

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 9 September 2014
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring - June 2014

Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

To advise Members of any major differences, by management unit, between the approved budget and the outturn forecast for the first three months of the financial year up to 30 June 2014 in respect of the Housing Revenue Account and the Council's new build schemes.

A budget monitoring update in respect of the HRA Capital Programme is also incorporated into this report in order to help provide a comprehensive financial update in respect of the Housing Revenue Account.

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. Recommendations:

That Members of Scrutiny Committee – Community assure themselves that satisfactory actions are being undertaken by Officers to address the key areas of budgetary pressure highlighted in this report.

3. Reasons for the recommendation:

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep an HRA in accordance with proper accounting practices and to review the account throughout the year. This is the first quarterly financial update in respect of the HRA for 2014-15.

4. What are the resource implications including non financial resources

This is the third financial year that the HRA has operated since the introduction of self-financing in April 2012. Self-financing enables stock holding authorities to retain the income they collect from rents for local re-investment, so that they are in a position to support their own stock from their own income.

Self-financing provides a clearer relationship between the rent a landlord collects and the services they provide. The financial resources required to deliver services to Council tenants during 2014-15 are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the financial position of the Housing Revenue Account, as at 30 June 2014.

6. What are the legal aspects?

The Housing Revenue Account is framed by the Local Government and Housing Act 1989. This Act created the ring-fence and the structure within which the HRA operates and covers the detailed operation of the HRA, including the credits (income) and debits (expenditure) which make up the account.

7. Monitoring Officer Comments:

The Monitoring Officer has no issues to raise on the content of this report.

8. Report Details:

HRA BUDGET MONITORING TO 30 JUNE 2014

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £757,730 in 2014-15. This represents a decrease of £108,820 compared to the revised budgeted deficit of £866,550 for 2014-15; the main deviations from budget are set out below. Please also refer to Appendix 2.

Budget Heading	Forecast Budget Variance (Under)/Overspend	Explanation
Budgeted Deficit	£786,550	
Supplementary budget for Low Maintenance and Painting	£80,000	Executive approved 15 July 2014
Revised Budgeted Deficit	£866,550	
Management Costs	(£77,600)	<ul style="list-style-type: none">• Savings in employee costs as certain posts have remained vacant pending the outcome of the restructure of Housing Services• Additional Supporting People Subsidy is receivable for 2014-15 following negotiation of a 12 month contract extension• Less extensive structural repairs to three council properties has resulted in a saving in respect of tenant decant costs.
Sundry Land Maintenance	(£17,000)	<ul style="list-style-type: none">• Savings are expected to be achieved in respect weed spraying housing estate land as the work has been integrated into the routine ground maintenance work undertaken by the in-house operatives.• A saving in respect of the Garden Assistance Scheme is forecast to be made, as the cost per garden is lower than budgeted following re-tendering of the contract.
Repairs and	(£169,000)	<ul style="list-style-type: none">• Savings are forecast to be made in respect of

Maintenance Programme		<p>routine service and maintenance budgets as follows:</p> <ul style="list-style-type: none"> - Works to UPVC windows and extractor fans will be demand led in response to reported faults, rather than through a routine inspection regime (£32k) - Servicing smoke detectors will not be necessary during 2014-15 as a programme of smoke detector replacements has been incorporated into the new gas servicing contract, which commenced in July 2014 (£20k) - The inspection of ducts for warm air units in communal areas has also been incorporated into the new gas servicing contract and the costs will be absorbed within the approved gas servicing budget (£30k) <p>• A lower than anticipated general maintenance contract inflationary increase for 2013/14 has also been negotiated</p>
Revenue Contribution to Capital	£154,780	• This represents the additional revenue monies required to finance the acquisition of four flats at Dean Clarke House, as approved by Executive 18 September 2012. It was originally expected that the flats would be acquired in 2013-14 but developer amended the schedule for their conversion to September 2014.
Total budget variances	(£108,820)	
Projected HRA deficit	£757,730	Transfer from HRA Working Balance

8.2 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 2015, is set out below. Please also refer to Appendix 3 which sets out the total forecast HRA capital resources over the next 3 years, of which the HRA working balance forms a significant part.

Movement	2014/15
Opening HRA Working Balance, as at 1/4/14	£5,963,219
Deficit for 2014/15	(£757,730)
Balance resolved to be retained (HRA contingency)	(£3,000,000)
Balance Available, as at 31/3/15	£2,205,489

8.3 HRA Capital Programme

The 2014-15 HRA Capital Programme was approved by Council on 25 February 2014. Since that meeting the following changes have been made that have increased the programme.

Description	2014/15	Approval / Funding
HRA Capital Programme	£11,994,981	
Budgets carried forward from 2013/14 HRA Capital Programme	£1,303,769 £522,303	Executive 1 April 2014 Executive 15 July 2014
St Loyes Extra Care Scheme	£251,350	Executive 18 March 2014
Acquisition of 7 Hill Lane	£280,000	Executive 24 June 2014
Revised HRA Capital Programme	£14,352,403	

8.4 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £14,824,685 compared to the £14,352,403 approved programme, an increase of £472,282. This relates to approved budgets for COB Wave 2 being accelerated into 2014/15 in accordance with the latest cash-flow projections.

8.5 Capital Budget Variances

The details of key variances from budget are set out below.

Scheme	Forecast Overspend / (Underspend)	Explanation
Structural Repairs	(£70,000)	Savings are projected in respect of underpinning 44 Heath Road, 37 Leypark Road and 129 Beacon Lane as less extensive works have been identified as necessary in order to stabilise the properties.
Flood Prevention Works	(£20,000)	Despite prolonged heavy rain in the early part of 2014, no council dwellings experienced problems with flooding. There are therefore no plans to spend this budget in 2014-15. Budgets may be requested in future years for flood prevention measures as and when they are deemed necessary.
Bridespring / Mincinglake Road Works	(£16,000)	Alterations to the car park and retaining walls have been completed below their estimated cost, following a re-design of the existing car park drainage rather than installing a new drainage system.
COB Wave 2 – Newport	£191,606	In overall terms, a budget of

Road		£7.5m was approved by Executive in respect of COB Wave 2. The allocation of this budget over the four sites have been adjusted to reflect the latest cash-flow projections, with the budgets for Newport Road, Whipton Methodist Church site and Bennett Square increasing and a corresponding reduction made in respect of Rennes House Car Park – due to a re-design of the scheme. It is projected that all four sites remain deliverable within the overall budget, unless additional affordable units are added to the Rennes House scheme.
COB Wave 2 – Rennes House Car Park	(£471,102)	
COB Wave 2 – Whipton Methodist Church	£144,549	
COB Wave 2 – Bennett Square	£134,947	
Scheme	Budget to be deferred to 2015/16	Explanation
Smoke Detector Replacements	£150,000	The programme of replacing smoke detectors has been incorporated into the new comprehensive Gas Contract, which commenced in July 2014; to be completed over a 12 month period. The budget for works profiled for April to July 2015 will therefore need to be carried forward into 2015-16.
Structural Repairs	£25,000	The stability of 3 Leypark Crescent will be monitored during 2014-15 in order to determine the extent of structural repairs required. Actual works are expected to be deferred until 2015-16 until the outcomes are known.
Common Area Footpath/Wall Improvements	£100,000	The appointment of a Health and Safety Compliance Officer is pending the restructure of Housing Services. It is therefore projected that significant spend of this budget will be deferred until 2015-16 when the new officer will be tasked with identifying a programme of works to improve footpaths and walls. Priority health and safety works will be undertaken in the interim.

COB Wave 2 – Newport Road	£498,918	In accordance with the latest projections, this scheme is due to complete in August '15 and therefore this budget will need to be carried forward into 2014-15.
COB Wave 2 – Rennes House car park	(£1,504,615)	Significant spend on the Rennes House site was not anticipated until 2015-16, therefore this represents an acceleration of approved funding to 2014-15, as works are now projected to start on site in November.
Acquisition of Social Housing	£152,415	The acquisition of three properties on the lower Royal Navy Store Depot site, for social housing, are unlikely to complete until 2015-16 as this phase of the development is not due to start on site until January 2015.

9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 JUNE 2014

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.

9.1 Projected Surplus/Deficit

There are no projected variances to report, as at June. The budgeted net surplus of £22,670 is still projected to be achieved during 2014-15.

MU Code	Management Unit	Budget Variance Overspend / (Underspend)	Explanation
85B5	COB	£0	The budgets for 2014/15 factored in a reduction in rental income due to properties remaining empty whilst snagging issues at Knights Place are resolved. This will form part of a claim to the main contractor and has been highlighted as an area of budgetary risk.

10. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to two key purposes, as set out in the Corporate Plan; help me find somewhere suitable to live and maintain our property assets.

11. What risks are there and how can they be reduced?

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates. Appendix 1 sets out the risks identified, as at June.

12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

No impact

13. Are there any other options?

No

Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275