

Taunton Deane Borough Council

Tenant Services Management Board – 20th August 2015

Housing Revenue Account Financial Monitoring – Quarter 1 2015/16

Report of the Senior Accountant - Services

(This matter is the responsibility of Executive Councillor Terry Beale)

1 Executive Summary

This report provides an update on the projected outturn financial position of the Housing Revenue Account (HRA) to the end of Quarter 1 of 2015/16 (as at 30 June 2015).

Housing Revenue Account Revenue

The HRA is budgeted to 'break even' (net of and approved transfers to/from reserves). The forecasted revenue position for 2015/16 at Quarter 1 is a surplus of £12k.

Housing Revenue Account Capital

The approved Capital Programme is £23,459k. This relates to schemes covering 2015/16, 2016/17 and 2017/18. A total of £17,979k is expected to be spent in 2015/16 with the remainder for planned investment to implement approved schemes in future years.

2 Introduction

2.1 This report provides an indication of the potential variances that could be reported at the end of the financial year 2015/16.

3 Forecast Outturn Summary – Housing Revenue Account

3.1 The current forecast outturn for the Council's Housing Revenue Account (HRA) is a surplus of £12k (0.05% of budget). A summary of the HRA revenue budget and forecast for the year is included in **Appendix A**.

3.2 The major underspends and overspends forecasted for year are summarised as follows:

3.3 **Rental Income:** Weekly rental income is currently due to over-recover by £138k based on rents in Q1. Rent loss due to void properties is currently approximately 0.7%, less than the 1.9% budgeted. However this is subject to change throughout the year as void levels vary and ongoing Right to Buy sales impact on the rental income received.

3.4 **Other Income:** Service charges are due to over recover by £17k in line with rental

income. There is also a higher than budgeted contribution for Supporting People of £19k due to agreements made after budget setting.

- 3.5 **Housing Management:** Ongoing use of agency staff is expected to create a pressure of £103k in this area.
- 3.6 **Specialist Works:** Spend on specialist works, largely asbestos testing, is currently expected to exceed budget by £38k.
- 3.7 **Communal Areas:** Spend on communal areas for dwellings is forecasted to be over budget by £23k at outturn. This is to be monitored throughout the year.
- 3.8 **Provision for Bad Debt:** Provision has been made in the Business Plan for an increased level of unrecoverable debt due to Welfare Reform. Universal Credit has not yet been fully rolled out across the borough, and with only a small number of tenants currently affected it is unlikely that this funding will be needed within this financial year. It is, however, recognised that Welfare Reform is likely to affect the position of the HRA over a longer period than has been allowed for in the Business Plan (with increased provision due to return to 'base' levels in Q4 of 2016/17). In light of this further work will be undertaken to review the current expected levels of bad debt for this year, with a request that the remainder of the funding to be put in an Earmarked Reserve. This would be used in future years to prevent large movements in bad debt affecting the bottom line of the HRA.

4 Forecast Outturn Summary – Housing Revenue Account Capital Programme

- 4.1 The approved HRA capital programme is £23,459k, of which £12,927k relates to works on existing dwellings and £10,532k for the provision of new housing through development.
- 4.2 £9,202k of the capital budget in the HRA relates to major works on existing dwellings and includes works such as kitchens, bathrooms, heating systems, roofs, doors and windows. Contracts are now in place for kitchens and bathrooms replacement, air source heat pump installations and door entry systems. Contracts for the replacement of heating systems and fascia and soffits are due to start within the next quarter. Due to delays in the start of these contracts, £2,355k of the budget will be re-profiled into future years to cover the work to be completed by the contractors. The profiling of capital spend will be looked at in more detail as part of the Business Plan Review later in the year.
- 4.3 Actual spend at Q1 is £459k. This is lower than would be expected at this point largely due to invoicing in arrears and some contracts starting mid-year so there being no costs for these yet.
- 4.4 £2,216k relates to other works such as disabled facilities adaptations, asbestos removal, external wall insulations and extensions. This is expected to be largely on track, although some expenditure relating to environmental improvements (used, for

example, for scooter stores and additional car parking spaces), and extensions may slip into 2016/17. This is due to the large lead in times required for new schemes.

- 4.5 £1,509k relates to the new budget for adding solar PV systems to dwellings. This is currently underway and is expected to complete in Q2.
- 4.6 The remaining budget of £10,532k is for the provision of new housing through the Creechbarrow Road, Phase 1 sites and Weavers Arms new builds and the buyback of dwellings previously sold through Right to Buy. These are currently expected to complete within budget, with Phase 1 sites in the final stages and Creechbarrow Road set to complete later in the year. Weavers Arms, Oaken Ground is still in the early stages of development and will not complete during 2015/16. As such £2,671k of the Weavers Arms budget is not expected to be used in 2015/16 and is to be re-profiled into later years.
- 4.7 A summary of the HRA Capital Programme budget and forecast for the year is included in **Appendix B**.
- 5.0 **Recommendations**
- 5.1 Tenant Services Management Board are asked to note the HRA's financial performance as at the end of Quarter 1.

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Housing Revenue Account – Revenue

Appendix A

	Target Budget (£)	Actuals to Date (£)	% Spend	Forecast (£)	Variance (£)
Income					
Dwelling Rents	(24,932,700)	(6,477,125)	26%	(25,070,780)	(138,080)
Non Dwelling Rents (Garages, Shops and Land)	(599,100)	(178,043)	30%	(601,200)	(2,100)
Other Income (Service Charges, Rechargeable Repairs, Leaseholder Charges and TDBC Contribution)	(1,399,600)	(231,728)	16%	(1,436,200)	(36,600)
Total Income	(26,931,400)	(6,886,896)	26%	(27,108,180)	(176,780)
Expenditure					
Housing Management	5,716,400	842,403	14%	5,819,759	103,359
Repairs & Maintenance - Planned	1,750,400	(92,659)	-5%	1,788,400	38,000
Repairs & Maintenance - Responsive	3,190,500	199,573	6%	3,190,500	0
Repairs & Maintenance - Voids	1,610,600	108,731	7%	1,610,600	0
Other Expenditure	1,405,400	200,311	14%	1,428,400	23,000
Total Expenditure	13,673,300	1,258,359	9%	13,837,659	164,359
Central Costs/Movement in Reserves					
Social Housing Development Fund	1,000,000	725	0%	1,000,000	0
Funding of Capital Programme (Depreciation and Revenue Contribution to Capital Outlay)	7,618,400	0	0%	7,618,400	0
Contribution to TDBC for Repayment of Transformation Project Loan (Funded through Procurement Savings)	323,000	0	0%	323,000	0
Net Interest (Interest payable on loans less interest received on HRA balance)	2,909,100	0	0%	2,909,100	0
Contribution to Repayment of Borrowing	892,800	0	0%	892,800	0
Change in Provision for Bad Debt	514,800	5,158	1%	514,800	0
Other Movement in Reserves	0	0		0	0
Total Central Costs/MIRs	13,258,100	5,883	0%	13,258,100	0
Total Housing Revenue Account	0	(5,622,654)		(12,421)	(12,421)

Housing Revenue Account – Capital

Appendix B

	Approved Budget (£)	Actuals to Date (£)	% Spend	Forecast (£)	Variance /Slippage(£)
Major Works					
HRA Kitchens	1,356,300	793	0%	550,000	(806,300)
HRA Bathrooms	1,932,800	80,149	6%	1,350,000	(582,800)
HRA Roofing	50,000	(1,963)	-4%	50,000	0
HRA Windows	146,000	14,035	4%	350,000	204,000
HRA Heating Improvements	2,894,000	29,112	2%	1,625,000	(1,269,000)
HRA Doors	630,500	165,369	28%	600,000	(30,500)
HRA Fire Safety Works in Communal Areas	334,200	75,193	22%	334,200	0
HRA Fascias and Soffits	868,700	(5,798)	-1%	868,700	0
HRA Air Source Heat Pumps	709,500	96,585	14%	709,500	0
HRA Door Entry Systems	270,000	650	0%	400,000	130,000
Other External Insulations	10,000	4,575	46%	10,000	0
Total Major Works	9,202,000	458,701	7%	6,847,400	(2,354,600)
Other					
HRA Aids and Adaptations	120,000	4,916	4%	120,000	0
HRA DFGs	315,000	(11,413)	-4%	315,000	0
Garages	30,000	0	0%	30,000	0
Sewerage Treatment Plants	20,000	0	0%	20,000	0
HRA Meeting Halls	30,000	975	3%	30,000	0
HRA Unadopted Areas	45,000	(2,223)	-5%	45,000	0
HRA Asbestos Works	260,000	4,674	2%	260,000	0
HRA Tenants Improvements	5,000	0	0%	5,000	0
Sustainable Energy Fund	546,400	0	0%	546,400	0
Environmental Improvements	312,000	7,357	5%	150,000	(162,000)
Extensions	160,000	0	0%	130,000	(30,000)
HRA Community Alarms	65,800	3,278	5%	65,800	0
HRA IT Development	306,900	0	0%	306,900	0
HRA PV Systems	1,509,100	720,271	48%	1,509,100	0
Total Other	3,725,200	734,331	21%	3,533,200	(192,000)
Development					
HRA Creechbarrow Road	4,862,000	412,017	9%	4,600,000	(262,000)
HRA Phase 1: Vale View, West Bag	253,400	(16,340)	-6%	253,400	0
HRA Phase 1: Bacon Drive	550,400	(10,157)	-2%	550,400	0
HRA Phase 1: Normandy Drive	366,100	(19,589)	-5%	366,100	0
HRA Buybacks	161,100	243	0%	161,100	0
HRA Weavers Arms	3,338,500	50,531	8%	667,700	(2,670,800)
HRA Social Housing Development Programme	1,000,000	0	0%	1,000,000	0
Total Development	10,531,500	416,705	5%	7,598,700	(2,932,800)
Total HRA Capital	23,458,700	1,609,736	9%	17,979,300	(5,479,400)