

REPORT TO: SCRUTINY COMMITTEE - PEOPLE
DATE OF MEETING: 7 September 2017
REPORT OF: Chief Finance Officer
TITLE: Housing Revenue Account Budget Monitoring - June 2017

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 2017 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 first quarterly financial update in respect of the HRA for 2017-18.

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 2017-18 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 2017.

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 30 JUNE 2017

8.1 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net surplus of £725,335 in 2017-18. This represents a significant movement of £3,212,950 compared to the revised budgeted deficit of £2,487,615 for 2017-18 with, most notably, £2,700,000 attributable to delays with the St Loyes Extra Care scheme. The key budget deviations are explained below. Please also refer to Appendix 2.

Budget Heading	Forecast Budget Variance (Under)/Overspend	Explanation
Budgeted Deficit	£2,303,775	
Supplementary budgets	£183,840	£20,000 for mobile working, £20,000 for consultancy re operating models, £12,000 for stock condition survey, £60,000 for low maintenance and painting, £46,000 for tree inspections and remedial works and £25,840 for water system risk assessments. Executive approved 11 July 2017
Revised Budgeted Deficit	£2,487,615	
Management Costs	(£32,700)	• Savings in employee costs are expected due to vacant posts.
Housing Customers	£39,200	• Additional employee costs have been incurred in respect of covering maternity leave, which will be partially offset by savings in contract cleaning costs due to lower inflationary rises.
Sundry Land Maintenance	(£9,000)	• Savings are expected in respect of the Garden Assistance Scheme following lower inflationary rises in contract costs and a recent review of eligibility.
Repairs and Maintenance Programme	(£275,000)	• It is anticipated that slippage will occur in the external painting and low maintenance works in respect of flats due to the time required to undertake leaseholder consultation.
Revenue Contribution to Capital	(£2,700,000)	• The estimated amount of revenue monies required towards financing the HRA Capital Programme in 2017-18 has reduced by £2.7m, from £6.5m to £3.8m.

		In March 2014 Executive approved a £2.7m contribution towards the St Loyes Extra Care scheme, which was profiled to be required in 2017-18 but delays to the scheme will mean that significant spend will not take place until 2018/19 when it is hoped that works can start on site. A detailed report is due to be presented to committee later this year in respect of this scheme.
Housing Assets	(£155,450)	<ul style="list-style-type: none"> Savings in employee costs are expected due to vacant Surveyor posts within the Housing Assets team. 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 2017-18, as the cost of decanting tenants in 2018-19 will be factored into next year's budgets.
Interest	(£80,000)	Reflects additional interest receivable on HRA balances (Working Balance, Major Repairs Reserve and capital receipts). The significant forecast revenue and capital savings in 2017-18 will result in higher than anticipated HRA balances.
Total budget variances	(£3,212,950)	
Projected HRA surplus	(£725,335)	Transfer to 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 2018, is set out below:

Movement	2017/18
Opening HRA Working Balance, as at 1/4/17	£8,567,454
Forecast surplus for 2017/18	£725,335
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31/3/18	£5,292,789

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 four financial years; 2016/17 to 2019/20.

Appendix 3 sets out the total forecast HRA available resources up to 2020/21, which reflects this Government policy.

8.4 HRA Capital Programme

The 2017-18 HRA Capital Programme was approved by Council on 21 February 2017. Since that meeting the following changes have been made that have increased the programme.

Description	2017/18	Approval / Funding
HRA Capital Programme	£18,901,851	
Budgets carried forward from 2016/17 HRA Capital Programme	£1,833,940 £760,920	Executive 12 April 2016 Executive 12 July 2016
Budgets deferred to future financial years	(£2,791,811)	Executive 12 April and 12 July 2016
Estate Regeneration Grant	£1,295,000	
Revised HRA Capital Programme	£19,999,900	

8.5 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £11,607,625 compared to the £19,999,900 approved programme, a decrease of £8,392,275.

8.6 Capital Budget Variances

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

Scheme	Forecast Overspend / (Underspend)	Explanation
Smoke/Fire Alarms – Older Persons	(£15,750)	Successfully negotiated a lower cost per dispersed alarm unit. The budget also allowed for ongoing connectivity charges, which have been moved to revenue in accordance with proper accounting practice.
Electrical re-wiring	(£922,430)	Significant savings are projected in respect of planned electrical re-wires. The budgets were prepared on early survey results, but subsequent surveys have identified significantly fewer properties as requiring full electrical rewires in accordance with health and safety regulations.

Scheme	Budget to be deferred to 2018/19	Explanation
Programmed Re-roofing	£790,000	A significant amount (£580k) relates to the planned re-roofing of flats, which has been delayed due to consultation with leaseholders before the tender process commences. The remaining £210k relates to re-roofing houses. Vacant Surveyor posts has placed a constraint on delivery of the programme and it is currently projected that works amounting to £193k will be deliverable.
Garage Upgrades	£89,000	A lower than anticipated level of works to garages are planned to be undertaken, whilst the future of certain garage sites are reviewed. In the interim a smaller scale programme of garage door upgrades will be completed.
LAINGS Refurbishments	£247,770	The extensive refurbishment of 17 LAINGS properties has been delayed whilst a thorough review of the tender returns was undertaken. It is hoped that works will start on site in January 2018.
Common Area Footpath/Wall Improvements	£350,000	All surveys of HRA footpaths and walls have been completed, which has informed the planned programme of works. The survey identified works in the area of Higher Barley Mount bus stop, but procurement of the works is pending confirmation of ownership.
Boiler Replacement Programme	£233,800	The commencement of planned boiler replacements has been delayed due to contract procurement. In the interim boiler failures are being dealt with under the gas servicing contract.
Communal Door and Screens	£231,870	Both leaseholder consultation and procurement delays are projected to result in slippage in this programme. It is hoped that a 2 year contract will be procured

		later this year. Urgent health and safety works will be undertaken in the interim.
Window Replacements	£500,000	Both leaseholder consultation and staff resources are placing a constraint on the delivery of this programme. Initial works will target houses with lower forecast spend of £246k.
St Loyes Extra Care Scheme	£3,694,651	Higher tender returns has necessitated a value engineering exercise to be completed coupled with negotiations with the preferred contractor. A detailed report is planned to be presented to committee later this year with the results of this work. In the meantime the budget has been profiled in accordance with the latest cash flow forecast.
Acquisition of Social Housing – Section 106	£240,000	This element of the budget is set aside for the purchase of six 2 bedroom flats at The Chasse development, which are not due to start until May 2018.
Acquisition of Social Housing – Open Market	£1,000,000	Plans to acquire properties on the open market have been put on hold until the detailed Higher Value Assets Levy regulations are known.

9. COUNCIL OWN BUILD BUDGET MONITORING TO 30 JUNE 2017

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 £35,970 is still projected to be achieved during 2017-18.

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.

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

Chief Finance Officer

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