

**REPORT TO:** SCRUTINY COMMITTEE - PEOPLE  
**DATE OF MEETING:** 2 March 2017  
**REPORT OF:** Assistant Director Finance  
**TITLE:** Housing Revenue Account Budget Monitoring - December 2016

**Is this a Key Decision?**

No

**Is this an Executive or Council Function?**

Executive

**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 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 third 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 31 December 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 issues for the Monitoring Officer.

## 8. Report Details:

### HRA BUDGET MONITORING TO 31 DECEMBER 2016

#### 8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net surplus of £816,053 in 2016-17. This represents a reduction in net costs of £958,178 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 Quarter 1	£26,188	Scrutiny Committee – People 1 September 2016
Budget variances reported in Quarter 2	(£366,066)	Scrutiny Committee – People 3 November 2016
<b>Budget variances to be reported in Quarter 3:</b>		
Management Costs	£41,200	<ul style="list-style-type: none"> <li>• This reflects redundancy costs resulting from the senior management restructure and the restructure of older persons' housing and housing-related support services.</li> <li>• Savings in consultancy fees and printing costs are also projected.</li> </ul>
Housing Customers	(£25,500)	<ul style="list-style-type: none"> <li>• A backdated refund has been received in respect of communal lighting electricity, due to over-estimated accounts.</li> </ul>

Sundry Land Maintenance	(£40,000)	<ul style="list-style-type: none"> <li>Significant progression of tree maintenance works is pending the appointment of a Housing Tree Officer in 2017-18, following Executive approval on 10 January 2017. In the interim, essential trees work are being undertaken as identified during routine surveys. A supplementary budget will be requested to carry forward these monies into 2017-18.</li> </ul>
Repairs & Maintenance Programme	(£320,000)	<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 £220k saving in respect of general reactive repairs which reflects the current pattern of reported faults; either reported by tenants or identified by Housing Customer Relation Officers when undertaking property inspections.</li> <li>- It is anticipated that £60k of the low maintenance and painting programme budget will need to slip into next financial year. Due to its listed status, the windows for Weirfield House need to be purpose made and the manufacturers are advising a 10 week delay. For this reason Executive approval will be sought to carry forward the under-spend into 2017-18.</li> </ul> </li> </ul>
Housing Assets	(£154,000)	<ul style="list-style-type: none"> <li>Predominantly reflects an £80k saving in respect of the stock condition survey following the outcomes of a tender process and slippage of £65k into 2017-18, as completion of the survey is expected to overlap financial years.</li> </ul> <p>The survey will cover; 60% dwellings, 100% communal areas and 30% garages and is due to start in February.</p>
Rents	(£20,000)	<ul style="list-style-type: none"> <li>Reflects backdated rent increases in respect of lease agreements at Rennes House</li> </ul>
Interest	(£100,000)	<ul style="list-style-type: none"> <li>A slight rise in interest rates coupled with higher than anticipated HRA balances (working balance, Major Repairs Reserve and capital receipts) is likely to result in additional investment income.</li> </ul>
<b>Total budget variances</b>	<b>(£958,178)</b>	
<b>Projected HRA surplus</b>	<b>(£816,053)</b>	Transfer to the 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	£816,053
Balance resolved to be retained (HRA contingency)	(£4,000,000)
<b>Balance Available, as at 31/3/17</b>	<b>£3,884,723</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 3 November 2016. Since that meeting the following changes have been made that have reduced the programme.

<b>Description</b>	<b>2016/17</b>	<b>Approval / Funding</b>
<b>HRA Capital Programme</b>	<b>£14,504,530</b>	
Budgets deferred to future financial years	(£2,556,620)	Executive 6 December 2016
Overspends declared	£90,610	Executive 6 December 2016
Acquisition of 2A Faraday House	£104,950	Delegated Powers 16 November 2016
<b>Revised HRA Capital Programme</b>	<b>£12,143,470</b>	

## 8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £6,282,661 compared to the £12,143,470 approved programme, a decrease of £5,860,809.

## 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>
Electrical Re-wiring	(£95,587)	A saving is forecast in respect of re-wires to void properties, as lower than anticipated level of electrical

		re-wires required following electrical inspection
Fire Alarm – Russett House	(£30,000)	Due to the change in use from offices to flats (38 and 38A) the fire alarm no longer requires replacing in accordance with fire regulations
<b>Scheme</b>	<b>Budget to be deferred to 2017/18</b>	<b>Explanation</b>
Energy Conservation	£86,000	Plans to provide external wall insulation to 18 properties are programmed for 2017-18. This budget is required to be slipped into next financial year, so that it can be amalgamated with the 2017-18 budget provision and undertaken as one contract.
LAINGS Refurbishments	£140,000	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.
Communal Areas	£48,820	Planned improvements to flooring in communal areas has been delayed due to issues with the floor adhesive. Officers are currently working with the manufacturer to resolve the issue before rolling out planned works.
Whipton Barton House Water Mains	£50,000	Officers have been working with South West Water in respect of wayleaves. Works have therefore been delayed until the necessary arrangements are in place.
Re-roofing Works Shilhay	£155,780	The contract for this scheme is currently out to tender with tenders due back on 2 February. A 30 day consultation with leaseholders will then follow. Works are therefore not expected to start on site until May/June 2017.
COB Wave 2 – Rennes House car park	£261,620	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections.

		Progress on site has been slightly impeded by freezing temperatures affecting the laying of blockwork. However, completion of this development is still scheduled for September 2017.
St Loyes Extra Care	£3,839,732	The budget for this new build scheme has been re-profiled in accordance with the latest cash-flow projections.  Significant slippage of this scheme has occurred as original tender prices were higher than expected which necessitated a second tender process. This was reported to committee as a budgetary risk in June and September. The outcomes of the second tender process are due by mid-March. This scheme therefore remains a budgetary risk until such time as full scheme costs are known. A report will be prepared for Executive on 11 April to update Members.
Acquisition of Social Housing – Open Market	£1,000,000	Officers are currently identifying opportunities to buy-back former council homes along with new builds both inside and outside the local authority area. It is anticipated that completions will take place in the next financial year.

## 9. COUNCIL OWN BUILD BUDGET MONITORING TO 31 DECEMBER 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 £44,020 achieved in 2016-17, which will be transferred to the COB working balance. This represents an increase of £6,000 compared to the budgeted transfer to the working balance of £38,020.

MU Code	Management Unit	Budget Variance Overspend / (Underspend)	Explanation
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85B5	COB	(£6,000)	<p>Lower management costs due to vacant posts coupled with lower than budgeted general repair costs.</p> <p>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.</p>
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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 December.

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

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