

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Officer - Resources

Housing and Communities Committee: 3 February 2021

**Subject: Housing Revenue Account Budgetary Control Report
to 31 December 2020 (Period 9)**

1. Purpose

- 1.1** The purpose of the report is to provide an update on the financial performance to 31 December 2020 (Period 9) 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 £1.911m (4.33% of the total budget), of which £2.029m is COVID related; and
- ii) note the net projected annual position in relation to relevant capital projects which is highlighting an in-year variance of £13.945m (23.28%) due to projected slippage of £14.928m (24.92%) and an overspend of £0.983m (-1.64%).

3. Background

Revenue

- 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 £1.911m. The projected favourable variance is made up of an underspend of £2.029mm due to the current projected impact of COVID, and an overspend of £0.118m. The COVID-19 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 COVID-19 has 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 COVID-19 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.
- Rent Income - house building programme was suspended so rent income from houses expected to be completed in 20/21 will not be realised until 21/22.

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 £14.928m which relates to anticipated slippage. COVID-19 restrictions have delayed construction and improvement works which is reflected in the slippage figures in this report.
- 4.3 From the analysis within appendix 4 and appendix 5, it can be seen that there are 17 projects with forecast material slippage, as listed as follows:

Project Name	Slippage (£m)	Slippage at period 8 (£m)	Movement (£m)
Targeted SHQS compliance works	0.100	0.050	0.050

Heating improvement works	0.108	0.123	-0.015
Better Homes Priority Budget	0.122	0.122	-
Improvement works (Risk St)	0.147	-	0.147
Defective structures/component renewals	0.153	0.153	-
Special needs adaptations	0.176	0.282	-0.106
Secure entry component renewals	0.161	0.181	-0.020
Airport Noise Insulation scheme	0.192	0.192	-
Environmental renewal works	0.259	0.259	-
MSF Fire Risk Assessment works	0.500	0.333	0.167
Capitalised minor works	0.545	0.515	0.030
Statutory/regulatory compliance works (lifts/electrical/legionella/fire etc.)	0.533	0.533	-
Modern facilities and services	0.677	0.400	0.277
Buy Backs	0.972	0.780	0.192
Building external component renewals	1.197	1.197	-
Doors/Window component Renewals	2.125	1.975	0.150
Affordable Housing Supply Programme	5.673	4.947	0.726

- 4.4** 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 will be provided, in a separate report, to this Committee meeting.
- 4.5** In March 2020, the country was placed in lockdown due to the COVID-19 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.
- 4.6** With any new build project, 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 overspend of £5.948m.
- 4.7** 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. However, to ensure that the project completes on budget overall and to offset the overspends within the current programme, it will be

necessary to limit the plans to spend the future development budget. The Housing Development Team have also had positive conversations with the Scottish Government and will look to increase the grant award for this project to try and offset some of the additional costs, 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 COVID-19 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.

Stephen West
Chief Officer – Resources
Date: 15 January 2021

Person to Contact: Janice Rainey - Business Unit Finance Partner (HEED),
16 Church Street, Dumbarton, G82 1QL,
telephone: 01389 737704, e-mail janice.rainey@west-dunbarton.gov.uk

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