



CABINET: 7 November 2017

EXECUTIVE OVERVIEW AND SCRUTINY  
COMMITTEE:  
23 November 2017

COUNCIL: 13 December 2017

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Report of: Director of Housing and Inclusion and Borough Treasurer

Relevant Portfolio Holder: Cllr J. Forshaw

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

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**SUBJECT: HRA MID-YEAR REVIEW**

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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 2017/2018 financial year.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the HRA and Housing Capital Programme positions be noted.
- 2.2 That the proposed capital budget adjustments set out in Appendix 2 be endorsed for consideration by Council.
- 2.3 That Call In is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 23 November 2017.

## **3.0 RECOMMENDATION TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

- 3.1 That the HRA and Housing Capital Programme positions be noted.

## **4.0 RECOMMENDATIONS TO COUNCIL**

- 4.1 That the HRA and Housing Capital Programme positions be noted.

4.2 That the proposed capital budget adjustments set out in Appendix 2 be approved.

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## **5.0 BACKGROUND**

5.1 In February 2017 Council agreed the 2017/18 HRA revenue and capital budgets. These budgets built on previous policy options that addressed the on-going and progressive financial pressures created by the 1% per annum rent reduction required by the government over the 4 year period to 2019-2020.

## **6.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN**

6.1 A summary of the projected HRA revenue outturn is set out in Appendix 1 and shows that a favourable budget variance of £875,000 is expected, representing 3.4% of total turnover. This demonstrates that the HRA remains in a healthy financial position. The main reasons for this positive forecast are that:

- The active management of staffing levels should deliver a favourable budget variance on employee expenditure
- Void repairs and response repairs are projected to be £100,000 below budget for the year, although as both budgets are demand led this position could change depending on issues and developments in the remainder of the year
- There is a projected underspend on painting activities due to a contractor being in liquidation. Future resource requirements in this area will take this position into account during the budget setting process for 2018/19

6.2 A significant element of the projected favourable budget variance on employee costs comes from vacant posts being held prior to the reorganisation of the Housing and Inclusion Directorate which was agreed by Council in July. It is estimated that the reorganisation itself will generate a saving of around £100,000 this year after taking into account estimates of when new posts will be filled and the value of exit payments. These staff savings has been transferred to the HRA Budget contingency in line with our normal approach for dealing with in year savings. The anticipated shortfall in internal income is primarily due to capitalised staff costs where there are a number of vacant posts, and this is in effect offsetting part of the favourable employee expenses variance.

6.3 In July 2017 Council agreed funding of £60,000 from the 2016/17 favourable outturn position for use towards stock condition survey work. Having up-to-date, comprehensive stock condition information is essential for producing a good quality asset plan and maintaining good quality homes. It is intended that a further £300,000 will be spent on stock condition and other survey and inspection work this year funded from the HRA Budget contingency. This should help to provide a thorough picture of the condition of our housing stock and will enable any potential issues to be identified.

## **7.0 CAPITAL INVESTMENT PROGRAMME**

- 7.1 Appendix 2 provides details of the current budget position on the capital investment programme of £12.486m. A number of proposed net nil budget transfers between schemes are then set out as well as proposals on budget re-profiling to update approvals to more accurately match the anticipated timing of expenditure. The proposed adjustments would reduce the size of the programme to £10.652m, mainly as a result of re-profiling £1.799m of expenditure approvals into the next financial year.
- 7.2 A summary of capital expenditure to the 11<sup>th</sup> October against the revised budgets is shown in Appendix 3. Total expenditure to date is £2.626m which represents 25% of the total revised budget. This compares to expenditure of £4.749m at the mid year point of 2016/17, which represented 32% of the total budget of £14.750m. The main reason why expenditure was higher last year was as a result of spending of £1.440m on the Firbeck Revival project, which has now largely been completed. It is expected that most schemes should progress and spend in line with their approvals by the year end.

## **8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

- 8.1 Monitoring of the budget position will help to ensure, with the information we are aware of, that the HRA remains able to deliver services and is financially sustainable in the medium term. This supports the community strategy which highlighted that local people should receive good quality homes for a fair and appropriate rent.

## **9.0 RISK ASSESSMENT**

- 9.1 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.

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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 Projected Outturn

Appendix 2 – Housing Revised Capital Programme Summary of Changes

Appendix 3 - Housing Capital Year to Date Position

## Appendix 1 – HRA Projected Outturn

| Budget Area                                | Budget<br>£000 | Variance<br>£000 | Comment   |
|--|----------------|------------------|---|
| Employee Expenses                          | 4,958          | -500             | The active management of staffing levels will lead to a favourable budget variance  |
| Void repairs and response repairs          | 2,637          | -100             | Both budgets are demand-led so the final outturn will depend upon various factors   |
| Other premises costs                       | 3,160          | -250             | There is a projected underspend mainly due to a reduction in painting activity as a result of a contractor going into liquidation                 |
| Transport costs                            | 220            | -30              |   |
| Budget contingency                         | 125            | -125             | No calls on remaining contingency identified  |
| Supplies and Services                      | 1,304          | 0                |   |
| Support Services and internal income (net) | 1,640          | 150              | Capitalisation of staff salaries will be below budget due to vacant posts. This is offset by the favourable budget variances on employee expenses |
| Loan interest                              | 3,057          | 0                |   |
| Contributions to capital                   | 8,592          | 0                |   |
| Dwelling rents                             | -23,223        | 0                |   |
| Other external income                      | -2,470         | -20              |   |
| <b>Total</b>                               | <b>0</b>       | <b>-875</b>      | Represents 3.4% of the overall turnover   |

### NOTES

- (1) The budget for employee expenses has been amended to reflect the reorganisation of the Housing and Inclusion Directorate approved by Council in July and becoming operational from November. Budget savings in-year have been added to the contingency budget.
- (2) The Budget contingency has been used to fund stock condition and related assessments and this funding has been transferred to Supplies and Services.

## Appendix 2 – Housing Revised Capital Programme Summary of Changes

| Scheme                              | Current Budget<br>£000's | Transfers<br>£000's | Re-<br>profiling<br>£000's | No Longer<br>Required<br>£000's | Revised<br>Budget<br>£000's | Comments  |
|-------------------------------------|--------------------------|---------------------|----------------------------|---------------------------------|-----------------------------|---|
| Re-Roofing Works                    | 1,374                    | -174                |                            |                                 | 1,200                       | Transfer £174k to fund heating, day to day boiler replacement                       |
| Beechtrees                          | 1,328                    |                     | -648                       |                                 | 680                         | Programme to be completed in 2018/19  |
| Bathroom Replacements               | 1,306                    |                     |                            |                                 | 1,306                       |   |
| Walls                               | 1,240                    |                     | -1,040                     |                                 | 200                         | Re-profile into 2018/19 for Whitburn and Waverley project                           |
| Electrical Upgrades                 | 1,194                    |                     | -160                       |                                 | 1,034                       | Difficulties in accessing properties means that works are taking longer to complete |
| Sheltered Housing Upgrades          | 756                      |                     |                            |                                 | 756                         |   |
| Contingency/Voids                   | 725                      |                     |                            |                                 | 725                         |   |
| Professional Fees                   | 679                      |                     |                            |                                 | 679                         |   |
| Adaptations for Disabled People     | 642                      |                     |                            |                                 | 642                         |   |
| Heating System Upgrades             | 602                      | 207                 |                            |                                 | 809                         | Funding transferred for replacement boilers   |
| Communal Areas Improvements         | 470                      |                     |                            |                                 | 470                         |   |
| Windows and Doors                   | 455                      |                     |                            |                                 | 455                         |   |
| Firbeck Revival                     | 375                      | -140                |                            | -35                             | 200                         |   |
| Westec Development HRA Element      | 361                      | 140                 | -371                       |                                 | 130                         | Additional funding required to reflect revised scheme costs                         |
| Structural Works                    | 260                      |                     |                            |                                 | 260                         |   |
| HRA Garages                         | 229                      |                     |                            |                                 | 229                         |   |
| Improvements to Bin stores          | 100                      |                     | -50                        |                                 | 50                          |   |
| Environmental Programme             | 100                      |                     |                            |                                 | 100                         |   |
| Local Housing Allowance Initiatives | 50                       |                     |                            |                                 | 50                          |   |
| Housing OR Recommendations          | 40                       |                     |                            |                                 | 40                          |   |
| Digital Inclusion Initiatives       | 30                       |                     |                            |                                 | 30                          |   |
| Flaxton Rainbow                     | 25                       |                     |                            |                                 | 25                          |   |

| <b>Scheme</b>                 | <b>Current Budget<br/>£000's</b> | <b>Transfers<br/>£000's</b> | <b>Re-<br/>profiling<br/>£000's</b> | <b>No Longer<br/>Required<br/>£000's</b> | <b>Revised<br/>Budget<br/>£000's</b> | <b>Comments</b>                             |
|-------------------------------|----------------------------------|-----------------------------|-------------------------------------|--|--------------------------------------|---|
| Environmental Improvements    | 24                               |                             |                                     |  | 24                                   |   |
| Evenwood Court Re modelling   | 23                               |                             |                                     |  | 23                                   |   |
| Beacon Crossing               | 18                               | -18                         |                                     |  | 0                                    |   |
| Flood Resilience Works        | 15                               | 18                          |                                     |  | 33                                   |   |
| Painting/Rendering no Fines   | 15                               |                             |                                     |  | 15                                   |   |
| Replace Failed Double Glazing | 11                               | -11                         |                                     |  | 0                                    |   |
| Gulley Replacement            | 11                               | -11                         |                                     |  | 0                                    |   |
| Gutter Replacement            | 11                               | -11                         |                                     |  | 0                                    |   |
| Energy Efficiency             | 6                                |                             |                                     |  | 6                                    |   |
| Lifts                         | 6                                |                             |                                     |  | 6                                    |   |
| Equipment Replacement         | 5                                |                             |                                     |  | 5                                    |   |
| Property Purchases            | 0                                |                             | 470                                 |  | 470                                  | Budget from future years approved July 2017 |
| <b>Total</b>                  | <b>12,486</b>                    | <b>0</b>                    | <b>-1,799</b>                       | <b>-35</b>                               | <b>10,652</b>                        |   |

### Resources

|                        | <b>Current Budget<br/>£000's</b> | <b>Transfers<br/>£000's</b> | <b>Re-<br/>profiling<br/>£000's</b> | <b>No Longer<br/>Required<br/>£000's</b> | <b>Revised<br/>Budget<br/>£000's</b> | <b>Comments</b> |
|------------------------|----------------------------------|-----------------------------|-------------------------------------|--|--------------------------------------|-----------------|
| Capital Receipts       | 76                               |                             |                                     |  | 76                                   |                 |
| Affordable Housing Pot | 151                              |                             |                                     |  | 151                                  |                 |
| HRA Borrowing          | 3,667                            |                             | -1,799                              | -35                                      | 1,833                                |                 |
| HRA/MRA Contribution   | 8,592                            |                             |                                     |  | 8,592                                |                 |
| <b>Total Resources</b> | <b>12,486</b>                    | <b>0</b>                    | <b>-1,799</b>                       | <b>-35</b>                               | <b>10,652</b>                        |                 |

### Appendix 3 – Housing Capital Expenditure to date

| <b>Scheme Description</b>           | <b>Revised Budget<br/>£000's</b> | <b>Mid Year Spend<br/>£000</b> | <b>Mid Year Spend<br/>%</b> |
|-------------------------------------|----------------------------------|--------------------------------|-----------------------------|
| Re-Roofing Works                    | 1,200                            | 2                              | 0%                          |
| Beechtrees                          | 680                              | 111                            | 16%                         |
| Bathroom Replacements               | 1,306                            | 239                            | 18%                         |
| Walls                               | 200                              | 2                              | 1%                          |
| Electrical Upgrades                 | 1,034                            | 377                            | 36%                         |
| Sheltered Housing Upgrades          | 756                              | 340                            | 45%                         |
| Voids/Contingency                   | 725                              | 232                            | 32%                         |
| Professional Fees                   | 679                              | 319                            | 47%                         |
| Adaptations for Disabled People     | 642                              | -1                             | 0%                          |
| Heating System Upgrades             | 809                              | 470                            | 58%                         |
| Communal Areas Improvements         | 470                              | -72                            | -15%                        |
| Windows and Doors                   | 455                              | 21                             | 5%                          |
| Westec Development HRA Element      | 130                              | -                              | 0%                          |
| Firbeck Revival                     | 200                              | -53                            | -27%                        |
| Structural Works                    | 260                              | 13                             | 5%                          |
| HRA Garages                         | 229                              | 117                            | 51%                         |
| Improvements to Binstores           | 50                               | 4                              | 8%                          |
| Environmental Programme             | 100                              | -                              | 0%                          |
| Local Housing Allowance Initiatives | 50                               | -                              | 0%                          |
| Housing OR Recommendations          | 40                               | 7                              | 18%                         |
| Digital Inclusion Initiatives       | 30                               | -                              | 0%                          |
| Flaxton Rainbow                     | 25                               | -                              | 0%                          |
| Environmental Improvements          | 24                               | -                              | 0%                          |

| <b>Scheme Description</b>   | <b>Revised Budget<br/>£000's</b> | <b>Mid Year Spend<br/>£000's</b> | <b>Mid Year Spend<br/>%</b> |
|-----------------------------|----------------------------------|----------------------------------|-----------------------------|
| Evenwood Court Re modelling | 23                               | -                                | 0%                          |
| Painting Rendering no fines | 15                               | -                                | 0%                          |
| Flood Resilience Works      | 33                               | 26                               | 79%                         |
| Energy Efficiency           | 6                                | 5                                | 83%                         |
| Lifts                       | 6                                | -                                | 0%                          |
| Equipment Replacement       | 5                                | -                                | 0%                          |
| Property Purchases          | 470                              | 468                              | 100%                        |
| <b>Total Expenditure</b>    | <b>10,652</b>                    | <b>2,626</b>                     | <b>25%</b>                  |