



COUNCIL: 20 July 2022

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor N. Pryce-Roberts

Contact for further information: Peter Quick (Extn. 5203)
(peter.quick@westlancs.gov.uk)

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 2021/22 financial year and highlight budget pressure identified in 2022/23.

2.0 RECOMMENDATIONS

2.1 That the draft financial outturn position of the 2021/22 HRA and Capital Investment Programme be noted and that the allocation of 2021/22 HRA outturn to reserves, as noted in paragraphs 4.4 and 4.5, be endorsed.

2.2 That the switching of funding from HRA borrowing to HRA revenue contributions in paragraphs 5.3 and 5.5, be noted.

2.3 That the amendments to the Housing capital budget identified in appendix 1 be approved.

3.0 BACKGROUND

3.1 2021/22 continued the WLBC response to the covid pandemic which continued to affect some service delivery.

3.2 Inflation and raw material shortages have had an adverse impact on expenditure within the HRA and housing capital. This is expected to continue in 2022/23 as the cost of living crisis deepens. This is likely to add additional budget pressures to the HRA.

4.0 HOUSING REVENUE ACCOUNT – REVENUE OUTTURN

4.1 A summary of the draft HRA revenue outturn is set out in the table below and shows that a favourable budget variance of £0.621m was achieved, which represents 2.4% of the total budget. This demonstrates that the HRA currently maintains a healthy financial position. Once all closedown work has been completed the draft HRA position can be finalised.

| Budget Area | Revised Budget £000 | Outturn Var. £000 | Comment |
|------------------------------------------------|------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Employee Expenses | 3,617 | -255 | Staffing vacancies, pension fund |
| Void repairs and response repairs | 3,504 | 955 | Works outside the standard ppp and vpp prices were significantly more than expected. |
| Other premises costs | 3,314 | 38 | Planned revenue works budget not used in 2021/22. £270k electrical testing costs moved from supplies & services at year end. |
| Transport costs | 149 | -26 | Car allowances |
| Budget contingency | 482 | -482 | Not utilised |
| Supplies and Services | 1,194 | -546 | £270k electrical testing moved to other premises costs The remainder is cumulative from a number of budgets, each modestly below budget. |
| Support Services and internal income (net) | 2,927 | -134 | Primarily caretaking services delivered to other parts of the Council. |
| Loan interest & Contribution towards Repayment | 3,407 | 0 | |
| Contributions to capital | 7,600 | 0 | |
| Dwelling rents | -23,260 | -137 | TVD stock increases of 44 Right to buy sales greater toward the end of year |
| Other external income | -2,934 | -31 | |
| Rounding | | -3 | |
| Total | 0 | -621 | Represents 2.4% of overall turnover |

4.2 The main reasons for this positive position are:

- Staff vacancies during the year
- Savings in total pension fund contribution costs into Lancashire LGPS
- Dwelling rents exceeded budget due primarily to the 44 additional properties built by TVDL, being added to the HRA housing stock.

- Growth in the tenant furnishing service leading to additional income. This is partially offset by additional expenditure on growing the service
- 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 works, reported through 2021/22. The table below shows how outturn compares to in year estimates of outturn.

| Budget Area | Revised Budget £000 | Mid Year variance £000 | Q3 variance £000 | Outturn Variance £000 |
|------------------------------------------------|------------------------|------------------------------|------------------------|-----------------------------|
| Employee Expenses | 3,617 | -100 | -200 | -255 |
| Void repairs and response repairs | 3,504 | 1,000 | 1,000 | 955 |
| Other premises costs | 3,314 | -200 | -150 | 38 |
| Transport costs | 149 | 0 | 0 | -26 |
| Budget contingency | 482 | -482 | -482 | -482 |
| Supplies and Services | 1,194 | -50 | -150 | -546 |
| Support Services and internal income (net) | 2,927 | 0 | 0 | -134 |
| Loan interest & Contribution towards Repayment | 3,407 | 0 | 0 | 0 |
| Contributions to capital | 7,600 | 0 | 0 | 0 |
| Dwelling rents | -23,260 | -25 | -100 | -137 |
| Other external income | -2,934 | -25 | -50 | -31 |
| Total | 0 | 118 | -132 | -621 |

- 4.4 Within the draft surplus of £621k a transfer of £411.25 precisely, has already been accounted for. This is to top up the existing reserve funds for tenant hardship payments to exactly £30,000.
- 4.5 The remaining draft balance of around £621k will be moved to the budget and efficiency savings reserve. 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.
- 4.6 The existing budget and efficiency savings reserve is around £598k. If £621k is the amount added that will take the reserve total to around £1,219k. Some or all of this reserve may be needed in 2022/23.

5.0 CAPITAL INVESTMENT PROGRAMME

5.1 A summary of the draft Housing Capital Investment Programme outturn is shown in Appendix One. Total expenditure, excluding costs for the building of new Council homes through TVDL, was £7.613m. This represents around 76% of the revised budget of £10.03m.

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 £2.417m (£10.03m budget less £7.613m expenditure) is used as follows:

- £2.410m is transferred into 2022/23 to allow completion of programmes
- That budgets will be moved between schemes, and released, as detailed in Appendix One
- That £0.356m of revenue contributions not required for the 2021/22 capital programme, are used instead to part fund HRA purchases of new housing stock from TVDL

5.4 In addition to the capital programme, £8.998m 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 2022 and HRA expenditure in 2021/22 is part of that budget envelope.

5.5 HRA purchases of TVDL housing stock in 2021/22 have therefore been funded by:

- £0.356m revenue contributions
- £1.050m grants from Homes England, with more expected in 2022/23
- £0.540m 141 capital receipts from previous right to buy sales
- £7.052m 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 – Capital Investment Programme Outturn

Appendix One – Capital Investment Programme Outturn

| Scheme Description | Revised Budget £000's | Outturn 21-22 £000's | Var. £000's | Transfers £000's | Slippage £000's | Release Funding £000's | Comments |
|----------------------------------------|--------------------------|----------------------------|----------------|---------------------|--------------------|------------------------------|-----------------------------------------------------------------|
| Re-Roofing Works | 1,398 | 1,425 | 27 | | | -27 | Project complete |
| External Works | 1,270 | 707 | -563 | | 563 | | Stub blocks project in 22/23 |
| Windows and Doors | 895 | 470 | -425 | | 425 | | 21/22 programme delivery 22/23 |
| Heating System Upgrades | 851 | 1,090 | 239 | | | -239 | Response Maintenance heating replacement - demand led |
| Kitchen Replacements | 733 | 674 | -59 | | 7 | 52 | |
| Electrical Upgrades | 522 | 140 | -382 | | | 382 | No programme for 21/22 as rewires completed by Wates |
| Bathroom Replacements | 463 | 404 | -59 | | 15 | 44 | |
| Communal Fire Safety Works | 338 | 262 | -76 | | 76 | | Awaiting results of FRA's to produce 22/23 programme |
| Communal Areas Improvements | 133 | 27 | -106 | -192 | 192 | 106 | 21/22 Communal Area Refurb project currently ongoing |
| Walls | 87 | 28 | -59 | | | 59 | Pilot project curtailed |
| Capital Investment Programme | 6,690 | 5,227 | -1,463 | -192 | 1,278 | 377 | |
| | | | | | | | |
| Carbon Neutral Dwellings | 698 | 4 | -694 | | 694 | | Exploring options incl. the new regeneration project from 22/23 |
| Salary costs & Professional Fees | 600 | 532 | -68 | | | 68 | |
| Change in Standard for Smoke Detection | 550 | 836 | 286 | | | -286 | |
| Environmental Programme | 366 | 107 | -259 | | 129 | 130 | Tender currently out |
| Adaptations for Disabled People | 300 | 290 | -10 | | | 10 | |

| | | | | | | | |
|-----------------------------------|---------------|---------------|----------------|------------|---------------|-------------|-----------------------------------------------------------------|
| Contingency/Voids | 300 | 583 | 283 | | | -283 | Voids capital works from Wates |
| Improvements to Binstores | 192 | 0 | -192 | 192 | | | Delivery via Stub block project - transfer to communal upgrades |
| Sheltered Housing Upgrades | 140 | 0 | -140 | | 140 | | Awaiting results of FRA's to produce 22/23 programme |
| Lifts | 105 | 0 | -105 | | 105 | | Lift upgrades in 22/23 |
| Energy Efficiency | 25 | 0 | -25 | | 25 | | |
| Asset Management Assessment | 17 | 26 | 9 | | | -9 | |
| Beechtrees | | 14 | 14 | | | -14 | |
| Firbeck | | -9 | -9 | | | 9 | |
| Other Housing Schemes | 3,293 | 2,383 | -910 | 192 | 1,093 | -375 | |
| | | | | | | | |
| Purchase Service Charge Software | 40 | 1 | -39 | | 39 | | |
| Digital Initiatives | 7 | | -7 | | | 7 | |
| Market Purchases | | 2 | 2 | | | -2 | |
| Total Capital Programme | 10,030 | 7,613 | -2,417 | 0 | 2,410 | 7 | |
| | | | | | | | |
| Properties from TVDL | 18,649 | 8,998 | -9,651 | | 9,651 | | |
| Total Funding Requirement | 28,679 | 16,611 | -12,068 | 0 | 12,061 | 7 | |
| | | | | | | | |
| <u>Capital Programme Funding:</u> | | | | | | | |
| Revenue contribs./MRR | 7,969 | 7,613 | -356 | 356 | | | £356k transferred to TVDL purchases |
| Borrowing | 2,061 | 0 | -2,061 | -356 | 2,410 | 7 | |
| Capital Programme Funding | 10,030 | 7,613 | -2,417 | 0 | 2,410 | 7 | |
| | | | | | | | |
| <u>TVDL Purchases funded by:</u> | | | | | | | |
| Revenue contributions | 0 | 356 | 356 | -356 | | | £356k transferred from cap. prog. |
| Borrowing | 13,949 | 7,052 | -6,897 | 356 | 6,541 | | |
| HE Grants | 4,160 | 1,050 | -3,110 | | 3,110 | | |

| | | | | | | | |
|-------------------------------|---------------|---------------|----------------|----------|---------------|----------|--|
| Capital receipts - 141 | 540 | 540 | 0 | | | | |
| TVDL Purchases Funding | 18,649 | 8,998 | -9,651 | 0 | 9,651 | 0 | |
| | | | | | | | |
| Total Funding 21/22 | 28,679 | 16,611 | -12,068 | 0 | 12,061 | 7 | |