

Taunton Deane Borough Council

Tenant Services Management Board – 24 October 2016

Financial Monitoring – 2016/17 as at 31 August 2016

This matter is the responsibility of Executive Councillor Terry Beale

Report Author: Lucy Clothier, Senior Accountant - Services

1 Executive Summary

- 1.1 This report provides an update on the projected outturn financial position of the HRA for the financial year 2016/17 (as at 31 August 2016).
- 1.2 Monitoring the budget is an important part of the Council's performance management framework.
- 1.3 The current revenue forecast outturn for the financial year 2016/17 is an underspend of £129k.
- 1.4 The HRA capital account is forecasting spend of £17.873m against a budget of £20.129m with £2.256m forecast to be spent in future years.
- 1.5 The Housing Revenue Account (HRA) Reserve forecast balance as at 31 March 2017 is £2.471m, which is above the recommended minimum level (£1.8m) set within the Council's Budget Strategy and HRA Business Plan.

2 Recommendations

- 2.1 It is recommended that Tenant Services Management Board note the HRA's forecast financial performance for 2016/17 financial year as at 31 August 2016.

3 Background and Full details of the Report

- 3.1 This report provides the Council's forecast end of year financial position for revenue and capital expenditure as at 31 August 2016 for the Housing Revenue Account (HRA).
- 3.2 The regular monitoring of financial information is a key element in the Council's Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the HRA's 30 Year Business Plan.

- 3.3 The Board will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas.
- 3.4 Budget Holders, with support and advice from their accountant, regularly review the position and update their forecasts based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year end, and a number of risks and uncertainties are highlighted within this report. However, the following forecast is considered to be reasonable based on current information.

4 Housing Revenue Account (HRA)

- 4.1 The HRA is a 'Self-Financing' account for the Housing Landlord function, which is budgeted to break-even (net of approved transfers to/from HRA Reserves). The current forecast HRA Revenue Outturn for 2016/17 is a net surplus of £129k (0.5% of gross income).
- 4.2 The current forecast outturn for 2016/17 is provided in more detail in **Appendix A**.
- 4.3 The major under and overspends forecast for year are summarised as follows:
- 4.4 **Dwelling Rents and Service Charges:** Void rate is lower than budgeted leading to additional income of £299k.
- 4.5 **Leasehold Income:** Income from leaseholders is higher than budgeted by £48k to reflect the increased cost of maintenance on shared blocks.
- 4.6 **PV Income:** This is a one year pressure in expected feed in tariff income of £60k due to limited unit size. This has been taken into account in the Business Plan on an ongoing basis.
- 4.7 **Housing Management:** Underspends in IT costs (-£20k) are expected pending implementation of new IT systems, along with RTB income of £39k, which from 2017/18 is included in the Business Plan.
- 4.8 **Asbestos Surveys:** Asbestos surveys and testing continues to be a priority and the forecast variance is £58k overspent due to the increased activity.
- 4.9 **Voids:** The forecasted overspend of £100k on void repairs will be monitored through the year but this fluctuates with the number of voids at any one time.
- 4.10 **Grounds Maintenance:** A review of Grounds Maintenance works on HRA land is currently underway and will shape the ongoing service. The current forecast variance is £20k over budget.

- 4.11 **Supported Housing:** Additional works and equipment in Supported Housing have created a forecast overspend variance of £20k.
- 4.12 **Other Maintenance:** A forecast overspend in General Maintenance (+£100k) and Responsive electrical (£20k), driven by demand is partially offset by an expected underspend in Responsive Heating works (-£65k). This will continue to be monitored throughout the year.
- 4.13 **Interest Receivable:** Higher reserve balances mean that the interest received on investments is higher than budgeted by £40k.

HRA - Risk and Uncertainty

- 4.14 Budgets and forecasts are based on known information and the best estimates of the Council's future spending and income. Income and expenditure over the financial year 2016/17 is estimated by budget holders and then reported through the budget monitoring process. During this process risks and uncertainties are identified which could impact financial projections, but for which the likelihood and/or amount are uncertain.

Housing Revenue Unearmarked Account Reserves

- 4.15 The HRA reserves at the start of the year were £2.675m. The use of the 2015/16 underspend and the surplus of £129k in 2016/17 reduce the balance to £2.471m. This is above the minimum recommended reserve level of £1.800m by £671k, although it should be noted that the Business Plan already accounts for the use of reserves above the minimum balance.

Table 2: General Reserve Balance

	£k
Balance Brought Forward 1 April 2016	2,675
Use of 2015/16 underspend (Full Council July)	-333
Budgeted Balance March 2017	2,342
Forecast Outturn 2016/17 (as at 31 August 2016)	129
Forecast Balance Carried Forward 31 March 2017	2,471
Recommended Minimum Balance	1,800
Forecast Balance above recommended minimum	671

5 HRA Capital Programme

- 5.1 The HRA approved Capital Programme is £20.129m. 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.
- 5.2 **Appendix B** provides a breakdown of the HRA Capital Programme Outturn by

scheme.

5.3 The capital programme can be split into two distinct areas:

Major Works:

5.4 £10.743m 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. Actual spend at 31 August 2016 is £3.384m. This is lower than would be expected due to invoicing in arrears. £2.235m of the HRA Major Repairs and Improvements Fund is to be used over the next few years as set out in the Business Plan.

5.5 A total of £1.965m relates to Other Works such as disabled facilities adaptations, asbestos removal, external wall insulations and extensions.

Development:

5.6 The remaining budget of £7.421m is for the provision of new housing through Creechbarrow Road, Weavers Arms and the Social Housing Development Programme.

6 Links to Corporate Aims / Priorities

6.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

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.

9 Environmental Impact Implications

9.1 None for the purpose of this report.

10 Safeguarding and/or Community Safety Implications

10.1 None for the purpose of this report.

11 Equality and Diversity Implications

11.1 None for the purpose of this report.

12 Social Value Implications

12.1 None for the purpose of this report.

13 Partnership Implications

13.1 The Council remains committed to partnership working.

14 Health and Wellbeing Implications

14.1 None for the purpose of this report.

15 Asset Management Implications

15.1 None for the purpose of this report.

16 Consultation Implications

16.1 None for the purpose of this report.

Democratic Path:

- **Scrutiny – Yes 20 October 2016**
- **Executive – Yes 9 November 2016**
- **Full Council – No**

Reporting Frequency: Twice-yearly

List of Appendices

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

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APPENDIX A
HOUSING REVENUE ACCOUNT SUMMARY 2016/17

	Current Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Income			
Dwelling Rents	(24,614)	(24,801)	(187)
Non Dwelling Rents	(610)	(601)	9
Charges for Services/Facilities (Service Charges, Rechargeable Repairs, Leaseholder Charges)	(995)	(1,157)	(162)
Contributions Towards Expenditure	(549)	(489)	60
Total Income	(26,768)	(27,048)	(280)
Expenditure			
Repairs and Maintenance	6,122	6,334	212
Housing Management	6,299	6,240	(59)
Capital Charges – Depreciation and Revenue Contribution to Capital	7,708	7,708	0
Other Expenditure	1,811	1,849	38
Provision for Bad Debt	223	223	0
Total Expenditure	22,163	22,354	191
Other Costs & Income			
Interest Payable	3,011	3,011	0
Interest and Investment Income	(80)	(120)	(40)
Provision for Repayment of Debt	1,007	1,007	0
Social Housing Development Fund	1,000	1,000	0
Transfers To/(From) Earmarked & Other Reserves	(333)	(333)	0
Total Other Costs & Income	4,605	4,565	(40)
NET (SURPLUS)/DEFICIT FOR THE YEAR	0	(129)	(129)

APPENDIX B

HRA CAPITAL PROGRAMME FORECASTED OUTTURN 2016/17

Scheme	Budget	Actuals	Outturn Forecast	Variance
	2016/17 £	31/08/2016 £	2016/17 £	£
Major Works				
Kitchens	120,000	31,189	70,000	(50,000)
Bathrooms	1,450,000	697,867	1,450,000	0
Roofing	100,000	760	760	(99,240)
Windows	50,000	10,928	10,928	(39,072)
Heating Improvements	2,604,000	1,568,748	4,248,355	1,644,355
Doors	450,000	194,820	750,000	300,000
Fire Safety Works in Communal Areas	225,000	67,235	150,000	(75,000)
Fascias and Soffits	750,000	433,509	850,000	100,000
Air Source Heat Pumps	680,000	195,634	700,000	20,000
Door Entry Systems	300,000	164,287	221,264	(78,736)
Other External Insulations	10,000	19,242	19,240	9,240
HRA Major Repairs and Improvement Fund	4,004,000	0	0	(4,004,000)
Total Major Works	10,743,000	3,384,218	8,470,547	(2,272,453)
Improvements				
Aids and Adaptations	120,000	55,151	120,000	0
DFGs	315,000	85,326	315,000	0
Garages	30,000	0	30,000	0
Sewerage Treatment Plants	0	0	20,798	20,798
Meeting Halls	71,000	4,736	71,000	0
Unadopted Areas	21,000	26,479	26,479	5,479
Asbestos Works	331,000	89,050	346,612	15,612
Tenants Improvements	5,000	0	0	(5,000)
Sustainable Energy Fund	224,000	(9,950)	224,000	0
Environmental Improvements	291,000	17,791	291,000	0
Extensions	158,000	650	158,000	0
Community Alarms	5,000	14,872	5,000	0
IT Development	394,000	0	394,000	0
PV Systems	120,000	(17,185)	0	0
Total Improvements	1,965,000	266,919	2,001,889	36,889
Social Housing Development Programme				
Creechbarrow Road	2,099,000	38,767	2,099,000	0
Phase 1: Vale View, West Bag	0	3	0	0
Phase 1: Bacon Drive	0	(8,777)	0	0
Phase 1: Normandy Drive	0	(18,810)	0	0
Buybacks	0	108	0	0
Weavers Arms	3,372,000	2,869	3,372,000	0
Social Housing Development Program	1,950,000	2,000	1,950,000	0
Total Social Housing Development Programme	7,421,000	16,160	7,421,000	0
Total HRA	20,129,000	3,667,298	17,893,436	(2,235,564)