



CABINET: 8 March 2022

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor J. Wilkie

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SUBJECT: HRA REVENUE AND CAPITAL QUARTER 3 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 CABINET

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

3.0 BACKGROUND

- 3.1 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. In January 2022 Members noted the mid-year position.

4.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN

- 4.1 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 favourable budget variance overall of £132,000 is now forecast for 2021/22, compared with £118,000 adverse forecast at mid-year). The final outturn position is likely to be affected by actions taken in regard to paragraph 4.2, below.

- 4.2 Budget pressure on response repairs and void revenue repairs is still expected, in part due to there being more works completed by Wates outside the standard price per property (ppp) and void per property (ppv) cost than was initially anticipated at the time of procuring the contract. This is being monitored by Property Services and additional control steps have been added in regard to voids costs. Furthermore, work is underway to complete a thorough and detailed analysis of claims and payments made to the contractor to identify any discrepancies or over payments which may be recoverable.
- 4.3 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.
- 4.4 The budget pressure identified in paragraph 4.2 is expected to be 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.

5.0 CAPITAL INVESTMENT PROGRAMME

- 5.1 A summary of the capital expenditure position at quarter 3, against the revised budget is shown in **Appendix 2**. Total expenditure to Q3 on the capital programme is £4.479m which represents 45% of the total revised capital programme budget. It is expected that the major part of the revised capital budget will be spent in this financial year. This is broadly consistent with previous years where expenditure is typically greatest in quarter 4.
- 5.2 All capital programme expenditure to date is funded from revenue contributions, (tenant rents).
- 5.3 As TVDL phase one work continues on delivering additional Council housing stock, the HRA has spent £6.306m as at Q3, £1.22m of that 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.

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 particular circumstances for that budget.

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 Capital Year to Date Position

Appendix 1 – HRA Revenue Projected Outturn

Budget Area	Revised Budget £000	Mid Year variance £000	Q3 variance £000	Comment
Employee Expenses	3,617	-100	-200	Continued staffing vacancies will lead to a favourable budget variance
Void repairs and response repairs	3,504	1,000	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	-150	Planned revenue works budget not expected to be fully used in 2021/22
Transport costs	149	0	0	
Budget contingency	482	-482	-482	No current calls on remaining budget contingency
Supplies and Services	1,194	-50	-150	Based on current review of expenditure
Support Services and internal income (net)	2,927	0	0	
Loan interest & Contribution towards Repayment	3,407	0	0	
Contributions to capital	7,600	0	0	
Dwelling rents	-23,260	-25	-100	TVD stock increases, plus less right to buy than anticipated
Other external income	-2,934	-25	-50	
Total	0	118	-132	Represents 0.5% of overall turnover

Appendix 2 – Housing Capital Q3 Year to Date Position

Scheme Description	Revised Budget £000's	Q3 Spend £000's	Q3 Spend %
Re-Roofing Works	1,398	747	53%
External Works	1,270	667	53%
Windows and Doors	895	345	39%
Heating System Upgrades	851	745	88%
Kitchen Replacements	733	9	1%
Electrical Upgrades	522	140	27%
Walls	87	27	31%
Bathroom Replacements	463	74	16%
Communal Fire Safety Works	338	223	66%
Communal Areas Improvements	133	32	24%
Capital Investment Programme	6,690	3,009	45%
Carbon Neutral Dwellings	698	4	1%
Salary costs & Professional Fees	600	527	88%
Change in Standard for Smoke Detection	550	101	18%
Adaptations for Disabled People	300	210	70%
Environmental Programme	366	67	18%
Contingency/Voids	300	528	176%
Improvements to Binstores	192	0	0%
Sheltered Housing Upgrades	140	5	4%
Lifts	105	0	0%
Energy Efficiency	25	0	0%
Asset Management Assessment	17	26	153%
Other Housing Schemes	3,293	1,468	45%
Purchase Service Charge Software	40	1	3%
Digital Initiatives	7	1	14%
Rounding			
Total Capital Programme	10,030	4,479	45%
Properties from TVD	17,009	6,306	37%
Total Expenditure	27,039	10,785	40%

Resources

Scheme Description	Revised Budget £000's	Q3 Spend £000's	Q3 Spend %
HRA/MRA Contribution - capital	7,969	4,479	56%
HRA Borrowing - capital	2,061	0	0%
HRA Borrowing for TVDL purchases	14,279	5,085	36%
Homes England Grants - TVDL	2,010	901	45%
Capital Receipts (141) - TVDL	720	320	44%
Total Resources	27,039	10,785	40%