

**REPORT TO:** PEOPLE SCRUTINY COMMITTEE  
**DATE OF MEETING:** 1 September 2016  
**REPORT OF:** Assistant Director Finance  
**TITLE:** Housing Revenue Account Budget Monitoring - June 2016

**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 2016 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 People Scrutiny Committee 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 2016-17.

**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 2016-17 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 2016.

**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 beyond those already highlighted to the members in this report.

## 8. Report Details:

### HRA BUDGET MONITORING TO 30 JUNE 2016

#### 8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £168,313 in 2016-17. This represents a minor increase of £26,188 compared to the revised budgeted deficit of £142,125 for 2016-17; the main deviations from budget are set out below. Please also refer to Appendix 2.

<b>Budget Heading</b>	<b>Forecast Budget Variance (Under)/Overspend</b>	<b>Explanation</b>
Budgeted Deficit	£44,125	
Supplementary budget for Mobile Working	£70,000	Executive approved 12 July 2016
Supplementary budget for Low Maintenance and Painting	£28,000	Executive approved 12 July 2016
<b>Revised Budgeted Deficit</b>	<b>£142,125</b>	
Management Costs	(£26,000)	<ul style="list-style-type: none"> <li>Savings in employee costs are expected due to vacant posts.</li> <li>The hosting of a tenant and leaseholder conference has been deferred to 2017-18 whilst the optimum format for the event is considered. The expected costs will be factored into next year's budgets. The 2016-17 budget is therefore reported as a saving.</li> </ul>
Housing Customers	£29,500	<ul style="list-style-type: none"> <li>Additional employee costs have been incurred in respect of covering long term sickness.</li> </ul>
Capital Charges	£76,688	<ul style="list-style-type: none"> <li>Depreciation charges are higher than budgeted due to a rise in the valuation of certain components 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</li> </ul>
Housing Assets	(£39,000)	<ul style="list-style-type: none"> <li>Additional employee costs are forecast in respect of the agency cover of vacant posts. However, these costs are offset by a forecast variance in the appointment of external consultants.</li> </ul>

		A £100,000 budget was set aside for a review of operating models in respect of this service, but it is anticipated that £75,000 will need to be deferred into 2017-18 as the review is expected to commence in January '17. For these reasons Executive approval will be sought to carry forward the budget.
Rents	(£15,000)	A lower level of voids in respect of garages is expected to result in additional rental income and a reduction in the waiting list
<b>Total budget variances</b>	<b>£26,188</b>	
<b>Projected HRA deficit</b>	<b>£168,313</b>	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 2017, is set out below:

<b>Movement</b>	<b>2016/17</b>
Opening HRA Working Balance, as at 1/4/16	£7,068,670
Forecast deficit for 2016/17	(£168,313)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
<b>Balance Available, as at 31/3/17</b>	<b>£2,900,357</b>

## 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 requirement to reduce social rents 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 this Government policy.

## 8.4 HRA Capital Programme

The 2016-17 HRA Capital Programme was approved by Council on 23 February 2016. Since that meeting the following changes have been made that have increased the programme.

<b>Description</b>	<b>2016/17</b>	<b>Approval / Funding</b>
<b>HRA Capital Programme</b>	<b>£16,117,602</b>	
Budgets carried forward from 2015/16 HRA Capital Programme	£1,074,678 £1,026,767	Executive 12 April 2016 Executive 12 July 2016
Budgets deferred to future financial years	(£1,289,228)	Executive 12 April and 12 July 2016
<b>Revised HRA Capital Programme</b>	<b>£16,929,819</b>	

## 8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £14,504,544 compared to the £16,929,819 approved programme, a decrease of £2,425,275.

## 8.6 Capital Budget Variances

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

<b>Scheme</b>	<b>Forecast Overspend / (Underspend)</b>	<b>Explanation</b>
Other Works	£7,881	Additional health and safety measures at Faraday House including the provision of a roof guard-rail have resulted in a minor overspend against these two budget headings.
Faraday House Roof Replacement	£3,254	
Lift Replacement at 98 Sidwell Street	£7,000	Delays associated with undertaking leasehold flat consultation has required seeking revised quotations and a forecast overspend is reported due to contract price rises. Works are expected to start on site week commencing 15 <sup>th</sup> August.
<b>Scheme</b>	<b>Budget to be deferred to 2017/18</b>	<b>Explanation</b>
Energy Conservation	£20,000	A £20k contribution towards the placement of solar panels at the new Rennes House car park development will not be required until 2017/18 as it will form part of the later stages of the project.
Rennes House Structural Works	£400,000	Significant works are not expected to be undertaken until 2017/18 whilst consultants carryout an options appraisal including potential grant funding for energy conservation measures.
Common Area Footpath/Wall Improvements	£1,300,000	Surveys of 2/3rds of HRA footpaths and walls have been completed to date and works identified for 2016/17 total £944,050. The remaining budget will be deferred into 2017/18 until all the surveys have been completed and the full extent of improvement works have

		been established. A budgetary risk has been highlighted due to the uncertainty of outstanding survey results.
Electrical Re-wiring	£590,000	The contract for programmed electrical testing and remedial works commenced from 1 <sup>st</sup> August with slippage of £300k into 2017/18 forecast. Further slippage of £290k is expected in respect of electrical repairs to communal areas whilst capacity of the in-house electricians is reviewed.
COB Wave 2 – Rennes House car park	£33,410	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections. Minor slippage of the main scheme has occurred whilst ancillary works to install a new substation were completed. The next key stage is the demolition of the existing car park which is schedule for mid-August.
Acquisition of Social Housing	£100,000	The acquisition of 3 new affordable housing units are expected to complete this financial year. Further spend of this budget is pending Section 106 negotiations and slippage into 2017/18 is expected.

## 9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 JUNE 2016

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 £38,020 is still projected to be achieved during 2016-17.

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.
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**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.

In addition to individual areas of budgetary risk, the HRA is facing a broader financial risk in respect of the High Value Assets Levy, which may require the Council to make a payment to the Government in respect of its 'high value' housing. Due to the uncertainty regarding the definition of 'high value' and calculation of the levy payable, it is considered prudent to increase the HRA contingency from £3,000,000 to £4,000,000 over the medium term.

**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:

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