

Subject: 2016/17 Period 4 Housing Revenue Account Budget Monitoring Report

Report to: Policy & Resources Committee, 6<sup>th</sup> September 2016

Housing Neighbourhoods Committee, 15<sup>th</sup> September 2016

Report by: Housing Business & Finance Manager

## **SUBJECT MATTER/RECOMMENDATIONS**

**To consider the 2016/17 Housing revenue budget monitoring position**

**To agree an increase to the existing 2016/17 HRA capital programme, as detailed in Table 5.**

**To agree a virement from HRA reserves to revenue contribution to capital, as detailed in Table 3, subject to approval from the GYBC Section 151 Officer.**

**To agree a virement from HRA revenue repairs & maintenance budget to the HRA capital programme, as detailed in Table 5, subject to approval from the GYBC Section 151 Officer.**

## **1. Introduction**

- 1.1. There is a statutory requirement to maintain a Housing Revenue Account (HRA) and that account must not show a deficit. The HRA is a separate (ring fenced) account of the Council covering income and expenditure relating to its role as landlord. Under the self-financing arrangements for local authorities, the HRA records the costs of management and maintenance of the Council's dwellings and the related income from rents and other charges. The Government provides guidance on what should be included in the HRA to protect Council tenants.
- 1.2. Although there is not a requirement for a similar separation of capital expenditure, the capital programme as it relates to the HRA is separately monitored. This report outlines the estimated forecasts for the full financial year 2016/17 as well as showing the position of the HRA as at the end of Quarter 1.

- 1.3. The Quarterly review and monthly monitoring of the HRA budgets provides a sound basis for the preparation of estimates for 2017/18 and of the 30 year Business Plan.

## **2. Budget Monitoring at Quarter 1 (April – July 2016)**

- 2.1. For budget monitoring purposes the actual expenditure and income to the end of quarter 1 is compared to the budgeted amounts. Key variations are identified and explained below. Table 1 shows the HRA (where budgets and actual figures are shown in £) and Table 2 the capital programme (where budgets and actual expenditure are shown in £000).

**Table 1 - HRA Income and Expenditure 2016-17**

	Profiled Budget to Qtr. 1	Expenditure to Qtr. 1	Variance	Comments
	£000	£000	£000	
Dwelling Rents	(6,839)	(6,850)	(11)	
Other non-dwelling rents	(71)	(105)	(35)	Garage & Stores Rents Income.
Charges for services and facilities	(460)	(507)	(47)	
Contribution Towards Expenditure	(46)	(58)	(12)	
Interest & investment income	(2)	(2)	0	Income from interest on HRA Cash Balances
<b>Income Total</b>	<b>(7,418)</b>	<b>(7,522)</b>	<b>(105)</b>	
Repairs & Maintenance	2,757	2,681	(70)	£43k surplus from Responsive Repairs 1516 Work in progress (to reviewed 1617 yearend) and other minor surpluses on individual planned maintenance work to date.
Supervision and Management	1,551	1,473	(79)	Savings from Staff Vacancies & Associated Costs in quarter 1.
Rents Rates & Taxes	61	64	3	Council Tax, Utility charges on HRA Property
Depreciation Non-Dwelling	40	40	0	Annual Depreciation of garages and other HRA owned property
Capital expenditure funded by the HRA	844	844	0	Revenue contribution to Capital Expenditure
Depreciation	973	973	0	Annual Depreciation charge of Council Dwellings
HRA Interest Payable	967	967	0	Interest on HRA loans
Provision for bad and doubtful debts	50	50	0	Provision for non- recovery of debt
<b>Expenditure Total</b>	<b>7,243</b>	<b>7,092</b>	<b>(146)</b>	

**Table 2. Capital Expenditure 2016-17**

Capital Programme	Profiled Budget	Expenditure to Quarter 1	Variance	Comment
	£000	£000	£000	
Improvement Programme Kitchen & Bathroom	198	286	88	GYN have completed void Kitchens & Bathrooms in period 1-4. 21 Planned Kitchens have been completed in quarter 1.
Improvement Programme Windows & Doors	0	0	0	
Planned Maintenance	190	293	103	2016/17 30 Electrical Rewires have been completed in properties. Tenders to be received for other planned maintenance capital programmes in Sept 2016.
Energy & Efficiency Improvements	253	234	(19)	28 new Vokera Heating boilers have been replaced to date.  10 further properties have had inefficient or partial heating systems replaced.  Communal Boiler replacement works to commence later in the year, following detailed design of communal heating proposal and extensive subterranean works.
Specific Planned Projects	79	76	(3)	Stock condition survey has rolled into 2016/17 financial year; the unspent budget has been carried forward from 15/16. 821 surveys have been completed in Quarter 1.  Tenders for Whole house works to rural properties, will be returned at the end of August.
Estate Improvements	100	109	9	Neighbourhood plans works have begun across multiple estates and neighbourhoods. Budgets to be revised as necessary as the year goes on between the revenue and capital expenditure split of works.
Empty Properties	217	216	(1)	The full year budget has been increased to include the asbestos budget from revenue – as the asbestos expenditure is being spent in conjunction with Capital Major void works.
New Affordable Housing	700	714	14	5 new properties have been purchased in 2016/17; these properties will be added to our portfolio of housing stock.
<b>Total</b>	<b>1,737</b>	<b>1,928</b>	<b>191</b>	

- 2.2. There have been some changes to the detail of the current programmes but the latest monitoring indicates that the budget will be fully spent and there will be some additional spending on some projects. In the light of the latest monitoring analysis at quarter 1, the forecasts for 2016-2017 have been updated as set out in the following section.

### 3. Forecasts for 2016-17

- 3.1. To prepare updated forecasts detailed analysis has been undertaken of actual figures, known variations (as indicated in the budget monitoring analysis) and planned changes identified by the review work. The latest forecasts are set out below; table 3 shows the HRA Income and Expenditure forecast and table 4 shows the Capital Programme and planned resourcing of that programme.

3.2. **Table 3 - HRA Income and Expenditure Forecast 2016/17**

	Original Budget 2016-17	Forecast Budget 2016-17	Variance
	£000	£000	
Dwelling Rents	(22,228)	(22,228)	0
Other non-dwelling rents	(227)	(227)	0
Charges for services and facilities	(1,262)	(1,262)	0
Contribution Towards Expenditure	(149)	(149)	0
Interest & investment income	(5)	(5)	0
<b>Income Total</b>	<b>(23,871)</b>	<b>(23,871)</b>	<b>0</b>
Repairs & Maintenance	11,434	11,000	(434)
Supervision and Management	4,682	4,704	22
Rents Rates & Taxes	147	147	0
Depreciation Non-Dwelling	119	119	0
Capital expenditure funded by the HRA	2,532	3,291	759
Depreciation	2,920	2,920	0
HRA Interest Payable	2,901	2,901	0
Provision for bad and doubtful debts	150	150	0
<b>Expenditure Total</b>	<b>24,885</b>	<b>25,232</b>	<b>347</b>
Contb. to Pension Reserves	130	130	0
<b>Deficit/(Surplus) for the year</b>	<b>1,146</b>	<b>1,493</b>	<b>347</b>
<b>Bfwd HRA Reserves Balance 01/04/16 (Subject to Audit)</b>	<b>9,337</b>	<b>9,337</b>	<b>0</b>
<b>Deficit/(Surplus) for the year</b>	<b>1,146</b>	<b>1,493</b>	<b>347</b>
<b>Cfwd HRA Reserves Balance 31/03/17</b>	<b>8,191</b>	<b>7,844</b>	<b>347</b>

- 3.3. Capital expenditure funded from the HRA, has increased by £759k, due to the increase in the capital Forecast budget in quarter 1. Further details are explained

below within table 5.

- 3.4. The repairs & maintenance budget is showing an underspend, due to the asbestos budget being incorporated into individual Capital programmes instead of being a stand-alone budget with revenue.

- 3.5. **Table 4 – Summary of Capital Expenditure and Resourcing Forecast 16/17.**

	<b>Original 2016/17 £000</b>	<b>Forecast 2016/17 £000</b>	<b>Variance £000</b>
Improvement Programme Kitchen & Bathroom	1,734	2,132	398
Improvement Programme Windows & Doors	185	185	0
Planned Maintenance	1,543	1,543	0
Energy Efficiency Improvements	1,390	1,573	183
Specific Capital Projects	489	589	100
Empty Properties	500	653	153
Estate Improvements	620	545	(75)
New Affordable Housing	2,100	2,100	0
<b>Total Expenditure</b>	<b>8,561</b>	<b>9,320</b>	<b>759</b>
Borrowing	2,100	2,100	0
Capital Receipts	890	890	0
Major Repairs Reserve	3,039	3,039	0
Revenue	2,532	3,291	759
<b>Total Financing</b>	<b>8,561</b>	<b>9,320</b>	<b>759</b>

- 3.6. Qtr. 1 monitoring has highlighted a number of changes to be made to the capital programme for the full year. Some changes incorporate carried over unspent budgets from 2015/16; other new/increased budgets have been added and funded by other sources. A summary of the changes can be found in the table below:

3.7. **Table 5 – Changes to HRA Capital Programme Qtr 1.**

<b>Project</b>	<b>Forecast budget</b>	<b>Budget Change</b>	<b>Reason for change:</b>	<b>Financing from:</b>
	<b>£000</b>	<b>£000</b>		
<b>Kitchen &amp; Bathroom programme</b>	2,132	398	The revenue asbestos budget has been incorporated directly within the Capital replacement works. An additional £96k has been added to Bathroom programme to incorporate further bathroom replacements in the current year.	Revenue budget transferred to Capital. HRA Revenue reserves to cover extra bathroom works.
<b>Vokera Heating programme</b>	300	100	Bring forward the programme from 17/18 into 16/17 to benefit from the contractor being on site now, which will save set up costs etc.	Bfwd programme works from 2017/18.
<b>Stock condition Survey</b>	250	100	As there was no spend in 2015/16, the budget has been rolled forward and added to the 16/17 budget.	2015/16 Programme rolled over into 2016/17.
<b>Sewerage connection works</b>	5	(75)	Works now due to commence in 17/18	Budget to be cfwd into 17/18
<b>Communal Heating works</b>	160	43	Due to extensive subterranean works and detailed designs of communal heating proposals further budget is needed.	Underspent budget in 1516 on communal heating programme.
<b>Air source Heat pumps</b>	40	40	Additional programme to be added in 16/17 to install Air source heat pumps. Installations to properties bfwd from 17/18 programme.	Bfwd programme works from 2017/18.
<b>Empty Properties</b>	653	153	The revenue asbestos budget has been incorporated directly within the Capital replacement works.	Revenue budget transferred to Capital.
<b>Total</b>	<b>3,540</b>	<b>759</b>		

#### 4. Conclusion

- 4.1. The majority of the HRA revenue income & expenditure budgets are on track with the budget, with only changes to the repairs and maintenance budget & revenue funding for Capital works. The forecast deficit for the year has increased slightly to £1.4m from an original £1.1m. The extra deficit will be financed from the HRA revenue reserves.
- 4.2. The capital budget has increased overall by £759k. This has increased the overall

Capital programme for 2016/17 to £9.3m (originally £8.6m).

## **5. Financial implications and Risks.**

- 5.1. The detail within the report highlights the significant variances for the year to date, including a full year impact to the HRA revenue and Capital budgets.
- 5.2. The income and expenditure will continue to be monitored in detail during the year, including additional reviews of the HRA 30 year business plan throughout the year.
- 5.3. The HRA is dependent mainly on the rental income stream of the social housing rents, and we have a dedicated team monitoring tenant arrears on a regular basis.

## **6. Right To Buy (RTB) Summary 2016-17**

- 6.1. Table 6 provides shows the number of the RTB sales made in Qtr. 1 against our anticipated budgeted sales.
- 6.2. Further analysis will be undertaken in Quarter 2 to review the projected sales anticipated for the full year.

**Table 6 – RTB Sales 2016-17**

	<b>Estimated Sales</b>	<b>Actual Sales</b>
<b>Qtr. 1</b>	5	10
<b>Qtr. 2</b>	5	0
<b>Qtr. 3</b>	5	0
<b>Qtr. 4</b>	5	0
<b>Total</b>	<b>20</b>	<b>10</b>

## **7. RECOMMENDATIONS**

- 7.1. To consider the 2016/17 Housing revenue budget monitoring position – Period 1 to 4 (April – July 2016) and the full forecast budgets for 2016/17.
- 7.2. To agree an increase to the existing HRA capital programme of £759k in order to increase volumes of improvement works.
- 7.3. To approve a virement of £347k from HRA reserves to revenue contribution to capital (Table 3).
- 7.4. To approve a virement of £455k from revenue repairs & maintenance budget to the HRA capital programme (Table 5).



## 8. BACKGROUND PAPERS

[G:\HRA\2016-2017\Budget Quarterly Monitoring 1617\201617 Period 4 HRA Budget Monitoring Report 240816 v4.docx](#)

[G:\HRA\2016-2017\GYN Capital and Revenue Monitoring 1617\Capital Expenditure 1617 P4.xls](#)

[G:\HRA\2016-2017\Budget Quarterly Monitoring 1617\Qtr 1 - P1-P4 \(Autosaved\).xlsx](#)

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

<b>Area for consideration</b>	<b>Comment</b>
Monitoring Officer Consultation:	Sent for information
Section 151 Officer Consultation:	Sent awaiting approval
Existing Council Policies:	N/A
Financial Implications:	Included within detail of the report
Legal Implications (including human rights):	N/A
Risk Implications:	Included within detail of the report
Equality Issues/EQIA assessment:	N/A
Crime & Disorder:	N/A
Every Child Matters:	N/A