



**AGENDA ITEM: 10**

**CABINET: 11 November 2014**

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
27 November 2104**

**COUNCIL: 17 December 2014**

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**Report of: Assistant Director Housing and Regeneration and Borough Treasurer**

**Relevant Managing Director: Managing Director (Transformation)**

**Relevant Portfolio Holder: Councillor Mrs J. Houlgrave**

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**SUBJECT: HOUSING REVENUE ACCOUNT (HRA) & HOUSING CAPITAL  
INVESTMENT PROGRAMME MID YEAR REVIEW**

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Wards affected: Borough wide

**1.0 PURPOSE OF THE REPORT**

- 1.1 To provide a projection of the financial position on the Housing Revenue Account (HRA) and the Capital Investment Programme at the end of the financial year.
- 1.2 To recommend options to reinvest the savings identified in the Capital Investment Programme.

**2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the financial position of the Revenue Account and the Capital Investment Programme be noted.
- 2.2 That any agreed comments of the Landlord Services Committee be considered.
- 2.3 That the proposal elsewhere on the agenda about refurbishing 188 – 192 Ennerdale be approved for funding subject to the decision of Council.
- 2.4 That the savings identified in the Capital Programme at Appendix A to be set aside for use in the 2015-16 budget, be approved for consideration by Council.

- 2.5 That the revised Capital Investment Programme including the re-profiling, virements and budget adjustments contained in Appendix A be approved for consideration by Council.
- 2.6 That call-in is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 27 November 2014

### **3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE**

- 3.1 That the progress against the HRA and the Capital Investment Programme budgets be noted.
- 3.2 That agreed comments be considered by Council in relation to this report.

### **4.0 RECOMMENDATIONS TO COUNCIL**

- 4.1 That the financial position of the HRA and Capital Investment Programme be noted.
- 4.2 That any agreed comments of Cabinet, Landlord Services Committee and Executive Overview and Scrutiny Committee be considered as part of the decision making process.
- 4.3 That the revised Housing Capital Investment Programme, including re-profiling, virements, budget adjustments and reinvestment of savings contained in Appendix A, be approved.

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### **5.0 BACKGROUND**

- 5.1 The Housing Revenue Account (HRA) and Capital Investment Programmes were approved by Council in February 2014.
- 5.2 In accordance with best practice both the Housing Revenue Account (HRA) and the Capital Investment Programmes are subject to review and scrutiny at the mid-year point to ensure that budgets are effectively being managed.
- 5.3 Members are kept informed of the financial position of the HRA and Capital Investment Programme through regular monitoring reports. The last such report was presented to Cabinet in September and Executive Overview and Scrutiny Committee in October.
- 5.4 This report will also be considered by the Landlord Services Committee (Cabinet Working Group) at its meeting on 6 November.

## **6.0 HOUSING REVENUE ACCOUNT**

- 6.1 The Council approved an external income budget for the HRA of £26.286 m for this financial year. Right to Buy sales and void rates heavily influence the amount of income generated.
- 6.2 There were 50 Right to Buy Sales allowed for when the budget was set. This estimate was based on our experience in 2013/14 when the government changed the maximum discount allowable and mortgages became more freely available. Sales to the end of September amounted to 19 properties and despite announcements by government in respect of increased discounts we believe the number of Right to buy sales will be around 40 for the year. The impact of the reduction in sales will improve the HRA income but may affect the availability of capital receipts that the Council may use for capital investment. This issue is included for consideration elsewhere on the Agenda.
- 6.3 In respect of voids, the volume of relets has increased by more than 10% overall and the number of voids requiring high value works has also increased significantly from 4 to 37 when compared to this time last year. This development has had an adverse impact on income and on the void repair expenditure.
- 6.4 The active management of staffing levels combined with the process of filling vacancies will ensure a significant favourable budget variance this year. Expenditure in other areas is being effectively controlled, and while there are a range of variances across different budget areas, there will be a favourable overall position. The latest projected outturn figure forecasts an overall favourable budget variance of £0.150m although there is scope for further changes to take place over the remainder of the financial year. This position will continue to be monitored and will be taken into account when the budget for the next financial year is set.
- 6.5 The District Heating Service is a ring fenced account that must break even over the medium term without being subsidised, or in other words the charges for this service must cover its costs. The mid-year review has identified that the level of expenditure has reduced against last year and even with the winter months ahead of us it can be anticipated that income and reserve will exceed expenditure. Consequently no increase in charges is proposed to be made at this time.

## **7.0 CAPITAL INVESTMENT PROGRAMME**

- 7.1 Service Managers have reviewed their respective schemes and are now proposing that changes are made as a result of more up to date information that has become available. This review process has incorporated a number of considerations including:
- a) Re-profiling of schemes;
  - b) Levels of anticipated expenditure

c) Availability of resources

7.2 The proposed changes to the 2014/15 Capital Investment Programme are analysed in Appendix A. In summary, it is proposed to:

- a) Re-profile £5.970m from 2014/15 to 2015/16 to meet expenditure that is now expected to be incurred in 2015/16.
- b) Implement a range of budget virements between schemes likely to outturn below budget to those schemes that are experiencing financial pressures. These virements are cost neutral to the overall programme i.e. they will not increase the capital programme.
- c) That £0.341m of available budget as identified in the Revised Capital Investment Programme at Appendix A be reallocated in accordance with table A below:

Table A Proposed reallocation of available capital Resources

Scheme	Description	Description
		£'000
Refurbishment of 188 – 192 Ennerdale	Conversion of office accommodation to Housing use providing 2 2Bed Flats, and 2 2Bed Maisonettes	250
Scheme Savings	To be considered as part of the 2015-16 Budget process.	91
TOTAL		341

7.3 The Revised Capital Programme totals £13.878 for 2014/15 and scheme totals are shown in Appendix A together with a brief outline of the reasons for the changes taking place.

7.4 The capital programme since self-financing was introduced in 2012 has increased significantly and this brings with it a set of challenges that need to be tackled. It is anticipated that the revised capital programme will be largely committed by the end of the financial year and will achieve Value for Money, and quality improvements.

7.5 Details of expenditure against the revised budget figures at the mid-year are set out at Appendix B together with Service Managers comments regarding progress to date. Expenditure at the mid-year point was 23% of the total

budget, which is slightly below the performance of 25% at the same point in the previous financial year.

- 7.6 The changes proposed at the Mid-Year have also been factored into the Medium Term Capital Programme and the revised budgets for the period 2014/15 through to 2018/19 are detailed in Appendix C.
- 7.7 As Members will recall authority was delegated to the Assistant Director of Housing and Regeneration to bid for additional borrowing under the Government's Local Growth Fund: HRA Borrowing Programme 2015/16. I am pleased to report that the Government have approved additional borrowing of £2.5m to enable the Council to develop new properties in Firbeck in 2015/16. This investment will create job opportunities, new Social Housing for those that need this, a revival of the Town Centre and overall a benefit for Skelmersdale and the Borough. This will be formally factored into the HRA budget as part of the budget setting process in February 2015

## **8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

- 8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. Individual capital schemes address Community Strategy issues and links to Corporate Priorities. The Capital Investment Programme also achieves the objectives of the Prudential code for Capital finance in Local Authorities by ensuring capital investment plans are affordable, prudent, and sustainable.

## **9.0 RISK ASSESSMENT**

- 9.1 The formal reporting of performance against budget is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council.
- 9.2 The projected changes contained in the report reflect current estimates of the likely difference between spending or income and the budget for the full financial year. These estimates contained in the report are based on current data and are subject to change as new information becomes available.
- 9.3 The Firbeck Revival Project is partly funded by Borrowing approvals and One for One Replacement Capital Receipt funding that has to be spent within certain time limits. If the project is not delivered in time there is a risk that this funding could be lost.
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## **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

## **Equality Impact Assessment**

The majority of the budget issues set out in this report have been the subject of previous reports to Committees and consequently an Equality Impact Assessment has already been prepared for them where relevant.

## **Appendices**

- A - Revised Capital Investment Programme 2014/15
- B - Performance at Mid-Year against Revised Capital Investment Programme 2014/15
- C - Revised Capital Investment Programmes for the Financial Years 2014/15 through to 2018/19
- D - Minute of Landlord Services Committee 6<sup>th</sup> November 2014 (Cabinet, Executive Overview and Scrutiny Committee and Council only)
- E - Minute of Cabinet on 11<sup>th</sup> November 2014 (Executive Overview and Scrutiny Committee and Council only)
- F - Minute of Executive Overview & Scrutiny Committee 27<sup>th</sup> November 2014 (Council only)