

## HOUSING COMMITTEE

27 SEPTEMBER 2016

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<b>Report Title</b>	<b>HOUSING REVENUE ACCOUNT (HRA) BUDGET MONITORING REPORT 2016/17 Q1</b>
<b>Purpose of Report</b>	To inform members of the forecast 2016/17 outturn position on the Housing Revenue Account based upon the first quarter's results.
<b>Decision(s)</b>	<b>The Committee RESOLVES:</b> <ul style="list-style-type: none"> <li>a) To note the projected outturn position on the HRA for 2016/17;</li> <li>b) To approve the allocation of carry forwards and capital slippage, as shown in Table 4a of the report;</li> <li>c) To approve the reprofiled New Build and Development Programme budgets for 2016/17, as shown in Table 4b of the report.</li> </ul>
<b>Consultation and Feedback</b>	The report is based upon information provided by respective budget holders and contains a range of feedback and projections which they have provided to explain differences between budget and forecast outturn income and expenditure.
<b>Financial Implications and Risk Assessment</b>	<p>Whilst the report indicates several areas of reduced expenditure in the year, given the long-term nature of the work and the unavailability of further borrowing, longer term plans will require review and re-phasing.</p> <p>There are additional risks not fully apparent from the current data including further reductions to rents, increased sheltered voids and demolitions and costs to be incurred for introduction of pay to stay.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.staney@stroud.gov.uk">david.staney@stroud.gov.uk</a></p>
<b>Legal Implications</b>	As a local housing authority, the Council is under a duty to keep in accordance with proper accounting practices, a Housing Revenue Account, consisting of sums falling to be credited or debited in respect of the provision of housing and other associated housing purposes. The Council is also under a duty to prevent a debit balance on the HRA for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure on its assets held for housing

	<p>related purposes. The Council must also revise the proposals from time to time to ensure the relevant duty continues to be met.</p> <p>Karen Trickey,  Legal Services Manager and Monitoring Officer  Tel: 01453 754356  Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>
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<b>Performance Management Follow Up</b>	<p>Budgets will be monitored by budget holders, supported by Finance. Budget monitoring reports will be presented to each committee as the Civic timetable permits.</p>
<b>Background Papers/ Appendices</b>	<p>Appendix A (Revenue Variations)  Appendix B (Capital Variations)</p>

**This report is based upon information provided by respective budget holders and contains a range of projections which are inherently uncertain, particularly at this stage of the year.**

### **Background**

1. This report provides the first budget monitoring position for the financial year 2015/16. Its purpose is to notify members of any significant forecast variances to the budget, highlight any key issues and to inform members of any actions that are required to be taken.
2. The outturn forecasts are calculated based upon a combination of the actual financial performance up to the 31 August 2016 and assessments of financial performance by 31 March 2017. At this relatively early point in the year there is inherent uncertainty as to the outcome, which may be better or worse than the current assessments. Additional clarity should be gained as the year progresses.
3. **This report should be seen as a companion to the Action Plan to maintain HRA Balances report presented to this committee. The Action Plan sets out the mitigation put in place to increase HRA balances in the current financial year as a result of the balances overstatement issue reported to members in June 2016.**
4. **The savings identified in the Action Plan have been reflected in the outturn forecasts contained within this report. The budget monitoring position also reflects a further projected underspend on capital budgets following a wider review by the Head of Housing Contracts.**

## HRA Budget – forecast outturn position

- The original HRA budget for 2016/17 was for £7.745m net expenditure (deficit) before funding and the latest budget £7.845m (deficit). The current forecast is for £4.186m less expenditure in the year resulting in net expenditure of £3.856m before funding.
- The variations are summarised in Table 1, with the greatest variances being under-spends for property works (£2.8m) and new build (£1.6m). These figures include some elements of intentional under-spend as reported separately, but overall are significantly greater. More detailed information is outlined below.

**Table 1 – HRA budget position (summary)**

Housing Committee	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual to Date (£'000)	2016/17 Outturn Forecast (£'000)	2016/17 Outturn Variance (£'000)
<b>Expenditure</b>					
Supervision & Management	5,385	4,983	2,307	4,856	(127)
Sheltered Housing	903	898	292	911	13
Repairs and Maintenance	3,283	3,291	369	3,098	(192)
Gross Capital Expenditure NB&D	9,266	9,266	2,775	7,657	(1,609)
Gross Capital Expenditure - Works	7,870	7,870	141	5,095	(2,775)
Sheltered Housing Modernisation	0	0	103	476	476
Queen's Court	0	0	87	200	200
Support Service Charges	330	330	330	330	0
Other Income and Expenditure	3,192	3,692	501	3,632	(60)
<b>Gross Expenditure</b>	<b>30,229</b>	<b>30,329</b>	<b>6,905</b>	<b>26,255</b>	<b>(4,074)</b>
Income (Rents & Charges)	(22,483)	(22,483)	(8,532)	(22,399)	85
<b>Net Housing Expenditure</b>	<b>7,745</b>	<b>7,845</b>	<b>(1,627)</b>	<b>3,856</b>	<b>(3,989)</b>
Funding (Borrowing, Grants)	(6,079)	(6,179)	(76)	(6,377)	(197)
<b>TOTAL HRA</b>	<b>1,666</b>	<b>1,666</b>	<b>(1,703)</b>	<b>(2,520)</b>	<b>(4,186)</b>

(Table contains roundings.)

## Report Headlines

- The main variations identified in the report concern the reprofiled expenditure and income budgets for the New Build and Development programme (£1.609m) and Capital Works (£2.775m) budgets.
- Expenditure of £476k is forecast on the Sheltered Housing Modernisation, in line with the budget forecast for the red schemes included in the Sheltered Housing Modernisation report to Housing committee in June 2016. This will be funded from the reserve balance at the end of the year with the Funding reporting line in the Table above reflecting this position.

9. Expenditure of £200k is planned in relation to Queen's Court, which will be funded from the earmarked reserve set aside for the buy-backs on the site.
10. The net underspend on the HRA budget has a positive effect on balances. When the 2016/17 budget was approved in January 2016, it was anticipated that £1.666m would be transferred from HRA balances to support the overall HRA budget. The combination of the Action Plan and the budget monitoring position means that £2.520m is forecast to be added to HRA balances – a net change of £4.186m, as shown in the table below.

### **Table 2 – HRA balances (projected)**

Table showing HRA balances to be provided at Housing Committee.

### **Areas of risk and uncertainty**

11. Whilst there will clearly be lower net expenditure this year, there are aspects of significant risk and uncertainty for the Council not captured in these figures. Exhaustion of permitted borrowing capacity means that the Council does not have the option of further borrowing to offset any such future adverse changes. For example:
  - a. In the short-term there will be unbudgeted costs to manage and implement the “pay to stay” requirements. Whilst it is expected that the DCLG will reimburse reasonable costs, they will have to be incurred in advance.
  - b. Right to buy sales are continuing at a relatively high level and combined with planned demolitions and conversions of sheltered schemes, welfare reform and rent reductions will reduce Council income.
  - c. There is the expectation of imposition of a high value voids levy which will necessitate further property sales.
  - d. The 600 non-traditional properties are likely to require increasing maintenance and improvement expenditure in future.
  - e. There remains a risk around the Income from Rents and Service Charges. The report is forecasting a net shortfall of £85k at this early stage in the year, and will continue to be monitored closely. Assumptions concerning collection rates and void levels will need to be tested as part of the budget setting process.

## HRA Capital Programme

12. The HRA Capital programme for 2016/17 is shown in Table 3 below. For clarity, the budgets are split between work on new homes and existing stock. Slippage totaling £4.384m is expected leaving expenditure of £12.752m in the year.

**Table 3 – HRA Projected Capital Outturn 2016/17**

Housing Committee Capital Schemes	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual to Date (£'000)	2016/17 Outturn Forecast (£'000)	2016/17 Outturn Variance (£'000)
<b>New Build &amp; Development</b>					
Minchinhampton	0	0	9	8	8
Woolaways Refurbishment	0	0	(2)	0	0
Berkeley	0	0	(4)	2	2
Chapel Street, Cam	1,383	1,383	51	1,249	(134)
Hillside, Coaley	326	326	119	352	26
Littlecombe	0	0	4	41	41
Southbank, Woodchester	516	516	0	257	(259)
The Corriett	51	51	69	110	59
Wharfdale Way	500	500	1	0	(500)
Development - Leonard Stanley	2,227	2,227	1,388	2,273	46
Development - Top of Town Phase 1	4,052	952	(26)	47	(905)
Development - Top of Town Phase 2	0	1,300	801	1,303	3
Development - Top of Town Phase 3	0	1,300	362	1,260	(40)
Development - Top of Town	0	0	(3)	0	0
Development - Top of Town Phase 4	0	500	0	522	22
Stonehouse - Former Ship Inn site	0	0	0	23	23
Contingency	211	211	(0)	211	0
<b>TOTAL</b>	<b>9,266</b>	<b>9,266</b>	<b>2,770</b>	<b>7,657</b>	<b>(1,609)</b>

Housing Committee Capital Schemes	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual to Date (£'000)	2016/17 Outturn Forecast (£'000)	2016/17 Outturn Variance (£'000)
Central Heating	670	670	(26)	670	0
Disabled Adaptations	300	300	20	300	0
Estate Works	0	0	(0)	0	0
Kitchens and Bathrooms	2,240	2,240	226	1,240	(1,000)
Major Voids	500	500	109	315	(185)
Professional Fees	50	50	64	110	60
Roofing	0	0	(3)	0	0
Scheme Renovations	0	0	1	0	0
Asbestos / Radon	400	400	86	250	(150)
Doors and Windows	500	500	189	500	0
Electrical Works	200	200	20	200	0
Damp Works	90	90	0	90	0
Renewable Heating	0	0	(570)	0	0
Non-Traditional Properties	310	310	0	100	(210)
Gas In-House Provider	0	0	0	0	0
Door entry	200	200	25	200	0
Suited Locks	140	140	0	0	(140)
Gas installs	0	0	0	0	0
External Works	2,250	2,250	141	1,100	(1,150)
Lifts	20	20	0	20	0
<b>TOTAL Other Schemes</b>	<b>7,870</b>	<b>7,870</b>	<b>282</b>	<b>5,095</b>	<b>(2,775)</b>
<b>TOTAL Capital Expenditure</b>	<b>17,136</b>	<b>17,136</b>	<b>3,052</b>	<b>12,752</b>	<b>(4,384)</b>

(The table contains roundings.)

### Allocation Carry Forwards and Capital slippage from 2015/16

13. As highlighted in the HRA Outturn report presented to the committee in June 2016, a decision on carry forwards and capital slippage requested by budget holders was deferred until the September meeting owing to the HRA balances position.
14. Given the forecast outturn highlighted in Table 1 above and notwithstanding the risks facing the HRA budget in the current financial year, it is proposed that the carry forwards and capital slippage are approved by the committee, as set out in the table below.
15. Further changes to the New Build and Development Programme budgets are also proposed and largely reprofile the expenditure and income budgets of particular schemes in the light of the 2015/16 outturn position and revised projections reflected in the outturn forecasts within this report.

**Table 4a – Carry Forwards/Capital Slippage**

<b>Budget</b>	<b>Amount (£'000)</b>
<b>Revenue Carry Forwards</b>	
Allocations Team	15.0
Performance and Improvement Team	61.0
Tenant Participation	6.2
Tenancy Fraud	4.2
	<b>86.4</b>
<b>Capital Slippage</b>	
Chapel Street, Cam	39.0
Littlecombe	7.3
Southbank, Woodchester	65.1
The Corriett	59.9
Wharfdale Way	5.7
Development-Leonard Stanley	46.2
Non-Traditional Properties	68.0
	<b>291.2</b>
<b>TOTAL impact on Balances</b>	<b>377.6</b>

**Table 4b – New Build and Development Programme – budget reprofile**

<b>Housing Committee Capital Schemes</b>	<b>2016/17 Original (£'000)</b>	<b>2016/17 Reprofiled (£'000)</b>	<b>Change (£'000)</b>
<b>New Build &amp; Development</b>			
Minchinhampton			
Woolaways - Leonard Stanley	2,227	2,273	46
Woolaways - Top of Town, Phase 1		47	47
Woolaways - Top of Town, Phase 2	4,052	1,303	(2,749)
Woolaways - Top of Town, Phase 3		1,260	1,260
Woolaways - Top of Town		0	0
Woolaways - Top of Town, Phase 4		522	522
The Corriett, Cam	51	110	59
Fishers Road, Berkeley		2	2
Hillside, Coaley	326	352	26
Southbank, Woodchester	516	257	(259)
Chapel street, Cam	1,383	1,249	(134)
Littlecombe			0
Littlecombe - additional units		41	41
Fountain Crescent			0
Bridgend/Wharfdale Way, Stonehouse	500	23	(477)
New Homes and Regeneration Contingency	211	211	0
<b>Sub total New Homes</b>	<b>9,266</b>	<b>7,650</b>	<b>(1,616)</b>

<b>Income</b>	<b>2016/17 Original (£'000)</b>	<b>2016/17 Reprofiled (£'000)</b>	<b>Change (£'000)</b>
Minchinhampton - Sales and other income		(525)	(525)
Littlecombe - Sales and other income			
Littlecombe, additional - sales and other income			
Leonard Stanley - sales income	(951)	(884)	67
Wharfdale way receipt	(500)		500
Top of Town - sales income	(310)	(276)	34
HCA grant committed	(880)	(839)	42
HCA grant uncommitted	(111)		111
Chapel Street,cam - uncommitted sales income	(242)		242
<b>Total income</b>	<b>(2,994)</b>	<b>(2,524)</b>	<b>470</b>
Gross Expenditure	9,266	7,650	(1,616)
<b>Net Expenditure</b>	<b>6,272</b>	<b>5,126</b>	<b>(1,146)</b>