

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 10 November 2015
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring - September 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 six months of the financial year up to 30 September 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 second 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 September 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:

8. Report Details:

HRA BUDGET MONITORING TO 30 SEPTEMBER 2015

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £1,783,936 in 2015-16. This represents a decrease of £1,175,246 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	
Budget variances reported in June	(£625,391)	Scrutiny Committee – Community 8 September 2015
Budget variances to be reported in September		
Management Costs	(£49,340)	• Savings in employee costs are expected due to vacant posts and certain posts being appointed to part-way through the financial year.
Housing Customers	£1,200	• Additional employee costs have been incurred in respect of covering long term sickness.
Sundry Lane Maintenance	(£5,000)	• No inflationary increases will be applied to the Garden Assistance Scheme contract.
Repairs and Maintenance Programme	(£450,000)	• As previously reported in June, significant savings are expected to be achieved in respect of the damp ingress contract

		<p>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 forecast saving has been adjusted in accordance with advice received from the external project managers.</p>
Capital Charges	£5,665	• Additional depreciation charges are attributable to HRA vehicles.
Housing Assets	(£32,380)	• Reduced use of agency staff cover for vacant posts.
Interest	(£20,000)	• 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 2015-16 will result in higher than anticipated HRA balances.
Total budget variances	(£549,855)	
Projected HRA deficit	£1,783,936	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	(£1,783,936)
Balance resolved to be retained (HRA contingency)	(£3,000,000)
Balance Available, as at 31/3/16	£2,952,596

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 last reported to Scrutiny Committee – Community on 8 September 2015, since that meeting the following changes have been made that have decreased the programme.

Description	2015/16	Approval / Funding
HRA Capital Programme	£13,910,754	
Budgets deferred to future financial years	(£3,161,194)	Executive 6 October 2015
Savings declared	(£42,871)	Executive 6 October 2015
Revised HRA Capital Programme	£10,706,689	

8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £9,241,961 compared to the £10,706,689 approved programme, a decrease of £1,418,728.

8.6 Capital Budget Variances

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

Scheme	Forecast Overspend / (Underspend)	Explanation
Rendering of Council Dwellings	(£45,000)	The sites identified for rendering will be completed this financial year with an overall saving.
Smoke Detector Replacements	(£40,000)	The programme of replacing smoke detectors completed in August with an overall saving.
Other Works	(£51,000)	Uncommitted balance declared a saving in order to help compensate for essential footpath and wall works.
Structural Repairs	(£50,000)	Less extensive structural repairs are required to certain properties following structural monitoring.
Common Area Footpath/Wall Improvements	£151,000	Priority health and safety works will be accelerated in 2015-16 following the appointment of a Compliance Officer to progress the improvements to footpaths and walls.
Central Heating Programme	£33,400	Higher than budgeted system failures have resulted in additional central heating replacements, however compensating saving in boiler replacement

		costs.
Boiler Replacement Programme	(£33,400)	Lower than budgeted boiler failures have resulted in fewer boiler replacements. Works undertaken to maximise the life expectancy of boilers as part of the routine service and maintenance regime.
Scheme	Budget to be deferred to 2016/17	Explanation
Energy Conservation	£65,510	Further spend of this budget is pending the identification of suitable energy efficiency measures in respect of housing assets.
Rennes House Structural Works	£450,000	A condition survey and review of mechanical and electrical services will be undertaken this financial year in order to inform the schedule of refurbishment works in 2016/17 and beyond.
COB Wave 2 – Rennes House car park	£416,548	Delays associated with moving telecoms equipment and an electrical substation at this site have impacted on the profiling of this budget with slippage into 2016/17.
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	Spend of this budget is pending the identification of suitable / available land for the development of new social housing.
Acquisition of Social Housing	£173,000	The acquisition of 12 new affordable housing units are expected to complete this financial year, the remaining budget will be deferred into 2016-17.

9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 SEPTEMBER 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 September. The budgeted net surplus of £37,800 is still projected to be achieved during 2015-16.

MU Code	Management Unit	Budget Variance Overspend / (Underspend)	Explanation
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