



**CABINET: 10 November 2020**

**EXECUTIVE OVERVIEW AND SCRUTINY  
COMMITTEE: 26 November 2020**

**COUNCIL: 16 December 2020**

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**Report of: Head of Housing and Regulatory Services**

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**SUBJECT: HRA REVENUE AND CAPITAL MID-YEAR REVIEW**

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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 2020/21 financial year.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the 2020/21 HRA and Housing capital programme positions be noted.
- 2.2 That the proposed budget adjustments identified in 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 26 November 2020.

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

- 3.1 That the 2020/21 HRA and Housing capital programme positions be noted.

## **4.0 RECOMMENDATIONS TO COUNCIL**

- 4.1 That the 2020/21 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 2020, Council agreed the HRA revenue and capital budgets for the 2020/21 financial year. Subsequently in October 2020 Council noted the favourable financial outturn position of the 2019/20 HRA and Capital Investment Programme and approved a number of budget changes and allocations.

5.2 From April 2020 the Government's new rents policy has been applied, which is a return to annual increases of up to CPI + 1%. There is also a new regulatory framework, which is anticipated, will be more robust.

## **6.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN**

6.1 A summary of the projected HRA revenue outturn against budget is set out in Appendix 1 and shows that a favourable budget variance of £710,000 is expected for 2020/2021, representing 2.8% of total turnover. This demonstrates that the HRA remains in a healthy overall financial position.

6.2 The main variances that are expected at this time are due to the following:

- There are a number of vacant posts pending recruitment and consequently a 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 2021/22 budget setting.
- The budget contingency is not expected to be used.
- Dwelling rents are better than budget

6.3 Consideration will be given to how the projected favourable budget variance of £710,000 should be used at year-end and as part of the budget setting process for 2021/22.

## **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. Proposed amendments are shown in Appendix 2.

7.2 Primarily due to the ongoing Coronavirus pandemic restrictions, it is estimated that £4.933m of the 2020/21 capital programme works will not be delivered in year.

7.3 This relates to the decision not to undertake internal replacement programmes for kitchens / bathrooms / central heating systems and domestic electrical rewires, due to the risk of starting works and then having to stop midway through due to tenants contracting the virus or having to self-isolate as a result of potential exposure to the virus.

7.4 To manage this reprofiling of the budget, the Investment Team will develop a contingency plan for the 2021/2022 capital programme as follows:

**[A] Business as Usual;** this will be on the basis that the Covid 19 pandemic is under control and no national or local lockdowns are in place and consequently the full capital programme will be delivered along with 50% of the internal works reprofiled from the 2019/20 programme. The remaining 50% of the 2019/20

programme would be delivered in conjunction with the 2022/23 capital programme.

**[B] Not Business as Usual;** this will be on the basis that the Covid 19 pandemic is still prevalent and its management is subject to further planned / unplanned national or local lockdowns being in place. This will see the 2021/22 capital budget focused on external works such as roofing / pointing / window and door replacements. Kitchens / bathrooms / central heating systems and domestic electrical rewires will be delivered by exception where the component has or is about to fail and poses a health and safety risk or potential decent homes failure.

- 7.5 The subsequent 2022 / 2023 capital programme would then solely be focused on delivering the deferred internal works streams from 2019 / 2020 and 2021 / 2022, subject to the Covid 19 pandemic ending or posing a very reduced risk.
- 7.6 The Property Services Manager has confirmed that the draft contingency plans will be available for appraisal by the Executive Director Community and Place and the Head of Housing and Regulatory by the 31<sup>st</sup> January 2021 prior to wider sharing across the senior management team and Members.
- 7.7 A summary of the capital expenditure year to date position is shown in Appendix 3. Total expenditure to date is £1.086m which represents 14% of the total revised budget. It is expected that the major part of the revised capital budget will be spent in year.
- 7.8 The major portion of the salary costs & professional fees budget in appendix 3 relates to a recharge from HRA Property Services to the capital budget to reflect estimated time spent on delivery of the overall capital programme by the team. For practical reasons this is done upfront at the start of the year. If staff time is not actually spent on capital programmed works in year this can be amended at year end.
- 7.9 In February 2019, delegated authority was given, 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, £0.363m of expenditure has been incurred on purchase of 2 properties from the open market, plus work on bringing up to the required standard the properties purchased in quarter four of 2019/20. This is part funded by HRA borrowing in addition to the use of 141 receipts that needed to be utilised rather than paid back to Government with interest. It is anticipated that from quarter three of this financial year, 141 receipts will be used to part fund works carried out by Tawd Valley Development Company on building homes for affordable rent.

## **8.0 SUSTAINABILITY IMPLICATIONS**

- 8.1 Careful monitoring the budget position helps ensure 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. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

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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 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 1 – HRA Revenue Projected Outturn

Budget Area	Revised Budget £000	Variance £000	Comment
Employee Expenses	3,539	-100	Staffing vacancies will lead to a favourable budget variance
Void repairs and response repairs	3,504	0	Both budgets are demand-led so final outturn depends upon various factors.
Other premises costs	3,045	-250	Planned revenue works budget not expected to be fully used in 2019/20
Transport costs	167	0	
Budget contingency	260	-260	No current calls on budget contingency
Supplies and Services	1,231	0	
Support Services and internal income (net)	1,538	0	
Loan interest & Contribution towards Repayment	3,395	0	
Contributions to capital	9,050	0	Contributions not utilised in year can be transferred into 2021/22
Dwelling rents	-22,820	-100	Expected to be ahead of budget
Other external income	-2,909	0	
<b>Total</b>	<b>0</b>	<b>-710</b>	Represents 2.8% of the overall turnover

## Appendix 2 – Housing Revised Capital Programme Summary of Changes

Scheme	Current Budget £000's	Slipped from 2019/20 £000's	Reprofile into 2021/22 & 2022/23 £000's	Funding released £000's	Revised Budget £000's	Comments
Re-Roofing Works	2,169	1,170	-1,249		2,090	Programme re-profiled to take account of late start on site [July] when first national lockdown ended. Deferred properties will be picked up on 2021 / 2022 programme – see Item 7.4
External Works	1,144	325	-619		850	Re-profiling forward and backwards of operational programme to reflect late start on site [July] when first national lockdown ended.
Heating System Upgrades	823	25			848	Replacements are by exception – deferred properties to be picked up on 2021 / 2022 or 2022 / 2023 programmes – see Item 7.4
Windows and Doors	548	545	-548		545	Delivering 2019/20 slipped programme from January 2021
Electrical Upgrades	635	20	-217		438	Replacements to domestic properties are by exception – deferred properties to be picked up on 2021 / 2022 or 2022 / 2023 programmes – see Item 7.4 – remaining budget focused on communal re-wires / lighting upgrades.
Communal Fire Safety Works	271				271	Reflects latest expected programme delivery March 2021
Walls	280	100	-260		120	Reflects latest expected programme delivery March 2021

Kitchen Replacements	633	20	-632		21	Replacements are by exception – deferred properties to be picked up on 2021 / 2022 or 2022 / 2023 programmes – see Item 7.4
Bathroom Replacements	501		-485		16	Replacements are by exception – deferred properties to be picked up on 2021 / 2022 or 2022 / 2023 programmes – see Item 7.4
Communal Areas Improvements	117	80	-137		60	Programme re-profiled to take account of late start on site [July] when first national lockdown ended. Deferred areas to be picked up as part of 2021/2022 cyclical decoration programme to be delivered by Wates Property Services Ltd
<b>Capital Investment Programme</b>	<b>7,121</b>	<b>2,285</b>	<b>-4,147</b>	<b>0</b>	<b>5,259</b>	
Carbon Neutral Dwellings	400		-150		250	Reflects latest expected programme delivery for March 2021
Salary costs & Professional Fees	600				600	
Adaptations for Disabled People	439	49	-188		300	Reflects current position relating to CV19 restrictions and demand led service.
Contingency/Voids	300	100			400	Revised budget reflects major component replacements undertaken at void stage where previous tenants have not provided access.
Change in Standard for Smoke Detection	300				300	Reflects latest expected programme delivery March 2021
Improvements to Binstores		192			192	Reflects latest expected programme delivery March 2021 – further growth bids maybe required to fully complete programme over 2021/2022 and 2022/2023
Environmental Programme	200	193	-328		65	Reflects latest expected programme delivery March 2021
Asset Management Assessment		50			50	Reflects latest expected programme delivery March 2021

Lifts		140	-70		70	Scheduled to be fully completed September 2021
Sheltered Housing Upgrades	140	140		-125	155	Release £125k as annual budget sufficient.
Solar PV Battery Storage	50		-50		0	Complete after communal lighting upgrade programme subject to final assessments.
<b>Other Housing Schemes</b>	<b>2,429</b>	<b>864</b>	<b>-786</b>	<b>-125</b>	<b>2,382</b>	
Purchase Service Charge Software		40			40	
Digital Initiatives		15			15	
Rounding		1			1	
<b>Total Expenditure</b>	<b>9,550</b>	<b>3,205</b>	<b>-4,933</b>	<b>-125</b>	<b>7,697</b>	

#### Resources

	Current Budget £000's	Slipped from 2019/20 £000's	Re-profile into & 2022/23 £000's	Funding released £000's	Revised Budget £000's	Comments
Capital Receipts						
HRA Borrowing	500	3,205	-3,580	-125	0	
HRA/MRA Contribution	9,050		-1,353		7,697	
<b>Total Resources</b>	<b>9,550</b>	<b>3,205</b>	<b>-4,933</b>	<b>-125</b>	<b>7,697</b>	

### Appendix 3 – Housing Capital Year to Date Position

<b>Scheme Description</b>	<b>Revised Budget £000's</b>	<b>Mid-year Spend £000's</b>	<b>Mid-year Spend %</b>
Re-Roofing Works	2,090	173	8%
External Works	850	7	1%
Heating System Upgrades	848	231	27%
Windows and Doors	545		0%
Electrical Upgrades	438	4	1%
Communal Fire Safety Works	271	14	5%
Walls	120		0%
Kitchen Replacements	21		0%
Bathroom Replacements	16	21	131%
Communal Areas Improvements	60	19	32%
<b>Capital Investment Programme</b>	<b>5,259</b>	<b>469</b>	<b>9%</b>
Carbon Neutral Dwellings	250		0%
Salary costs & Professional Fees	600	501	84%
Adaptations for Disabled People	300	18	6%
Contingency/Voids	400	56	14%
Change in Standard for Smoke Detection	300		0%
Improvements to Binstores	192	3	2%
Environmental Programme	65	5	8%
Asset Management Assessment	50	24	48%
Lifts	70		0%

Sheltered Housing Upgrades	155	11	7%
<b>Other Housing Schemes</b>	<b>2,382</b>	<b>618</b>	<b>26%</b>
Digital Initiatives	15	-1	-7%
Purchase Service Charge Software	40		0%
Rounding	1	-3	
<b>Total Capital Programme</b>	<b>7,697</b>	<b>1,086</b>	<b>14%</b>
Market Purchases to utilise 141		363	
<b>Total Expenditure</b>		<b>1,449</b>	

#### Resources

Capital Receipts		108	
HRA Borrowing		255	
HRA/MRA Contribution	7,697	1,086	
<b>Total Resources</b>	<b>7,697</b>	<b>1,449</b>	

\*HRA/MRA contributions not utilised in year can be transferred into 2021/22 along with any further capital budget transferred into 2021/22 at year end.