

Taunton Deane Borough Council

Tenant Services Management Board – 20 February 2017

Financial Monitoring – 2016/17 as at 31 December 2016 (Quarter 3)

This matter is the responsibility of Executive Councillor Terry Beale

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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 December 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 a surplus of £33k.
- 1.4 The HRA capital account is forecasting spend of £10.562m against a budget of £20.058m with £9.496m forecast to be spent in future years.
- 1.5 The Housing Revenue Account (HRA) Reserve forecast balance as at 31 March 2017 is £2.375m, 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 December 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 December 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 £33k (0.1% 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 £257k.
- 4.5 **Leasehold Income:** Income from leaseholders is higher than budgeted by £106k to reflect the increased cost of maintenance on shared blocks. It is proposed that this be transferred to Revenue Cost to Capital Outlay (RCCO), and transferred to the capital funding. This would then offset the capital budget that has been used to fund works on block that have had a leaseholder as well as tenants, and so the leaseholder has paid for their share of the works.
- 4.6 **Housing Management:** Underspends are identified relating to staffing vacancies, in IT costs (which are budgeted pending implementation of new IT systems), and RTB income (which from 2017/18 is included in the Business Plan). There are, however, additional costs relating to an Asbestos Management Survey, which will cover 20% of all dwellings. Overall an overspend of £132k (2.1%) is forecasted.
- 4.7 **Asbestos Surveys:** Asbestos surveys and testing continues to be a priority and the forecast variance is £39k overspent due to the increased activity.

- 4.8 **Voids:** An underspend of £82k is forecasted on void repairs, due to lower than budgeted void numbers. This will be monitored through the year as it will fluctuate with the number of voids at any given time.
- 4.9 **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 £34k over budget.
- 4.10 **Supported Housing:** Additional works and equipment in Supported Housing have created a forecast overspend variance of £147k. This includes the installation of suited locks in all supported housing properties as identified in the Supported Housing Property Review.
- 4.11 **Other Maintenance:** A forecast overspend in General Maintenance (+£312k) driven by demand is partially offset by an expected underspend in Responsive Electrical and Heating works (-£63k). Some one-off costs relating to bringing the gas servicing works in house have been funded within the Planned Heating budget.
- 4.12 **Pre Planned Maintenance and Electrical Testing:** Remaining funding from these contracts will be requested to be transferred to the relevant earmarked reserves in order to continue these works in future years. The Pre Planned Maintenance (PPM) contract figures will fluctuate annually as the amount of revenue works needed in any year of the contract will depend on the properties being surveyed. The electrical servicing is now being completed in house and will be done on a continuous programme, rather than an external contractor over three years. Therefore the funding will be required in future years.
- 4.13 **Interest Receivable:** Higher reserve balances mean that the interest received on investments is higher than budgeted by £40k.
- 4.14 **Interest Payable:** As identified in the Budget Setting report, borrowing for the development schemes such as Creechbarrow Road has been delayed as there is enough funding in reserves to cover the cost at present. This borrowing will still need to happen at a later date (as reserves are used for their approved purpose), but this means that until the borrowing is externalised, interest isn't paid and so a saving is made. This is expected to be £241k in 2016/17.

HRA - Risk and Uncertainty

- 4.15 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

- 4.16 The HRA reserves at the start of the year were £2.675m. The use of the 2015/16 underspend and the surplus of £33k in 2016/17 reduce the balance to £2.375m. This is above the minimum recommended reserve level of £1.800m by £575k, 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 December 2016)	33
Forecast Balance Carried Forward 31 March 2017	2,375
Recommended Minimum Balance	1,800
Forecast Balance above recommended minimum	575

5 HRA Capital Programme

- 5.1 The HRA approved Capital Programme is £20.058m. 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 December 2016 is £5.944m. This is lower than would be expected due to invoicing in arrears. £2.592m 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 £1.894m relates to Other Works such as disabled facilities adaptations, asbestos removal, external wall insulations and extensions. £0.934m of this will be needed in future years.

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. £5.966m will be carried forward to 2017/18 in order to complete the existing 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 – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Quarterly

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)	(24,776)	(162)
Non Dwelling Rents	(610)	(574)	36
Charges for Services/Facilities (Service Charges, Rechargeable Repairs, Leaseholder Charges)	(995)	(1,174)	(179)
Contributions Towards Expenditure	(549)	(550)	(1)
Total Income	(26,768)	(27,074)	(306)
Expenditure			
Repairs and Maintenance	6,122	6,331	209
Housing Management	6,299	6,431	132
Other Expenditure	1,811	1,918	107
Capital Charges – Depreciation and Revenue Contribution to Capital	7,708	7,814	106
Provision for Bad Debt	223	223	0
Total Expenditure	22,163	22,717	554
Other Costs & Income			
Social Housing Development Fund	1,000	1,000	0
Net Interest Payable	2,931	2,650	(281)
Provision for Repayment of Debt	1,007	1,007	0
Transfers To/(From) Earmarked & Other Reserves	(333)	(333)	0
Total Other Costs & Income	4,605	4,324	(281)
NET (SURPLUS)/DEFICIT FOR THE YEAR	0	(33)	(33)

APPENDIX B

HRA CAPITAL PROGRAMME FORECASTED OUTTURN 2016/17

Scheme	Budget	Actuals	Outturn Forecast	Variance	Carry Forward to
	2016/17 £	31/12/2016 £	2016/17 £	2016/17 £	2017/18 £
Major Works					
Kitchens	120,000	46,285	120,000	0	0
Bathrooms	1,450,000	1,106,729	1,296,000	(154,000)	0
Roofing	100,000	760	30,000	(70,000)	0
Windows	50,000	10,928	20,000	(30,000)	0
Heating Improvements	2,604,000	3,083,764	3,780,025	1,176,025	0
Doors	450,000	276,817	568,498	118,498	0
Fire Safety Works in Communal Areas	225,000	103,245	141,466	(83,534)	0
Fascias and Soffits	750,000	627,273	1,210,000	460,000	0
Air Source Heat Pumps	680,000	423,545	630,000	(50,000)	0
Door Entry Systems	300,000	239,095	300,000	0	0
Other External Insulations	10,000	25,550	31,000	21,000	0
HRA Major Repairs and Improvement Fund	4,004,000	0	0	(4,004,000)	2,591,967
Total Major Works	10,743,000	5,943,990	8,126,989	(2,616,011)	2,591,967
Improvements					
Aids and Adaptations	120,000	62,192	120,000	0	0
DFGs	315,000	93,608	311,300	(3,700)	0
Garages	30,000	0	0	(30,000)	0
Sewerage Treatment Plants	0	0	0	0	0
Meeting Halls	0	4,736	71,000	71,000	0
Unadopted Areas	21,000	26,479	26,479	5,479	0
Asbestos Works	331,000	185,198	296,000	(35,000)	0
Tenants Improvements	5,000	0	0	(5,000)	0
Sustainable Energy Fund	224,000	(1)	10,500	(213,500)	213,500
Environmental Improvements	291,000	42,261	120,000	(171,000)	171,000
Extensions	158,000	650	3,000	(155,000)	155,000
Community Alarms	5,000	5,000	5,000	0	0
IT Development	394,000	0	0	(394,000)	394,000
PV Systems	0	(920)	16,260	16,260	0
Total Improvements	1,894,000	419,203	979,539	(914,461)	933,500
Social Housing Development Programme					
Creechbarrow Road	2,099,000	437,986	800,000	(1,299,000)	1,299,000
Phase 1: Vale View, West Bag	0	422	3,500	3,500	0
Phase 1: Bacon Drive	0	3,336	3,336	3,336	0
Phase 1: Normandy Drive	0	(1,939)	(1,939)	(1,939)	0
Buybacks	0	108	108	108	0
Weavers Arms	3,372,000	238,374	600,000	(2,772,000)	2,772,000
Social Housing Development Program	1,950,000	7,310	50,000	(1,900,000)	1,900,000
Total Social Housing Development Programme	7,421,000	685,597	1,455,005	(5,965,995)	5,971,000
Total HRA	20,058,000	7,048,790	10,561,533	(9,496,467)	9,496,467