

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - COMMUNITY 6 NOVEMBER 2012

HOUSING REVENUE ACCOUNT BUDGET MONITORING TO SEPTEMBER 2012

1. PURPOSE OF REPORT

1.1 REVENUE BUDGET MONITORING

To advise Members of any major differences, by management unit, between the original budget and the outturn forecast for the six months of the financial year up to 30 September 2012 in respect of the Housing Revenue Account and the Council's new build schemes.

1.2 CAPITAL BUDGET MONITORING

Previous capital budget monitoring updates in respect of the HRA have been reported to Scrutiny Committee – Resources as part of reporting the progress of the Council's overall Capital Programme.

Budget monitoring updates in respect of the HRA Capital Programme are now incorporated into this report, which is prepared on a quarterly basis, in order to improve financial reporting to this Committee and help to provide a more comprehensive financial update in respect of the Housing Revenue Account.

2. REVENUE BUDGET MONITORING TO SEPTEMBER 2012

2.1 HOUSING SELF-FINANCING

The Government made significant reforms to council housing finance within the Localism Act 2011, which resulted in the commencement of self-financing and the abolition of the Housing Revenue Account subsidy system from 1 April 2012.

Under the HRA subsidy system rents were pooled and redistributed by central government. Exeter City Council was a net contributor to the central pot, whereby it paid more into the central pot than it received back in subsidy. Over the last few years we have paid around £4m per year to the Government and had an annual budgeted deficit on the HRA.

Self-financing enables each stock owning local authority to retain their own income collected from rents, service charges and other sources at a local level to deliver housing services to tenants and to maintain their housing stock. Under self-financing it is anticipated that local authorities will achieve a surplus each financial year, which will help facilitate service improvements, repay debt and to provide investment in the stock.

2.2 PROJECTED SURPLUS

During this period the total budget variances indicate that there will be a net surplus of £414,200 in 2012-13 which will be transferred to the HRA working balance. This represents a decrease of £1,906,070 compared to the budgeted transfer to the working balance of £2,320,270. This reduction is predominantly due to an approved increase to the kitchen and bathroom replacement programmes, which is explained in more detail below.

It is estimated that the working balance will stand at £6,178,623 at 31 March 2013.

2.3 VARIANCES FROM BUDGET AS AT SEPTEMBER 2012

The main variations by management unit are detailed below. Please also refer to Appendix 1.

	£
2012-2013 ESTIMATED TRANSFER TO THE WORKING BALANCE	(2,320,270)
85A1 MANAGEMENT	(84,420)
<p>Savings are projected in respect of employee costs due to a lower than budgeted pay award for 2012-13 and from the outcomes of the Senior Management Review. Further savings will be achieved in respect of a vacant Neighbourhood Manager post, as recruitment to this post is pending the outcome of the Housing systems review.</p> <p>These savings will be partially offset by additional staff resources required to backfill a Technical Officer post, so that the post holder could devote time to undertaking housing stock condition surveys for 6 months. Unbudgeted redundancy costs have also been incurred in respect of five posts.</p> <p>Savings have also been made in the cost of procuring new mobile working devices, as implementation of new mobile working systems in Housing Services are pending the outcome of the systems review.</p> <p>Additional income is also forecast in respect of solar panels installed on council dwelling. This income will be set aside to help finance future investment in energy efficient measures for other council dwellings.</p>	
85A3 SUNDRY LANDS MAINTENANCE	0
<p>There are no overall variances from budget to report in respect of this management unit.</p> <p>A minor overspend is expected in the cost of the Garden Assistance Scheme, as the scheme has taken on the regular maintenance of more gardens. Garden assistance is provided to help the vulnerable, elderly and disabled maintain their gardens.</p> <p>A compensating saving is expected to be made in the cost of initial cultivations, as fewer gardens will need an initial tidy up prior to joining the Garden Assistance Scheme following a reduction to the waiting list.</p>	
85A4 REPAIRS FUND CONTRIBUTION	2,087,550
<p>The forecast overspend in this management unit reflects the additional revenue contribution to capital which will be required to finance the 2012/13 HRA Capital Programme.</p>	

On 18 September Executive approved an increase of £1,775,000 to the kitchen and bathroom replacement programmes and also approved the purchase of 16 new affordable homes at Dean Clarke House and the Royal Navy Stores Depot at a cost of £212,550 during 2012/13.

In addition to making a revenue contribution to capital, this management unit also provides for the cost of annual repairs and maintenance to council dwellings. A £100,000 overspend is forecast in respect of works to empty properties, which is due to a change in the Void Standard following consultation with tenants.

85A6 CAPITAL CHARGES 0

There are no variances from budget to report in respect of this management unit, which comprises the depreciation of HRA dwellings, garages, IT software, vehicles, plant and equipment.

85A8 RENTS (153,800)

Additional rent of £150,000 is anticipated from council dwellings. This is due to a combination of factors, which include; a lower than budgeted number of council properties sold under the Right-to-Buy scheme, recent acquisitions of new council dwellings and achieving earlier rent convergence on properties that have a change of tenancy.

In accordance with the Government's 'rent convergence' policy, the Council is required to increase its rents to guideline rent levels by 2015-16, so that council tenants and housing association tenants will pay similar rents for similar properties in similar areas. Upon a change of tenancy, the opportunity is therefore taken to amend the rent charged to Government guideline rent levels.

Minor additional income is also forecast from lease agreements relating to other council assets, such as parking spaces and access rights.

85B2 INTEREST 56,740

Interest payable on the £56.884m loan with the Public Works Loan Board is higher than budgeted, due to a rise in interest rates between the time the budgets were set and the commencement of the loan on 28 March 2012.

However, the additional interest costs have been partly offset by a forecast increase in investment interest receivable on HRA balances.

2012-2013 2nd QUARTER FORECAST TRANSFER TO THE WORKING BALANCE (414,200)

3. **COUNCIL OWN BUILD (COB) BUDGET MONITORING TO SEPTEMBER 2012**
The Council's new 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.

3.1 **COB WORKING BALANCE**

During this period the total budget variances indicate that there will be a net surplus of £49,140 achieved in 2012-2013, which will be transferred to the COB working balance. This represents an increase of £31,570 compared to the budgeted transfer to the working balance of £17,570. It is estimated that the working balance will stand at £77,346 at 31 March 2013.

- 3.2 The main variations are detailed below, please also refer to Appendix 1:

	£
2012-2013 ESTIMATED TRANSFER TO THE WORKING BALANCE	(17,570)
85B5 COB INCOME AND EXPENDITURE	(31,570)
Savings in employee costs are projected due to a lower than budgeted pay rise and from fewer members of staff participating in the superannuation scheme.	
Savings are expected to be made in respect of repair and maintenance costs at Knights Place, as recent works have been undertaken by the building contractor as part of resolving snagging issues.	
Additional income is also forecast in respect of service charges, such as communal cleaning, lighting, door entry systems and ground maintenance.	
Savings in interest costs are also projected, due to lower short-term borrowing costs.	
2012-2013 2nd QUARTER FORECAST TRANSFER TO THE WORKING BALANCE	(49,140)

4. **CAPITAL BUDGET MONITORING TO SEPTEMBER 2012**

To report the current position in respect of the Housing Revenue Account Capital Programme and to update Members with any anticipated cost variances, acceleration of projects or slippage of schemes into future years.

4.1 **REVISIONS TO THE HRA CAPITAL PROGRAMME**

The 2012/13 HRA Capital Programme was last reported to Scrutiny Committee – Resources on 19 September 2012. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval / Funding
HRA Capital Programme, as at 19 September 2012	6,661,500	
Acquisition of Social Housing – 4 Gareth Crescent	139,380	Delegated authority – funded from capital receipts
Acquisition of Social Housing	136,350	Delegated authority – funded

– 9 Stoke Hill Crescent		from capital receipts
Smoke Detector Replacements	200,000	Executive 2 October 2012 – funded from the Major Repairs Reserve
LAINGS Home Refurbishment	5,000	Executive 3 July 2012 – funded from the Major Repairs Reserve
Acquisition of Social Housing – new homes at Dean Clarke House and the Royal Navy Stores Depot	212,550	Executive 18 September 2012 – funded by a revenue contribution to capital
Kitchen Replacement Programme	1,250,000	Executive 18 September 2012 – funded by a revenue contribution to capital
Bathroom Replacement Programme	370,000	Executive 18 September 2012 – funded by a revenue contribution to capital
Asbestos Surveys	30,000	Executive 18 September 2012 – funded by a revenue contribution to capital
Capitalised Staff Costs – associated with increased Kitchen and Bathroom Replacement Programmes	50,000	Executive 18 September 2012 – funded by a revenue contribution to capital
Asbestos Removal Works	75,000	Executive 18 September 2012 – funded by a revenue contribution to capital
Revised HRA Capital Programme	9,129,780	

4.2 PERFORMANCE

The current HRA Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £8,883,074 in 2012/13 with £260,000 of the programme expected to be deferred until 2013/14. Below are explanations for the main variations from the approved programme:

- Programmed Re-roofing (Budget £300,000)**

In order to save reactive repair costs the roofs of four properties have been replaced in order to resolve problems with multiple leaks. These properties were not included in the programmed re-roofing works for 2012-13 and have therefore been accelerated. This has resulted in a forecast overspend of £20,000, but will result in future savings in the cost of programmed works.
- Energy Conservation (Budget £133,240)**

Significant further spend of this budget is pending the outcomes of a pilot to super insulate properties and identification of suitable energy efficient measures to council dwellings. It is projected that £80,000 of this budget may need to be carried forward into 2013-14 to allow time for a plan of works to be formulated.
- Re-pointing (Budget £73,850)**

This budget provides for reactive re-pointing works to council dwellings in order to alleviate problems with water ingress and damp. It is anticipated that £30,000 of this budget may need to be carried forward into 2013-14, due to a lower than budgeted level of properties identified as requiring re-pointing works by the Technical Officers.

- **Communal Areas (Budget £198,110)**
This budget is intended to be spent on improvements to communal areas of flats including the provision of new flooring. Specifications are currently being prepared so that the tender process can commence. It is currently projected that £50,000 of the budget may need to be deferred into next financial year.
- **Structural Repairs (Budget £71,490)**
Major structural repairs at 13 West View Terrace are planned to be undertaken this financial year. The uncommitted balance of the budget will therefore be carried forward into future financial years to provide for major repairs to council dwellings as and when they are identified.
- **Fire Alarms at Sheltered Accommodation (Budget £140,000)**
The specification and tender documents are currently being prepared for fire alarms to be installed at ten sheltered accommodation sites. It is hoped that the appointed contractor will start work on site early in the new year. However, it is projected that £80,000 of this budget will need to be deferred into next financial year.
- **Rennes House Heating Replacement (Budget nil)**
A minor overspend will occur in 2012-13 in respect of the heating replacement at Rennes House. However, a compensating saving will be made from the Other Works budget.
- **Other Works (Budget £133,540)**
Additional works associated with the demolition of properties at Chestnut Avenue have been carried out and treated as revenue expenditure, as such works do not qualify as capital expenditure. The saving shown against this budget reflects the transfer of these costs to revenue plus the saving required relating to heating at Rennes House.

5. **COUNCIL OWN BUILD CAPITAL PROGRAMME**

Following the successful completion of the Council Own Build (COB) sites at Rowan House and Knights Place, the Council now has a COB Capital Programme for developing Phase 2 and Phase 3 sites.

5.1 **PERFORMANCE**

The COB Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £155,100 in 2012/13 with £300,000 of the programme expected to be deferred until 2013/14.

The options available to the Council for delivering new council housing and regeneration are currently being assessed following the introduction of self-financing. The £300,000 budget approved for the acquisition of land for the development of affordable housing is therefore unlikely to be spent until the options appraisal has been undertaken and the preferred delivery model/s identified.

A report is due to be presented to Executive in December to provide Members with an update on the Councils Own Build schemes.

6. **RECOMMENDATION**

- 6.1 That the Scrutiny Committee – Community note the content of this report

ASSISTANT DIRECTOR FINANCE

S:PA/LP/Cttee/1112SCC4
25.10.12

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:
None

S:PA/LP/ Committee/
Date

COMMUNITY & ENVIRONMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report: