

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 8 September 2015
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring - June 2015

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 2015 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 2015-16.

4. What are the resource implications including non financial resources

The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2015-16 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 2015.

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:

This report raises no issues for the Monitoring Officer.

8. Report Details:

HRA BUDGET MONITORING TO 30 JUNE 2015

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £2,333,791 in 2015-16. This represents a decrease of £625,391 compared to the revised budgeted deficit of £2,959,182 for 2015-16; 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	£2,189,182	
Supplementary budget for continuation of Warden Service	£182,000	Executive approved 17 March 2015
Supplementary budget for Low Maintenance and Painting	£221,000	Executive approved 14 July 2015
Supplementary budget for Damp Ingress	£367,000	Executive approved 14 July 2015
Revised Budgeted Deficit	£2,959,182	
Management Costs	(£75,360)	<ul style="list-style-type: none"> • The introduction of mobile working in housing services is progressing with the acquisition of handheld devices and system interface work, however further spend is pending a wider review of the housing management IT system. It is therefore estimated that £50,000 of the budget will need to be deferred until 2016-17. • Savings in employee costs are expected due to vacant posts. • Initial community engagement research in respect of older residents has completed with a £5,000 saving.
Housing Customers	£10,000	<ul style="list-style-type: none"> • Additional employee costs have been incurred in respect of covering long term sickness.
Repairs and Maintenance	(£589,612)	<ul style="list-style-type: none"> • Significant savings are expected to be achieved in respect of the damp ingress

Programme		<p>contract following lower tender prices coupled with a lower level of remedial repairs compared to original estimates.</p> <p>Savings have also been achieved through utilising scaffolding already in place for the external painting programme, where possible.</p> <p>The budget also made allowance for unidentified flats and houses suffering damp ingress but the number of properties has remained relatively stable at approx 330.</p> <p>The final saving may increase as the estimated outturn figure still retains a contingency sum for poorer condition properties and additional properties to be dealt with.</p>
Capital Charges	£60,531	<ul style="list-style-type: none"> Depreciation charges are higher than budgeted due to a rise in the valuation of housing assets. 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
Housing Assets	(£30,950)	<ul style="list-style-type: none"> Savings in respect of the additional resources required to deliver the damp ingress works are expected to be achieved following the appointment of external consultants for the provision of quantity surveying and contract management services, as opposed to agency staff.
Total budget variances	(£625,391)	
Projected HRA deficit	£2,333,791	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 2016, is set out below:

Movement	2015/16
Opening HRA Working Balance, as at 1/4/15	£7,736,532
Deficit for 2015/16	(£2,333,791)
Balance resolved to be retained (HRA contingency)	(£3,000,000)
Balance Available, as at 31/3/16	£2,402,741

8.3 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment have been significantly affected by the Government's announcement in the

Summer Budget that social rents are to be cut by 1% each year over the next 4 financial years; 2016/17 to 2019/20.

Appendix 3 sets out the total forecast HRA available resources up to 2019/20, which reflects the post Summer Budget position.

8.4 HRA Capital Programme

The 2015-16 HRA Capital Programme was approved by Council on 24 February 2015. Since that meeting the following changes have been made that have increased the programme.

Description	2015/16	Approval / Funding
HRA Capital Programme	£11,537,493	
Budgets carried forward from 2014/15 HRA Capital Programme	£1,784,170 £585,881	Executive 14 April 2015 Executive 15 July 2014
Acquisition of Social Housing	£3,210	Delegated powers
Revised HRA Capital Programme	£13,910,754	

8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £10,706,690 compared to the £13,910,754 approved programme, a decrease of £3,204,064.

8.6 Capital Budget Variances

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

Scheme	Forecast Overspend / (Underspend)	Explanation
MRA Fees	(£26,620)	The provision of quantity surveying support to the HRA by Property Services has ceased following their restructure, which will result in a reduced recharge. Recharges will remain for maintenance of the select list of contractors.
Faraday House Roof Replacement	£9,000	An overspend is expected to occur due to additional health and safety measures at Faraday House including the provision of a roof guard-rail. However, a compensating saving will be made in the re-roofing programme.
Re-roofing Programme	(£9,000)	
COB Phase 3 Professional Fees	(£9,200)	No further works will be undertaken in respect of COB Wave 3 until resources have been secured for development of the sites.

Rennes House Wider Site Development	(£7,050)	This budget provision was intended to provide for works to return 7 Hill Lane to a lettable standard, but such works were not required.
Scheme	Budget to be deferred to 2016/17	Explanation
LAINGS Refurbishments	£503,200	Currently seeking to appoint consultants to design, procure and manage the refurbishment of the LAINGS properties. It is hoped that works will commence on site towards the end of the financial year, but that significant spend will take place in 2016-17.
COB Wave 2 – Rennes House car park	£804,758	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections. Further design work was undertaken in order to re-submit the scheme for planning approval, which has led to delays.
St Loyes Extra Care Scheme	£1,413,236	The scheme has been re-designed following consultation with Extra Care experts which has resulted in a significant re-profiling of expected cash-flow although the completion date is still no later than 31 March 2018 in accordance with Department of Health grant conditions.
Acquisition of Social Housing	£440,000	The Council has committed to buying 10 two bedroom dwellings for use as social housing; however they are not scheduled for completion by developers until 2017-18.

9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 JUNE 2015

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 £37,800 is still projected to be achieved during 2015-16.

MU Code	Management Unit	Budget Variance Overspend /	Explanation
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		(Underspend)	
85B5	COB	£0	There are no significant variances from budget to report at this stage. However, the recovery of lost rental income and additional costs in previous financial years whilst snagging issues were resolved at Knights Place form part of a claim to the main contractor and have 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