



CABINET: 13 March 2018

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
29 March 2018**

Report of: Director of Housing and Inclusion and Borough Treasurer

Relevant Portfolio Holder: Cllr J. Forshaw

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SUBJECT: HRA REVENUE AND CAPITAL MONITORING

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide an update on the current position in respect of the 2017-18 Housing Revenue Account (HRA) and Council Housing Capital Investment Programme.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the financial position in respect of the 2017-18 HRA and Council Housing Capital Investment Programme be noted.
- 2.2 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 29th March.

3.0 RECOMMENDATION TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

- 3.1 That the financial position in respect of the 2017-18 HRA and Council Housing Capital Programme be noted.
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4.0 BACKGROUND

- 4.1 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 government policy over the 4 year period to 2019-2020.

5.0 HOUSING REVENUE ACCOUNT – PROJECTED OUTTURN

- 5.1 A summary of the projected HRA revenue outturn is set out in Appendix A and shows that a favourable budget variance of £975,000 is expected, representing 3.8% of total turnover. This compares to the mid year projected outturn position of £875,000 (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 and the remaining two contractors being unable to substantially increase their delivery beyond that originally agreed. Painting contracts are due to be re-procured in 2018-19 so existing budget provision will be maintained.

- 5.2 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. These staff savings have 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.

- 5.3 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. Further spending on stock condition and other survey and inspection work has then been made 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.

- 5.4 It can be confidently expected that the HRA will meet its budget targets and this will continue our track record of managing our financial performance to ensure that the outturn position is in line with the budget. Consideration can be given to how this projected favourable budget variance should be used when Council consider the outturn position in July 2018, taking into account the latest HRA Business Plan projections, and the funding required for the Sustainable Organisation Review approved by Council in February.

6.0 CAPITAL INVESTMENT PROGRAMME

- 6.1 A summary of capital expenditure to the end of December 2017 against the revised budgets is shown in Appendix B. Total expenditure to date is £4.036m which represents 38% of the total revised budget of £10.652m. This compares to expenditure of £6.789m at the quarter 3 point of 2016-17, which represented 45% of the total budget of £15.07m. The main reason why expenditure was higher last year was as a result of spending of £1.44m on the Firbeck Revival project, which has now largely been completed, plus £0.99m of spend in 2016-17 on completing the kitchens programme.
- 6.2 It is standard practice at year-end that capital budgets that have not been fully utilised are reviewed before being slipped 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 from the capital investment programme to release funding. It is anticipated at this stage that most unutilised budget will be slipped into 2018-19, and full details will be included in the HRA outturn report to July Council.
- 6.3 In order to deliver more of the 2018-19 investment programme in 2018-19 and generally reduce future slippage, procurement of several key programmes is taking place during the last quarter of 2017-18 with the aim of actually starting the programmes in quarter one of 2018-19. Previously procurement of annual programmes has typically taken place early in the year in question.

7.0 SUSTAINABILITY IMPLICATIONS

- 7.1 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.

8.0 RISK ASSESSMENT

- 8.1 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 A – HRA Projected Revenue Outturn Position

Appendix B – Housing Capital Year to Date Position

Appendix C – Minute of Cabinet held on 13 March 2018 (Executive Overview and Scrutiny Committee only) – *to follow*

Appendix A – HRA Projected Revenue Outturn Position

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 demanded so final outturn depends upon various factors
Other premises costs	3,160	-350	Painting contractor in 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
Loan interest	3,057	0	
Contributions to capital	8,592	0	
Dwelling rents	-23,223	0	
Other external income	-2,470	-20	
Total	0	-975	Represents 3.8% of the overall turnover

* The budget for employee expenses has been amended to reflect the reorganisation of Housing & Inclusion approved by Council in July 2017 and becoming operational from November 2017. Budget savings in-year have been added to the contingency budget.

** The budget contingency has been used in-year to fund stock condition and related assessments. The budget has been vired to Supplies and Services.

Appendix B - Housing Capital Year to Date Position

Scheme Description	Revised Budget £000	Q3 Spend £000	Variance £000	Q3 Spend %
Bathroom Replacements	1,306	278	1,028	21%
Re-Roofing Works	1,200	142	1,058	12%
Electrical Upgrades	1,034	563	471	54%
Heating System Upgrades	809	643	166	79%
Sheltered Housing Upgrades	756	378	378	50%
Contingency/Voids	725	366	359	50%
Beechtrees	680	248	432	36%
Professional Fees	679	470	209	69%
Adaptations for Disabled People	642	101	541	16%
Communal Areas Improvements	470	35	435	7%
Property Purchases	470	495	-25	105%
Windows and Doors	455	136	319	30%
Structural Works	260	14	246	5%
HRA Garages	229	146	83	64%
Walls	200	2	198	1%
Firbeck Revival	200	-51	251	-26%
Westec Development HRA Element	130	0	130	0%
Environmental Programme	100	0	100	0%
Improvements to Binstores	50	4	46	8%
Local Housing Allowance Initiatives	50	0	50	0%
Housing OR Recommendations	40	8	32	20%
Flood Resilience Works	33	26	7	79%
Digital Inclusion Initiatives	30	0	30	0%
Flaxton Rainbow	25	0	25	0%
Environmental Improvements	24	0	24	0%
Evenwood Court Re modelling	23	0	23	0%
Painting/Rendering no Fines	15	0	15	0%
Energy Efficiency	6	30	-24	500%
Lifts	6	0	6	0%
Equipment Replacement	5	0	5	0%
Total Expenditure	10,652	4,036	6,616	38%