COUNCIL: 21 July 2021

Report of: Head of Finance, Procurement and Commercial Services

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 2020/21 financial year

2.0 RECOMMENDATIONS

2.1 That the draft financial outturn position of the 2020/21 HRA and Capital Investment Programme be noted and that the budget allocations set out in paragraphs 4.3; 4.5 and 5.3 be approved.

2.2 That the expenditure highlighted in paragraphs 5.4 and 5.5 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 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.

3.2 2020/21 was the first financial year after the SORP reorganisation which saw some teams previously within the HRA, moved to a more central role with the cost then recharged back to the HRA. This reorganisation coincided with the Covid pandemic and the WLBC response to that as well as the new response repairs and void repairs contract.

4.0 HOUSING REVENUE ACCOUNT – REVENUE OUTTURN

4.1 A summary of the draft HRA revenue outturn is set out in appendix one and shows that a favourable budget variance of £0.517m was achieved, which represents 2.0% of the total budget. This is a strong position given SORP reorganisation, Covid response and budget pressures from changing to the new repairs contract. This in turn demonstrates that the HRA currently maintains a healthy financial position. Once all closedown work has been completed the draft HRA position can be finalised though it is anticipated to be as shown in appendix one.

4.2 The main reasons for this positive position are:

- Savings in total pension contribution costs in regard to top up payments into Lancashire LGPS because a discount was received if all three years were paid upfront.
- Dwelling rents exceeded budget due primarily to the 30 open market housing stock purchases made in 2019/20, mainly in the last few months after budgets had been set, adding to the weekly rent roll; as well as reduced right to buy sales in year leading to less loss of rent than expected.
- Planned maintenance revenue budgets were largely unused pending development of the new programme.
- Budget contingency was not utilised as costs were contained within overall HRA budgets.

4.3 The positive position outlined above more than offsets additional cost pressure on responsive repairs and void revenue repairs due to legacy works from prior to the new Wates contract and variations to the Wates standard price per property rates.

4.4 In addition the draft surplus of £0.517m already accounts for:

- Around £127k moved into 2021/22 to reflect approved HRA funding in 2020/21 of projects that will be completed in 2021/22.
- £249k to be added to the repairs reserve. This is to reflect the outturn pressure on the response repairs and void revenue repairs budgets following the new contract being mobilised, (this pressure was funded without call on the existing repairs reserve pot). In addition, it will create a contingency against a claim from the contractor for additional costs. The claim is unsubstantiated, but it is proposed to provide for a proportion of the claim in the interests of prudence.
- £419k of revenue contributions to capital not required in year have been transferred into 2021/22 to part-fund capital budget also transferred, thus reducing the amount of borrowing required in 2021/22.

4.5 The balance of around £0.517m will be moved to the budget and efficiency savings reserve where it's use can be considered as part of 2021/22 in-year funding or 2022/23 budget setting. If final outturn varies from this draft outturn position then the amount moved to the budget and efficiency savings reserve will be amended accordingly to ensure that the HRA balances back to zero.

5.0 CAPITAL INVESTMENT PROGRAMME

5.1 A summary of the draft Housing Capital Investment Programme outturn is shown in Appendix Two. Total expenditure, excluding the purchase of properties to utilise One for One (141) capital receipts and costs for the building of new Council homes through TVDL, was £4.738m. This represents around 62% of the total revised budget of £7.697m. 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 £2.959m (£7.697m budget less £4.738m expenditure) is used as follows:

- £2.451m is transferred into 2021/22 to allow completion of programmes
- That budgets will be moved between schemes as detailed in Appendix Two, they are funding neutral overall
- That funding of £0.54m that is no longer required is released

5.4 In addition to the capital programme, £0.38m has been incurred on the purchase of properties to add to the HRA housing stock and making good previous purchases. These purchases were time-specific to ensure that 141 capital receipts were available. The alternative at that point was to repay the receipts to Government, with interest.

5.5 A further £3.658m has been invested by the HRA in building brand new Council Homes through TVDL. The updated TVDL business plan was approved by Council in February 2021 and HRA expenditure in 2020/21 is part of that budget envelope.

5.6 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 TVDL in future years, but in 2020/21, all such expenditure will be funded through revenue contributions plus 141 receipts on the Fairstead site.

5.7 There is also a modest amount of revenue contributions, £419k, available to transfer into 2021/22 to partly fund capital budgets transferred into 2021/22. Initially at least, the balance of expenditure will be funded through HRA borrowing.

6.0 SUSTAINABILITY IMPLICATIONS

6.1 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

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.

8.0 HEALTH AND WELLBEING IMPLICATIONS

8.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

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	3,539	-172	Pension costs, staffing vacancies, and training
Void repairs and response repairs	3,504	465	Both budgets are demand-led so final outturn depends upon various factors. Primarily remaining works costs from previous contractors and variations to standard price per property rates. Variance is net of £188k covid costs funded from Government grant.
Other premises costs	3,045	-194	Planned revenue works budget not fully used in 2020/21
Transport costs	167	-39	Car allowances
Budget contingency	260	-260	Not utilised
Supplies and Services	1,231	-123	Cumulative effect from a number of budgets, each expected to outturn modestly below budget, including contribution to bad debt provision.
Support Services and internal income (net)	1,538	14	
Loan interest & Contribution towards Repayment	3,395	-34	Minor interest timings held on the balance sheet
Contributions to capital	9,050	0	£419k contributions not used in year to be transferred into 2021/22
Dwelling rents	-22,820	-173	Reduced rtb sales in 20/21 and open market purchases in 2019/20 led to more rental income that originally planned.
Other external income	-2,909	-1	Loss of rtb transaction costs offset by additional service charge income, plus £19k Covid funding that doesn't relate to voids repairs
Total	**0**	**-517**	Represents 2.0% of the overall turnover

Appendix Two – Capital Investment Programme Outturn

Scheme Description Expenditure	Revised Budget £000's	Outturn 2020-21 £000's	Var. £000's	Transfers £000's	Slippage. £000's	Release Funding £000's	Comments
Re-Roofing Works	2,090	1,797	-293		293		Materials shortages led to amendments to the programme with some delays as a consequence. Programme to be completed 2021/22
External Works	850	413	-437		437		Materials shortages led to delays. Programme to be completed 21/22
Heating System Upgrades	848	971	123	-123			Funding reallocated
Electrical Upgrades	438	245	-193		193		Switched from domestic to communal works in response to continued Covid pandemic. Programme to be completed 21/22
Kitchen Replacements	21	-33	-54	54			Funding reallocated
Windows and Doors	545	89	-456	9	447		Materials shortages. Programme to be completed 21/22
Bathroom Replacements	16	42	26			-26	Release unrequired budget
Walls	120	17	-103	60	43		Funding reallocated
Communal Fire Safety Works	271	34	-237		237		Materials shortages. Programme to be completed 21/22
Communal Areas Improvements	60	88	28			-28	Release unrequired budget
Capital Investment Programme	**5,259**	**3,663**	**-1,596**	**0**	**1,650**	**-54**	
Carbon Neutral Dwellings	250	27	-223		223		Contract to be awarded
Professional Fees	600	515	-85			85	Release unrequired budget
Adaptations for Disabled People	300	137	-163			163	Adequate funding in future years. Release unrequired budget

Contingency/Voids	400	300	-100			100	Release unrequired budget
Change in Standard for Smoke Detection	300	0	-300		250	50	£50k works funded through other programmes, released.
Improvements to Binstores	192	0	-192		192		Transfer budget to 21/22
Environmental Programme	65	63	-2		2		Transfer budget to 21/22
Asset Management Assessment	50	33	-17		17		Transfer budget to 21/22
Lifts	70	0	-70		70		Transfer budget to 21/22
Sheltered Housing Upgrades	155	127	-28			28	Release unrequired budget
Energy Efficiency	0	1	1			-1	
Structural works	0	1	1			-1	
Beechtrees	0	-77	-77			77	Release of prior retention accruals
Westec	0	-35	-35			35	Release of prior retention accruals
Firbeck	0	-27	-27			27	Release of prior retention accruals plus some repayment of home grants
Other Housing Schemes	**2,382**	**1,065**	**-1,317**	**0**	**754**	**563**	
Digital Initiatives	16	9	-7		7		Transfer budget to 21/22
Purchase Service Charge Software	40	0	-40		40		Transfer budget to 21/22
Rounding		1	1			-1	
Total Capital Programme	**7,697**	**4,738**	**-2,959**	**0**	**2,451**	**508**	
Market Purchases to utilise 141		380					Funded through 141 receipts and revenue contribution
Purchases/work from TVD		3,658					Funded through 141 receipts and revenue contribution. Homes England grants received 21/22.
Total Expenditure		**8,776**					

Notes:

1. Total capital expenditure of £8,776k has been funded through £395k of 141 capital receipts with the remainder of £8,381k being HRA revenue contributions. This means that expenditure in 2020/21 on open market purchases; as well as works being carried out by TVDL to provide brand new Council housing, will all be funded through in-year revenue contributions. This preserves existing borrowing and avoids the need to take out additional HRA borrowing.
2. Expenditure of £3,658k on new Council homes from TVDL in 2020/21 has been funded from the overall budget approved by Council in February 2021 for HRA purchase of TVDL properties.
3. In addition, £419k of 2020/21 revenue contributions will be moved in 2021/22 to part fund capital programme slippage of £2,451k.
4. £508k of funding is being released, further reducing the need to utilise existing or new HRA borrowing.