



REPORT TO COMMUNITIES COMMITTEE – 06 SEPTEMBER 2018

HOUSING REVENUE ACCOUNT (HRA) FINANCIAL MONITORING - 30 JUNE 2018

1 Recommendations

The Committee is recommended to:

- 1.1 Consider the HRA revenue and capital budget monitoring at 30 June 2018

2 Background / Discussion

- 2.1 The Housing Revenue Account (HRA) and Capital Expenditure budget for monitoring purposes for 2018/19 was approved by Council on 8 February 2018. It was agreed that any net surplus on the HRA would be used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2m in reserves.
- 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. The overall HRA position is summarised in the table below:

Table 1: HRA Monitoring Position at 30 June 2018

	Original Budget £000	Revised Budget £000	Forecast £000	Variance £000
Revenue Expenditure	43,070	43,070	43,600	530
Revenue Income	(60,744)	(60,744)	(60,744)	0
CFCR	(19,046)	(19,046)	(18,516)	530
Capital Expenditure	49,959	43,052	43,052	0
<i>Funded by:</i>				
Borrowing	29,475	22,568	23,098	530
House Sales	0	0	0	0
Other Capital Income	1,438	1,438	1,438	0
CFCR	19,046	19,046	18,516	(530)
	49,959	43,052	43,052	0

Revenue Budget Monitoring

- 2.4 The HRA revenue budget is detailed in **Appendix 1**. 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), as detailed in **Table 1** above.
- 2.5 Gross HRA expenditure is budgeted at £60.744m with £19.046m budgeted to be used as CFCR. The CFCR forecast has reduced by £530,000 to £18.516m due to overspends in expenditure lines with the main variance being an increase in Lost Rents of £414,000.
- 2.6 The HRA income budget totals £60.744m and is currently on forecast per the monitoring.
- 2.7 **Appendix 2** gives more detail on the variances between budget and forecast.

Capital Budget Monitoring

- 2.8 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. The income generated from Council tenants is used to fund the HRA capital programme to ensure that it is self-financing. Any in-year surplus is used to fund the capital programme with any deficit in programmed capital expenditure met from additional borrowing.
- 2.9 The capital programme budget has been revised by the Property Service to take into account the outturn at 2017/18 with budgets reprofiled across current and future years based on expected completion. This exercise also considers projects that have been brought forward whilst ensuring funding allocated remains within the indicative HRA Capital budgets set at Communities Committee in March 2018 for years 2019/23. This ensures overall funding across the years remains within the approved funding set within the Housing 30 year Business Plan.
- 2.10 The revised HRA Capital Programme 2018/19 is provided in **Appendix 3**, which also gives details on any variances to forecast. The revised capital budget for the year 2018/19 is £43.052m with this revised down from the original budget of £49.959m. The £6.907m will be reprofiled into future years with updated budgets to be submitted to committee for approval as part of the 2019/20 budget setting process. Reprofiling was focused in two main areas.
- New Build Programme – increased in year allocation of £2.845m due to underspend in 2017/18 of £2.058m with the balance of £787,000 relating to new build project brought forward from 2019/20 within current funding.
 - Housing Improvement Programme (HIP) – the allocation for the HIP programme has been reduced by £8.965m due delays in achieving satisfactory specification drawings for approval from some of the contractors which in turn has prevented progress of works. This has been rectified by the contractors concerned with the Property Service confident that the delayed works can be rescheduled to years 3 and 4 of the HIP contract with the overall spend on the programme remaining as per original levels.
- 2.11 The capital programme is financed by a combination of capital receipts, capital funded from current revenue (CFCR), and self-financed borrowing as detailed in Table 1 above. The level of borrowing is assessed through the Housing 30 year Business Plan to ensure affordability. The revised borrowing required to fund the revised capital programme in 2018/19 is forecast at £23.098m revised down from

original approved borrowing of £29.475m in line with the reprofiled capital expenditure.

- 2.12 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 and commitments made to increase the level of Affordable Housing. 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.
- 2.13 A full review of the 30-year plan was carried out in 2017/18 and reported to Communities Committee in February 2018. A follow up report has been requested to the Communities Committee in December 2018 which will build in the revised capital and revenue position outlined above and the results of the current rent consultation with tenants to provide response to the rental strategies proposed within the February 2018 report to committee.
- 2.14 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. The financial implications are inherent in the report.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level:
- Budget Pressures – as detailed in 2.8 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 revenue 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. Similarly, any overspends on the capital plan will also increase the borrowing requirement. This risk is being monitored through the review of the business plan and the options around deliverability will be reported to a special meeting of this Committee (date to be confirmed), together with quarterly 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 ESSH 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 a separate report to this Committee (date to be confirmed).

4.4 A Town Centre Impact Assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously, and the reprofiling of some expenditure.

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Date: 06 August 2018

ABERDEENSHIRE COUNCIL - Housing Revenue Account

	ACTUAL 2017/18 £'000	ORIGINAL BUDGET 2018/19 £'000	APPROVED PERMANENT VIREMENTS 2018/19 £'000	APPROVED ONE-OFF VIREMENTS 2018/19 £'000	PERMANENT VIREMENTS TO BE APPROVED 2018/19 £'000	ONE-OFF VIREMENTS TO BE APPROVED 2018/19 £'000	REVISED BUDGET 2018/19 £'000	ACTUAL TO JUN-18 £'000	%	REVISED FORECAST 2018/19 £'000	NOTES
HRA SUMMARY											
Staff Costs											
1 Salaries & Wages	8,405	8,761	0	0	0	0	8,761	2,106	24.04%	8,761	
2 Superannuation	1,537	1,555	0	0	0	0	1,555	388	24.95%	1,555	
3 National Insurance	698	718	0	0	0	0	718	171	23.82%	718	
4 Supplementary Pensions	45	42	0	0	0	0	42	12	28.57%	42	
5 Other Staff Costs	4	10	0	0	0	0	10	0	0.00%	64	
6 Staff Recharges	348	338	0	0	0	0	338	0	0.00%	338	
7 Insurance - Non Property	50	59	0	0	0	0	59	0	0.00%	59	
	11,087	11,483	0	0	0	0	11,483	2,677	23.31%	11,537	
Premises Costs											
8 Rent & Rates	381	221	0	0	0	0	221	93	42.08%	221	
9 Insurances - Property	182	164	0	0	0	0	164	0	0.00%	164	
10 Heating & Lighting	1,714	1,674	0	0	0	0	1,674	281	16.79%	1,674	
11 Repairs & Maintenance	15,289	14,469	0	0	0	0	14,469	952	6.58%	14,469	
12 Accommodation Allocation	217	269	0	0	0	0	269	0	0.00%	269	
13 Cleaning	388	378	0	0	0	0	378	102	26.98%	378	
	18,172	17,175	0	0	0	0	17,175	1,428	8.31%	17,175	
Administration Costs											
14 Printing, Stationery & Postages	168	156	0	0	0	0	156	17	10.90%	156	
15 Telephone Costs	58	80	0	0	0	0	80	9	11.25%	80	
16 Course Expenses	34	59	0	0	0	0	59	9	15.25%	59	
17 Lost Rentals	1,360	1,200	0	0	0	0	1,200	419	34.92%	1,614	HRA 1
18 Fees & Charges	167	166	0	0	0	0	166	13	7.83%	166	
19 Central Administration and Management Charge	2,826	2,832	0	0	0	0	2,832	0	0.00%	2,832	
	4,613	4,493	0	0	0	0	4,493	467	10.39%	4,907	
Transport Costs											
20 Travel & Subsistence	190	198	0	0	0	0	198	45	22.73%	198	
21 Internal Transport Costs	52	71	0	0	0	0	71	8	11.27%	71	
	243	269	0	0	0	0	269	53	19.70%	269	
Supplies & Services											
22 Furniture & Equipment	113	174	0	0	0	0	174	29	16.67%	174	
23 IT Costs	193	146	0	0	0	0	146	4	2.74%	146	
24 Community Alarm	136	132	0	0	0	0	132	(23)	-17.42%	132	
25 Other Supplies & Services	71	45	0	0	0	0	45	17	37.78%	45	
26 Tenant Participation	64	60	0	0	0	0	60	8	13.33%	60	
27 Temporary Accommodation Units	500	409	0	0	0	0	409	130	31.78%	498	
28 Capital Funded from Current Revenue	18,140	19,046	0	0	0	0	19,046	5,574	29.27%	18,516	HRA 2
	19,217	20,012	0	0	0	0	20,012	5,739	114.14%	19,571	
Payments to Agencies											
29 Payments to Outside Bodies	386	315	0	0	0	0	315	71	22.54%	288	
30 Internal Recharges	56	57	0	0	0	0	57	0	0.00%	57	
31 Payments to Tenants	16	40	0	0	0	0	40	4	10.00%	40	
	458	412	0	0	0	0	412	75	18.20%	385	

ABERDEENSHIRE COUNCIL - Housing Revenue Account

	ACTUAL 2017/18 £'000	ORIGINAL BUDGET 2018/19 £'000	APPROVED PERMANENT VIREMENTS 2018/19 £'000	APPROVED ONE-OFF VIREMENTS 2018/19 £'000	PERMANENT VIREMENTS TO BE APPROVED 2018/19 £'000	ONE-OFF VIREMENTS TO BE APPROVED 2018/19 £'000	REVISED BUDGET 2018/19 £'000	ACTUAL TO JUN-18 £'000	%	REVISED FORECAST 2018/19 £'000	NOTES
HRA SUMMARY											
Capital Financing Costs											
Loans Funds	6,617	6,900	0	0	0	0	6,900	0	0.00%	6,900	
	6,617	6,900	0	0	0	0	6,900	0	0.00%	6,900	
Provisions											
Increase/(Decrease) in Bad Debt Provision	550	0	0	0	0	0	0	0	0.00%	0	
	550	0	0	0	0	0	0	0	0.00%	0	
Gross Expenditure											
	60,957	60,744	0	0	0	0	60,744	10,439	17.19%	60,744	
Income											
Council House Rents	(47,626)	(49,518)	0	0	0	0	(49,518)	(11,017)	22.25%	(49,518)	
Sheltered Housing Income	(3,643)	(3,678)	0	0	0	0	(3,678)	(804)	21.86%	(3,678)	
Other Rent & Charges	(1,479)	(1,569)	0	0	0	0	(1,569)	(379)	24.16%	(1,569)	
Staff Recharges	(2,926)	(3,205)	0	0	0	0	(3,205)	(156)	4.87%	(3,205)	
Interest on Revenue Balances	(38)	(4)	0	0	0	0	(4)	0	0.00%	(4)	
Other Income	(690)	(502)	0	0	0	0	(502)	75	-14.94%	(502)	
Internal Recharges	(588)	(649)	0	0	0	0	(649)	0	0.00%	(649)	
Temporary Accommodation Units	(465)	(419)	0	0	0	0	(419)	(98)	23.39%	(419)	
New Build Funding	(3,502)	(1,200)	0	0	0	0	(1,200)	0	0.00%	(1,200)	
	(60,957)	(60,744)	0	0	0	0	(60,744)	(12,379)	20.36%	(60,744)	
Total Income											
Current Year (Surplus)/Deficit	0	0	0	0	0	0	0	(1,940)	0.00%	0	
Earmarked HRA Reserve b/f	0	0	0	0	0	0	0	0	0.00%	0	
Earmarked HRA Reserve c/f	0	0	0	0	0	0	0	(1,940)		0	

HRA Reserves											
HRA Working Balance (Min £2m maintained)	(2,000)	(2,000)					(2,000)	(2,000)		(2,000)	
Earmarked HRA Reserve c/f	0	0					0	(1,940)		0	
	(2,000)	(2,000)					(2,000)	(3,940)		(2,000)	
Capital Programme											
Capital Expenditure	31,604	49,959					43,052	3,100	7.20%	43,052	
Funded by:											
Capital Receipts	(7,721)	(1,438)					(1,438)	(1,156)	80.39%	(1,438)	
Capital Funded from Current Revenue	(18,140)	(19,046)	0				(19,046)	(5,574)		(18,516)	
Borrowing	(5,743)	(29,475)					(22,568)	3,630		(23,098)	
	(31,604)	(49,959)					(43,052)	(8,100)		(43,052)	

ABERDEENSHIRE COUNCIL

Housing Revenue Account

Revenue Monitoring Notes for the period ended 30/06/18

Number	Variance (£000)	Variance Notes > £100,000
HRA 1	414	Lost Rents Lost Rents arising from voids are forecast to be £414,000 higher than budget. The increase is due to higher numbers of voids with longer void periods held for improvement works but with these delayed due to delays in the start of the new Housing Improvement Plan contract. The level of voids is expected to reduce once the programmed works start and the housing service are looking at options to reduce the impact of these voids by finding temporary alternative uses for the properties
HRA 2	(530)	Capital From Current Revenue Capital Funded from Current Revenue (CFCR) is the balancing figure on the HRA. Any net surplus during the year is used to fund the capital programme. Due to increased costs in other areas as explained in these variance notes, £530,000 less revenue funding is available to help fund the capital programme.

HRA Capital Programme

	Approved Budget £000	Reprofiled Budget £000	June 2018 £000	Forecast £000	Variance £000	Variance Notes >£100,000
New Build Programme	9,614	11,672	1,854	11,672	0	
Stock Improvements (Legacy Projects):						
Kitchens, Bathrooms, Windows, Doors, Roofing, Insulation	530	530	10	530	0	
Reactive Heating	1,400	1,400	316	1,400	0	
Sheltered Housing Upgrades (Sprinklers, Lifts, Boilers)	1,630	1,630	39	1,630	0	
Scape Projects	1,280	1,280	279	1,280	0	
Stock Improvements (non-HIP)	1,475	1,475	38	1,475	0	
Housing Improvement Plan (HIP)	30,545	21,580	513	21,580	0	
Capital Works done at Void (Housing Repairs)	2,000	2,000	130	2,000	0	
Housing Repairs Service Allocation	460	460	0	460	0	
Total Stock Improvements	39,320	30,355	1,324	30,355	0	
Staff Recharges	665	665	0	665	0	
Other	360	360	57	360	0	
Total Capital Programme	49,959	43,052	3,235	43,052	0	