



AGENDA ITEM:

COUNCIL: 19 July 2023

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor N. Pryce-Roberts

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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 2022/23 financial year.

2.0 RECOMMENDATIONS

2.1 That the draft financial outturn position of the 2022/23 HRA and Capital Investment Programme be noted and that the use of HRA reserves be noted.

2.2 That the switching of funding from HRA borrowing to HRA revenue contributions in paragraph 5.4 be noted.

2.3 That capital slippage identified in appendix one be noted.

3.0 BACKGROUND

3.1 The cost of living crisis has impacted both the HRA and housing capital budgets, as well as our residents. The effect on district heating scheme residents of energy price rises was reported in year, as was the effect of contract inflation on the repairs contract.

3.2 This is expected to continue in 2023/24, with April 2023 CPI at 8.7% and tenant rents for the year limited to 7%. This means additional budget pressure is likely. In addition, the 2023/24 local Government pay offer is greater than the amount

budgeted, and is still subject to negotiation and agreement, so may increase further.

4.0 HOUSING REVENUE ACCOUNT – REVENUE OUTTURN

4.1 A summary of the draft HRA revenue outturn is set out in the table below. This shows that an adverse budget variance of £0.188m was achieved at the year end, which represents 0.7% of the total budget. Given the challenges during the year presented by the cost of living crisis, greater than anticipated pay settlement and increased use of agency staff to fill key vacant posts, this represents good financial performance.

Budget Area	2022/23 Latest Budget £000	Outturn Variance £000	Comment
Employee Expenses	3,884	136	Pay settlement more than budgeted and use of agency staff to cover vacant posts. Unbudgeted work on review of Property Services structure funded from contingency.
Void repairs and response repairs	4,504	194	2022/23 contract variation.
Other premises costs	3,708	141	£370k District Heating scheme, overall shortfall – debtor used to balance to zero at year end. See para 4.6 below. Pressure from other energy costs, disrepair costs and electrical testing.
Transport costs	162	18	Vehicle recharges.
Budget contingency	390	-50	Most contingency used.
Supplies and Services	1,254	179	Stock condition costs after use of £238k contingency
Support Services and internal income (net)	2,627	-75	Partly due to variable recharges
Loan interest & Contribution towards Repayment	3,419	10	
Contributions to capital	7,485	-51	Contribution to general fund scheme not utilised
Dwelling rents	-24,300	-74	TVD stock increases during year. 68 Right to Buy (RTB) sales.
Other external income	-3,133	-240	Furnished lettings service, Interest on balances due to rising interest rates, 68 RTB admin fee income, contribution to hardship payments.
Total	0	188	0.7% of total budget

- 4.2 The main budget pressures in 2022/23 were:
- Pay settlement larger than budgeted by around £100k.
 - Use of agency staff to fill key vacant posts.
 - Rising energy costs.
 - Higher Contract inflation, particularly on the key repairs contract.

4.3 These were partially offset by a favourable position on:

- Rents from additional affordable rent properties, built by TVDL and brought on-line in 2022/23
- Continued increased need for furnished tenancies in the tenant furnishing service generating 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.

4.4 The table below shows how outturn compares to in-year estimates of outturn.

Budget Area	2022/23 Latest Budget £000	Q1 Var. £000	Q2 Var. £000	Q3 Var. £000	Outturn Variance £000
Employee Expenses	3,884	-230	-100	150	136
Void repairs and response repairs	4,504	0	250	250	194
Other premises costs	3,708	550	0	100	141
Transport costs	162	0	0	10	18
Budget contingency	390	-100	-80	-50	-50
Supplies and Services	1,254	-100	-50	-50	179
Support Services and internal income (net)	2,627	0	0	0	-75
Loan interest & Contribution towards Repayment	3,419	0	0	0	10
Contributions to capital	7,485	0	0	0	-51
Dwelling rents	-24,300	-100	-50	-50	-74
Other external income	-3,133	-20	-50	-100	-240
Total	0	0	-80	260	188

4.5 The shortfall of around £188k will be funded from the Transformation & Efficiency reserve. If final outturn varies from this draft outturn position then the amount

moved to/from the Transformation & Efficiency reserve will be amended accordingly to ensure that the HRA balances back to zero.

- 4.6 Throughout 2022/23 the particular energy cost pressures on the District Heating Account have been reported. Tenant heating charges were increased at mid-year and the entire heating reserve was utilised in 2022/23, as reported previously. As anticipated there remained a shortfall at the end of 2022/23 of around £370k. In order to ensure the scheme is ringfenced, a debtor was raised at the end of the year and this will need to be recovered from tenants and leaseholders in the scheme during 2023/24, and beyond if necessary. The average amount to be recovered from each resident in the district heating scheme is around £500, though the exact amount per resident will vary according to useage and individual balances prior to 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 £7.043m. This represents around 66% of the revised budget of £10.716m.
- 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 £3.673m (£10.716m budget less £7.043m expenditure) is treated as follows:
- £3.647m is transferred into 2023/24 to allow completion of programmes
 - That budget 'unders and overs' will be contained within 2022/23
 - £0.026m will be released to free up funding for other things.
- 5.4 Total expenditure on the regular capital programme was slightly less than the revenue contributions available, so the difference will be switched to part-fund WLBC purchase of new housing stock from TVDL in 2022/23, thus slightly reducing the amount of borrowing otherwise required in 2022/23.
- 5.5 In addition to the capital programme, £6.052m 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 2023 and HRA expenditure in 2022/23 is part of that budget envelope.

6 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 RISK ASSESSMENT

- 7.4 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

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Scheme	2022/23 Revised Budget £000's	Outturn 2022-23 £000's	Var. £000's	Slippage £000's	Transfer/Release Funding £000's	Comments
Roofing	2,105	1,976	-129	129		Balance into 23/24
External Works	1,396	870	-526	280	246	Slippage considered adequate for outstanding works
Windows & Doors	873	249	-624	275	349	Slippage considered adequate for outstanding works
Heating	851	1,555	704		-704	Largely response maintenance heating replacement – demand led. Contained within 'Housing Capital Investment Plan' section
Kitchens	740	9	-731	731		Programme still to be delivered
Bathrooms	478	14	-464	464		Programme still to be delivered
Communal Services	325	221	-104	45	59	
Fire Safety Works	177	142	-35	35		
Walls	60	0	-60		60	
Housing Capital Investment Plan	7,005	5,036	-1,969	1,959	10	72% of programme
Carbon Neutral Dwellings						Vired Feb 2023 budget setting to part-fund wave 2.1 decarbonisation retrofitting budget issue.
Digmoor Regeneration	1,000	0	-1,000	1,000		Redevelopment planned 23/24

Change in Standard for Smoke Detection	629	771	142		-142	Contract and demand pressures contained within 'Other Housing Schemes' section
Salary costs & Professional Fees	600	533	-67		67	
Disabled Adaptations	400	321	-79	64	15	
Contingency	300	258	-42		42	
Sheltered Housing Upgrades	280	46	-234	234		Refurbishment planned
Environmental Programme	275	12	-263	263		Ongoing works
Lifts	140	25	-115	115		Work still to be undertaken
Purchase Service Charge Software	39	5	-34		34	
Abritas upgrade	36	36	0			
Digital Schemes Sheltered	12	0	-12	12		
Other Housing Schemes	3,711	2,007	-1,704	1,688	16	54% of programme
Capital Expenditure	10,716	7,043	-3,673	3,647	26	66% of programme
TVDL Expenditure	9,781	6,052	-3,729	3,542	187	Fairlie balance slippage per Feb 2023 approval.
Total Expenditure	20,497	13,095	-7,402	7,189	213	

Notes:

1. Total capital programme expenditure of £7,043k has been funded entirely from HRA revenue contributions/MRR.
2. Remaining budgeted revenue contributions of around £391k have been switched in-year to part-fund TVDL expenditure, thus reducing the borrowing requirement in 2022/23.
3. £3,647k of borrowing commitment will be slipped into 2023/24 to fund the capital programme slippage.
4. £3,042k of borrowing commitment will be slipped into 2023/24 to fund TVDL expenditure slippage (Fairlie)
5. £500k budgeted contribution from Homes England Grants will be slipped into 2023/24 to part fund TVDL slippage (Fairlie)

6. Expenditure in 2022/23 of £6,052k on new Council homes from TVDL has therefore been funded with £2,795k of Homes England grant received during 2022/23; £391k of revenue contributions; with the balance of £2,866k being funded from borrowing.

Funded by	2022/23 Revised Budget £000's	Outturn 2022-23 £000's	Var. £000's	Slippage. £000's	Transfer/ Release Funding £000's	Comments
Revenue contributions/MRR	7,434	7,434	0			
Borrowing	9,953	2,866	-7,087	6,689	398	
HE Grants	3,110	2,795	-315	500	-185	Fairlie budgeted grant still to come - slippage. 'Release' more grant successfully received than originally budgeted.
Total Funding	20,497	13,095	-7,402	7,189	213	