

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - COMMUNITY 12 NOVEMBER 2013

HOUSING REVENUE ACCOUNT BUDGET MONITORING TO SEPTEMBER 2013

1. PURPOSE OF REPORT

1.1 REVENUE BUDGET MONITORING

To advise Members of any major differences, by management unit, between the approved budget and the outturn forecast for the first six months of the financial year up to 30 September 2013 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 also incorporated into this report in order help provide a comprehensive financial update in respect of the Housing Revenue Account to this Committee.

1.3 AREAS OF BUDGETARY RISK

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights further areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring, by officers.

2. REVENUE BUDGET MONITORING TO 30 SEPTEMBER 2013

2.1 PROJECTED SURPLUS / DEFICIT

During this period the total budget variances indicate that there will be a net surplus of £36,885 in 2013-14. This represents a decrease of £1,525,275 compared to the revised budgeted surplus of £1,562,160 for 2013-14; the main deviations from budget are set out below. Please also refer to Appendix 2.

| Movement | 2013/14 | Note |
|--|-------------------|--|
| Original Budgeted HRA Surplus | £1,712,160 | Transfer to HRA Working Balance |
| Supplementary Budget for the Low Maintenance and Painting to Flats | (£150,000) | Executive approved 1 October 2013 |
| Revised Budgeted HRA Surplus | £1,562,160 | |
| Forecast overspends – as at June | (£978,922) | Reported to Scrutiny Committee – Community 3 September 2013, which mostly comprised: <u>Resolved by Executive</u> <ul style="list-style-type: none">£170k acquisition cost of flats at Dean Clarke House for use as social housing (approved by Executive 18 September 2012). A supplementary budget is being requested for incorporation of the associated financing into the HRA revenue budgets. |

| | | |
|---------------------------------------|---------------------|--|
| | | <p><u>Resolved by Executive</u></p> <ul style="list-style-type: none"> £555k financing required in 2013-14 towards the next phase of building new council homes, COB Wave 2 (total funding of £7.5m approved by Executive 5 February 2013). A supplementary budget is being requested for incorporation of the associated financing into the HRA revenue budgets. <p><u>Repairs and Maintenance Programme</u></p> <ul style="list-style-type: none"> £175k net overspend in respect of the repairs and maintenance programme comprising; £300k additional cost of repairs to empty properties driven by higher void standard and £125k saving in electrical re-wires and remedial repairs due to extent of electrical works undertaken within the capital programme. |
| Forecast overspends – as at September | (£546,353) | <p>Additional overspends reported to this committee, which mostly comprise:</p> <p><u>Repairs and Maintenance Programme</u></p> <ul style="list-style-type: none"> Further £200k forecast overspend in respect of repairs to empty properties. Options to mitigate this overspend are being investigated including a review of the void standard. £400k forecast overspend in respect of reactive repairs to council dwellings in order to meet current patterns of demand. This was highlighted as an area of budgetary risk in June. <p><u>Resolved by Executive</u></p> <ul style="list-style-type: none"> A saving of £42,507 will be made in 2013-14 as the acquisition of one of the flats at Dean Clarke House will not be completed until 2014-15 as it forms part of the site not scheduled for conversion until later this year. This reduces the amount of revenue financing required towards the HRA capital programme. |
| Total forecast overspends | (£1,525,275) | |
| Forecast HRA deficit | £36,885 | Transfer to the HRA Working Balance |

2.2 IMPACT ON HRA WORKING BALANCE

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The forecast balance, as at 31 March 2014, is set out below. Please also refer to Appendix 3 which sets out the total HRA capital resources over the next 3 years, of which the HRA working balance forms a significant part.

| Movement | 2013/14 |
|--|-------------------|
| Opening HRA Working Balance, as at 1/4/13 | £6,290,296 |
| Projected HRA Surplus for 2013/14 | £36,885 |
| Balance resolved to be retained (HRA contingency) | (£3,000,000) |
| Total Forecast Balance Available, as at 31/3/14 | £3,327,181 |

3. COUNCIL OWN BUILD (COB) BUDGET MONITORING TO SEPTEMBER 2013

The Council's own build 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 PROJECTED SURPLUS / DEFICIT

During this period the total budget variances indicate that there will be a net surplus of £33,390 achieved in 2013-2014, which will be transferred to the COB working balance. This represents a minor decrease of £680 compared to the budgeted transfer to the working balance of £34,070.

3.2 The main variations are detailed below, please also refer to Appendix 2:

| MU Code | Management Unit | Forecast Overspend / (Underspend) | Explanation |
|----------------|------------------------|--|---|
| 85B5 | COB | £680 | Rental income has been lost this financial year as properties have remained empty at Knights Place whilst snagging issues are resolved. This will form part of a claim to the main contractor and is highlighted as an area of budgetary risk. However, savings are expected to be made in respect of revenue repair and maintenance costs, as most works relate to the snagging issues. |

4. CAPITAL BUDGET MONITORING TO SEPTEMBER 2013

The 2013-14 HRA Capital Programme was last reported to this Committee on 3 September 2013, since that meeting the following changes have been made that have reduced the programme. Please also refer to Appendix 4.

| Description | 2013/14 | Approval / Funding |
|--|--------------------|-----------------------------------|
| HRA Capital Programme, reported as at 3 September | £11,951,680 | |
| Budgets deferred to future financial years | (£1,190,000) | Executive 1 October 2013 |
| Savings declared | (£57,520) | Executive 1 October 2013 |
| Refurbishment of 1 Elaine Close to bring into condition suitable for use | £13,180 | Delegated powers 14 February 2013 |

| | | |
|--------------------------------------|--------------------|-------------------------------|
| Acquisition of 28 Mortimore Court | £46,710 | Delegated powers 23 July 2013 |
| Revised HRA Capital Programme | £10,764,050 | |

4.1

BUDGETS DEFERRED TO FUTURE FINANCIAL YEARS

It is forecast that £1,669,617 of the revised HRA Capital Programme will need to be deferred into 2014-15, as set out below:

| Scheme | Budget to be deferred to 2014/15 | Explanation |
|---------------------------------------|---|--|
| Smoke Detector Replacements | £200,000 | Replacement of smoke detectors will form part of new gas servicing contract which is due to commence in April 2014 |
| LAINGS Refurbishments | £75,000 | Refurbishment works to these defective properties are undertaken upon the end of a tenancy with the instruction of further works pending a further property being vacated |
| Acquisition of Social Housing | £42,507 | The acquisition of one out of the four flats at Dean Clarke House is unlikely to be completed until 2014-15 as it forms part of the site not scheduled for conversion until later this year |
| COB Wave 2 – Rennes Car Park | £155,080 | Major works are pending the outcomes of an options appraisal for the optimum long-term provision of social housing on a site-wide basis incorporating Rennes House |
| COB Wave 2 – Newport Road | £290,950 | The capital budgets have been re-profiled in accordance with the latest cash-flow forecasts for the development of new social housing at these sites, with contractors now forecasted to start on site in January 2014 |
| COB Wave 2 – Whipton Methodist Church | £294,660 | |
| COB Wave 2 – Bennett Square | £291,190 | |
| Development at St Andrews Road | £10,230 | Project on hold as pending the outcomes of a village green application by local residents |
| COB Land Purchase | £300,000 | Budget set aside for land purchase but currently prioritising development of Council owned land for the provision of new social housing |

4.2 EXPENDITURE VARIANCES

A net overspend of £454,000 is currently forecast in respect of the HRA Capital Programme, as set out below.

| Scheme | Forecast Overspend / (Underspend) | Explanation |
|-------------------------------|--|--|
| Energy Conservation | (£40,000) | Planned works include installing solar panels at Hawthorn Road the remaining budget is declared as a saving |
| Replacement Concrete Canopies | (£25,000) | No further spend against this budget is required in respect of these cosmetic replacements |
| Electrical Re-wiring | £128,000 | Additional electrical re-wires identified through the kitchen and bathroom replacement programmes required to be undertaken in accordance with health and safety regulations |
| Central Heating Programme | £168,000 | Increased number of system replacements as recommended through routine inspection regime |
| Boiler Replacement Programme | £223,000 | Increased number of boiler breakdowns and lower than anticipated life expectancy of certain models |

5. RECOMMENDATION

5.1 That the Scrutiny Committee – Community give officers their views on 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