on 5 October 2021). A further £175k is being proposed to return to General Reserves as this will now be funded from flexible capital receipts. However, there are several in-year commitments and pressures that will significantly reduce general reserves if savings cannot be found during the year.

8.3 The current outturn position is forecast to be a net overspend of £566k. If the forecast outturn position does not improve the deficit will reduce reserve balances to £2.492m, which is £492k above the recommended minimum balance of £2m. It is essential that action is implemented in the remainder of this year to control spending to reduce the forecast overspend and maintain adequate reserves. If reserves do fall below adequate minimum levels it will be vital that sustainable plans are included within the 2022/23 budget to restore balances to acceptable level. Financial pressures this year have demonstrated the potential scale of financial risks, which will almost certainly be exacerbated during the transition to the unitary authority and in an increasingly volatile operating environment. It is vital that costs are managed within annual income totals to ensure ongoing affordability of services.

8.4 **Table 4** below summarises the movement on the HRA unearmarked reserves during 2021/22.

**Table 4: HRA Unearmarked Reserves Balance**

| | Approval | £'000 |
|---|---|---|
| **Balance Brought Forward 1 April 2021** | | **2,686** |
| Approved - OC & Supply Chain Project Lead | Director / S151 | -19 |
| Approved - Housing Policy Lead x1 | SMT | -40 |
| Approved - Housing Performance CM (Complaints) x1 | SMT | -25 |
| Approved - Housing Improvement Programme Manager | SMT | -80 |
| Approved - Compliance Administrator | SMT | -23 |
| Approved - Stock Condition Surveyors x2 | SMT | -89 |
| Approved - Landlord Compliance Specialist | SMT | -33 |
| Approved - Building Safety CM | SMT | -25 |
| Approved - Assets Admin Assistant | SMT | -18 |
| Approved - Electrical Supervisor | SMT | -28 |
| Approved - Tradesperson | SMT | -21 |
| Approved - Released EMRs | Full Council – 05.10.21 | 869 |
| Approved - 1.75% Pay Award | Executive – 15.09.21 | -175 |
| Provisional - Share of Additional H&S Costs | Director | -96 |
| Provisional – Release further EMRs | Executive | 175 |
| **Forecast Balance after current commitments** | | **3,058** |
| Projected Outturn - Total variance | | -566 |
| **Forecast Balance 31 March 2022** | | **2,492** |
| Recommended Minimum Balance | | 2,000 |
| Projected Balance below recommended Minimum Balance | | 492 |

## 9 Risk and Uncertainty

9.1 Budgets and forecasts are based on known information and the best estimates of the housing service's future income and expenditure activity. Income and expenditure over the financial year is controlled by budget holders and then reported through the budget monitoring process. During this process any risks and uncertainties are identified which could impact financial projections, but for which the likelihood and/or amount are uncertain.

9.2 There are certain items that are not determined or finalised until the financial year-end. For example, the final assessment of provisions required for bad debts, and final allocations of support service recharges. These can result in potentially significant differences to current forecasts.

9.3 The current areas of risk and uncertainty being reported include:

9.4 **Dwelling Rent and Service Charge Income:** The dwelling rent and service charges income budget is set with an assumed level of voids at 20% for temporary accommodation and 2% for general needs, extra care and sheltered accommodation. This is monitored during the year but may result in variances to budget in the final outturn position.

9.5 The Temporary Accommodation rental income budget included additional interim properties in the North Taunton area. These were based on estimated phasing of decant which will change as the decant progresses causing a variance in the income obtained.

Plans are in place and work being undertaken in the Temporary Accommodation team to reduce voids and arrears for the latter part of the year.

9.6 **Garage Rental Income:** This is expected to be lower than budgeted due to a reduction in activity in advertising lettings and planned voids in certain areas pending change in use. Work is currently being undertaken to improve marketing of empty garages to increase income for the latter part of this year and next year.

9.7 **Repairs & Maintenance**: Overall this is a very demand led and reactive service based on the needs of the tenants. There are also a number of uncontrollable variables associated with this service such as the weather (e.g. cold winters causing burst pipes, roof leaks, etc), condition of properties when returned (e.g. void refurbishments), consumer demand on minor internal / external repairs (e.g. broken door or fence) and the type of repair work required. Market pricing of materials etc can also be volatile with some unit costs increasing in recent months. As such the levels of demand do not always follow a recognisable trend. We therefore caveat the forecasts in these areas to account for fluctuations.

9.8 **Fleet Contract:** On the 1st October 2021, the Council entered into a new contract for the maintenance and supply of its fleet. The cost of actual vehicle requirements for each service area are being finalised. Once this work is complete then costs and budgets can be realigned and updated forecasts reported. Therefore, for Q2 the fleet maintenance costs have been forecast to budget until a more accurate forecast can be calculated.

9.9 **Landlord Compliance:** A review of all compliance areas against every property for which Somerset West and Taunton Council has landlord property compliance responsibility has largely been undertaken. The compliance works required following this review are currently being planned and procured. Whilst additional budget provision has been added for 2021/22 the full extent of the financial pressure remains uncertain as more information is gathered.

9.10 **Electrical Compliance:** As noted above, a high number of remedial works have been identified from the electrical inspection condition reports. The majority of this is expected to fall under 'major' works and capitalised. However, an unknown proportion of this will only be 'minor' works and will need to be funded from revenue presenting a potential overspend.

9.11 **Job Costing Charges via Open Contractor (OC):** The project lead is thoroughly reviewing and improving the efficient and accurate operational use of OC. The underlying issues around timing of information and accuracy of coding still remains and the ability of services to accurately forecast their outturn position on charges coming from OC remains low though still largely affected by the demand led nature of the service. Reporting ‘work arounds’ have been developed to assist budget holders with their forecasting whilst the project progresses.

9.12 **Staff Pay Award:** The budgets have been set based on 0% pay award for 2021/22 following the government’s announcement in respect of public sector pay. However, pay negotiations are still being undertaken. The current forecast estimates a 1.75% pay award increasing direct staffing costs by c£175k. The Executive have agreed in principle that the final pay award will be funded from General Reserves.

9.13 **COVID-19:** The impact of COVID during the last financial year included delays in responsive repairs works (Revenue) and planned major and improvement works (Capital) reducing spend in these areas. The repairs non-emergency backlog is being resolved by recruitment of additional resources for the in-house trade team and by use of external contractors. However, we continue to have difficulty in recruitment of in-house skilled tradespersons for a range of work areas. We continue to carefully monitor and manage progress in this area and keep residents informed in relation to their repair requests.

9.14 The ongoing impact of the pandemic presents a risk to the Housing Service, particularly in terms of revenue collection as well as impact on tenant mental health and wellbeing. We have already seen a drop in inflation rates impacting our future income and expenditure, however another significant risk relates to financial hardship that will result from the impact of COVID, particularly following the ending of government support such as furlough and the current uplift in Universal Credit. The net result is unclear with respect to unemployment however inflation and UC will result in much tighter finances for many households which will impact on their ability to pay rent. Furthermore, there may be an increasing need to invest more in support services for tenant households affected by the impact of COVID. This could present across a range of service demands including increased debt and benefits advice; unemployment support, mental health support; anti-social behaviour intervention, safeguarding and domestic abuse support.

9.15 In addition, there has been substantial increases on a range of construction materials (and this pattern is expected to continue). Also, difficulties in recruitment of construction professional and trades staff for both normal work levels and COVID backlog is leading to salary inflation. Both factors are putting further pressure on several revenue and capital budgets.

9.16 **Unitary Authority:** The Secretary of State has announced his decision on the future of local government in Somerset and has chosen the "One Somerset" option put forward by the County Council. This means there will be one new council for Somerset replacing the existing five councils in April 2023. The costs of implementation will be significant and will bring significant additional demand on officers to support the process with potential additional capacity required.

9.17 It is currently unknown what the future potential HRA costs will be because of this decision, and whether these costs will need to be funded using revenue or capital budgets. From a capital perspective the business plan does provide some headroom to allow non-right to buy receipts to be used as flexible capital receipts to fund transformation costs. However, this direction ends on the 31 March 2022 and whilst a statement of intent has been issued by the Government to extend this directive for a further three years, this has not yet been confirmed. Revenue costs of implementation are not currently budgeted and will place additional pressures on the HRA budget and reserves, thus we will need to review planned expenditure and reserves to make this affordable.

9.18 **Right To Buy (RTB) Receipts**: This is a government policy that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The receipts allowed to be retained by the Council can now fund up to 40% of new social housing costs and must be used within five years of receipt, following a temporary amendment to the scheme policy from the 1 April 2021. To date, the Council has successfully fully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/DLUHC.

9.19 Whilst projected spend on new build developments is currently adequate to meet 1-4-1 spend requirements this is dependent on the successful delivery of these social development schemes. There is a risk that progress on new build schemes could be delayed and purchasing houses on the open market is also hindered, both as a direct result of COVID, and may result in funds being return to DLUHC/Treasury.

9.20 **Welfare Reform and Universal Credit (UC):** The impacts of Welfare Reform and UC are significant with the number and value of rent accounts in arrears expected to increase considerably. Several mitigations are already in place to help support tenants affected by Welfare Reform and UC such as debt advice, access to discretionary housing payments and an arrears management team with redesigned workflow processes. Welfare Reform and UC may require the Council to revise future income projections as our experience with Welfare Reform and UC develops.

9.21 **Responding to increased stock quality standards:** Changes to the Regulator of Social Housing's decent home standard as well as higher thermal efficiency standards which are unsupported by additional external grant funding would place an additional burden on HRA resources available for elemental investment in homes. Once the detail is known, we will need to adapt to ensure we continue to maintain stock at the Decent Homes Standard and prepare to meet all the evolving expectations, incorporating the financial impacts into the Business Plan.

9.22 **Building Regulation and Fire Safety:** The Grenfell Tower fire and subsequent Review of Building Regulation and Fire Safety bring several operational and financial risks. These have been mitigated with the increases in revenue and capital budgets approved for 2021/22 for compliance related work. However, the exact costs are currently unclear. There are likely to be other impacts, such as on the repairs budget due to additional work to communal areas, more intensive management of flat blocks and further resilience within teams to respond to the volume and breadth of enquiries. We will need to ensure continued compliance with these statutory requirements.

9.23 **Housing White Paper:** In November 2020 the Government published the Housing White Paper which sets out the changes to how social landlords will operate. It will require several changes to home safety, tenant satisfaction measures, complaints handling, a new inspection regime for social landlords and a strengthened role for the Regulator of Social Housing. Many of the new changes in the white paper have already been mitigated in Housing by strengthening our compliance activities, setting up the new Housing Performance Team to be responsible for communications, performance data and engagement but this will need to be kept under review and self-assessment has begun.

## 10 Links to Corporate Aims / Priorities

10.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

## 11 Partnership Implications

11.1 A range of HRA services are provided through partnership arrangements such as MIND, citizen's advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area Partnership. The cost of these services is reflected in the Council's financial outturn position for the year.

## 12 Scrutiny Comments / Recommendations

12.1 *To be updated following the committee*.

**Democratic Path:**

- **Community Scrutiny – 24 November 2021**
- **Executive - 15 December 2021**
- **Full Council - No**

**Reporting Frequency: Quarterly**

**List of Appendices**

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