

REPORT TO: PEOPLE SCRUTINY COMMITTEE
Date of Meeting: 5 September 2019
REPORT TO: CORPORATE SCRUTINY COMMITTEE
Date of Meeting: 26 September 2019
REPORT TO: EXECUTIVE
Date of Meeting: 8 October 2019
REPORT TO: COUNCIL
Date of Meeting: 15 October 2019
REPORT OF: Chief Finance Officer

TITLE: 2019/20 HRA Budget Monitoring Report – Quarter 1

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To advise Members of the overall financial position of the HRA Revenue and Capital Budgets for the 2019/20 financial year after three months.

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:

It is recommended that People Scrutiny Committee, Corporate Scrutiny Committee and the Executive note the report and Council notes and approves (where applicable):

- 2.1 The HRA forecast financial position for 2019/20 financial year;**
2.2 The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4

3. Reasons for the recommendation:

- 3.1 To formally note the HRA's projected financial position and to approve the reported variations to the HRA Capital Programme.

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 2019/20.

4. What are the equality and diversity impacts of the decision?

- 4.1 There are no significant equality and diversity impacts associated with this decision.

5. What are the resource implications including non-financial resources

- 5.1 The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2019/20 are set out in the body of this report.
- 5.2 The impact on the HRA's available financial resources are set out in Appendix 3.

6. Section 151 Officer comments:

- 6.1 There are no issues to bring to the attention of Councillors at this stage of the financial year.

7. What are the legal aspects?

- 7.1 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.

8. Monitoring Officer Comments:

- 8.1 This report raises no issues for the Monitoring Officer.

9. Report Details:

HRA BUDGET MONITORING – QUARTER 1

9.1 Background to the HRA

The Housing Revenue Account (HRA) records expenditure and income relating to council dwellings and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council.

9.2 Projected Surplus/Deficit

During this period the total budget variances indicate that there will be a net deficit of £1,453,485 in 2019/20. This represents a movement of £117,070 compared to the revised budgeted deficit of £1,336,415 for 2019/20. The key budget deviations are explained below. Please also refer to Appendix 2.

Budget Heading	Forecast Outturn Budget Variance at Quarter 1 (Under)/Overspend
Budgeted Deficit	£386,815
Supplementary budgets – Executive approved 10 July 2018	£949,600
Revised Budgeted Deficit	£1,336,415
Management Costs	(£75,000)
Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets	

<ul style="list-style-type: none"> • (£40K) Forecast savings in employee costs, predominantly due to two vacant Older Person Property Services officers' posts. • (£45k) Saving to be made in respect of general management consultancy costs, in order to offset the additional cost of consultants appointed to undertake asset management procurement options. • £10k Additional council tax payable in respect of long term empty council dwellings due to planned major works or redevelopment, held for disposal or general voids. 	
Housing Customers	(£71,000)
Officer Responsible: Service Lead – Housing Tenancy Services	
<ul style="list-style-type: none"> • (£61k) Forecast savings in employee costs, predominantly due to vacant posts within the Lettings and Leasehold team. • (£10k) Forecast saving in respect of contract cleaning costs due to lower inflationary rises. 	
Sundry Land Maintenance	(£104,930)
Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets	
<ul style="list-style-type: none"> • (£105k) An additional Tree Inspector commenced in June in order to assist the contractor with bringing tree inspections up to date. Officers within Public Realm oversee the delivery of works to HRA trees and the works identified by the surveys are currently being prioritised. It is anticipated that slippage will occur in respect of works to HRA trees, whilst the programme of works are programmed and access issues resolved. 	
Capital Charges	£329,000
Officer Responsible: not applicable (statutory accounting charge)	
<ul style="list-style-type: none"> • Depreciation charges are higher than budgeted due to a change in the assumed life expectancy of kitchens, from 30 years to 20 years, in line with Asset Management Plans. <p>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 future capital works or to repay debt.</p>	
Housing Assets	£39,000
Officer Responsible: Service Lead – Housing Assets	
<ul style="list-style-type: none"> • £39k Forecast overspend predominantly relates to consultancy advice in respect of asset management procurement options, including the general maintenance and void maintenance contract arrangements. The additional cost has been offset by savings within the HRA's General Management consultancy budget, as reported above. 	
Total budget variances	£117,070
Projected HRA deficit	£1,453,485

9.3 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 2020, is set out below:

Movement	2019/20
Opening HRA Working Balance, as at 1/4/19	£10,025,355
Forecast deficit for 2019/20	(£1,453,485)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31/3/20	£4,571,870

9.4 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 3 for the period to 2021/22.

9.5 HRA Debt

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

As at 31 March 2019, the HRA's borrowing remains at the former 'debt cap' level of £57,882,413, as no new borrowing has been undertaken.

The Director and Service Leads for the HRA are working with an advisory group of Members to develop plans for the HRA's new-build programme, which seeks to make use of the new freedom to borrow and approval will be sought through the normal decision making committee cycle.

9.6 HRA Capital Programme

The 2019-20 HRA Capital Programme was approved by Council on 26 February 2019. Since that meeting the following changes have been made that have increased the programme.

Description	2019/20	Approval / Funding
HRA Capital Programme	£20,590,510	
Budgets carried forward from 2018/19 HRA Capital Programme	£4,432,050 £1,895,440	Council 16 April 2019 Council 23 July 2019
Acquisition of Social Housing	(£75,000)	Acquisition cost met from existing budget and supplementary budget no longer required
Revised HRA Capital Programme	£26,843,000	

9.7 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £22,782,365 compared to the £26,843,000 approved programme; a reduction of £4,060,635.

9.8 Capital Budget Variances

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

Scheme	Budget to be deferred to 2020/21
LAINGS Refurbishment	£420,000
Officer Responsible – Planned Works Lead <ul style="list-style-type: none"> Issues with the drainage design and the time required to ensure that the Phase II (occupied) properties are vacated to allow for demolition has resulted in some slippage in the programme. 	
Programmed Re-roofing - Flats	£500,000
Kitchen Replacement Programme	£897,795
Bathroom Replacement Programme	£564,140
Officer Responsible – Planned Works Lead <ul style="list-style-type: none"> The three above programmes of work require new contracts to be procured to allow work to proceed. Whilst at the start of the year it was envisaged that the Council would direct award the works via a compliant and established Framework, advice from the Council's Procurement Team has required the service to commence a process of mini competition via a framework. This process, including the preparation of more detailed specifications of works, has delayed the progression of works and we will not achieve meaningful activity until Quarter 4. Eight significant contracts have been procured in the past 12 months and the kitchen/bathroom and pitched roofs works forms part of the final four main contracts to be let. 	
Rennes House Structural Works	£1,028,700
Officer Responsible – Planned Works Lead <ul style="list-style-type: none"> A full design team has been appointed following a procurement process. The next step is to engage a main contractor and progress the overall design and specification of works. The budget has been re-profiled to reflect the deferral of significant works on site until 2020. 	
Extra Care Scheme	£500,000
Officer Responsible – Service Lead Housing <ul style="list-style-type: none"> Works are progressing on site with significant expenditure of £8.7m forecast for this financial year, however the latest cash-flow forecasts indicate some slippage into 2020/21 but with no impact on the overall contract length. The new scheme is expected to complete in September 2020. 	
Acquisition of Social Housing – Section 106	£150,000
Officer Responsible – Service Lead – Housing Assets <ul style="list-style-type: none"> Due to the time-lag between Section 106 negotiations and new homes completing on site (often 2-3 years) it is forecast that slippage of the budget will occur. 	

10. COUNCIL OWN BUILD BUDGET MONITORING – QUARTER 1

10.1 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.

10.2 Projected Surplus/Deficit

There are no projected variances to report at the end of Quarter 1. The budgeted net surplus of £15,470 is still projected to be achieved during 2019/20.

11 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.

12 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, at Quarter 1.

13 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?

The budgeted revenue service costs for the year will help the HRA provide tenancy management services and maintain the condition of council dwellings, which has a positive impact on the health and well-being of Council tenants. In the delivery of services, housing officers are able to identify and manage issues relating to safe-guarding, vulnerabilities and community safety.

In terms of capital expenditure, the 2019/20 capital programme provides for enhancements to existing dwelling stock to be undertaken and help support the provision of new housing, both of which will have a positive impact on those in housing need.

14 Are there any other options?

No

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

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