

Subject: 2019/20 Period 6 Housing Revenue Account Budget Monitoring Report

Report to: 17/10/19 ELT
24/10/19 Housing and Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER/RECOMMENDATIONS

To consider the 2019/20 Housing revenue and capital budget monitoring position as at the end of period 6.

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 2019/20 as well as showing the position of the HRA as at the end of period 6.
- 1.3. The regular review and monthly monitoring of the HRA budgets provides a sound basis for the preparation of estimates for 2019/20 and of the HRA Business Plan.

2. Budget Monitoring at Period 6 (April – September 2019)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 6 is compared to the profiled budgets for the same period. Key variations are identified and explained within Appendix 1, HRA Income and Expenditure 2019/20 and Appendix 2, HRA Capital programme expenditure.

3. Forecasts for 2019/20

- 3.1. Forecasts are based on actual figures to date, 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 1 shows the HRA Income and Expenditure forecast and table 2 shows the Capital Programme and planned resourcing of that programme.

Table 1 - HRA Income and Expenditure Forecast 2019/20

	Original Budget	Revised Forecasts	Variance
	£000	£000	£000
Dwelling Rents	(21,279)	(21,279)	0
Other non-dwelling rents	(263)	(263)	0
Charges for services and facilities	(1,394)	(1,394)	0
Interest & investment income	(5)	(5)	0
Income Total	(22,941)	(22,941)	0
Repairs & Maintenance	9,523	9,042	(481)
Supervision and Management	2,684	2,684	0
Supervision and Management (Direct Employee)	2,201	2,201	0
Rents Rates & Taxes	261	261	0
Depreciation	3,482	3,482	0
Capital expenditure funded by the HRA	5,586	5,586	0
HRA Interest Payable	2,751	2,751	0
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	392	392	0
Total Expenditure	27,030	26,549	(481)
Transfers (from)/to Earmarked Reserves	(104)	(104)	0
Leasehold Capital Contributions	(50)	(50)	0
Deficit/(Surplus) for the year	3,935	3,454	(481)
Bfwd HRA Reserves Balance (01 Apr)	11,399	11,399	0
Deficit/(Surplus) for the year	3,935	3,454	(481)
Cfwd HRA Reserves Balance (31 Mar)	7,464	7,945	481

- 3.2. In summary the £481k forecast budget variance for Repairs & Maintenance is due to the following:

- Demand led revenue repairs works such as responsive repairs, void repairs and cleaning and clearance have continued to reflect a reduction in demand, with a revised forecast underspend of £540k. Revenue heating repairs have also reflected a reduction in demand with a forecast

underspend of £270k. This is largely due to the increased capital investment programmes, implemented following the stock condition survey in 2017/18.

- As a result of increased capital works programmes such as the replacement of Kitchens and Bathrooms, some revenue programmes have reflected an increase in demand. Increased Asbestos testing requirements have resulted in a forecast overspend of £125k. An increase in activity has also reflected an increase in the completion of large revenue repairs, with a revised forecast overspend of £240k.
- A high level review of environmental contracts has also reflected the reallocation of budgets, along with a revised forecast underspend of £36k, to better deliver value for money.

Table 2 – Summary of Capital Expenditure and Resourcing Forecast 2019/20

Capital programme	Original Budget	Revised Forecast	Variance
	£000	£000	£000
Kitchens & Bathrooms	2,896	3,281	385
Windows & Doors	920	920	
Energy & Efficiency	1,015	1,148	133
Estate Improvements	80	0	(80)
Neighbourhood Plans	2,465	2,465	0
New Affordable Housing	2,139	2,139	0
Planned Maintenance	782	729	(53)
Specific Plan Projects	920	535	(385)
Empty Properties	1,501	1,501	0
Total Expenditure	12,718	12,718	0
Borrowing	2,139	2,139	0
Capital Receipts	1,471	1,471	0
Depreciation	3,471	3,471	0
Revenue funding Capital	5,587	5,587	0
Leasehold Capital Contributions	50	50	0
Total Financing	12,718	12,718	0

4. Right To Buy (RTB) Summary 2019/20

- 4.1. Table 3 provides the number of the RTB sales made in quarter 2 against our anticipated budgeted sales.
- 4.2. The current year has reflected a decline in Right to Buy completions in comparison to prior years. The Council has completed 12 sales year to date, in comparison to 23 completions in 2018/19 for the same period.

- 4.3. Further analysis will be undertaken in Quarter 3 to review the projected sales anticipated for the full year and review the impact on the capital programme of a reduction in capital receipts.

Table 3 – RTB Sales 2019/20

	Estimated Sales	Actual Sales
Qtr. 1	11	7
Qtr. 2	12	5
Qtr. 3	12	0
Qtr. 4	12	0
Total	47	12

5. Conclusion

- 5.1. The majority of the HRA revenue income & expenditure budgets are on track to meet 2019/20 budget provisions, with a £481k underspend overall forecast to be delivered reflecting the increase in capital investment in prior and current years.
- 5.2. The capital spend is forecast to meet the budget provision of £12.718 million. Some budget provisions have been reallocated to address the high demand and most in need programmes.
- 5.3. Year to date, Right to buy sales have reflected a decline in completions, with 12 sales completed so far.

6. Financial implications and Risks.

- 6.1. 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.
- 6.2. 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.
- 6.3. 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.

7. RECOMMENDATIONS

- 7.1. To consider the 2019/20 Housing revenue and capital budget monitoring position – Period 1 to 6 (April – September 2019) and the full forecast budgets for 2019/20.

8. BACKGROUND PAPERS

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

Appendix 1 - HRA Income and Expenditure 2019/20

	Profiled Budget to Period 6 £000	Expenditu re to Period 6 £000	Variance £000	Comments
Dwelling Rents	(11,123)	(11,065)	58	Rent received from HRA Dwellings is currently lower than expected. Income recovery rates are being closely monitored to ensure that historic levels of performance are maintained.
Other non-dwelling rents - Garage & Stores Rents Income	(131)	(128)	3	No significant variances
Charges for services and facilities	(685)	(709)	(24)	Increase recovery of tenant recharges.
Income Total	(11,939)	(11,902)	37	
Repairs and Maintenance	4,634	4,711	77	There are some variances to date including GYN Capital programmes identifying increased asbestos works, resulting in an £108k overspend. Overspend year to date will be mitigated by the reduction in heating repairs and maintenance underspends. Programmes will be closely monitored and reviewed in accordance to the stock demand.
Supervision and Management (Staff Pay)	1,101	1,013	(88)	Underspend year to date is largely due to staff vacancies and turnover within multiple housing teams. Services are working towards recruiting into these posts going forward.
Supervision and Management	321	283	(38)	Reduction in day to day costs partly due to reduced staff numbers.
Capital expenditure funded by the HRA	2,235	2,259	24	Increased capital workflows have increased the capital financing requirement in quarter two. Capital budgets are being closely monitored to ensure that the requirement is within the budget provision.
Depreciation	1,736	1,736	0	No significant variances.
HRA Interest Payable	1,400	1,398	(2)	No significant variances.
Expenditure Total	11,427	11,400	(27)	

Appendix 2 - Capital Expenditure 2019/20

Capital Programme	Profiled Budget to Period 6 £000	Expenditure to Period 6 £000	Variance £000	Comment
Improvement Programme Kitchen and Bathroom	1,580	1,688	108	Kitchens and bathrooms workflows have remained higher than in previous years and are currently on track to reach the 2019/20 budgeted demand, along with completing the remaining kitchens and bathrooms from the 2018/19 schedule. Spend will be carefully monitored to ensure that the forecast unit numbers are delivered and best value for money is achieved.
Improvement Programme Windows and Doors	384	372	(12)	No significant variances.
Planned Maintenance	357	326	(31)	Capital major repairs works are currently £30k underspent. This budget is demand lead and following the increase of capital improvement programmes, larger one-off works have reflected a reduction across the stock. A further review of this budget will be completed in quarter three.
Energy and Efficiency Improvements	500	581	81	Heating works are currently ahead of schedule, although spend is largely dependent on access. Workflows have been extended to also include the completion of works delayed within 2018/19. Increased capital investment into boiler & heating replacements have reflected a reduction in revenue spend for servicing & repairs required in 2019/20.
Specific Planned Projects	210	126	(84)	Long term voids are currently underspent year to date. This is largely due to resources being invested into RTB acquisition improvements. Works continue to be reviewed and competitively tendered. Spend is expected to

Capital Programme	Profiled Budget to Period 6 £000	Expenditure to Period 6 £000	Variance £000	Comment
				increase in quarter 3 and will be monitored closely.
Empty Properties	567	563	(4)	No significant variances.
Neighbourhood Plans	929	931	2	No significant variances.
New Affordable Housing	879	930	51	Six properties have been purchased off the open market year to date. A further two properties have been purchased for temporary accommodation purposes, part funded with 1-4-1 receipts. Currently the programme is ahead of schedule.
Total	5,406	5,517	111	