



CABINET: 7 November 2017

EXECUTIVE OVERVIEW AND SCRUTINY
COMMITTEE:
23 November 2017

COUNCIL: 13 December 2017

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)

SUBJECT: HRA 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 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.

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 11th 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.

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 4 - Minute of Landlord Services Committee – 2 November 2017 (Cabinet Working Group) (*Cabinet, Executive Overview and Scrutiny Committee and Council*)

Appendix 5 - Minute of Cabinet – 7 November 2017 (*Executive Overview and Scrutiny Committee and Council*)

Appendix 6 - Minute of Executive Overview and Scrutiny Committee – 23 November 2017 (*Council only*)

Appendix 1 – HRA Projected Outturn

Budget Area	Budget £000	Variance £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	
Total	0	-875	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 £000's	Transfers £000's	Re- profiling £000's	No Longer Required £000's	Revised Budget £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	

Scheme	Current Budget £000's	Transfers £000's	Re- profiling £000's	No Longer Required £000's	Revised Budget £000's	Comments
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
Total	12,486	0	-1,799	-35	10,652	

Resources

	Current Budget £000's	Transfers £000's	Re- profiling £000's	No Longer Required £000's	Revised Budget £000's	Comments
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	
Total Resources	12,486	0	-1,799	-35	10,652	

Appendix 3 – Housing Capital Expenditure to date

Scheme Description	Revised Budget £000's	Mid Year Spend £000	Mid Year Spend %
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%

Scheme Description	Revised Budget £000's	Mid Year Spend £000's	Mid Year Spend %
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%
Total Expenditure	10,652	2,626	25%