

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 11 November 2014
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring –September 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 six months of the financial year up to 30 September 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 second 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 September 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 SEPTEMBER 2014

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £292,096 in 2014-15. This represents a decrease of £1,082,454 compared to the revised budgeted deficit of £1,374,550 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 |
| Supplementary budget for Resolving Damp Ingress | £508,000 | Executive approved 16 September 2014 |
| Revised Budgeted Deficit | £1,374,550 | |
| Budget variances reported in June | (£108,820) | Scrutiny Committee – Community 9 September 2014 |
| Budget variances to be reported in September | | |
| Management Costs | (£6,024) | • Savings in employee costs as certain posts have remained vacant pending the outcome of the restructure of Housing Services |
| Repairs and Maintenance Programme | (£1,041,000) | • Savings are forecast to be made in respect of routine service and maintenance budgets as follows: - (£30k) saving in respect of asbestos survey costs due to a lower than |

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|-------------------------------|---------------------|---|
| | | <p>budgeted number of void properties</p> <ul style="list-style-type: none"> - (£100k) saving in respect of the removal of low level asbestos as this work is now integrated within the General Maintenance contract - (£283k) forecast saving in respect of reactive repairs to council dwellings following a prolonged period of lower reported faults during the Summer months - (£463k) forecast saving in respect of repairs to void properties. The implementation of an action plan to address this area of budgetary pressure, specifically the formation of a dedicated voids team, referral of kitchen and bathroom replacements to the capital programme and pre-void inspections have resulted a significant reduction in revenue repair costs. - (£165k) saving is anticipated following the commencement of a new gas service and maintenance contract in July. |
| Capital Charges | £83,390 | <ul style="list-style-type: none"> • Depreciation charges are higher than budgeted due to a rise in the valuation of council dwellings. Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for the cost of future capital works or to repay debt. |
| Rents | (£10,000) | <ul style="list-style-type: none"> • Rental income from garages is expected to be higher than budgeted, as several sites previously identified for re-development will remain occupied until the financing for COB Wave 3 has been secured. |
| Total budget variances | (£1,082,454) | |
| Projected HRA deficit | £292,096 | 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 | (£292,096) |
| Balance resolved to be retained (HRA contingency) | (£3,000,000) |
| Balance Available, as at 31/3/15 | £2,671,123 |

8.3 HRA Capital Programme

The 2014-15 HRA Capital Programme was last reported to Scrutiny Committee – Community on 9 September 2014, since that meeting the following changes have been made that have increased the programme.

| Description | 2014/15 | Approval / Funding |
|--|--------------------|---------------------------|
| HRA Capital Programme reported 9 September 2014 | £14,352,403 | |
| Budgets accelerated from future financial years | £578,282 | Executive 7 October 2014 |
| Savings declared | (£106,000) | Executive 7 October 2014 |
| Revised HRA Capital Programme | £14,824,685 | |

8.4 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £12,723,080 compared to the £14,824,685 approved programme, a decrease of £2,101,605.

8.5 Capital Budget Variances

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

| Scheme | Forecast Overspend / (Underspend) | Explanation |
|----------------------------|--|--|
| Electrical Central Heating | (£15,000) | A saving is anticipated in respect of replacing electrical central heating systems due to a lower than budgeted level of reported breakdowns by tenants. |
| Central Heating Programme | (£229,000) | Significant savings are expected to be made in respect of replacement central heating systems following the commencement of a new comprehensive gas servicing contract in July. Works will be undertaken to maximise the life expectancy of central heating systems as part of the routine service and maintenance regime. |
| Boiler Replacement | (£350,000) | Significant savings are |

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| Programme | | expected to be made in respect of boiler replacements following the commencement of a new comprehensive gas servicing contract in July. Works will be undertaken to maximise the life expectancy of boilers as part of the routine service and maintenance regime. |
| Scheme | Budget to be deferred to 2015/16 | Explanation |
| LAINGS Refurbishments | £71,850 | Structural surveys have been undertaken in respect of three vacant properties. The results will form part of an options appraisal for the extent of works to be undertaken, in the event that a full refurbishment is deemed appropriate the works would be completed in the Spring. Further spend of this budget is then dependent upon further LAINGS properties becoming empty. |
| Other Works | £20,000 | This budget provides for ad hoc capital works identified during the course of the financial year. To date, no works have been identified for 2014/15. |
| Communal Areas | £40,000 | Fourteen communal areas have been identified for improvement works including; the provision of new flooring, doors and glazing. Full spend of the budget is pending the outcomes of a prioritisation process for the next phase of improvements to communal areas. |
| Rennes House Structural Works | £400,000 | Only urgent health and safety works are planned to be carried out ahead of the results of a full options appraisal for the long term future of this site. |
| Electrical Re-wiring | £150,000 | Fewer full electrical re-wires have been required in accordance with the recommendations of periodic electrical testing in the first six months with remedial |

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| | | repairs undertaken instead. |
| COB Wave 2 – Rennes House Car Park | £407,040 | Delays associated with moving telecoms equipment and an electrical substation at this site have impacted on the profiling of this budget with slippage into 2015/16. |
| Acquisition of Social Housing | £418,715 | The acquisition of 8 new affordable housing units are expected to complete this financial year, the remaining budget will be deferred into 2015/16. |

9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 SEPTEMBER 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 September. 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

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