

WEST DUNBARTONSHIRE COUNCIL**Report by the Chief Officer - Resources****Council: 24 February 2021**

**Subject: Housing Revenue Account Budgetary Control Report
 to 31 January 2021 (Period 10)**

1. Purpose

- 1.1** The purpose of the report is to provide an update on the financial performance to 31 January 2021 (Period 10) of the HRA revenue and capital budgets for 2020/21.

2. Recommendations

- 2.1** Members are asked to:

- i) note that the revenue account currently shows a projected annual favourable variance of £2.322m (5.26% of the total budget), of which £2.439m is COVID19 related; and
- ii) note the net projected annual position in relation to relevant capital projects which is highlighting an in-year variance of £13.001m (21.70%) due to projected slippage of £15.153m (25.29%) and an overspend of £2.152m (-3.59%).

3. BackgroundRevenue

- 3.1** At the meeting of West Dunbartonshire Council on 4 March 2020, Members agreed the revenue estimates for 2020/2021 and a total budget of £44.152m.

Capital

- 3.2** At the meeting of Council on 4 March 2020, Members also agreed the updated Capital Plan for 2020/21 which has been augmented by slippage from 2019/20 to produce a total planned spend for 2020/21 of £59.818m.
- 3.3** Since then, the Council have received additional Scottish Government funding of £0.091m to invest in Gypsy/Traveller site improvements over and above the minimum standard for Gypsy/Traveller accommodation. This revises the 2020/21 annual budget to £59.908m.

4. Main Issues

Revenue

- 4.1** The budgetary position for HRA Revenue is provided in Appendix 1 with information on projected variances valued at more than £0.050m being provided as Appendix 2, and shows a projected underspend of £2.322m. The projected favourable variance is made up of an underspend of £2.439mm due to the current projected impact of COVID19, and an overspend of £0.117m. The COVID19 impact projection is based upon a range of assumptions as to how services will restart over the remainder of this financial year.

The restrictions imposed from 23rd March 2020 lockdown due to COVID19 have had an impact on housing service delivery activities and costs. The main points affecting revenue spend are:

- Repairs underspend - only emergency repairs were able to be attended to, so reduced cost of repairs charged from Housing Maintenance Trading Account reflecting less work. Senior Management are working closely together to work through the optimum solution to get the backlog of work completed subject to Risk Assessments and COVID19 management processes to ensure operative and tenant safety.
- Void rent loss - house moves were not allowed between April and June so not possible to re let available properties which resulted in increased void rent loss for April to June. These restrictions have now been lifted and properties are being re-let.

Capital

- 4.2** The HRA capital summary position is shown in Appendix 3. Information on projects that are highlighted as being within the red and amber categories are provided in Appendices 4 & 5. Appendix 6 provides information on all the remaining projects which are categorised as being within the Green category. A summary of anticipated resources is shown in Appendix 7. The analysis shows that there is currently a projected in-year favourable variance of £13.001m due to an in-year overspend of £2.152m and projected slippage of £15.153m.

- 4.3** There are two main reasons for the in-year overspend of £2.152m:

- void housing strategy programme (£1.169m) - a work stream which has continued to make good progress alongside the revised working restrictions imposed by the pandemic which has meant that demand has been greater than originally budgeted. However, spend this year is still significantly less than last year and it is anticipated that this pattern will continue into future years, with a reduction in spend and no adverse impact on the project life budget overall; and

- additional new build costs incurred at Dumbarton Harbour (£0.980m) contributes also to this in-year overspend and is explained further at 4.6.

4.4 From the analysis within appendix 4 and appendix 5, it can be seen that there are 18 projects with forecast material slippage as listed in the table below. COVID19 restrictions have delayed construction and improvement works which is reflected in the slippage figures in this report.

Project Name	Slippage at period 10 (£m)	Slippage at period 9 (£m)	Movement (£m)
Targeted SHQS compliance works	0.100	0.100	-
Statutory/regulatory compliance works (lifts/electrical/legionella/fire etc.)	0.103	0.533	-0.430
Heating improvement works	0.108	0.108	-
Better Homes Priority Budget	0.122	0.122	-
Improvement works (Risk St)	0.147	0.147	-
Secure entry component renewals	0.161	0.161	-
Special needs adaptations	0.176	0.176	-
Airport Noise Insulation scheme	0.192	0.192	-
Defective structures/component renewals	0.210	0.153	0.057
Environmental renewal works	0.259	0.259	-
MSF Fire Risk Assessment works	0.500	0.500	-
Capitalised minor works	0.545	0.545	-
Modern facilities and services	0.677	0.677	-
Buy Backs	0.972	0.972	-
Building external component renewals	0.994	1.197	-0.203
Targeted EESSH compliance works	1.834	1.103	0.731
Doors/Window component Renewals	2.175	2.125	0.050
Affordable Housing Supply Programme	5.673	5.673	-

4.5 The Strategic Housing Investment Plan (SHIP) 2019-2024, outlining West Dunbartonshire's Affordable Housing Supply Programme (AHSP) through the More Homes West Dunbartonshire approach was approved by the Housing and Communities Committee in November 2019. An update on the programme and progress on each site was provided to the Housing and Communities Committee held on 3 February 2021.

4.6 In March 2020, the country was placed in lockdown due to the COVID19 pandemic. This ceased all activity on each of the Council's 6 active new build sites and 1 demolition site. Following the re-start of sites as lockdown measures have eased, social distancing is having an impact on timescales for completing certain elements of work especially where that work takes place inside a property and will result in slippage into 21/22. Moreover, complications resulting from the liquidation of the original construction

company for the Dumbarton Harbour site has increased the financial pressure on the project life budget, with additional costings estimated at £0.980m.

- 4.7** With any new build project, there are a number of complexities and interdependent actions including statutory which impact on the delivery programme specifically in advance of the construction site start. In addition, the delivery of all the new homes through each of the specific projects will always straddle a number of financial years. As such, there is a risk that as the projects develop, the cost increases beyond the estimated contract costs; the contractor liquidation, as mentioned above, being one such reason. However, 2020/2021 has brought with it the additional increased complexities such as the delays on site associated with the pandemic and the continuing difficulties associated with adhering to the new restricted working conditions. Revised cost projections, as detailed within Appendix 8, have been completed for each site and indicate an overall project life overspend of £5.948m. There are a number of assumptions included within these projections which are highly subject to change as we continue to navigate our way through the current pandemic. These increased costs have been run through the HRA 30 year business planning model, together with plans for future new builds, and the overall position is still within an affordable level.
- 4.8** In terms of the Scottish Grant funding for the new build programme, appendix 7 highlights an overall project life favourable variance of £0.702m. This relates to £1.308m additional grant income as successfully negotiated by Officers in relation to the increased grant per unit at Aitkenbar and Haldane and the additional grant generated from the buyback scheme within the current year and previous financial years. This is however offset by an under recovery in grant of £0.606m which reflects changes to the actual number of units compared to budget at individual sites and the change to the funding composition at St Andrews whereby the grant was originally budgeted higher based on a partnership with another registered social landlord.
- 4.9** However, discussions have taken place with the Scottish Government on potential further increased grant levels for Dumbarton Harbour and we anticipate a positive outcome. This will increase the overall favourable project life position, though the outcome of these discussions will not be known until early 2021.

5. People Implications

- 5.1** There are no people implications.

6. Financial and Procurement Implications

- 6.1** Other than the financial position noted above, there are no financial implications of the budgetary control report. There are no procurement implications arising from this report.

7. Risk Analysis

- 7.1** The main financial risks to the ongoing financial position relate to unforeseen cost being identified between now and the end of the financial year. This can affect all service areas.

The projected cost of COVID19 is based upon a variety of assumptions flexibilities; demand; timing of nationally agreed changes through the phasing out of lockdown. These assumptions change regularly and therefore there is a significant risk that the projected year end budgetary position will change from that reported.

8. Equalities Impact Assessment (EIA)

- 8.1** The report is for noting and therefore no Equalities Impact Assessment was completed for this report.

9. Consultation

- 9.1** The views of both Finance and Legal services have been requested on this report and both have advised there are neither any issues nor concerns with the proposal. As the report is for noting no further consultation is envisaged.

10. Strategic Assessment

- 10.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the five strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council. This report is for noting and, therefore, does not directly affect any of the strategic priorities.

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Date: 15 February 2021

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Appendices: Appendix 1 - Budgetary Position (Revenue)
Appendix 2 - Variance analysis (Revenue)
Appendix 3 - Budgetary Position (Capital)
Appendix 4 - Variance analysis Red Projects (Capital)
Appendix 5 - Variance analysis Amber Projects (Capital)

Appendix 6 - Variance analysis Green Projects (Capital)
Appendix 7 - Resources (Capital)
Appendix 8 - Analysis of Affordable Housing Supply
Programme (Capital)

Background Papers: None

Wards Affected: All