

REPORT TO COMMUNITIES COMMITTEE – 7 SEPTEMBER 2017

HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET MONITORING – 30 JUNE 2017

1 Recommendations

The Committee is recommended to:

- 1.1 Acknowledge the HRA revenue budget monitoring at 30 June 2017, and;
- 1.2 Acknowledge the forecast capital funded from current revenue (CFCR) which will offset some of the borrowing required to fund the HRA capital programme.

2 Background / Discussion

- 2.1 The Housing Revenue Account (HRA) budget for monitoring purposes for 2017/18 was approved by Council on 9 February 2017. It was agreed that any net surplus on the HRA would be used to fund the HRA Capital Programme. The financial position as at 30 June is shown in detail in **Appendix 1**.
- 2.2 The HRA is a statutory earmarked account whereby all income generated from the rent and service charges levied on Council tenants, is to be used to fund the maintenance and management of Council houses to the benefit of the tenants as prescribed by the Housing Act 2001 and HRA Guidance issued in 2014. The income generated from Council tenants is also required to fund the HRA capital programme to ensure that it is self-financing. Any in-year surplus is used to fund the capital programme and therefore reduce the borrowing requirement and associated costs.
- 2.3 Future financial positions have been forecast based on housing budget managers' service knowledge together with the financial knowledge of the accounting team. The forecasts are reviewed by senior finance officers, the Head of Housing and Director of Infrastructure to ensure that any significant year end fluctuations are avoided.
- 2.4 The net expenditure on the HRA balances back to zero as any in year surplus is used to fund the capital programme as CFCR (Capital Funded from Current Revenue). There are no material variances from budget forecast at this stage in the year but the forecast includes a virement which increases the New Build Funding budget and CFCR by £4.685m. This is due to a balance of £3.985m of Second Homes Council Tax being available to fund the new build programme together with £700k funding allocated to the new build programme from the Council's Affordable Housing Reserve. The result of this increase is to reduce the level of borrowing required to fund the capital expenditure.

- 2.5 The actual net income to 30 June is £699,000 higher than the amount required to fund actual capital expenditure to date. If there were to be a net surplus at the end of the year which is higher than the capital funding requirement from CFCR, any balance will be transferred to reserves. However, forecast capital expenditure is anticipated to be at such a level that will utilise all forecast surpluses in the year, therefore retaining the HRA reserves at the current minimum working balance of £2m. The Capital programme monitoring position is reported separately to this Committee. The funding of the capital programme is detailed in **Appendix 2**.
- 2.6 There are increasing pressures on the HRA as a result of legislation concerning the standards of housing provided, such as Energy Efficiency Standard for Social Housing (ESSH) which is being managed by the service managers. In addition, there are requirements to keep rents at affordable levels for tenants. To ensure that the service can achieve the necessary quality targets, whilst keeping the HRA at a sustainable and affordable level, the HRA Business Plan is monitored throughout the year. A full review of this 30 year plan was carried out in 2015/16 and reported to Social Work and Housing Committee in December 2015. A further review is currently being carried out along with external consultants in response to significant capital investment required over the next 4 years, and affordability issues around this are being considered by officers. This review will be reported back to this Committee in November 2017.
- 2.7 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to take a decision on this item in terms of Section D.1.1 (d) of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to resource matters within agreed budgets relating to Housing.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because the report deals with the monitoring of expenditure against budgets which have been approved previously and does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing implications.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level:
- Budget Pressures – as detailed in 2.6 above, there is increasing pressure on the HRA Business Plan over the long term to manage and maintain existing stock whilst delivering a substantial capital programme and keep rents at an affordable level for tenants. Any

overspends during the year will reduce the amount of CFCR available to fund the capital programme which will increase the requirement to borrow and the costs associated with this. This risk is being monitored through the review of the business plan and the options around deliverability will be reported to Communities Committee in November 2017, together with quarterly revenue and capital monitoring reports.

- Changes in Government Policy, legislation and regulation – the Council is required to adhere to relevant regulations and standards as set out by Scottish Government, including achieving EESSH by 2020. There are risks associated with not achieving these standards balanced with the risks associated with the high cost of delivering the works. The deliverability of these standards are being monitored through the Housing Improvement Programme which has been established to deliver these targets over the next 4 years.
- Working with other organisations – the capital programme is largely dependent on external contractors delivering on contracted works. There is the risks associated with this in terms of external organisations being able to deliver the required programme in the required timescales and budget. The risk is monitored by the property service through the tendering process. There is also the risk to the deliverability of the programme in terms of the availability of external contractors.
- Environmental Challenges – deliverability of the capital programme may be at risk due to adverse weather conditions which delay works meeting completion deadlines. This is largely out of the Council's control but is taken into account during the planning and costing of projects to reduce any impact on deliverability of projects.

The following Risks have been identified as relevant to this matter on a Strategic Level:

- Affordable Housing – to increase the supply of affordable housing across all tenures. There is a risk that the Council will be unable to meet Affordable Housing targets due to the availability of suitable land and the budget implications of new build on the business plan. These risks are being monitored through the review of the business plan and any implications for future new build will be included in the report to Communities Committee in November 2017

4.4 The financial implications are inherent in the report.

Stephen Archer
Director of Infrastructure

Report prepared by Alison Tennant, Accountant
Date 26 July 2017

ABERDEENSHIRE COUNCIL - Housing Revenue Account

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	ACTUAL 2016/17 £'000	REVISED BUDGET 2017/18 £'000	ACTUAL TO JUN-17 £'000	%	REVISED FORECAST 2017/18 £'000	NOTES
HRA SUMMARY						
Staff Costs						
1 Salaries & Wages	8,398	8,595	2,074	24.13%	8,595	
2 Superannuation	1,496	1,544	373	24.16%	1,544	
3 National Insurance	694	701	172	24.54%	701	
4 Supplementary Pensions	45	42	7	16.67%	42	
5 Other Staff Costs	11	10	0	0.00%	10	
6 Staff Recharges	329	262	83	31.68%	332	
7 Insurance - Non Property	57	58	0	0.00%	58	
	11,030	11,212	2,709	24.16%	11,282	
Premises Costs						
8 Rent & Rates	212	210	95	45.24%	210	
9 Insurances - Property	161	162	0	0.00%	162	
10 Heating & Lighting	1,540	1,742	198	11.37%	1,656	
11 Repairs & Maintenance	16,299	14,821	1,887	12.73%	14,821	
12 Accommodation Allocation	237	266	67	25.19%	266	
13 Cleaning	399	375	95	25.33%	375	
	18,847	17,576	2,342	13.32%	17,490	
Administration Costs						
14 Printing, Stationery & Postages	155	156	19	12.18%	156	
15 Telephone Costs	64	80	1	1.25%	80	
16 Course Expenses	68	58	20	34.48%	58	
17 Lost Rents	864	858	171	19.93%	858	
18 Fees & Charges	219	163	28	17.18%	163	
19 Central Administration and Management Charge	2,768	2,804	701	25.00%	2,804	
	4,139	4,119	940	22.82%	4,119	
Transport Costs						
20 Travel & Subsistence	207	198	55	27.78%	198	
21 Internal Transport Costs	65	71	2	2.82%	71	
	273	269	57	21.19%	269	
Supplies & Services						
22 Furniture & Equipment	128	173	18	10.40%	173	
23 IT Costs	160	145	37	25.52%	145	
24 Community Alarm	252	231	8	3.46%	231	
25 Other Supplies & Services	81	45	19	42.22%	45	
26 Tenant Participation	52	59	20	33.90%	59	
27 Temporary Accommodation Units	404	405	97	23.95%	405	
28 Capital Funded from Current Revenue	13,319	22,184	3,773	17.01%	22,200	
	14,396	23,242	3,972	156.46%	23,258	
Payments to Agencies						
29 Payments to Outside Bodies	374	312	75	24.04%	312	
30 Internal Recharges	56	57	14	24.56%	57	
31 Payments to Tenants	20	51	2	3.92%	51	
	450	420	91	21.67%	420	
Capital Financing Costs						
32 Loans Funds	6,322	6,900	1,725	25.00%	6,900	
	6,322	6,900	1,725	25.00%	6,900	
Provisions						
33 Increase/(Decrease) in Bad Debt Provision	410	0	0	0.00%	0	
	410	0	0	0.00%	0	
Gross Expenditure	55,866	63,738	11,836	18.57%	63,738	
Income						
34 Council House Rents	(45,888)	(47,643)	(9,126)	19.15%	(47,643)	
35 Sheltered Housing Income	(3,582)	(3,803)	(566)	14.88%	(3,803)	
36 Other Rent & Charges	(1,416)	(1,491)	(269)	18.04%	(1,491)	
37 Staff Recharges	(3,081)	(3,155)	(789)	25.01%	(3,155)	
38 Interest on Revenue Balances	(24)	(4)	0	0.00%	(4)	
39 Other Income	(858)	(578)	(155)	26.82%	(578)	
40 Internal Recharges	(559)	(710)	(178)	25.07%	(710)	
41 Temporary Accommodation Units	(457)	(469)	(54)	11.51%	(469)	
42 New Build Funding	0	(5,885)	0	0.00%	(5,885)	
	(55,866)	(63,738)	(11,137)	17.47%	(63,738)	
Total Income						
Current Year (Surplus)/Deficit	0	0	699	0.00%	0	
Earmarked HRA Reserve b/f	0	0	0	0.00%	0	
Earmarked HRA Reserve c/f	0	0	699		0	
HRA Reserves						
HRA Working Balance (Min £2m maintained)	(2,000)	(2,000)	(2,000)		(2,000)	
Earmarked HRA Reserve c/f	0	0	699		0	

ABERDEENSHIRE COUNCIL - Housing Revenue Account

3	ACTUAL 2016/17 £'000	REVISED BUDGET 2017/18 £'000	ACTUAL TO JUN-17 £'000	%	REVISED FORECAST 2017/18 £'000	NOTES
HRA SUMMARY	(2,000)	(2,000)	(1,301)		(2,000)	
Capital Programme						
Capital Expenditure	29,011	36,339	4,316	11.88%	36,339	
Funded by:						
Capital Receipts	(6,877)	(8,039)	(543)	6.75%	(8,039)	
Capital Funded from Current Revenue	(13,319)	(22,184)	(3,773)		(22,200)	
Borrowing	(8,816)	(6,116)	0		(6,100)	
	(29,011)	(36,339)	(4,316)		(36,339)	

Appendix 2

Funding of HRA Capital Programme 2017/18

	Revised Budget £000	Forecast £000	Variance £000
Capital programme expenditure	36,339	36,339	-
Funding:			
Capital Receipts and other capital income	8,039	8,039	-
Capital Funded from Current Revenue (CFCR)	22,184	22,200	16
Borrowing	6,116	6,100	(16)
	36,330	36,339	-

Details of the capital expenditure and income are detailed in a separate report to this Committee.