

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 3 MARCH 2015
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring – December 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 nine months of the financial year up to 31 December 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 third 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 31 December 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 contents of this report raise no issues for the monitoring officer.

8. Report Details:

HRA BUDGET MONITORING TO 31 DECEMBER 2014

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net surplus of £1,255,026 in 2014-15. This represents an increase of £2,629,576 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 reported in September	(£973,634)	Scrutiny Committee – Community 11 November 2014
Budget variances to be reported in December	(£1,547,122)	
Management Costs	£154,513	• This increase in forecast expenditure relates to redundancy and pension strain costs following the restructure of housing services. It also reflects the extension of agency staff cover until the recruitment process for vacant posts is completed.

Repairs and Maintenance Programme	(£672,000)	<ul style="list-style-type: none"> • Savings are forecast to be made in respect of routine service and maintenance budgets as follows: <ul style="list-style-type: none"> - (£20k) additional saving in respect of the removal of low level asbestos as this work is now integrated within the General Maintenance contract. A projected saving of £100k has already been reported to this committee in respect of asbestos removal; this additional saving realigns the forecast with current projections. - (£45k) - the annual budget for ad hoc re-pointing works is expected to underspend as such works will now be undertaken as part of resolving damp ingress. - (£150k) additional forecast saving in respect of repairs to void properties. A projected saving of £500k has already been reported to this committee in respect of repairs to voids; this additional saving realigns the forecast with current projections as numbers of void properties have remained lower than budgeted along with average repair costs. <p>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 has also contributed to a significant reduction in void repair costs.</p> <ul style="list-style-type: none"> - External painting of properties affected by damp ingress was postponed until Executive approval was obtained for the larger scheme of damp ingress works. It is therefore projected that £107k of the low maintenance and painting budget will need to be slipped into next financial year. Executive approval for a supplementary budget in 2015-16 will be sought. - Full spend of the £500k damp ingress budget was highlighted as a budgetary risk in September, as works in this financial year have been prioritised to;
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		the worse affected properties, on medical grounds and to properties that are already programmed to have external painting works. In order to gain cost efficiencies remaining properties will be dealt with as part of a contract of works in 2015-16 and therefore it is projected that £350k will be deferred until next financial year. Executive approval for a supplementary budget in 2015-16 will be sought.
Revenue Contribution to Capital	(£1,010,635)	The estimated amount of revenue monies required towards financing the HRA Capital Programme in 2014-15 has reduced from £6.350m to £5.339m. This reflects a reduction in the level of forecast capital expenditure in this financial year, as set out in Appendix 4.
Interest	(£19,000)	The interest earned on HRA balances (Working Balance, Major Repairs Reserve and capital receipts) will be higher than budgeted, as savings in revenue and capital expenditure for 2014-15 will result in higher than anticipated HRA balances.
Total budget variances	(£2,629,576)	
Projected HRA surplus	(£1,255,026)	Transfer to 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
Surplus for 2014/15	£1,255,026
Balance resolved to be retained (HRA contingency)	(£3,000,000)
Balance Available, as at 31/3/15	£4,218,245

8.3 HRA Capital Programme

The 2014-15 HRA Capital Programme was last reported to Scrutiny Committee – Community on 11 November 2014, since that meeting the following changes have been made that have decreased the programme.

Description	2014/15	Approval / Funding
HRA Capital Programme reported 11 November 2014	£14,824,685	
Budgets deferred to future financial years	(£1,507,605)	Executive 9 December 2014
Savings declared	(£594,000)	Executive 9 December 2014
Revised HRA Capital Programme	£12,723,080	

8.4 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £9,772,349 compared to the £12,723,080 approved programme, a decrease of £2,950,731.

8.5 Capital Budget Variances

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

Scheme	Forecast Overspend / (Underspend)	Explanation
Smoke Detector Replacements	(£67,230)	A saving in the cost of replacing smoke detectors is expected to be achieved following the tender of the contract.
Property Entrance Improvements	(£18,887)	The extent of health and safety works to property entrances was lower than anticipated.
Bridespring/Mincinglake Road Works	(£3,360)	Drainage improvements works at Bridespring Road have been completed with a minor saving.
Central Heating Programme	(£30,000)	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. Savings of £229k have already been reported to this committee; this additional saving realigns the forecast with latest projections.
Boiler Replacement Programme	(£100,000)	Significant savings are 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. Savings of £350k have already been reported to this committee; this additional saving realigns the forecast with latest projections.
Scheme	Budget to be deferred to 2015/16	Explanation
Rendering of Council Dwellings	£95,000	There have been delays to the programme related to the damp ingress works and consultation issues with leaseholders
Energy Conservation Works	£38,000	Further spend of this budget is pending the identification of suitable energy efficiency measures in respect of housing assets.
LAINGS Refurbishments	£225,000	Structural surveys have been undertaken in respect of five vacant properties. The results will form part of an options appraisal for the extent of works to be undertaken; due to staff changes following the housing restructure the appraisals have been delayed and therefore works will not be undertaken in 2014-15.
Kitchen Replacement Programme	£58,000	Fewer void properties have resulted in a lower than anticipated number of kitchen replacements.
Bathroom Replacement Programme	£80,000	Fewer void properties have resulted in a lower than anticipated number of bathroom replacements.
Other Works	£24,620	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.
Fire Precaution Works to Flats	£140,000	The tenders for the fire doors were not returned until October. This has caused a delay to the first phase of door installations.

Communal Areas	£41,000	Eighteen 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 and leaseholder consultation.
Structural Repairs	£138,000	Works are mainly concerned with resolving subsidence issues at Wilford Road. There have been some issues procuring consultancy which have now been resolved and specifications are now being finalized to go out to tender.
Rennes House Structural Works	£35,840	Works are pending the outcomes of a full options appraisal for the long term future of this site.
Common Area Footpath/Wall Improvements	£42,450	Priority health and safety works will be undertaken in 2014-15 with further spend of the budget pending the appointment of a Compliance Officer who will be tasked to prepare a programme of works to improve footpaths and walls.
Higher Barley Mount Improvements	£34,000	The procurement of structural engineering services has led to a delay with the works to the pathway and retaining wall at Higher Barley Mount.
Lift Replacement 98 Sidwell St	£50,000	Quotes are being reviewed. Due to the long lead in times for manufacture the budget will not be spent until 2015-16.
Replacement Lead Water Mains	£10,000	This budget provides for ad hoc lead water main replacements as and when they are identified as part of the kitchen replacement programme. Fewer replacements have been identified during 2014-15.
Communal Garden Retaining Walls	£55,000	The procurement of structural engineering services has led to a delay with these works.

Soil Vent Pipe Replacement	£6,000	Further soil vent pipe replacements are pending consultation with leasehold flat owners.
Electrical Re-wiring	£236,000	Fewer full electrical re-wires have been required in accordance with the recommendations of periodic electrical testing with remedial repairs undertaken instead. The testing of communal areas has also been delayed.
COB Wave 2 – Rennes House Car Park	£624,903	Work is required to resolve planning issues in respect of the development of this site.
COB Wave 2 – Newport Road	£69,792	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections with completion expected in August 2015.
St Loyes Extracare	£253,997	The budget for this extra care housing scheme has been re-profiled in accordance with the latest cash-flow projections. Design work is expected to commence following the appointment of a project manager and design team.
Phase 2 St Andrews Road	£10,230	Further spend in respect of developing this site are 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.
Acquisition of Social Housing	£163,422	The acquisition of 4 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 31 DECEMBER 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 December. 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 December.

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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