

**REPORT TO:** SCRUTINY COMMITTEE - PEOPLE  
**DATE OF MEETING:** 3 November 2016  
**REPORT OF:** Assistant Director Finance  
**TITLE:** Housing Revenue Account Budget Monitoring - September 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 six months of the financial year up to 30 September 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 Scrutiny Committee – People 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 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 September 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:**

This report raises no issue for the Monitoring Officer.

**8. Report Details:**

**HRA BUDGET MONITORING TO 30 SEPTEMBER 2016**

**8.1 Projected Surplus/Deficit**

During this period the total budget variances indicate that there will be a net surplus of £197,753 in 2016-17. This represents a reduction in net costs of £339,878 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>	
Budget variances reported in September	£26,188	Scrutiny Committee – People 1 September 2016
<b>Budget variances to be reported in September:</b>		
Management Costs	(£28,000)	<ul style="list-style-type: none"> <li>Savings in employee costs are expected due to vacant posts.</li> <li>Staff training in respect of the new housing management system is unlikely to take place until 2017-18. A saving is reported in the current financial year as the cost of staff training will be factored into next year's budgets.</li> </ul>
Housing Customers	(£11,700)	<ul style="list-style-type: none"> <li>A nil inflationary increase has been agreed with the cleaning contractor coupled with lower bank charges in respect of card payments.</li> </ul>

Repairs & Maintenance Programme	(£272,500)	<ul style="list-style-type: none"> <li>This represents a combination of forecast savings, most notably due to: <ul style="list-style-type: none"> <li>A projected £150k saving in respect of external painting and low maintenance works to flats and houses. This is Year 1 of a new 7 year cyclical programme and survey results indicate a lower than anticipated level of external repairs to properties scheduled for 2016-17. Savings have also arisen in scaffolding costs, whereby a wash programme was completed from ground level on blocks at Bennett Square, Manston Rd and Prince Charles Rd.</li> <li>A reduction in asbestos survey costs following a change in contractor</li> <li>The volume of fire risk assessments are lower than anticipated as they are pending the appointment of a new contractor from January '17. In the interim, priority fire risk assessments are being undertaken.</li> </ul> </li> </ul>
Capital Charges	(£11,866)	Depreciation charges in respect of Knights Place and Rowan House have been transferred out as they are separately accounted for, please refer to paragraph 9.
Housing Assets	(£42,000)	The decant of tenants in ten LAINGS properties whilst a major refurbishment programme is undertaken are not all expected to take place this financial year. Higher than budgeted tender prices have necessitated an options appraisal and caused a delay in the project timetable. A saving is reported in 2016-17, as the cost of decanting tenants in 2017-18 will be factored into next year's budgets.
<b>Total budget variances</b>	<b>(£339,878)</b>	
<b>Projected HRA surplus</b>	<b>(£197,753)</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 surplus for 2016/17	£197,753

Balance resolved to be retained (HRA contingency)	(£4,000,000)
<b>Balance Available, as at 31/3/17</b>	<b>£3,266,423</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 last reported to Scrutiny Committee – People on 1 September 2016. Since that meeting the following changes have been made that have increased the programme.

Description	2016/17	Approval / Funding
<b>HRA Capital Programme</b>	<b>£16,929,810</b>	
Budgets deferred to future financial years	(£2,443,410)	Executive 11 October 2016
Overspends declared	£18,130	Executive 11 October 2016
<b>Revised HRA Capital Programme</b>	<b>£14,504,530</b>	

### 8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £12,038,520 compared to the £14,504,530 approved programme, a decrease of £2,466,010.

### 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	(£19,390)	This budget reflects the balance carried forward from 2015-16 for further rendering works. No sites have been identified for 2016-17.
Kitchen Replacement Programme	£120,000	The kitchen replacement programme was significantly curtailed for 2016-17 until the results of a comprehensive stock survey are known. Unfortunately, a higher number of kitchens in void properties have required replacing prior to re-let and based on current void patterns the budget will overspend.

Bathroom Replacement Programme	£90,000	The bathroom replacement programme was significantly curtailed for 2016-17 until the results of a comprehensive stock survey are known. Unfortunately, a higher number of bathrooms in void properties have required replacing prior to re-let and based on current void patterns the budget will overspend.
Common Area Footpath/Wall Improvements	(£100,000)	A saving can be reported in respect of repairs to a 2.3m high wall at Meadow Way in accordance with the latest pre-tender estimates.
<b>Scheme</b>	<b>Budget to be deferred to 2017/18</b>	<b>Explanation</b>
Programmed Re-roofing	(£100,000)	On a spend to save basis, the replacement of roofs at Taunton Close and Wellington Road have been accelerated in order to minimise repair costs due to their present poor condition.
LAINGS Refurbishments	£1,000,000	The extensive refurbishment of 17 LAINGS properties has been delayed as a result of higher than budgeted tender prices. An options appraisal is currently being undertaken.
Common Area Footpath/Wall Improvements	£350,000	Major works planned at Meadow Way will extend into 2017-18 and the budget has been profiled accordingly.
Electrical Re-wiring	£400,000	Slippage is expected in respect of electrical repairs to communal areas whilst capacity of the in-house electricians is reviewed.
Re-roofing Works Shilhay	£495,000	The design of the replacement roof is currently being finalised. The tender process is expected to commence in the next 4 weeks with the successful contractor starting on site in January and completing by September 2017. The budget has been re-profiled to reflect this estimated timetable.
COB Wave 2 – Rennes	£261,620	The budget for the

House car park		development of this site has been re-profiled in accordance with the latest cash-flow projections. Slippage of the main scheme occurred as asbestos removal was required prior to the car park demolition in August. Completion of this development is currently scheduled for September 2017.
Acquisition of Social Housing	£150,000	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 SEPTEMBER 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

During this period the total budget variances indicate that there will be a net surplus of £41,020 achieved in 2016-17, which will be transferred to the COB working balance. This represents an increase of £3,000 compared to the budgeted transfer to the working balance of £38,020.

MU Code	Management Unit	Budget Variance Overspend / (Underspend)	Explanation
85B5	COB	(£3,000)	Lower management costs due to vacant posts.  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.

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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