



CABINET: 5 November 2019

**EXECUTIVE OVERVIEW AND SCRUTINY
COMMITTEE: 21 November 2019**

COUNCIL: 11 December 2019

**Report of: Corporate Director of Place & Community and Corporate Director of
Transformation & Resources (Interim)**

Relevant Portfolio Holder: Councillors J Wilkie & A Yates

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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 2019/20 financial year.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the 2019/20 HRA and Housing capital programme positions be noted.
- 2.2 That the proposed budget adjustments identified in Appendix One and Appendix Three 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 21 November 2019.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

- 3.1 That the 2019/20 HRA and Housing capital programme positions be noted.

4.0 RECOMMENDATIONS TO COUNCIL

- 4.1 That the 2019/20 HRA and Housing capital programme positions be noted.

- 4.2 That the proposed budget adjustments identified in Appendix One and Appendix Three be approved.

5.0 BACKGROUND

- 5.1 In February 2019 Council agreed the HRA revenue and capital budgets for the 2019/20 financial year. Subsequently in July 2019 Council noted the favourable financial outturn position of the 2018/19 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 has been able to achieve a balanced budget position throughout the period of 1% per annum rent reductions. This financial year represents the fourth and final year.
- 5.3 From April 2020 the Government's new rents policy will apply which will return to annual increases of up to CPI + 1%. There is also a new regulatory framework which it is anticipated will be more robust. WLBC are participating in the voluntary pilot scheme with the new regulator during 2019/20 to ensure as smooth a transition to the new framework as possible.

6.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN

- 6.1 Appendix One identifies proposed HRA budget adjustments in year. The aim of this is to amend revenue budgets that are showing a substantial favourable variance and to use that money in-year as a revenue contribution to capital, as this will reduce the amount of HRA borrowing required and the associated debt costs. All budgets and variances are based upon the current organisational structure and do not take into account the proposals agreed through the Sustainable Organisational Review.
- 6.2 A summary of the projected HRA revenue outturn against the proposed revised budget is set out in Appendix Two and shows that a favourable budget variance of £1,244,000 is expected, representing 4.9% of total turnover. This demonstrates that the HRA remains in a healthy financial position.
- 6.3 The main variances 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
 - Planned revenue works are unlikely to be fully undertaken in year, and the size of this budget will be reviewed during 2020/21 budget setting. In comparison, the planned capital programme is expected to largely be delivered.
 - Void repairs and responsive repairs are both demand-led so these budget requirements can change as circumstances evolve. This year so far responsive revenue works are below budget and this is expected to continue
 - The remaining budget contingency is not expected to be used
 - Dwelling rents are better than budget due mainly to a low void rate leading to less rental income being lost due to voids

- Service charge income is expected to be better than budget, reflecting the success in offering CAT 2 levels of tenant support to CAT 1 sheltered tenants (this initiative was identified in the February 2019 budget setting report)

6.4 It is intended that consideration will be given to how the projected favourable budget variance of £1,244,000 should be used at year end and as part of the budget setting process for 2020/21.

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, and proposed amendments are shown in Appendix Three.

7.2 A summary of the Housing Capital expenditure year to date position is shown in Appendix Four. Total expenditure to date is £3.186m which represents 29% of the total revised budget, and represents a good level of performance. For comparison purposes, at the mid-year point in 2018/19 expenditure was around 33%

7.3 In February 2019, delegated authority was given to the Director of Housing and Inclusion, in consultation with the Housing and Landlord Services Portfolio Holder, to utilise one for one capital receipt funding together with HRA borrowing to acquire new properties subject to there being a satisfactory business case. At mid-year a total of £0.591m has been spent on purchasing and bringing to a satisfactory standard seven properties, at an average cost after use of 141 receipts of £59.1k.

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 One – Proposed Changes to the HRA Budget

Appendix Two – HRA Revenue Projected Outturn

Appendix Three - Housing Revised Capital Programme Summary of Changes

Appendix Four - Housing Capital Year to Date Position

Appendix Five – Minute of Cabinet 5 November 2019 (Executive Overview and Scrutiny Committee only)

Appendix Six – Minute of Executive Overview and Scrutiny Committee 21 November 2019 (Council only) – to follow

Appendix One – Proposed Changes to the HRA Budget

Budget Area	Original Budget £000	Budget Adjustment £000	Revised Budget £000
HRA			
Employee Expenses	4,711	-150	4,561
Void repairs and response repairs	2,879		2,879
Other premises costs	3,369	-300	3,069
Transport costs	187		187
Budget contingency	342	-80	262
Supplies and Services	1,134	30	1,164
Support Services and internal income (net)	255		255
Loan interest	3,057		3,057
Contributions to capital	9,151	550	9,701
Dwelling rents	-22,370	-50	-22,420
Other external income	-2,715		-2,715
HRA Total	0	0	0

Notes:

1. Vacancies in the first half of the year have led to a favourable forecast variance. Remove £150k of this from the 2019/20 salary budgets
2. Reduce the in-year revenue planned maintenance budget by £300k as it won't be spent in 2019/20
3. £80k of budget contingency has been allocated to the HRA IT budget, (Supplies & Services), to facilitate delivery of in-year plans
4. Reduce the bad debt provision, (Supplies & Services), by £50k
5. Increase the dwelling rents budget by £50k to recognise lower voids rates than budgeted
6. Allocate the £550k of budget savings to revenue contributions to capital and reduce HRA borrowing by the same amount

Appendix Two – HRA Revenue Projected Outturn

Budget Area	Revised Budget £000	Variance £000	Comment
Employee Expenses	4,561	-300	Staffing vacancies will lead to a favourable budget variance
Void repairs and response repairs	2,879	-180	Both budgets are demand-led so final outturn depends upon various factors.
Other premises costs	3,069	-300	Planned revenue works budget not expected to be fully used in 2019/20
Transport costs	187	-27	
Budget contingency	262	-262	No current calls on remaining budget contingency
Supplies and Services	1,164	-30	
Support Services and internal income (net)	255	0	
Loan interest	3,057	0	
Contributions to capital	9,701	0	
Dwelling rents	-22,420	-80	Voids rate lower than budgeted so less income lost due to voids
Other external income	-2,715	-65	
Total	0	-1,244	Represents 4.9% of the overall turnover

Appendix Three – 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
Re-Roofing Works	2,131				2,131	
External Works	1,004	-114	-140		750	£114k to Beechtrees, reprofile £140k to 2020/21 for enabling Whitburn and Waverley refurbishment
Heating System Upgrades	823				823	
Electrical Upgrades	737				737	
Kitchen Replacements	633				633	
Windows and Doors	581				581	
Bathroom Replacements	501				501	
Communal Fire Safety Works	426				426	
Walls	280				280	
Communal Areas Improvements	117				117	
Capital Investment Programme	7,233	-114	-140	0	6,979	
Beechtrees	1,176	114			1,290	£114k to fund additional highways and pavement works as well as associated contractor costs
Westec Development HRA Element	20				20	
Firbeck						
Professional Fees	700				700	
Adaptations for Disabled People	439				439	
Contingency/Voids	300				300	
Improvements to Binstores	299				299	
Environmental Programme	200				200	
Asset Management Assessment	185				185	

Lifts	168				168	
Sheltered Housing Upgrades	140				140	
Garages						
Structural Works						
Other Housing Schemes	3,627	114	0	0	3,741	
Digital Initiatives	57				57	
Purchase Service Charge Software	40				40	
Housing OR Recommendations	9				9	
Total Expenditure	10,966	0	-140	0	10,826	

Resources

	Current Budget £000's	Transfers £000's	Re- profiling £000's	Funding changes £000's	Revised Budget £000's	Comments
Capital Receipts	9				9	
HRA Borrowing	1,806		-140	-550	1,116	Release £140k due to reprofiling
HRA/MRA Contribution	9,151			550	9,701	Switch funding from borrowing
Total Resources	10,966	0	-140	0	10,826	

Appendix Four – Housing Capital Year to Date Position

Scheme Description	Revised Budget £000's	Mid-year Spend £000's	Mid-year Spend %
Re-Roofing Works	2,131	92	4%
Heating System Upgrades	823	307	37%
External Works	750	200	27%
Electrical Upgrades	737	116	16%
Kitchen Replacements	633	0	0%
Windows and Doors	581	25	4%
Bathroom Replacements	501	4	1%
Communal Fire Safety Works	426	233	55%
Walls	280	0	0%
Communal Areas Improvements	117	45	38%
Capital Investment Programme	6,979	1,022	15%
Beechtrees	1,290	984	76%
Westec Development HRA Element	20	92	460%
Firbeck		-10	
Professional Fees	700	638	91%
Adaptations for Disabled People	439	242	55%
Contingency/Voids	300	151	50%
Improvements to Binstores	299	95	32%
Environmental Programme	200	0	0%
Asset Management Assessment	185	0	0%
Lifts	168	0	0%
Sheltered Housing Upgrades	140	-5	-4%
Garages		-30	
Structural Works		4	
Energy Efficiency		1	
Other Housing Schemes	3,741	2,162	58%
Digital Initiatives	57	0	0%
Purchase Service Charge Software	40	0	0%
Housing OR Recommendations	9	0	0%
Rounding		2	
Total Expenditure	10,826	3,186	29%