



AGENDA ITEM: 5(j)

CABINET: 10th November 2015

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
26 November 2015**

COUNCIL: 16 December 2015

Report of: Assistant Director Housing and Regeneration and Borough Treasurer

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor J. Patterson

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: HRA BUDGET MONITORING POSITION

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 Housing Capital Investment Programme to the end of the financial year and to agree a number of budget changes.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the progress against the HRA and the Capital Investment Programme budgets be noted.

2.2 That the revised Capital Investment Programme including the re-profiling, virements and budget adjustments contained in Appendix A be approved for consideration by Council.

2.3 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 26 November 2015.

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 any comments agreed by the Committee be provided for the consideration of Council.

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 Landlord Services Committee and Executive Overview and Scrutiny Committee be considered as part of the decision making process.
 - 4.3 That the revised Capital Investment Programme, including the re-profiling, virements and budget adjustments contained in Appendix A be approved.
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5.0 BACKGROUND

- 5.1 The HRA budget and Capital Investment Programme were approved by Council in February 2015. In accordance with best practice both the HRA and the Capital Investment Programme are subject to review and scrutiny at the mid-year point to ensure that budgets are being managed effectively. This enables Managers to review their schemes and budgets in the light of new developments and with the most up to date information available. It also provides a base upon which to build future HRA budgets and capital programmes.

6.0 HOUSING REVENUE ACCOUNT

- 6.1 The Council approved a total expenditure budget for the HRA of £26.306m for this financial year, with a matching income budget. The budget monitoring that has taken place at the mid year point has identified the following significant issues against these budgets:
 - a) Employee costs form a significant portion of the total budget and the active management of staffing vacancies should ensure that a significant favourable budget variance is achieved.
 - b) Last year there was a large adverse variance on void repairs within premises costs. The void repairs budget was increased as a result of this position through the budget setting process for the current year and expenditure is now expected to be broadly in line with the target. An overall favourable variance is being projected for premises costs as a whole.

- c) Transport costs are projected to be overspent against budget which repeats the same position as the previous year. This is largely explained by adverse variances on car allowances and this issue will be given specific consideration through the budget process for 2016/17.
- d) There are a number of favourable and adverse variances within supplies and services budgets but the overall bottom line projection for this area is that a favourable budget variance should be achieved.
- e) Income performance has been positive and it is expected that rental income will exceed the budget target for the year. This position has been assisted by the relatively low level of right to buy sales that have taken place over the last 18 months.

6.2 The bottom line projection for the HRA is that it should meet its budget target for the year and deliver a favourable budget variance. This will assist in meeting the financial challenges facing the HRA given various Government announcements over the Summer period, and consideration will be given to how this surplus should be used as part of the budget setting process for 2016/17.

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 re-profiling, timescales and levels of anticipated expenditure and demand.

7.2 Following this review a number of changes are proposed to the capital programme in Appendix A. In summary, it is proposed to:

- a) Re-profile £3.615m from 2015/16 to 2016/17 to meet expenditure that is now expected to be incurred in the next financial year.
- 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) Reduce the overall size of the programme by £0.736m to reflect funding that is no longer required to deliver schemes. This saving can then be used to assist with the budget position for 2016/17

7.3 The Revised Capital Programme totals £16.601m for 2015/16 and scheme totals are shown in Appendix A together with a brief outline of the reasons for the changes taking place.

- 7.4 Details of expenditure against the revised budget figures at the mid-year are set out at Appendix B. Expenditure at the mid-year point was £4.823m or 29% of the total budget, which is above the performance of 23% at the same point in the previous financial year.
- 7.5 The Council was successful in its bid for additional borrowing capacity under the Government's Local Growth Fund: HRA Borrowing Programme 2015/16. This increase in resources of £2.5m is being used in the current year to build new properties as part of the Firbeck Revival scheme. The Council has also recently obtained a Central Heating Fund grant of £365,000 from the Department of Energy and Climate Change. This grant must be used to deliver first time central heating systems to fuel poor households that are not currently using gas as their primary heat source. This additional grant funding will be built into the capital investment programme in due course. Every effort will continue to be made to attract external funding to maximise our investment in the housing stock.

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.

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 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

Appendix A Proposed changes to the Capital Investment Programme 2015/16

Appendix B Performance at Mid-Year against Revised Capital Budgets 2015/16

Appendix C Minute of Landlord Services Committee (Cabinet Working Group) 4 November 2015 (Cabinet, Executive Overview & Scrutiny Committee and Council)

Appendix D Minute of Cabinet 10 November 2015 (Executive Overview & Scrutiny Committee and Council only)

Appendix E Minute of Executive Overview & Scrutiny Committee 26 November 2015 (Council only)