



CABINET: 6 November 2018

**EXECUTIVE OVERVIEW AND SCRUTINY
COMMITTEE: 22 November 2018**

COUNCIL: 12 December 2018

Report of: Director of Housing and Inclusion and Borough Treasurer

Relevant Portfolio Holder: Councillor J. Forshaw

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SUBJECT: HRA REVENUE AND CAPITAL MID-YEAR REVIEW

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To provide a summary of the Housing Revenue Account (HRA) and Housing capital programme positions for the 2018/19 financial year.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the 2018/19 HRA and Housing capital programme positions be noted.
- 2.2 That the proposed budget adjustments identified in the Appendix 2 be endorsed 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 22 November 2018.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

- 3.1 That the 2018/19 HRA and Housing capital programme positions be noted.

4.0 RECOMMENDATIONS TO COUNCIL

- 4.1 That the 2018/19 HRA and Housing capital programme positions be noted.
- 4.2 That the proposed budget adjustments identified in Appendix 2 be approved.

5.0 BACKGROUND

- 5.1 In February 2018 Council agreed the HRA revenue and capital budgets for the 2018/19 financial year. Subsequently in July 2018 Council noted the favourable financial outturn position of the 2017/18 HRA and Capital Investment Programme and approved a number of budget changes and allocations.
- 5.2 As a result of previously approved policy options, the HRA should be able to achieve a balanced budget position during the period of 1% per annum rent reductions that will need to be implemented under government rules until 2020.

6.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN

- 6.1 A summary of the projected HRA revenue outturn is set out in Appendix 1 and shows that a favourable budget variance of £1,146,000 is expected, representing 4.5% of total turnover. This demonstrates that the HRA remains in a healthy financial position.
- 6.2 The main variations that are expected at this time include:
- There are a number of vacant posts, largely in Property Services, pending recruitment of the permanent staff to fill them. Consequently a significant favourable variance is anticipated on employee costs.
 - Following painting contractor issues in 2017/18 a more integrated and planned approach is being taken that delivers pre-painting at the same time as guttering and other works. The pre-painting budget itself will therefore largely not be used.
 - Void repairs and responsive repairs are both demand-led so these budget requirements can change as circumstances evolve. This year so far more responsive work is being carried out for tenants than in the same period of 2017/18 and consequently this budget area is likely to overspend.
 - Funding of £100,000 has been used from the budget contingency to support the capital programme. No further uses of the remaining budget contingency of £242,000 are anticipated at this time.
- 6.3 It is intended that consideration will be given to how the projected favourable budget variance of £1,146,000 should be used as part of the budget setting process for 2019/20.

7.0 CAPITAL INVESTMENT PROGRAMME

- 7.1 As part of the mid-year review, capital programme budgets have been examined to ensure that they continue to be required and that their level is appropriate. Appendix 2 summarises the results of this review and proposes a number of changes. These changes would reduce the overall size of the programme from £16.398m to £15.455m, as a result of £0.680m of re-profiling of expenditure into future years and taking out £0.263m of expenditure on schemes that are no longer required.

- 7.2 A summary of the Housing Capital expenditure year to date position against the revised budget is shown in Appendix 3. Total expenditure to date is £5.035m which represents 33% of the total budget. For comparison purposes, at the mid-year point in 2017/18 expenditure was around 25%.
- 7.3 Results from the recent stock condition survey have been compiled and an updated investment plan is being created in preparation for 2019/20 budget setting.

8.0 SUSTAINABILITY IMPLICATIONS

- 8.1 Monitoring the budget position ensures, with information we are aware of, that the HRA remains able to deliver services and is financially sustainable in the medium term. This supports the aim that local people should receive good quality homes for a fair and appropriate rent.

9.0 RISK ASSESSMENT

- 9.1 The formal reporting of performance on the Housing Revenue Account is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council.

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 decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 - HRA Revenue Projected Outturn.

Appendix 2 - Housing Revised Capital Programme Summary of Changes.

Appendix 3 - Housing Capital Year to Date Position

Appendix 4 - Minute of Cabinet (Executive Overview and Scrutiny Committee 22 November 2018 only)

Appendix 5 - Minute of Executive Overview and Scrutiny Committee (Council 12 December 2018 only)

Appendix One – HRA Revenue Projected Outturn

| Budget Area | Budget £000 | Variance £000 | Comment |
|--------------------------------------------|----------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employee Expenses | 4,621 | -250 | Staffing vacancies will lead to a favourable budget variance |
| Void repairs and response repairs | 2,742 | 175 | Both budgets are demand-led so final outturn depends upon various factors. Pressure to date on these budgets mainly due to increased resident activity |
| Other premises costs | 3,232 | -660 | Following painting contractor issues in 2017/18 a more integrated and planned approach is being taken that delivers pre-painting at the same time as guttering and other works. The pre-painting budget itself will therefore largely not be used. |
| Transport costs | 186 | 0 | |
| Budget contingency | 242 | -242 | Funding of £100,000 has been transferred to capital but there are no other anticipated requirements for the remaining budget of £242,000 |
| Supplies and Services | 1,076 | -170 | Variance reflects a range of factors including a smaller than anticipated bad debt provision |
| Support Services and internal income (net) | -1,075 | 61 | |
| Loan interest | 3,057 | 0 | |
| Contributions to capital | 11,335 | 0 | A contribution to the capital budget of £8,456k was approved by Council in February 2018 budget setting. A further £2,779k of revenue contributions from 2017/18 slippage and surplus was approved by Council in July 2018. An additional £100k is now being funded from the budget contingency (£8,456k + £2,779k + £100k = £11,335k). |
| Dwelling rents | -22,820 | -10 | |
| Other external income | -2,596 | -50 | |
| Total | 0 | -1,146 | Represents 4.5% of the overall turnover |

Appendix Two – Housing Revised Capital Programme Summary of Changes

| Scheme | Current Budget £000's | Transfers £000's | Re-profiling £000's | Funding changes £000's | Revised Budget £000's | Comments |
|---------------------------------|--------------------------|---------------------|------------------------|---------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Beechtrees | 3,699 | | | | 3,699 | |
| Re-Roofing Works | 2,826 | | -600 | -400 | 1,826 | £600k slipped to future years, £400k anticipated works not required |
| Walls | 1,258 | | | | 1,258 | |
| Heating System Upgrades | 1,021 | 150 | | | 1,171 | Communal funding transferred for Evenwood Court communal boiler replacement |
| Bathroom Replacements | 965 | | 100 | | 1,065 | Reprofiled from the 2019/20 budget to utilise the contractor effectively and deliver part of next year's programme in 2018/19 |
| Electrical Upgrades | 927 | | -180 | -40 | 707 | £180k slipped to future years |
| Adaptations for Disabled People | 828 | | | -443 | 385 | £243k was slipped from 2017/18 to fund three adaptations projects. These are continuing but can now be accommodated within the 2018/19 budget. A further £200k will not be spent and is therefore being released |
| Communal Areas Improvements | 756 | -150 | | | 606 | |
| Professional Fees | 697 | | | | 697 | |
| Westec Development HRA Element | 637 | | | | 637 | |
| Contingency/Voids | 466 | | | | 466 | |
| Kitchen Replacements | 414 | | | | 414 | |
| Windows and Doors | 336 | | | | 336 | |
| Improvements to Binstores | 224 | 140 | | | 364 | Funding transferred from structural works |
| Communal Fire Safety Works | 200 | | | 700 | 900 | Additional spending requirement identified from Fire Risk Assessment survey |
| Structural Works | 199 | -140 | | | 59 | |

| Scheme | Current Budget £000's | Transfers £000's | Re- profiling £000's | Funding changes £000's | Revised Budget £000's | Comments |
|-------------------------------------|----------------------------------|-----------------------------|-------------------------------------|---------------------------------------|--------------------------------------|-----------------|
| Sheltered Housing Upgrades | 183 | -40 | | -80 | 63 | |
| Install Carbon Monoxide Detectors | 180 | | | | 180 | |
| Lifts | 168 | | | | 168 | |
| HRA Garages | 149 | 40 | | | 189 | |
| Local Housing Allowance Initiatives | 51 | | | | 51 | |
| Firbeck Revival | 50 | | | | 50 | |
| Environmental Programme | 45 | | | | 45 | |
| Purchase Service Charge Software | 40 | | | | 40 | |
| Digital Inclusion Initiatives | 39 | | | | 39 | |
| Housing OR Recommendations | 23 | | | | 23 | |
| Flaxton Rainbow | 12 | | | | 12 | |
| Flood Resilience Works | 5 | | | | 5 | |
| Total | 16,398 | 0 | -680 | -263 | 15,455 | |

Resources

| | Current Budget £000's | Transfers £000's | Re- profiling £000's | Funding changes £000's | Revised Budget £000's | Comments |
|------------------------|----------------------------------|-----------------------------|-------------------------------------|---------------------------------------|--------------------------------------|-----------------|
| Capital Receipts | 190 | | | | 190 | |
| HRA Borrowing | 4,973 | | -780 | -263 | 3,930 | |
| HRA/MRA Contribution | 11,235 | | 100 | | 11,335 | |
| Total Resources | 16,398 | 0 | -680 | -263 | 15,455 | |

Appendix Three – Housing Capital Year to Date Position

| Scheme Description | Revised Budget £000's | Mid-year Spend £000's | Mid-year Spend % |
|-------------------------------------|----------------------------------|----------------------------------|-----------------------------|
| Beechtrees | 3,699 | 888 | 24% |
| Re-Roofing Works | 1,826 | 628 | 34% |
| Walls | 1,258 | 381 | 30% |
| Heating System Upgrades | 1,171 | 424 | 36% |
| Bathroom Replacements | 1,065 | 952 | 89% |
| Electrical Upgrades | 707 | 196 | 28% |
| Adaptations for Disabled People | 385 | 167 | 43% |
| Communal Areas Improvements | 606 | 28 | 5% |
| Professional Fees | 697 | 659 | 95% |
| Westec Development HRA Element | 637 | 192 | 30% |
| Contingency/Voids | 466 | 253 | 54% |
| Kitchen Replacements | 414 | 1 | 0% |
| Windows and Doors | 336 | 36 | 11% |
| Improvements to Binstores | 364 | 12 | 3% |
| Communal Fire Safety Works | 900 | 54 | 6% |
| Structural Works | 59 | 25 | 42% |
| Sheltered Housing Upgrades | 63 | 34 | 54% |
| Install Carbon Monoxide Detectors | 180 | | 0% |
| Lifts | 168 | | 0% |
| HRA Garages | 189 | 54 | 29% |
| Local Housing Allowance Initiatives | 51 | | 0% |
| Firbeck Revival | 50 | -29 | -58% |
| Environmental Programme | 45 | 51 | 113% |
| Purchase Service Charge Software | 40 | | 0% |
| Digital Inclusion Initiatives | 39 | 12 | 31% |
| Housing OR Recommendations | 23 | 4 | 17% |
| Flaxton Rainbow | 12 | 11 | 92% |
| Flood Resilience Works | 5 | | 0% |
| Energy Efficiency | 0 | 2 | N/a |
| Total Expenditure | 15,455 | 5,035 | 33% |