



COUNCIL: 14 October 2020

Report of: Director of Place and Community

Relevant Portfolio Holder: Councillor J. Wilkie

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SUBJECT: HOUSING ACCOUNT – REVENUE AND CAPITAL OUTTURN

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the Housing Revenue Account (HRA) revenue and capital outturn positions for the 2019/20 financial year

2.0 RECOMMENDATIONS

2.1 That the financial outturn position of the 2019/20 HRA and Capital Investment Programme be noted and that the budget allocations set out in paragraphs 4.3 and 5.3 be approved.

2.2 That the expenditure highlighted in paragraph 5.4 be noted.

2.3 That the switching of funding from HRA borrowing to HRA revenue contributions in paragraph 5.6 be noted.

3.0 BACKGROUND

3.1 The financial year 2019/20 represented the final year of the government's four year rent setting policy to reduce social housing rents by 1% per annum to 2020. This policy progressively added pressure to the HRA over this period. However, the Policy Options agreed by Council in July 2016 and October 2016 have delivered sufficient savings and efficiencies to secure the HRA's financial position over the medium term.

3.2 The draft HRA outturn position was reported to Council within the Financial Update report in July 2020. A briefing on the capital outturn position has also been provided to the portfolio holder for housing. This report confirms the final HRA and

housing capital outturn positions, subject to external audit, and returns reporting to the usual separate report after the response to Covid-19.

4.0 HOUSING REVENUE ACCOUNT – REVENUE OUTTURN

4.1 A summary of the HRA revenue outturn is set out in appendix one and shows a favourable budget variance of £0.742m was achieved, which represents 2.95% of the total budget. This is a strong position given SORP reorganisation, Covid and the new repairs contract. This in turn demonstrates that the HRA currently maintains a healthy financial position.

4.2 The main reasons for this positive position are:

- There were a number of vacant posts through the year
- A slightly reduced revenue contribution towards funding the capital programme
- Dwelling rents exceeded budget due in part to a low voids rate
- There are two levels of support offered to sheltered housing tenants, known as category 1 and category 2. Service charge income was better than budget, in part reflecting the success in offering category 2 levels of tenant support to category 1 sheltered housing tenants. In addition, take up of the furniture service also increased service charge income.

4.3 It is proposed to allocate this £742k surplus as follows:

- Around £661k to be moved into 2020/21 to fund the HRA budget (£460k), and the balance (around £201k) to fund revenue budget issues agreed at Council in February 2020
- £51k to be added to the repairs reserve. This is to maintain the principle of the reserve balance being at least 10% of the new price per property contract for responsive repairs and void revenue repairs. Contract final settlement and mobilisation costs were funded without utilising the repairs reserve
- Around £25k of remaining DWP grant money to be moved into 2020/21 to ensure it can be used for its approved purpose of supporting tenants with Universal Credit and budgeting advice
- Around £5k of additional income identified during the closedown process has been added to the budget savings and efficiency reserve for later use

5.0 CAPITAL INVESTMENT PROGRAMME

5.1 A summary of the Housing Capital Investment Programme outturn is shown in Appendix Two. Total expenditure, excluding the purchase of properties to utilise 141 capital receipts, was £7.133m. This represents around 66% of the total budget of £10.826m. The programme was partially delayed by the Coronavirus pandemic and partially due to general programme slippage.

5.2 It is standard practice at year-end that capital budgets that have not been fully utilised are reviewed before being transferred into the following year to allow for completion of the existing programme. If the review identifies elements of the capital budget that will not be required in the following year they may be removed.

5.3 It is proposed that the variance of £3.693m (£10.826m budget less £7.133m expenditure) is used as follows:

- £3.205m is transferred into 2020/2
- That budgets will be moved between schemes as detailed in Appendix Two, they are funding neutral overall
- That funding of £0.488m that is no longer required is released

5.4 In addition to the capital programme, £3.488m has been incurred on the purchase of 30 properties to add to the HRA housing stock. These purchases were time-specific to ensure that 141 capital receipts were available to fund 30% of this cost. The alternative at that point was to repay the receipts to Government, with interest.

5.5 In recent years the aim has been to minimise the use of borrowing by switching to any available revenue funding instead. This preserves existing borrowing headroom and avoids taking on additional borrowing until absolutely required. HRA borrowing is likely to be used in buying housing stock from Tawd Valley Development company.

5.6 Borrowing was initially earmarked to match fund the remaining 70% for housing stock purchases, but given that £3.205m of the capital programme has been transferred into 2020/21 the opportunity has been taken to utilise remaining revenue contributions from 2019/20 to match fund 141 receipts as much as possible. This means that in 2019/20 only £155k of existing HRA borrowing was required rather than £2.448m as would have otherwise been the case.

5.7 The consequence is that, initially at least, the capital programme moved from 2019/20 to 2020/21 will be funded from HRA borrowing in 2020/21. If the 2020/21 HRA budget has available resources, some of this borrowing can also be switched to revenue contributions in year.

6.0 SUSTAINABILITY IMPLICATIONS

6.1 Work carried out through 2019/20 has ensured that, with the information we are aware of, the HRA can deliver services and is financially sustainable in the medium term. This supports the community strategy which highlighted that local people should receive good quality homes for a fair and appropriate rent.

7.0 RISK ASSESSMENT

7.1 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. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

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 – HRA Revenue Outturn

Appendix Two – Capital Investment Programme Outturn

Appendix One – HRA Revenue Outturn

Budget Area	Revised Budget £000	Variance £000	Comment
Employee Expenses	4,561	-125	Staffing vacancies throughout the year, increased recruitment and agency costs later in the year
Void repairs and response repairs	2,879	246	Both budgets are demand-led so final outturn depends upon various factors, primarily final settlement of old repairs & voids contract.
Other premises costs	3,069	210	Electrical testing offset by reduced capital electrical expenditure, gas servicing revenue costs and increased furnishing costs offset by increased furniture income
Transport costs	187	-27	Car Allowances
Budget contingency	183	-183	Around £80k contingency to supplies & services to fund new repairs contract - contact centre mobilisation costs
Supplies and Services	1,244	-13	Various items. Primarily consultancy costs to support implementation of the new Repairs contract, offset by the provision for bad debts and outside contractor costs both being below budget.
Support Services and internal income (net)	255	-214	Primarily support to tenants on Universal credit in week 53 from DHP's
Loan interest	3,057	0	Fixed annual payment
Contributions to capital	9,701	-274	Contribution available to fund the capital programme and purchase of housing stock
Dwelling rents	-22,420	-125	Voids rate lower than budgeted
Other external income	-2,716	-237	Take up of Category 2 level support offer by Category 1 sheltered housing tenants and increased furniture service income
Total	0	-742	Represents 2.95% of the overall turnover

Appendix Two – Capital Investment Programme Outturn

Scheme Description Expenditure	Revised Budget £000's	Outturn 2019-20 £000's	Var. £000's	Transfers £000's	Slippage. £000's	Release Funding £000's	Comments
Re-Roofing Works	2,131	1,414	-717	-453	1170		Transferred to 2020/21, partly due to lockdown, as well as some structural issues
Heating System Upgrades	823	884	61	-86	25		
External Works	750	398	-352		325	27	Transferred to 2020/21, partly due to lockdown. Completion expected 2021
Electrical Upgrades	737	256	-481	461	20		Less works required after condition reports than anticipated. Electrical tests funded from revenue.
Kitchen Replacements	633	430	-203	103	20	80	Vire some budget to contingency for non-access properties
Windows and Doors	581	36	-545		545		Transferred to 2020/21, partly due to lockdown
Bathroom Replacements	501	337	-164	74		90	2019/20 programme completed, vire some budget to contingency for non access properties
Communal Fire Safety Works	426	290	-136			136	Future budget allocations considered adequate
Walls	280	0	-280	117	100	63	£100k transferred to 2020/21 to fund pilot for cavity wall insulation and repairs to modular brickwork
Communal Areas Improvements	117	76	-41	-39	80		Project re-specified, £80k transferred to 2020/21
Capital Investment Programme	6,979	4,121	-2,858	177	2,285	396	

Scheme Description Expenditure	Revised Budget £000's	Outturn 2019-20 £000's	Var. £000's	Transfers £000's	Slippage. £000's	Release Funding £000's	Comments
Beechtrees	1,290	1302	12			-12	Project Finished
Westec Development HRA Element	20	38	18			-18	Project Finished
Firbeck		-15	-15			15	Project Finished
Professional Fees	700	659	-41			41	
Adaptations for Disabled People	439	390	-49		49		Access considerations. £49k Transferred to 2020/21.
Contingency/Voids	300	377	77	-177	100		£100k transferred to 2020/21 for programme non-access properties
Improvements to Binstores	299	107	-192		192		Completion of bin replacement project
Environmental Programme	200	7	-193		193		Continuation of Environmental Programme
Asset Management Assessment	185	109	-76		50	26	£50k transferred to 2020/21 to fund implementation
Lifts	168	0	-168		140	28	Completion of lift works
Sheltered Housing Upgrades	140	0	-140		140		Continuation of sheltered housing upgrades
Garages		-4	-4			4	
Other Housing Schemes	3,741	2,971	-770	-177	864	83	
Digital Initiatives	57	41	-16		16		
Purchase Service Charge Software	40	0	-40		40		
Housing OR Recommendations	9	0	-9			9	
Rounding							
Total Capital Programme	10,826	7,133	-3,693	0	3,205	488	

Housing Stock Purchases		3,488					Purchase 30 properties to utilise 141 receipts
Total Expenditure		10,622					

Notes

1. £3.205m of the capital programme is being transferred into 2020/21, £2.285m of that being the capital investment programme
2. Budgets within the capital investment programme are being moved between schemes to allow completion of the various programmes, this was advised as being likely to be required in previous HRA reports
3. £177k of kitchen and bathroom budgets has been moved to contingency/voids, £100k of this then being slipped to cover for non-access situations as these may be picked up in future years through the voids programme.
4. £488k of the overall capital budget is not required so has been released to free up funding.
5. £3.488m of expenditure was additionally incurred purchasing 30 properties to utilise 141 capital receipts.