

Subject: 2019/20 Period 3 Housing Revenue Account Budget Monitoring Report

Report to: 19/08/19 ELT
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 3.

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 3.
- 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 3 (April – June 2019)

- 2.1. For budget monitoring purposes, the actual expenditure and income to the end of period 3 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.
- 2.2. The Housing Revenue Account currently has a revised 2019/20 forecast deficit of £3.935m, from an originally budgeted forecast deficit of £2.218m, resulting

in an adverse movement of £1.717m to be funded by reserves.

- 2.3. The increased forecast deficit is due to 2018/19 carried forward capital variances following procurement programming delays, sourcing of materials, tenant refusals and an increase in capital receipts to finance the capital programme. As a result, £1.717m was carried forward into 2019/20.
- 2.4. The capital programme is currently on track to meet the profiled budget provisions including the completion of remaining 2018/19 workstreams. Programmes are forecast to continue at a higher rate of productivity to complete the works highlighted by the stock condition survey.

3. Forecasts for 2019/20

- 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 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 Budget	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	9,523	0
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	3,869	5,586	1,717
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	25,313	27,030	1,717
Transfers (from)/to Earmarked Reserves	(104)	(104)	0
Leasehold Capital Contributions	(50)	(50)	0

	Original Budget	Revised Budget	Variance
	£000	£000	£000
Deficit/(Surplus) for the year	2,218	3,935	1,717
Bfwd HRA Reserves Balance (01 Apr)	11,399	11,399	0
Deficit/(Surplus) for the year	2,218	3,935	1,717
Cfwd HRA Reserves Balance (31 Mar)	9,181	7,464	(1,717)

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

Capital programme	Original Budget	Revised budget	Variance
	£000	£000	£000
Kitchens & Bathrooms	2,700	2,896	196
Windows & Doors	650	920	270
Energy & Efficiency	950	1,015	65
Estate Improvements	0	80	80
Neighbourhood Plans	2,106	2,465	358
New Affordable Housing	2,139	2,139	0
Planned Maintenance	535	782	247
Specific Plan Projects	920	920	15
Empty Properties	1,000	1,501	501
Total Expenditure	11,000	12,718	1,717
Borrowing	2,139	2,139	0
Capital Receipts	1,471	1,471	0
Depreciation	3,471	3,471	0
Revenue funding Capital	3,869	5,587	1,717
Leasehold Capital Contributions	50	50	0
Total Financing	11,000	12,718	1,717

- 3.2. The changes incorporated within the revised budget are carried forward underspent budgets from 2018/19 in line with the final 2018/19 outturn.

4. Conclusion

- 4.1. The majority of the HRA revenue income & expenditure budgets are on track to meet 2019/20 budget provisions.
- 4.2. The capital budget has increased overall by £1.717m. This has increased the overall capital programme for 2019/20 from £11.000m to £12.718m.

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 2019/20

- 6.1. Table 3 provides the number of the RTB sales made in quarter 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 3 – RTB Sales 2019/20

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

7. RECOMMENDATIONS

- 7.1. To consider the 2019/20 Housing revenue and capital budget monitoring position – Period 1 to 3 (April – June 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 3 £000	Expenditure to Period 3 £000	Variance £000	Comments
Dwelling Rents	(5,562)	(5,534)	28	Rent received from HRA Dwellings. Budget variance impacted by increased RTB sales in 2018/19.
Other non-dwelling rents	(66)	(65)	1	Garage & Stores Rents Income – no significant variances
Charges for services and facilities	(400)	(431)	(31)	Increase recovery of tenant recharges.
Income Total	(6,028)	(6,030)	(2)	
Repairs and Maintenance	2,306	2,326	20	No significant variances.
Supervision and Management (Staff Pay)	550	508	(42)	Staff vacancies year to date within multiple housing teams. Services are working towards recruiting into these posts going forward.
Supervision and Management	156	147	(9)	No significant variances.
Capital expenditure funded by the HRA	1,484	1,539	55	Increased capital workflows have increased the financing requirement in quarter one. Capital budgets are being closely monitored to ensure that the requirement is within the budget provision.
Depreciation	853	856	3	No significant variances.
HRA Interest Payable	500	498	(2)	No significant variances.
Expenditure Total	5,849	5,874	25	

Appendix 2 - Capital Expenditure 2019/20

Capital Programme	Profiled Budget to Period 3 £000	Expenditure to Period 3 £000	Variance £000	Comment
Improvement Programme Kitchen and Bathroom	1,100	1,141	41	Kitchens and bathrooms workflows have considerably increased 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. Overall 159 Kitchens have been delivered year to date along with 69 Bathrooms.
Improvement Programme Windows and Doors	197	191	(6)	No significant variances.
Planned Maintenance	116	89	(27)	Major repairs and maintenance works are currently £15k 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.
Energy and Efficiency Improvements	380	405	25	Heating works are currently on schedule to reach the budgeted demand for 2019/20. Workflows have been extended to also include the completion of works delayed within 2018/19.
Specific Planned Projects	5	16	11	No significant variances.
Empty Properties	346	348	2	No significant variances.
Neighbourhood Plans	644	641	(3)	No significant variances.
New Affordable Housing	535	566	31	Four properties have been purchased off the open market year to date as part of the planned scheme using retained receipts. Currently the programme is ahead of schedule.
Total	3,323	3,397	74	