

# Taunton Deane Borough Council

## Tenant Services Management Board – 25 July 2016

### Financial Monitoring – Outturn 2015/16

This matter is the responsibility of Executive Councillor Terry Beale

Report Author: Lucy Clothier Senior Accountant

#### 1 Executive Summary

- 1.1 This report contains information related to the Council's financial performance for 2015/16 financial year. Monitoring the budget is an important part of the Council's performance management framework.
- 1.2 The Housing Revenue Account (HRA) is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to 'break even' (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2015/16 is a net underspend of £0.476m (1.8% of gross income).
- 1.3 The HRA approved Capital Programme at the end of 2015/16 was £23.759m. This relates to schemes which will be completed over the next five years. The actual expenditure on the Capital Programme during 2015/16 was £11.391m, as summarised in Table 4 below, with £10.214m for planned investment to implement approved schemes in future years. A net underspend of £2.154m (9%) is reported against the overall programme.
- 1.4 The Housing Revenue Account (HRA) Reserve balance as at 31 March 2016 stands at £2.675m, which is above the minimum level (£1.800m) set within the Council's Budget Strategy and HRA Business Plan.

#### 2 Recommendations

- 2.1 The Board reviews the Council's financial performance and end of year position for the Housing Revenue Account.
- 2.2 The board is recommended to:
  - (a) note the reported HRA Revenue Budget underspend of £0.476m in 2015/16
  - (b) support a Housing Revenue Account Capital Programme Budget Carry Forward totalling £10.214m (as set out in Appendix B).
  - (c) support £0.333m Supplementary Budget allocations in 2016/17 for the HRA, utilising 2015/16 underspends, for the following areas:

- i. £0.033m to fund an extension to the employment of the Welfare Reform Officer to March 2018.
- ii. £0.038m to fund an extension to the additional Debt and Benefit Advisor to March 2018.
- iii. £0.198m to increase the Estate Officer capacity by one in each area until March 2018.
- iv. £0.021m to fund an extension to the Mental Health support until March 2017.
- v. £0.025m to provide funding to Pilot a dedicated part-time resource to roll-out, drive and oversee the 'Chill and Chat' peer support group to vulnerable women across all three One Team areas.
- vi. £0.018m to increase funding available to Community Development Officers in each of the One Team Areas for 2016/17.

### 3 Background and Full details of the Report

- 3.1 This report informs the Tenants Services Management Board the Council's financial outturn (a comparison of net spending against the budget for the year) for revenue and capital budgets in 2015/16 for the Housing Revenue Account (HRA).

### 4 2015/16 Financial Performance

- 4.1 The HRA is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to break-even (net of approved transfers to/from HRA Reserves). The HRA Revenue Outturn for 2015/16 is a net surplus of £0.476m (1.8% of gross income).

**Table 1: HRA Outturn Summary**

|                                      | Budget<br>£'000 | Outturn<br>£'000 | Variance     |           |
|--------------------------------------|-----------------|------------------|--------------|-----------|
|                                      |                 |                  | £'000        | %         |
| Gross Income                         | (26,931)        | (27,056)         | (125)        | 0%        |
| Service Expenditure                  | 11,284          | 11,388           | 104          | 1%        |
| Other Operating Costs and Income     | 2,909           | 2,629            | (280)        | (10%)     |
| Earmarked Reserve Transfers          | 2,673           | (2,673)          | 0            | 0%        |
| Capital Financing and Debt Repayment | 8,457           | 8,457            | 0            | 0%        |
| Technical Accounting Adjustments     | 323             | 148              | (175)        | (54%)     |
| Unearmarked Reserve Transfers        | 1,285           | 1,285            | 0            | 0%        |
| <b>Net Variance</b>                  | <b>0</b>        | <b>(476)</b>     | <b>(476)</b> | <b>2%</b> |

- 4.2 The HRA Revenue Outturn for 2015/16 is provided in more detail in **Appendix A** to this report.
- 4.3 The Forecast Outturn as at Quarter 3 (December 2015) was an under-recovery of £0.072m. The main differences between the reported variances at Quarter 3 and the

year-end Outturn are summarised in Table 13 below.

**Table 2: Main Differences between Q3 and Outturn Variances**

|                                    | <b>Q3<br/>£000</b> | <b>Change<br/>£000</b> | <b>Q4<br/>£000</b> |
|------------------------------------|--------------------|------------------------|--------------------|
| Dwelling Rents and Service Charges | (55)               | (53)                   | (108)              |
| Housing Management                 | 192                | (192)                  | 0                  |
| Asbestos Surveys                   | 159                | 3                      | 162                |
| Responsive Heating                 | (187)              | (51)                   | (238)              |
| Grounds Maintenance                | 27                 | 18                     | 45                 |
| Other Maintenance                  | 293                | (108)                  | 185                |
| Procurement Savings                | (175)              | (71)                   | (246)              |
| Interest Payable                   | (202)              | 2                      | (200)              |
| Interest Receivable                | 0                  | (80)                   | (80)               |
| Other Minor Variances              | 20                 | (16)                   | 4                  |
| <b>Total</b>                       | <b>72</b>          | <b>(548)</b>           | <b>(476)</b>       |

- 4.4 The major under and over spends forecast for year are summarised as follows:
- 4.5 **Dwelling Rents and Service Charges:** Rent loss due to void properties is less than the budgeted 1.9%. This has led to an over recovery of rents and service charges. This is in line with void levels previously experienced.
- 4.6 **Housing Management:** The overspend reported in Q3 relating to the use of agency staff in key posts across the HRA was managed down by keeping some other posts vacant, and through underspends in some other management areas such as Transfer Removal Grants (grants made to tenants when downsizing) and Tenants Forum.
- 4.7 **Asbestos Surveys:** Asbestos testing has increased significantly during the year. This is expected to continue in the medium term.
- 4.8 **Responsive Heating:** Responsive heating continues to be lower than budgeted due to lower than expected levels of replacement heating systems. The budget for 2016/17 has been amended to reflect.
- 4.9 **Grounds Maintenance:** A mild winter led to additional cost in grass cutting, along with some additional maintenance in some communal areas. This has led to an overall overspend of £0.045m.
- 4.10 **Other Maintenance:** Other maintenance, such as general maintenance and maintenance in communal areas is overspent by £0.185m.
- 4.11 **Procurement Savings:** Prudent budgeting, and the completion in funding of the transformation savings has led to a one-off underspend of £0.246m in 2015/16.

- 4.12 **Interest Payable:** Due to healthy reserves, external borrowing has not yet been needed for the new development schemes, such as Creechbarrow Road. This has therefore reduced the interest payable in 2015/16.
- 4.13 **Interest Receivable:** Healthy reserves and an increasing interest rate has led to higher income from investments during 2015/16.
- 4.14 **Other minor variances:** Expected areas of high spend in housing management have been offset through keeping some other posts vacant, and through some underspends in non-staffing areas.

### **Housing Revenue Unearmarked Account Reserves**

- 4.15 The HRA reserves at the start of the year were £3.484m, and the Council approved allocations totalling £1.285m throughout 2015/16 reducing the budgeted balance to £2.199m. The surplus of £0.476m in 2015/16 increases the balance to £2.675m. This is above the minimum recommended reserve level of £1.800m by £0.875m.

**Table 3: General Reserve Balance**

|  | £k           |
|--|--------------|
| Balance Brought Forward 1 April 2015   | 3,484        |
| <i>Supplementary Estimates</i>   |              |
| Initiatives approved utilising 2014/15 underspend – July Full Council            | (776)        |
| HRA Stock Condition Surveys - December Full Council                              | (250)        |
| HRA Contribution to SWOne Succession and SAP Replacement – February Full Council | (259)        |
| <b>Budgeted Balance March 2016</b>   | <b>2,199</b> |
| Outturn 2015/16  | 476          |
| <b>Balance Carried Forward 31 March 2016</b>                                     | <b>2,675</b> |
| Recommended Minimum Balance  | 1,800        |
| Balance above recommended minimum  | 875          |

- 4.16 If recommendation 2.2e (i to vi) is approved as part of this outturn report, this will be funded from the above reserves balance in 2016/17 thus reducing it to £2.342m. This would leave HRA general reserves at £0.542m above the recommended minimum balance. This position has been taken into account in the review of the HRA Business Plan.

## **5 Recommendations for use of the 2015/16 HRA Underspend**

- 5.1 The 2015/16 underspend has allowed the HRA Reserves to remain at a level comfortably above the recommended minimum balance.
- 5.2 It is therefore recommended that funds are allocated from the 2015/16 underspend in respect of the following, as set out in Recommendations 2.2c:

|                          |   | £k         |
|--------------------------|---|------------|
| Welfare Reform Officer   | Extend the Welfare Reform Officer post to March 2018 (currently funded to March 2017).<br>This officer will be critical to support tenants through the next phase of Universal Credit roll-out (from October 2016) and help ensure that loss of rental income is minimised to the HRA   | 33         |
| Debt and Benefit Advisor | Extend the additional Debt and Benefit Advisor post to March 2018 (currently funded to November 2016).<br>This officer will be critical to support tenants through the next phase of Universal Credit roll-out (from October 2016) and help ensure that loss of rental income is minimised to the HRA.  | 38         |
| Estate Officers x3       | Increase Estate Officer capacity by one in each area until March 2018 (two years). This brings the total to 11 across the borough for this fixed term period.<br>These posts are required to continue embedding One Team working into our three housing area teams. The additional resource will be necessary to support the anticipated 10-fold increase in Universal Credit applicants from October 2016, working alongside the above officers to support tenants and minimise rental loss. | 198        |
| Mental Health Support    | Extend the Mental Health support currently funded until September 2016 (from 2014/15 underspends) until March 2017. From April 2017 this will be included within the Business Plan.<br>The MIND project has been a real success and allowed us to better engage with vulnerable tenants. This engagement leads to reducing social isolation and helping them better manage their tenancies.   | 21         |
| Chill and Chat           | One year funding to Pilot a dedicated part-time resource to roll-out, drive and oversee the 'Chill and Chat' peer support group to vulnerable women across all three One Team areas. The pilot will be evaluated to see whether it demonstrates improved outcomes to attendees and whether it can become self-managed in future (or joint funded)   | 25         |
| Community Development    | Increase funding available to Community Development Officers from £4k to £10k in each One Team Area for 2016/17. This will be included in the base budget from 2017/18.<br>Current community development budgets are minimal and often unable to support genuine community development activities and groups. This increase will be shared across the three area teams and will help address that.  | 18         |
|                          | <b>Total</b>  | <b>333</b> |

## 6 HRA Capital Programme

- 6.1 The HRA approved Capital Programme at the end of 2015/16 was £23.759m. This relates to schemes which will be completed over the next five years. The Council is supporting this investment through the use of Capital Receipts, Revenue Funding and Borrowing. The profiled budget on the Capital Programme during 2015/16 was £11.391m, as summarised in Table 15 below, with £10.214m being carried forward and a net underspend of £2.154m being reported. Rather than this underspend being carried forward, the resources that were allocated to the capital programme but not spent are held in reserves and will be prioritised through the new HRA 30-Year Business Plan.
- 6.2 The major areas of capital spend during the year related to the capital maintenance for the existing housing stock and the development and acquisition of new stock.
- 6.3 **Appendix B** provides a breakdown of the HRA Capital Programme Outturn by scheme, and also sets out the proposed Carry Forward.

**Table 4: HRA Capital Programme 2015/16 Outturn Summary**

|   | £'000    | %   |
|---|----------|-----|
| Approved Capital Programme Budget                           | 23,759   |     |
| Profiled in later years                                     | 0        |     |
| 2015/16 Capital Budget                                      | 23,759   |     |
| Re-profiled forecast of spending Carried Forward to 2016/17 | (10,214) | 43% |
| Residual budget for 2015/16                                 | 13,545   |     |
| 2015/16 actual capital expenditure                          | 11,391   |     |
| Underspend  | 2,154    | 9%  |

- 6.4 The capital programme can be split into two distinct areas:

### **Major Works and Improvements:**

- 6.5 From a budget of £13.227m, a total of £8.002m was spent in 2015/16. This includes £1.435m on bathrooms, £1.086m on heating improvements, £0.714m on air source heat pumps, £0.287m on adaptations to improve accessibility and £2.132m on other programmed works on dwellings. A total of £0.888m was spent on related items such as asbestos removal, external areas including scooter stores, and external wall insulation.
- 6.6 A total of £4.004m has been reprogrammed into later years as the HRA Major Repairs and Improvement Fund, and has been included in the revised capital programme in the HRA Business Plan.
- 6.7 The budget of £1.509m for the installation of solar PV systems to dwellings is underspent by £0.169m. This is due to an unexpected limitation in the size of each installation, with some additional savings made by managing the installation in house. The reduction in system capacity will also reduce the income expectations, but the lower cost will also reduce the borrowing and interest costs.

6.8 A total of 6 Social Mobility Grants were issued through the year totalling £0.120m. These were funded through a grant from Government.

**Development:**

6.9 A total of £3.389m has been spent on new housing throughout 2015/16. The Creechbarrow Road and Weavers Arms developments include carry forwards of £5.337m with the schemes are due to complete in 2016/17.

6.10 Vale View, Normandy Drive and Bacon Drive were fully completed during 2015/16.

**7 Finance / Resource Implications**

7.1 Contained within the body of the report.

**8 Legal Implications**

7.1 There are no legal implications associated with this report.

**List of Appendices**

|            |   |
|------------|---|
| Appendix A | Housing Revenue Account Outturn Summary                   |
| Appendix B | Housing Revenue Account Capital Programme Outturn Summary |

**Contact Officers**

|             |  |             |  |
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## APPENDIX A

### HOUSING REVENUE ACCOUNT OUTTURN SUMMARY 2015/16

|  | Target Budget (£)   | Total Outturn Position | Variance (£)     |
|--|---------------------|------------------------|------------------|
| <b>Income</b>  |                     |                        |                  |
| HRA Dwelling Rents   | (24,932,700)        | (25,020,692)           | (87,992)         |
| HRA Non Dwelling Rents                                     | (599,100)           | (603,907)              | (4,807)          |
| HRA Charges for Services/Facilities                        | (997,900)           | (1,033,470)            | (35,570)         |
| HRA Contributions Towards Expenditure                      | (401,700)           | (419,972)              | (18,272)         |
| <b>Total Income</b>  | <b>(26,931,400)</b> | <b>(27,078,041)</b>    | <b>(146,641)</b> |
| <b>Expenditure</b>   |                     |                        |                  |
| Housing Management   | 6,742,400           | 6,689,880              | (52,520)         |
| Repairs & Maintenance - Planned                            | 1,750,400           | 1,964,459              | 214,059          |
| Repairs & Maintenance - Responsive                         | 3,190,500           | 2,932,725              | (257,776)        |
| Repairs & Maintenance - Voids                              | 1,610,600           | 1,622,317              | 11,717           |
| Other Expenditure  | 1,405,400           | 1,686,390              | 280,990          |
| <b>Total Expenditure</b>                                   | <b>14,699,300</b>   | <b>14,895,772</b>      | <b>196,472</b>   |
| <b>Central Costs/Movement in Reserves</b>                  |                     |                        |                  |
| Social Housing Development Fund                            | 1,000,000           | 1,000,000              | 0                |
| Depreciation and Revenue Contribution to Capital Programme | 7,618,400           | 7,618,400              | 0                |
| Procurement Savings  | 323,000             | 76,670                 | (246,330)        |
| Net Interest Payable                                       | 2,909,100           | 2,629,292              | (279,808)        |
| Provision for the Repayment of Debt                        | 892,800             | 892,800                | 0                |
| Change in Provision for Bad Debt                           | 514,800             | 514,775                | (25)             |
| Other Movement in Reserves                                 | (1,026,000)         | (1,026,000)            | 0                |
| <b>Total Central Costs/MIRs</b>                            | <b>12,232,100</b>   | <b>11,705,937</b>      | <b>(526,163)</b> |
| <b>Total Housing Revenue Account</b>                       | <b>0</b>            | <b>(476,332)</b>       | <b>(476,332)</b> |



**APPENDIX B**

**HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME OUTTURN 2015/16**

| Scheme  | Budget            | Outturn           | Variance          | Carried Forward   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015-16           |                   |                   | 2016/17           |
|   | £                 | £                 | £                 | £                 |
| <b>Major Works</b>                                |                   |                   |                   |                   |
| Kitchens  | 1,356,300         | 269,761           | 1,086,539         |                   |
| Bathrooms   | 1,932,800         | 1,435,224         | 497,576           |                   |
| Roofing   | 50,000            | 75,216            | (25,216)          |                   |
| Windows   | 146,000           | 73,785            | 72,215            |                   |
| Heating Improvements                              | 2,894,000         | 1,086,180         | 1,807,820         |                   |
| Doors   | 630,500           | 570,167           | 60,333            |                   |
| Fire Safety Works in Communal Areas               | 334,200           | 324,910           | 9,290             |                   |
| Fascias and Soffits                               | 868,700           | 471,094           | 397,606           |                   |
| Air Source Heat Pumps                             | 709,500           | 713,804           | (4,304)           |                   |
| Door Entry Systems                                | 270,000           | 317,326           | (47,326)          |                   |
| Soundproofing                                     | 0                 | 2,208             | (2,208)           |                   |
| Other External Insulations                        | 10,000            | 27,679            | (17,679)          |                   |
| HRA Major Repairs and Improvement Fund            | 0                 | 0                 | 0                 | 4,004,000         |
| <b>Total Major Works</b>                          | <b>9,202,000</b>  | <b>5,367,354</b>  | <b>3,834,646</b>  | <b>4,004,000</b>  |
| <b>Improvements</b>                               |                   |                   |                   |                   |
| Aids and Adaptations                              | 120,000           | 74,302            | 45,698            |                   |
| DFGs  | 315,000           | 213,065           | 101,935           |                   |
| Garages   | 30,000            | 0                 | 30,000            | 30,000            |
| Sewerage Treatment Plants                         | 20,000            | 20,798            | (798)             |                   |
| Meeting Halls                                     | 30,000            | 975               | 29,025            |                   |
| Unadopted Areas                                   | 45,000            | 24,150            | 20,850            | 21,000            |
| Asbestos Works                                    | 260,000           | 271,334           | (11,334)          |                   |
| Tenants Improvements                              | 5,000             | 0                 | 5,000             |                   |
| Sustainable Energy Fund                           | 546,400           | 422,597           | 123,803           | 124,000           |
| Environmental Improvements                        | 312,000           | 71,481            | 240,519           | 241,000           |
| Extensions  | 160,000           | 1,779             | 158,221           | 158,000           |
| Community Alarms                                  | 65,800            | 61,290            | 4,510             | 5,000             |
| IT Development                                    | 306,900           | 13,330            | 293,570           | 294,000           |
| PV Systems  | 1,509,100         | 1,340,205         | 168,895           |                   |
| Social Mobility                                   | 300,000           | 120,000           | 180,000           |                   |
| <b>Total Improvements</b>                         | <b>4,025,200</b>  | <b>2,635,306</b>  | <b>1,389,894</b>  | <b>873,000</b>    |
| <b>Social Housing Development Programme</b>       |                   |                   |                   |                   |
| Creechbarrow Road                                 | 4,862,000         | 2,763,445         | 2,098,555         | 2,099,000         |
| Phase 1: Vale View, West Bag                      | 253,400           | 25,272            | 228,128           |                   |
| Phase 1: Bacon Drive                              | 550,400           | (5,591)           | 555,991           |                   |
| Phase 1: Normandy Drive                           | 366,100           | 61,148            | 304,952           |                   |
| Buybacks  | 161,100           | 194,179           | (33,079)          |                   |
| Social Housing Development Program                | 1,000,000         | 250,000           | 750,000           |                   |
| Weavers Arms                                      | 3,338,500         | 100,206           | 3,238,294         | 3,238,000         |
| <b>Total Social Housing Development Programme</b> | <b>10,531,500</b> | <b>3,388,659</b>  | <b>7,142,841</b>  | <b>5,337,000</b>  |
| <b>Total HRA</b>                                  | <b>23,758,700</b> | <b>11,391,319</b> | <b>12,367,381</b> | <b>10,214,000</b> |