

Subject: 2017/18 Period 10 Housing Revenue Account Budget Monitoring Report

Report to: 21/03/18 ELT
Policy & Resources Committee
Housing Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER/RECOMMENDATIONS

To consider the 2017/18 Housing revenue budget monitoring position as at the end of period 10.

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 2017/18 as well as showing the position of the HRA as at the end of Quarter 3 (to Period 10).
- 1.3. The Quarterly review and monthly monitoring of the HRA budgets provides a sound basis for the preparation of estimates for 2018/19 and of the 30 year Business Plan.

2. Budget Monitoring at Quarter 3 (April – January 2018)

- 2.1. For budget monitoring purposes the actual expenditure and income to the end of quarter 3 (period 10) 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 £000) and Table 2 the capital programme (where budgets and actual expenditure are shown in £000).

Table 1 - HRA Income and Expenditure 2017 – 18

| | Profiled Budget to Qtr.3 £000 | Expenditure to Qtr.3 £000 | Variance £000 | Comments |
|--|--|--|--------------------------|--|
| Dwelling Rents | (18,115) | (18,047) | 68 | Small variance in rent income received partly due to the two rent free weeks in December and increased RTB sales. |
| Other non-dwelling rents - Garage & stores rentals | (199) | (202) | (3) | Expected additional income as a result of 2 day income carried forward from 16/17 into new year. |
| Charges for services and facilities | (1,091) | (1,134) | (43) | As above. |
| Contribution Towards Expenditure | (68) | (63) | 5 | 6 months supporting people income grant received from NCC. This funding has now been withdrawn and will not be received in 18/19. |
| Interest & investment income | (4) | 0 | 4 | |
| Income Total | (19,477) | (19,446) | (31) | |
| | | | | |
| Repairs & Maintenance | 7,900 | 7,561 | (339) | Major and minor adaptations are currently underspent by £215k. This is due to capital works being competed on property extensions. GYN Asbestos works are overspent £85k. GYN Management fee is underspent £55k due to a transfer of 3 rd part works to GYN directly. Car Park works are also underspent by £25k year to date. Programme works are expected to be completed on car parks within Qtr 4. Neighbourhood planned works have a higher than forecast spend of £49k due to the delayed completion of works relating to the 16/17 programme, which have had a current year budgeted impact. |
| Supervision and Management | 4,028 | 3,972 | (56) | £60k overspend relating to the maintenance of the Apex Computer system. Savings from staff vacancies. Vacancies are expected to continue until the end of 17/18. |
| Rents Rates & Taxes - e.g. Council tax, utility charges | 160 | 168 | 8 | Overspend due to increased insurance premiums. |
| Dwelling Depreciation | 2,668 | 2,668 | 0 | |
| Non-Dwelling Depreciation | 103 | 103 | 0 | |

| | | | | |
|---|---------------|---------------|--------------|--|
| HRA revenue contribution to capital expenditure | 2,694 | 2,285 | (409) | Delays and reductions in 17/18 capital programmes have resulted in a reduced revenue contribution needed to fund the capital programme. An increase in RTB sales have also provided an increase in receipts available the finance capital spend. |
| HRA Interest Payable on Loans | 2,133 | 2,107 | (26) | Saving in year due to interest payments being less than budgeted due to lower rates. |
| Provision for bad and doubtful debts | 3 | 3 | 0 | |
| Expenditure Total | 19,689 | 18,867 | (822) | |

Table 2. Capital Expenditure 2017-18

| Capital Programme | Profiled Budget Qtr 3 £000 | Expenditure to Qtr 3 £000 | Variance £000 | Comment |
|---|----------------------------------|---------------------------------|------------------|--|
| Improvement Programme Kitchen & Bathroom | 1,998 | 1,826 | (172) | Void kitchen and bathroom works have been higher than anticipated resulting in a £44k overspend. This is largely due to GYN undertaking works that had been previously refused by tenants. Planned works are currently £216k underspent. Kitchen works are currently forecast to increase in Qtr 4 following the results of the stock condition survey. GYN have completed 117 kitchens and 47 bathrooms year to date. Due to a delay in the 17/18 works, it is forecast to c/fwd budget into 18/19 in order to excel the Kitchen and Bathroom programmes. |
| Improvement Programme Windows & Doors | 83 | 25 | (58) | Reduced activity within the windows and doors programme has led to an underspend. 68 Jobs have been completed at 54 properties YTD in 17/18 with an outstanding 5 jobs to be completed. |
| Planned Maintenance | 548 | 389 | (159) | Rewiring works have been limited year to date due to access restrictions with a current underspend of £150k. Two Adaptation extensions have been completed at both 30 marsh & 4 Suffolk Road. Further extension works have been delayed and are expected to be completed in 18/19. |
| Energy & Efficiency Improvements | 847 | 748 | (99) | Charter Close communal heating upgrades have been now been completed in 17/18. GYN have completed 20 Inefficient and partial heating systems upgrades YTD. Scheduled works are difficult to estimate and have been delayed due to an increased number of installation refusals causing an underspend year to date of £95k. GYN have completed 76 Vokera Boilers, with a remaining 4 to complete within 17/18. GYN have also completed 10 Air source heating pump installations YTD with a further 1 to complete in 17/18. |
| Specific Planned Projects | 115 | 107 | (8) | GYN management fee is underspent due to the transfer of 3rd party works such as Dodds, resulting in an YTD £13k underspend. One Whole House refurbishment has been competed at 19 Shakespeare Road and remaining works completed at 8 Croft Hill. |
| Estate Improvements | 0 | (36) | (36) | No Spend YTD for Sewerage Scheme works. This budget |

| | | | | |
|------------------------|--------------|--------------|--------------|--|
| | | | | is to be c/fwd for works within 18/19. |
| Empty Properties | 871 | 868 | (3) | Long term voids have been delayed in 17/18. This budget is to be c/fwd into 18/19. Major voids are £80k overspent YTD. GYN have seen both an increase in number of properties made void as well as an increased level of property dilapidation resulting in increased works. |
| New Affordable Housing | 2,466 | 2,476 | 10 | £10k overspend due to committed cost carried forward into 17/18. 5 properties have been purchase YTD. Further Beacon Park construction fees have been committed within 17/18 but this will need to be partly c/fwd into 18/19. |
| Neighbourhood Plans | 1,717 | 1,708 | (9) | NHP spend was higher than forecast in the first two quarters due to delayed completion of works relating to the 16/17 programme. No further large Neighbourhood planned works are scheduled to begin in 17/18. Part of this budget will be requested to be C/fwd for further works in 18/19. |
| Total | 8,645 | 8,111 | (534) | |

2. Quarter 3 monitoring indicates that the majority of budgets will be fully spent; however some projects have been impacted due to the outcome of the stock condition survey results. In light of the latest monitoring analysis at quarter 3, the forecasts for 2017-18 have been updated as set out in the following section, along with highlighting budgets to be carried forward into 18/19.

3. Forecasts for 2017-18

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 2017/18**

| | Current Budget 2017-18 £000 | Forecast Budget 2017- 18 £000 | Variance £000 |
|---|--|--|--------------------------|
| Dwelling Rents | (21,738) | (21,738) | 0 |
| Other non-dwelling rents | (239) | (239) | 0 |
| Charges for services and facilities | (1,318) | (1,318) | 0 |
| Contribution Towards Expenditure | (68) | (68) | 0 |
| Interest & investment income | (5) | (5) | 0 |
| Income Total | (23,368) | (23,368) | 0 |
| | | | |
| Repairs & Maintenance | 9,512 | 9,416 | (96) |
| Supervision and Management | 4,878 | 4,878 | 0 |
| Rents Rates & Taxes | 205 | 205 | 0 |
| Depreciation Non-Dwelling | 135 | 135 | 0 |
| Capital expenditure funded by the HRA | 3,234 | 2,484 | (750) |
| Depreciation | 3,202 | 3,202 | 0 |
| HRA Interest Payable | 2,567 | 2,567 | 0 |
| Provision for bad and doubtful debts | 150 | 150 | 0 |
| Total Expenditure | 23,883 | 23,037 | (846) |
| | | | |
| Transfers (from)/to Earmarked Reserves | (39) | (39) | 0 |
| Contribution to Pension Reserves | (100) | (100) | 0 |
| | | | |
| Deficit/(Surplus) for the year | 376 | (470) | (846) |
| | | | |
| Bfwd HRA Reserves Balance 01/04/17 | 8,058 | 8,058 | 0 |
| Deficit/(Surplus) for the year | 376 | (470) | (846) |
| Cfwd HRA Reserves Balance 31/03/18 | 7,682 | 8,528 | 846 |

3.3. The £846k decrease in the total expenditure is due to the following:

- Revisions to the Major adaptation budget reducing the 17/18 Forecast by £70k
- Revisions to the Minor adaptations budget reducing the 17/18 forecast by £26k
- Carried forward underspends from the 17/18 capital programmes will result in a reduction of revenue needed to fund capital programmes of £750k.

3.4. **Table 4 – Summary of Capital Expenditure and Resourcing Forecast 17/18.**

| | Current 2017/18 £000 | Forecast 2017/18 £000 | Variance £000 |
|---|-------------------------------------|--------------------------------------|--------------------------|
| Improvement Programme Kitchen & Bathroom | 2,514 | 2,304 | (210) |
| Improvement Programme Windows & Doors | 100 | 100 | 0 |
| Planned Maintenance | 741 | 561 | (180) |
| Energy Efficiency Improvements | 1,008 | 1,008 | 0 |
| Specific Capital Projects | 140 | 140 | 0 |
| Empty Properties | 1,150 | 1,050 | (100) |
| Estate Improvements | 80 | 0 | (80) |
| Neighbourhood Plans | 2,100 | 1,920 | (180) |
| New Affordable Housing | 2,666 | 2,666 | 0 |
| Total Expenditure | 10,499 | 9,749 | (750) |
| | | | |
| Borrowing | 2,666 | 2,666 | 0 |
| Capital Receipts | 1,262 | 1,262 | 0 |
| Major Repairs Reserve | 3,234 | 3,234 | 0 |
| Revenue | 3,337 | 2,773 | (750) |
| Total Financing | 10,499 | 9,935 | (750) |

3.5. The changes incorporate in the forecasts are underspends that will be requested carried forward budgets into 18/19. A summary of the changes can be found in the table below.

3.6. **Table 5 – Forecasted Requests to Carry forward unspent budgets into 2018-19**

| Project | Current budget 2018/19 £000 | C/Fwd Budget Amendment £000 | Reason for change: | Financing from: |
|---|------------------------------------|------------------------------------|---|------------------------|
| Improvement Programme Kitchen & Bathroom | 2,850 | 210 | Cfwd Planned Kitchen & Bathroom underspend budget from 17/18 | HRA Revenue reserves |
| Planned Maintenance | 705 | 180 | Cfwd Planned Rewires underspend budget from 17/18 | HRA Revenue reserves |
| Empty Properties | 700 | 100 | Cfwd Long term void underspend budget from 17/18. | HRA Revenue reserves |
| Estate Improvements | 0 | 80 | Cfwd Sewerage scheme underspend from 17/18 | HRA Revenue reserves |
| Neighbourhood Plans | 1,940 | 180 | Cfwd Stair Enclosures & Neighborhood Plan budgets underspend from 17/18 | HRA Revenue reserves |
| Total | | 750 | | |

4. Conclusion

- 4.1. The majority of the HRA revenue income & expenditure budgets are on track with the some revenue and capital programmes looking in increase in the final quarter.
- 4.2. The budget variances identified are partly due to the reprofiling of capital programmes pending the stock condition survey analysis. Although these variance have been highlighted within 17/18, spend will be required within 18/19 to meet the current and arising need of the HRA housing stock as identified with the stock condition survey.

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 2017/18

- 6.1. Table 6 provides shows the number of the RTB sales made in Quarter.3 (P10) against our anticipated budgeted sales.
- 6.2. Further analysis will be undertaken in Quarter 4 to review the projected sales anticipated for the full year.

Table 6 – RTB Sales 2017-18

| | Budgets Sales | Actual Sales |
|---------------|----------------------|---------------------|
| Qtr. 1 | 8 | 13 |
| Qtr. 2 | 8 | 12 |
| Qtr. 3 | 7 | 9 |
| Qtr. 4 | 7 | 0 |
| Total | 30 | 34 |

- 6.3. Quarter 4 has already achieved 10 actual sales and expects to complete a further 3 in the remainder of 17/18.

7. RECOMMENDATIONS

- 7.1. To consider the 2017/18 Housing revenue budget monitoring position – Period 1 to 10 (April – January 2018) and the full forecast budgets for 2017/18.
- 7.2. To consider the 17/18 Housing revenue forecast budget amendment requests to carry forward 17/18 budget in 18/19
- 7.3.

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 |

