



AGENDA ITEM:

**LANDLORD SERVICES
COMMITTEE (CABINET WORKING GROUP):
27 October 2021**

**EXECUTIVE OVERVIEW AND SCRUTINY
COMMITTEE: 21 October 2021**

CABINET: 2 November 2021

COUNCIL: 15 December 2021

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor J. Wilkie

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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 2021/22 financial year.

2.0 RECOMMENDATIONS TO LANDLORD SERVICE COMMITTEE

2.1 That the working group note the 2021/22 HRA and Housing capital programme positions and endorse the budget adjustments identified in Appendix 2.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the 2021/22 HRA and Housing capital programme positions be noted.

4.0 RECOMMENDATIONS TO CABINET

4.1 That the 2021/22 HRA and Housing capital programme positions be noted.

4.2 That the proposed budget adjustments identified in Appendix 2 be endorsed for consideration by Council.

5.0 RECOMMENDATIONS TO COUNCIL

- 5.1 That the 2021/22 HRA and Housing capital programme positions be noted.
- 5.2 That the proposed budget adjustments identified in Appendix 2 be approved.

6.0 BACKGROUND

- 6.1 In February 2021, Council agreed the HRA revenue and eight year capital budgets for the 2021/22 financial year. Subsequently in July 2021 Council noted the favourable financial outturn position of the 2020/21 HRA and Capital Investment Programme and approved a number of budget changes and allocations.

7.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN

- 7.1 A summary of the projected HRA revenue outturn against budget is set out in Appendix 1 and shows that the HRA is expected to outturn broadly in line with budget, (a small adverse budget variance overall of £118,000 is currently forecast for 2021/22). The final outturn position is likely to be affected by actions taken in regard to paragraph 7.2, below.
- 7.2 Significant budget pressure on response repairs and void revenue repairs is expected, in part due to there being more works completed by Wates outside the standard price per property (ppp) and void per property (vpp) cost than was initially anticipated at the time of procuring the contract. This is being monitored by Property Services and additional control steps are being added in regard to voids costs.
- 7.3 This follows pressure on the response repairs and void revenue repairs budget in 2020/21 as well, the first full year of operation. After further monitoring and controls have been put in place, it may be that additional budget resources will be required in this area to address an ongoing pressure. Alternative outcomes may also seem more appropriate however. This will be picked up in 2022/23 budget setting.
- 7.4 In 2020/21, additional funding was added to the repairs reserve to reflect unsubstantiated Wates contract claims. If required at the end of 2021/22, these reserves are available to address any shortfall not offset elsewhere in the HRA, though a longer-term solution will still be required to ensure that the reserve remains at the required level. The use of reserves is not included in the forecast in Appendix 1.
- 7.5 The budget pressure identified in paragraph 7.2 is expected to be largely offset by the favourable variances below:
 - 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.
 - The remaining budget contingency is not expected to be used.

8.0 CAPITAL INVESTMENT PROGRAMME

- 8.1 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.
- 8.2 **Appendix 2** identifies budget that is being reprofiled into 2022/23 and being released at this mid-year point to free up funding. For a number of schemes there are plans to deliver additional works currently budgeted in future years, most notably the roofing programme. Rather than move budget and funding at mid-year then amend it again once final outturn is known, budgets will be reprofiled into and from future years at the time of 2021/22 outturn.
- 8.3 A summary of the capital expenditure position at 9 September 2021, against the revised budget is shown in **Appendix 3**. Total expenditure to date on the capital programme is £2.219m which represents 22% of the total revised capital programme budget. It is expected that the major part of the revised capital budget will be spent in year.
- 8.4 All capital programme expenditure to date is funded from revenue contributions, (tenant rents).
- 8.5 As TVDL work continues on delivering additional Council housing stock, the HRA has spent £4.227m to date on phase one, £0.935m of that to date has been funded by grants from Homes England and 141 capital receipts for replacement housing. The balance is expected to be funded from HRA borrowing, though this will be reviewed at year end once the final position is clear.

9.0 SUSTAINABILITY IMPLICATIONS

- 9.1 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.

10.0 RISK ASSESSMENT

- 10.1 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.

11.0 HEALTH AND WELLBEING IMPLICATIONS

- 11.1 The health and wellbeing implications arising from this report will be dependent on the particular circumstances for that budget.
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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	3,617	-100	Staffing vacancies will lead to a favourable budget variance
Void repairs and response repairs	3,504	1,000	Both budgets are demand-led so final outturn depends upon various factors. Works outside the standard ppp and vpp prices are significantly more than expected.
Other premises costs	3,314	-200	Planned revenue works budget not expected to be fully used in 2021/22
Transport costs	149	0	
Budget contingency	482	-482	No current calls on remaining budget contingency
Supplies and Services	1,194	-50	
Support Services and internal income (net)	2,927	0	
Loan interest & Contribution towards Repayment	3,407	0	
Contributions to capital	7,600	0	
Dwelling rents	-23,260	-25	
Other external income	-2,934	-25	
Total	0	118	Represents 0.45% of overall turnover

*A technical adjustment has been made to the Support Services and Internal Income (net) budget, to reflect the effect of recharges to and from the HRA. This has no impact on tenants or on the GRA. The budget has been added to budget contingency.

Appendix 2 – Housing Revised Capital Programme Summary of Changes

Scheme	Current Budget £000's	Reprofile from 2020/21 £000's	Reprofile into/from 2021/22 £000's	Funding released £000's	Revised Budget £000's	Comments
Re-Roofing Works	1,105	293			1,398	
External Works	833	437			1,270	
Windows and Doors	448	447			895	
Heating System Upgrades	851				851	
Kitchen Replacements	733				733	
Electrical Upgrades	329	193			522	
Walls	444	43	-400		87	Whitburn pilot on modular brick flats indicated that a better vfm solution was required. Working to identify a more feasible solution so unlikely to be delivered in 2021/22.
Bathroom Replacements	463				463	
Communal Fire Safety Works	101	237			338	
Communal Areas Improvements	133				133	
Capital Investment Programme	5,440	1,650	-400	0	6,690	
Carbon Neutral Dwellings	475	223			698	
Salary costs & Professional Fees	600				600	
Change in Standard for Smoke Detection	300	250			550	
Adaptations for Disabled People	502			-202	300	£300k likely to be adequate in year, sufficient budget in future years, so release excess budget
Environmental Programme	364	2			366	
Contingency/Voids	300				300	
Improvements to Binstores	0	192			192	

Sheltered Housing Upgrades	140				140	
Lifts	35	70			105	
Energy Efficiency	25				25	
Asset Management Assessment	0	17			17	
Other Housing Schemes	2,741	754	0	-202	3,293	
Purchase Service Charge Software	0	40			40	
Digital Initiatives	0	7			7	
Rounding						
Total Capital Programme	8,181	2,451	-400	-202	10,030	
Properties from TVDL	17,009				17,009	Balance of HRA TVDL budget Council Feb 2021, not spent by 31 March 2021
Total Expenditure	25,190	2,451	-400	-202	27,039	

Resources

	Current Budget £000's	Slipped from 2019/20 £000's	Re-profile into 2021/22 £000's	Funding released £000's	Revised Budget £000's	Comments
HRA/MRA Contribution - capital	7,550	419			7,969	Tenant rents to fund capital programme
HRA Borrowing - capital	631	2,032	-400	-202	2,061	HRA borrowing to fund capital programme
HRA Borrowing for TVDL purchases	14,279				14,279	TVDL expenditure from borrowing, after external contributions below
Homes England Grants - TVDL	2,010				2,010	Grants towards cost of TVDL properties
Capital Receipts (141) - TVDL	720				720	Right to buy 141 replacement receipts

						towards cost of TVDL properties
Total Resources	25,190	2,451	-400	-202	27,039	

Appendix 3 – Housing Capital Year to Date Position

Scheme Description	Revised Budget £000's	Mid-year Spend £000's	Mid-year Spend %
Re-Roofing Works	1,398	390	28%
External Works	1,270	474	37%
Windows and Doors	895	212	24%
Heating System Upgrades	851	407	48%
Kitchen Replacements	733		0%
Electrical Upgrades	522	140	27%
Walls	87		0%
Bathroom Replacements	463		0%
Communal Fire Safety Works	338	137	41%
Communal Areas Improvements	133	6	5%
Capital Investment Programme	6,690	1,766	26%
Carbon Neutral Dwellings	698	4	1%
Salary costs & Professional Fees	600	5	1%
Change in Standard for Smoke Detection	550	79	14%
Adaptations for Disabled People	300	99	33%
Environmental Programme	366	41	11%
Contingency/Voids	300	195	65%
Improvements to Binstores	192		0%
Sheltered Housing Upgrades	140	2	1%
Lifts	105		0%
Energy Efficiency	25		0%
Asset Management	17	26	153%

Assessment			
Other Housing Schemes	3,293	451	14%
Purchase Service Charge Software	40	1	3%
Digital Initiatives	7	1	14%
Rounding			
Total Capital Programme	10,030	2,219	22%
Properties from TVD	17,009	4,227	25%
Total Expenditure	27,039	6,446	24%

Resources

Scheme Description	Revised Budget £000's	Mid-year Spend £000's	Mid-year Spend %
HRA/MRA Contribution - capital	7,969	2219	28%
HRA Borrowing - capital	2,286	0	0%
HRA Borrowing for TVDL purchases	14,279	3,292	23%
Homes England Grants - TVDL	2,010	788	39%
Capital Receipts (141) - TVDL	720	147	20%
Total Resources	27,039	6,446	24%