

Subject: 2016/17 Period 6 Housing Revenue Account Budget Monitoring Report

Report to: Housing Neighbourhoods Committee, 8th December 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 revenue repairs & maintenance budget to the HRA capital programme, as detailed in Table 5, subject to approval from the GYBC Section 151 Officer.

To agree an increase to the HRA Revenue Supervision & Management budget.

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 2.

- 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 2 (April – Sept 2016)

- 2.1. For budget monitoring purposes the actual expenditure and income to the end of quarter 2 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. 2	Expenditure to Qtr. 2	Variance	Comments
	£000	£000	£000	
Dwelling Rents	(11,114)	(10,968)	146	
Other non-dwelling rents	(135)	(159)	(24)	Garage & Stores Rents Income.
Charges for services and facilities	(756)	(809)	(53)	Leasehold annual income above budget
Contribution Towards Expenditure	(68)	(66)	2	
Interest & investment income	(3)	(3)	0	Income from interest on HRA Cash Balances
Income Total	(12,076)	(12,005)	71	
Repairs & Maintenance	4,208	4,026	(182)	£43k surplus from Responsive Repairs 1516 Work in progress (to reviewed 1617 yearend) and other minor surpluses on individual planned maintenance work to date. Housing Adaptations minor and major works are underspend to date.
Supervision and Management	2,374	2,317	(57)	Payroll & Staff Associated Costs in quarter 2.
Rents Rates & Taxes	67	66	(1)	Council Tax, Utility charges on HRA Property
Depreciation Non-Dwelling	57	57	0	Annual Depreciation of garages and other HRA owned property
Capital expenditure funded by the HRA	1,696	1,696	0	Revenue contribution to Capital Expenditure
Depreciation	1,460	1,460	0	Annual Depreciation charge of Council Dwellings
HRA Interest Payable	1,451	1,451	0	Interest on HRA loans
Provision for bad and doubtful debts	75	75	0	Provision for non- recovery of debt
Expenditure Total	11,388	11,148	(240)	

Table 2. Capital Expenditure 2016-17

Capital Programme	Profiled Budget	Expenditure to Quarter 2	Variance	Comment
	£000	£000	£000	
Improvement Programme Kitchen & Bathroom	653	582	(71)	GYN have completed approx. 44 Void Kitchens & 12 Void Bathrooms in period 1-6. 37 Planned Kitchens and 1 Bathroom have been completed up to period 6. 2016/17 Windows & Doors final completions have begun in quarter 2.
Improvement Programme Windows & Doors	37	17	(20)	
Planned Maintenance	556	690	134	In 2016/17, 43 Electrical Rewires have been completed YTD. Housing Adaptations works are over the estimated budget. Prior to commencement of future phases for roofing works the project team are undertaking a review of the design specification.
Energy & Efficiency Improvements	416	403	(13)	36 new Vokera Heating boilers have been replaced to date. 23 further properties have had inefficient or partial heating systems replaced. Communal Boiler replacement works to commence later in the year, mobilisation works are continuing including surveys and underground works.
Specific Planned Projects	226	175	(51)	Stock condition surveys have rolled into 2016/17 financial year; the unspent budget has been carried forward from 15/16. 2925 surveys have been completed YTD. Works commenced on site 30th August for Whole House Refurbishments
Estate Improvements	277	210	(67)	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	327	376	49	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	1050	718	(332)	5 new properties have been purchased in 2016/17; these properties will be added to our portfolio of housing stock.
Total	3,542	3,171	(371)	

- 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 2, 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)	(1,296)	(34)
Contribution Towards Expenditure	(149)	(149)	0
Interest & investment income	(5)	(5)	0
Income Total	(23,871)	(23,905)	(34)
Repairs & Maintenance	11,434	10,869	(565)
Supervision and Management	4,682	4,792	110
Rents Rates & Taxes	147	147	0
Depreciation Non-Dwelling	119	119	0
Capital expenditure funded by the HRA	2,532	3,391	859
Depreciation	2,920	2,920	0
HRA Interest Payable	2,901	2,901	0
Provision for bad and doubtful debts	150	150	0
Expenditure Total	24,885	25,289	404
Contb. to Pension Reserves	130	130	0
Deficit/(Surplus) for the year	1,146	1,515	369
Bfwd HRA Reserves Balance 01/04/16 (Subject to Audit)	9,337	9,337	0

Deficit/(Surplus) for the year	1,146	1,515	369
Cfwd HRA Reserves Balance 31/03/17	8,191	7,822	369

- 3.3. Capital expenditure funded from the HRA, has increased by £859k, due to the increase in the capital forecast budget in quarter 2. 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 programme' s instead of being a stand-alone budget with revenue. £455k was transferred to Capital budgets in Quarter 1.
- 3.5. In addition to this, the housing adaptations service is showing an underspend year to date and for the full year forecast, within the revenue repairs and maintenance budget. It has been requested that £100k will be transferred in year to the housing capital programme, to finance the planned increase within the Capital programme.
- 3.6. The supervision and management budget has been increased by £110k due to revised budgets for National Insurance (NI) contributions for employees, additional non budgeted Maternity payroll budgets and an increased request for the continued development of the leasehold review within housing services.
- 3.7. The NI budget were originally estimated on the 2015/16 tax rates, but the bandings and thresholds have changed in the 2016/17 tax year and we were unaware when finalising the 2016/17 budgets. New Maternity budgets have been added halfway into the year. These could not be predicted at time the budget was set.
- 3.8. We are currently undertaking a review of the leaseholder service, and it has been requested that to continue this to the end of year, an increase to budget of £25k will be needed. This extra budget will be financed from the additional income we have received within the charges for services and facilities. We currently have a positive variance of £34k for the forecasted full year.

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

	Original 2016/17	Forecast 2016/17	Variance
	£000	£000	£000
Improvement Programme Kitchen & Bathroom	1,734	2,132	398
Improvement Programme Windows & Doors	185	185	0
Planned Maintenance	1,543	1,643	100
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
Total Expenditure	8,561	9,420	859
Borrowing	2,100	2,100	0
Capital Receipts	890	890	0
Major Repairs Reserve	3,039	3,039	0
Revenue	2,532	3,391	859
Total Financing	8,561	9,420	859

3.10. Qtr. 2 monitoring has highlighted one change to be made to the capital programme. £100k has been requested to be transferred to the planned maintenance section in the Capital Programme from the Revenue repairs and maintenance budget, due to an increase in Capital Housing Adaptation works in 2016/17. A summary of the full changes for Qtr.1 & Qtr.2 can be found in the table below:

3.11. **Table 5 – Changes to HRA Capital Programme Qtr. 1 & Qtr. 2.**

Qtr	Project	Forecast budget	Budget Change	Reason for change:	Financing from:
		£000	£000		
Qtr . 1	Kitchen & Bathroom program me	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	Revenue budget transferred to Capital. HRA Revenue reserves to cover extra bathroom

				incorporate further bathroom replacements in the current year.	works.
Qtr . 1	Vokera Heating programme	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.
Qtr . 1	Stock condition Survey	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.
Qtr . 1	Sewerage connection works	5	(75)	Works now due to commence in 17/18	Budget to be cfwd into 17/18
Qtr . 1	Communal Heating works	160	43	Due to extensive subterranean works and detailed designs of communal heating proposals are to be reviewed.	Underspent budget in 1516 on communal heating programme.
Qtr . 1	Air source Heat pumps	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.
Qtr . 1	Empty Properties	653	153	The revenue asbestos budget has been incorporated directly within the Capital replacement works.	Revenue budget transferred to Capital.
Qtr . 2	Housing Capital Adaptation works	150	100	Revenue housing adaptation works are below budget YTD, and it has been identified that more capital works are being completed in 2016/17.	Revenue Budget transferred to Capital
	Total	3,640	859		

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, supervision and management budgets & revenue funding for capital works. The forecast deficit for the year has changed slightly showing an overall deficit of £1.5m from an original £1.1m. The increase to the deficit will be financed from the HRA revenue reserves.
- 4.2. The capital budget has increased overall by £859k. This has increased the overall

capital programme for 2016/17 to £9.4m (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. 2 against our anticipated budgeted sales.
- 6.2. Further analysis will be undertaken in Quarter 3 to review the projected sales anticipated for the full year.

Table 6 – RTB Sales 2016-17

	Estimated Sales	Actual Sales
Qtr. 1	5	10
Qtr. 2	5	8
Qtr. 3	5	0
Qtr. 4	5	0
Total	20	18

7. RECOMMENDATIONS

- 7.1. To consider the 2016/17 Housing revenue budget monitoring position – Period 1 to 6

(April – September 2016) and the full forecast budgets for 2016/17.

- 7.2. To agree an increase to the existing HRA capital programme of £100k (£759k approved in Qtr. 1) to finance a planned increase in planned maintenance works. (Table 4).
- 7.3. To approve a virement of £100k (£455k approved in Qtr. 1) from revenue repairs & maintenance budget to the HRA capital programme (Table 5).
- 7.4. To agree an increase in to the revenue supervision & management budget of £110k to cover extra costs such as maternity pay, NI contributions and Leaseholder services.
- 7.5. To approve an additional virement of £22k (£347k was approved in Qtr. 1) from HRA reserves to finance the increase to the HRA year-end deficit of £369k. (Table 3).

8. BACKGROUND PAPERS

<G:\HRA\2016-2017\Budget Quarterly Monitoring 1617\Period 1-6\Qtr 2 - P1-P6.xlsx>

<G:\HRA\2016-2017\Budget Quarterly Monitoring 1617\Period 1-6\201617 Period 6 HRA Budget Monitoring Report V1.docx>

<G:\HRA\2016-2017\RTB and Quarterly Pooling Returns 1617\Qtr 2\6. R15 Great Yarmouth RTB Model v19 Qtr 2.xlsm>

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

Area for consideration	Comment
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