

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - COMMUNITY 5 MARCH 2013

HOUSING REVENUE ACCOUNT BUDGET MONITORING TO DECEMBER 2012

1. PURPOSE OF REPORT

1.1 REVENUE BUDGET MONITORING

To advise Members of any major differences, by management unit, between the original budget and the outturn forecast for the nine months of the financial year up to 31 December 2012 in respect of the Housing Revenue Account and the Council's new build schemes.

1.2 CAPITAL BUDGET MONITORING

Budget monitoring updates in respect of the HRA Capital Programme are now incorporated into this report, which is prepared on a quarterly basis, in order to improve financial reporting to this Committee and help to provide a more comprehensive financial update in respect of the Housing Revenue Account.

2. REVENUE BUDGET MONITORING TO DECEMBER 2012

2.1 HOUSING SELF-FINANCING

The Government made significant reforms to council housing finance within the Localism Act 2011, which resulted in the commencement of self-financing and the abolition of the Housing Revenue Account subsidy system from 1 April 2012.

Under the HRA subsidy system rents were pooled and redistributed by central government. Exeter City Council was a net contributor to the central pot, whereby it paid more into the central pot than it received back in subsidy. Over the last few years we have paid around £4m per year to the Government and had an annual budgeted deficit on the HRA.

Self-financing enables each stock owning local authority to retain their own income collected from rents, service charges and other sources at a local level to deliver housing services to tenants and to maintain their housing stock. Under self-financing it is anticipated that local authorities will achieve a surplus each financial year, which will help facilitate service improvements, repay debt and to provide investment in the stock.

2.2 PROJECTED SURPLUS

During this period the total budget variances indicate that there will be a net surplus of £234,000 in 2012-13 which will be transferred to the HRA working balance, this compares to a net surplus of £414,200 which was previously reported to this committee in September. One of the main reasons for the forecast reduction in surplus is due to an additional revenue contribution to capital to finance the acquisition of 6 flats at the former Royal Navy Store site for social housing.

This latest forecasts represent a decrease of £2,086,270 compared to the budgeted transfer to the working balance of £2,320,270. This reduction is predominantly due to an approved increase to the kitchen and bathroom replacement programmes, which is explained in more detail below.

It is estimated that the working balance will stand at £5,998,423 at 31 March 2013.

2.3 VARIANCES FROM BUDGET AS AT DECEMBER 2012

The main variations by management unit are detailed below. Please also refer to Appendix 1.

	£
2012-2013 ESTIMATED TRANSFER TO THE WORKING BALANCE	(2,320,270)
85A1 MANAGEMENT	(153,040)
<p>Savings are projected in respect of employee costs due to a lower than budgeted pay award for 2012-13 and from the outcomes of the Senior Management Review. Further savings will be achieved in respect of a vacant Neighbourhood Manager post, as recruitment to this post is pending the outcome of the Housing systems review. Savings in superannuation costs are also expected due to a lower than budgeted number of staff in the scheme.</p> <p>These savings will be partially offset by additional staff resources required to backfill a Technical Officer post, so that the post holder could devote time to undertaking housing stock condition surveys for 6 months. Unbudgeted redundancy costs have also been incurred in respect of six posts.</p> <p>Savings have been made in the cost of procuring new mobile working devices, as implementation of new mobile working systems in Housing Services are pending the outcome of the systems review.</p> <p>A refund has also been received from South West Water in respect of water and sewerage charges at Magdalen Gardens. Water consumption levels by the 16 bungalows have been higher than usual due to a water leak, which has now been resolved.</p> <p>Additional income is also forecast in respect of solar panels installed on council dwellings. This income will be set aside to help finance future investment in energy efficient measures for other council dwellings.</p>	
85A3 SUNDRY LANDS MAINTENANCE	0
<p>There are no overall variances from budget to report in respect of this management unit.</p> <p>A minor overspend is expected in the cost of the Garden Assistance Scheme, as the scheme has taken on the regular maintenance of more gardens. Garden assistance is provided to help the vulnerable, elderly and disabled maintain their gardens.</p> <p>A compensating saving is expected to be made in the cost of initial cultivations, as fewer gardens will need an initial tidy up prior to joining the Garden Assistance Scheme following a reduction to the waiting list.</p>	

85A4 REPAIRS FUND CONTRIBUTION 2,291,370

The forecast overspend in this management unit reflects the additional revenue contribution to capital which will be required to finance the 2012-13 HRA Capital Programme.

On 18 September Executive approved an increase of £1,775,000 to the kitchen and bathroom replacement programmes and also approved the purchase of 16 new affordable homes at Dean Clarke House and the Royal Navy Stores Depot at a cost of £212,550 during 2012-13. However, it is not anticipated that the properties at Dean Clarke House will be completed until the Summer, so the required revenue contribution to finance their acquisition will be deferred until 2013-14.

On 4 December Executive approved an additional revenue contribution to capital of £309,000 in order to acquire a further 6 x 2 bed flats at the former Royal Navy Stores site. This will bring the total number of properties acquired by the Council at this site to 17.

In addition to making a revenue contribution to capital, this management unit also provides for the cost of annual repairs and maintenance to council dwellings. A £100,000 overspend is forecast in respect of works to empty properties, which is due to a change in the Void Standard following consultation with tenants. A further £100,000 overspend is forecast in respect of the cost of dealing with day-to-day faults or problems reported by tenants in their council home which are met from the General Repairs budget.

A minor overspend in respect of the Major Repairs Allowance will be incurred, so that sufficient revenue monies are set aside for future major repairs, in accordance with the Government guidelines for 2012-13.

85A6 CAPITAL CHARGES 0

There are no variances from budget to report in respect of this management unit, which comprises the depreciation of HRA dwellings, garages, IT software, vehicles, plant and equipment.

85A8 RENTS (108,800)

Additional rent of £100,000 is anticipated from council dwellings. This is due to a combination of factors, which include; a lower than budgeted number of council properties sold under the Right-to-Buy scheme, recent acquisitions of new council dwellings and achieving earlier rent convergence on properties that have a change of tenancy.

In accordance with the Government's 'rent convergence' policy, the Council is required to increase its rents to guideline rent levels by 2015-16, so that council tenants and housing association tenants will pay similar rents for similar properties in similar areas. Upon a change of tenancy, the opportunity is therefore taken to amend the rent charged to Government guideline rent levels.

Minor additional income is also forecast from lease agreements relating to other council assets, such as parking spaces and access rights.

85B2 INTEREST 56,740

Interest payable on the £56.884m loan with the Public Works Loan Board is higher than budgeted, due to a rise in interest rates between the time the budgets were set and the commencement of the loan on 28 March 2012.

However, the additional interest costs have been partly offset by a forecast increase in investment interest receivable on HRA balances.

2012-2013 3rd QUARTER FORECAST TRANSFER TO THE WORKING BALANCE (234,000)

3. COUNCIL OWN BUILD (COB) BUDGET MONITORING TO DECEMBER 2012

The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

3.1 COB WORKING BALANCE

During this period the total budget variances indicate that there will be a net surplus of £48,260 achieved in 2012-2013, which will be transferred to the COB working balance. This represents an increase of £30,690 compared to the budgeted transfer to the working balance of £17,570. It is estimated that the working balance will stand at £76,466 at 31 March 2013.

3.2 The main variations are detailed below, please also refer to Appendix 1:

£

2012-2013 ESTIMATED TRANSFER TO THE WORKING BALANCE (17,570)

85B5 COB INCOME AND EXPENDITURE (30,690)

Savings in employee costs are projected due to a lower than budgeted pay rise and from fewer members of staff participating in the superannuation scheme.

Savings are expected to be made in respect of repair and maintenance costs at Knights Place, as recent works have been undertaken by the building contractor as part of resolving snagging issues.

Additional income is also forecast in respect of service charges, such as communal cleaning, lighting, door entry systems and ground maintenance.

Savings in interest costs are also projected, due to lower short-term borrowing costs.

2012-2013 3RD QUARTER FORECAST TRANSFER TO THE WORKING BALANCE (48,260)

4. CAPITAL BUDGET MONITORING TO DECEMBER 2012

To report the current position in respect of the Housing Revenue Account Capital Programme and to update Members with any anticipated cost variances, acceleration of projects or slippage of schemes into future years.

4.1 REVISIONS TO THE HRA CAPITAL PROGRAMME

The 2012-13 HRA Capital Programme was last reported to Scrutiny Committee – Community on 6 November 2012. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval / Funding
HRA Capital Programme, as at 6 November 2012	9,129,780	
Budgets deferred into 2013-14 HRA Capital Programme	(260,000)	Executive 4 December 2012
Acquisition of Social Housing – 6 x 2 bedroom flats at the former Royal Navy Stores Depot	309,000	Executive 4 December 2012 – funded by a revenue contribution to capital
Revised HRA Capital Programme	9,178,780	

4.2 PERFORMANCE

The current HRA Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £8,566,894 in 2012-13 with £628,460 of the programme expected to be deferred until 2013-14. Below are explanations for the main variations from the approved programme:

- **Programmed Re-roofing (Budget £300,000)**

In order to save reactive repair costs the roofs of four properties have been replaced in order to resolve problems with multiple leaks. These properties were not included in the programmed re-roofing works for 2012-13 and have therefore been accelerated. This has resulted in an overspend of £20,654, but will result in future savings in the cost of programmed works.

- **Energy Conservation (Budget £53,240)**

A separate report is being presented to this committee in respect of proposed energy works for 2013-14. Further spend of this budget has therefore been deferred until next financial year, so that the budget can be used towards improving the thermal efficiency of two properties at Shakespeare Road and towards the installation of solar panels at Hawthorn Road.

- **Smoke Detector Replacements (Budget £200,000)**

The £200,000 budget in 2012-13 is intended to provide for the replacement of smoke detectors in flats with a further £200,000 set aside next financial year for the replacement of smoke detectors in all other council dwellings. Work is currently being undertaken to identify the most efficient way to deliver this programme and it is likely that both budgets will be consolidated in 2013-14 so that the full programme can be completed next financial year.

- **Other Works (Budget £133,540)**

Works to replace soil down pipes in blocks of flats have been delayed due to the requirement to undertake consultation with leaseholders. It is currently projected that around £40,000 of the budget will need to be carried forward into 2013-14, so that works can be completed once leaseholder's agreement has been obtained.

Additional works associated with the demolition of properties at Chestnut Avenue have been carried out and treated as revenue expenditure; as such works do not qualify as capital expenditure. The saving shown against this budget reflects the transfer of these costs to revenue.

- **Fire Precaution Works to Flats (Budget £331,050)**

Planned works include emergency lighting and fire door improvements. A minor delay has been experienced due to the time involved with changing the door manufacturer, which is expected to result in £50,000 of the budget being deferred until 2013-14.

- **Communal Areas (Budget £148,110)**

This budget is intended to be spent on improvements to communal areas such as; replacement communal entrance doors, staircase decorations and the provision of new flooring. The main contractor started on site in the summer with all planned works expected to be completed by the end of March at a cost of £98,110. The remaining balance of £50,000 will be carried forward and amalgamated with next year's budget provision in order to allow for a larger scheme of works to be undertaken in 2013-14.

- **Structural Repairs (Budget £51,490)**

Major structural repairs at 13 West View Terrace are planned to be completed this financial year. The uncommitted balance of the budget will therefore be carried forward into future financial years to provide for major repairs to council dwellings as and when they are identified.

- **Fire Alarms at Sheltered Accommodation (Budget £60,000)**

The main contractor has recently been appointed following completion of a tender process and the programme of work is now being agreed to install fire alarms at ten sheltered accommodation sites. It is hoped that work on site will start this month and it is projected that £20,000 of this budget will need to be deferred into next financial year.

- **Acquisition of Social Housing (Budget £797,280)**

This budget includes £212,550 for the acquisition of 5 flats at Dean Clarke House which will be added to the Council's social housing stock. Delays in the housing development due to the developer seeking planning amendments have resulted in a revised completion date for the 5 flats and it is now expected that the properties will be available in the summer. The budget provision will therefore be deferred into 2013-14.

5. **COUNCIL OWN BUILD CAPITAL PROGRAMME**

Following the successful completion of the Council Own Build (COB) sites at Rowan House and Knights Place, the Council now has a COB Capital Programme for developing Phase 2 and Phase 3 sites.

5.1 **PERFORMANCE**

The COB Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £155,100 in 2012-13 with no deviations from budget.

Expenditure being incurred during 2012-13 relates to architects fees and ground investigation work in order to take identified housing development sites to the planning stage.

6. **RECOMMENDATION**

6.1 That the Scrutiny Committee – Community note the content of this report

ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report: None