

REPORT TO: SCRUTINY COMMITTEE - COMMUNITY
DATE OF MEETING: 1 March 2016
REPORT OF: Assistant Director Finance
TITLE: Housing Revenue Account Budget Monitoring - December 2015

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

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 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 note the content of this report to satisfy themselves that officers are taking action 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 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 31 December 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:

Clearly any budget overspend requires careful management. The Monitoring Officer is satisfied that this report highlights any areas which require careful attention.

8. Report Details:

HRA BUDGET MONITORING TO 31 DECEMBER 2015

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £1,281,066 in 2015-16. This represents a decrease of £1,678,116 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 reported in September	(£549,855)	Scrutiny Committee – Community 10 November 2015
Budget variances to be reported in December		
Management Costs	(£86,310)	• The introduction of mobile working in housing services is progressing with the acquisition of handheld devices, however further spend is pending a wider review of the housing management IT system. It is therefore estimated that a further £20,000 of the budget will need to be deferred until 2016-17

		<p>in addition to the £50,000 reported in Quarter 1.</p> <ul style="list-style-type: none"> • The delay in full implementation of mobile working has also reduced the amount of training costs which has resulted in a forecast underspend. • The hosting of a tenant and leaseholder conference is now planned during 2016-17 and the expected costs have been factored into next year's budgets. The 2015-16 budget is therefore reported as a saving.
Housing Customers	£18,550	<ul style="list-style-type: none"> • Additional employee costs have been incurred in respect of covering long term sickness.
Sundry Lane Maintenance	£7,000	<ul style="list-style-type: none"> • Reflects the cost of essential works to trees in residential gardens. A compensating saving has been made in the capital budget for Estate Improvements.
Repairs and Maintenance Programme	(£393,000)	<ul style="list-style-type: none"> • (£150k) Planned re-pointing works have not been undertaken during 2015-16 as contractors have concentrated on delivering the damp ingress contract which has placed a constraint on resources. Such works will now be deferred until both contractors and up-to-date stock condition data is available in order to support a future programme of re-pointing works. • (£150k) A saving in general reactive repairs is expected to be achieved, in part due to a nil inflationary rise agreed with the main contractor and also a minor reduction in the average repair cost compared to 2014-15. • (£100k) A saving in the cost of repairs to void properties is expected to be achieved, in part due to a nil inflationary rise agreed with the main contractor. • Other minor budget variances are expected in respect of service and maintenance contract costs and asbestos removal costs.
Housing Assets	(£29,110)	<ul style="list-style-type: none"> • Reflects further savings in respect of employee costs due to vacant posts. • Budgetary provision was made for the cost of decanting tenants from properties that were considered at risk of requiring major structural works. However, following structural monitoring, it was confirmed that no major works are necessary.

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	(£502,870)	
Projected HRA deficit	£1,281,066	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	(£1,281,066)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31/3/16	£2,455,466

8.3 HRA Available Resources over the Medium Term

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8.4 HRA Capital Programme

The 2015-16 HRA Capital Programme was last reported to Scrutiny Committee – Community on 10 November 2015, since that meeting the following changes have been made that have decreased the programme.

Description	2015/16	Approval / Funding
HRA Capital Programme	£10,706,689	
Budgets deferred to future financial years	(£1,418,728)	Executive 1 December 2015
Savings declared	(£46,000)	Executive 1 December 2015
Acquisition of Social Housing	£90,000	Delegated Powers
Revised HRA Capital Programme	£9,331,961	

8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £8,480,533 compared to the £9,331,961 approved programme, a decrease of £851,428.

8.6 Capital Budget Variances

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

Scheme	Forecast Overspend / (Underspend)	Explanation
Programmed Re-roofing	(£41,000)	An overspend is expected to occur due to additional health and safety measures at Faraday House including the provision of a guard-rail. Unexpected roof strengthening works have also been necessary in order to support the insulated roof finish. However, a compensating saving will be achieved in the re-roofing programme.
Faraday House Roof Replacement	£41,000	
Communal Areas	(£29,000)	Uncommitted balance declared a saving, as works identified for 2015-16 including improvements to communal doors and floors will be completed under budget with only a minor element of slippage into 2016-17 (please see below)
Electrical Re-wiring	(£50,000)	A lower than anticipated number of void properties have required electrical rewiring in 2015-16.
St Loyes Extra Care Scheme	£322,250	The overall scheme costs reflect the inclusion of three additional units, from 50 to 53 units, with the scheme now submitted for planning permission. The additional costs associated with the extra units will be met from commuted sums.
Scheme	Budget to be deferred to 2016/17	Explanation
Energy Conservation	£31,000	Further spend of this budget is pending the identification of suitable energy efficiency measures in respect of housing assets.
LAINGS refurbishments	£100,000	The budget for refurbishment of 17 LAINGS properties has been re-profiled in accordance with the latest project programme with works expected to start on site in August '16.
Communal Areas	£9,000	A change in the asbestos removal contractor resulted in a minor delay to the programme of works.
Common Area Footpath/Wall	£158,000	Retaining walls at Higher Barley Mount are expected

Improvements		to start on site in March 2016 which may result in some slippage into 2016-17. Consultation with leaseholders has also delayed other identified works not starting on site until next financial year.
Lift Replacement at 98 Sidwell Street	£56,000	Contract documents are currently being prepared for the installation of the lift early into 2016-17.
Electrical Re-wiring	£100,000	Responsibility for the procurement of electrical repairs to communal areas transferred directly to the HRA following the restructure of Property Services. This has resulted in works being deferred whilst the necessary contract arrangements are put in place.
COB Wave 2 – Rennes Car Park	£446,086	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections. Works are now expected to start on site in April '16, as the relocation of telecoms equipment has contributed to delays.
St Loyes Extra Care Scheme	£118,992	The budget for this new build scheme has been re-profiled in accordance with the latest cash-flow projections although the overall completion date remains no later than 31 March 2018 in accordance with the Department of Health grant conditions.
Acquisition of Social Housing	£55,600	The Council has committed to the purchase of three new build properties for use as social housing; two are expected to complete in 2015-16 and the third is on a different phase of the development which is not expected to finish until 2016-17.

9. COUNCIL OWN BUILD BUDGET MONITORING TO 31 DECEMBER 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 December. 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 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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