



## REPORT TO SOCIAL WORK & HOUSING COMMITTEE – 12 JANUARY 2017

### HOUSING REVENUE ACCOUNT (HRA) – BUDGET MONITORING AS AT 30 NOVEMBER 2016

#### 1 Recommendations

##### 1.1 It is recommended that the Committee:

- 1 Note the HRA revenue budget monitoring to 30 November 2016.
- 2 Note the HRA revenue forecast for 2016/17 which will offset some of the borrowing required to fund capital expenditure.

#### 2 Discussion

- 2.1 The Housing Revenue Account (HRA) budget for monitoring purposes for 2016/17 was approved by Council on 11 February 2016. 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 November is shown in detail in **Appendix 1**. This monitoring statement is in the new Service Reporting Code of Practice (SERCOP) layout for revenue budget monitoring for 2016/17. This is a revised format from the budget format approved at Council and is a standardised format being used across all services to enable easier consolidation of the Council's statement of accounts.
- 2.2 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.
- 2.3 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). The revised budgeted CFCR is £1.2m lower than the budget agreed by Council in February due to a reduction in Second Homes Council Tax income. This funding is to be used to part fund Phase 6 of the Council's new build programme. However, as this phase is currently in its early stages and will maximise the drawdown of the Scottish Government grant this financial year, the Second Homes Council Tax will be carried forward against next years spend.
- 2.4 Details of the variances from budgets are given in **Appendix 2**.
- 2.5 The Housing and Property service had previously reported estimated additional costs of around £1million associated with the repair to Council houses affected by the flooding caused by Storm Frank in December 2015. These costs include the drying out, stripping out and reinstatement of these properties. These costs have been revised downwards to take account of works relating to upgrades to these properties which are consequently being funded through the HRA Capital Programme. The revised reinstatement costs are forecast to be £885,000 this financial year. The Strategic Leadership Team are currently reviewing the funding options around this. Further details will be provided to this Committee in due course.

- 2.6 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 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. The Capital programme monitoring position is reported separately to this Committee. The funding of the capital programme is detailed in **Appendix 3**.
- 2.7 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 (EESH) 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 this Committee in December 2015. A healthcheck of the affordability of the plan was carried out in December 2016 by external consultants in response to significant capital investment required over the next 4 years, and affordability issues around this are being reviewed by officers.
- 2.8 The Head of Finance and the Monitoring Officer have been consulted [and are in agreement with the recommendations].

### **3 Equalities, Financial and Staffing Implications**

- 3.1 An Equalities Impact Assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously.
- 3.2 The financial implications are inherent in the report.
- 3.3 There are no staffing implications arising from this report.

Stephen Archer  
Director of Infrastructure

Alan Wood  
Head of Finance

## ABERDEENSHIRE COUNCIL

|   | a1                         | a5                                    | a8                              | a9              | a12                                     |                 |
|---|----------------------------|---------------------------------------|---------------------------------|-----------------|---|-----------------|
| MEMO SAVINGS<br>2016/17<br>£'000                      | ACTUAL<br>2015/16<br>£'000 | REVISED<br>BUDGET<br>2016/17<br>£'000 | ACTUAL<br>TO<br>NOV-16<br>£'000 | %               | REVISED<br>FORECAST<br>2016/17<br>£'000 |                 |
| <b>HOUSING REVENUE ACCOUNT</b>                        |                            |                                       |                                 |                 |   |                 |
| <b>MoniSERCOP Lines</b>                               |                            |                                       |                                 |                 |   |                 |
| <b>EMPLOYEE COSTS</b>                                 |                            |                                       |                                 |                 |   |                 |
| <b>A Direct Employee Expenses</b>                     |                            |                                       |                                 |                 |   |                 |
| 1 Local Government Employees Salaries & Wages         | 7,603                      | 7,970                                 | 5,447                           | 68.3%           | 8,187                                   |                 |
| 3 Local Government Employees NICs                     | 485                        | 691                                   | 465                             | 67.3%           | 715                                     |                 |
| 5 Local Government Employees Superannuation           | 1,383                      | 1,445                                 | 1,003                           | 69.4%           | 1,456                                   |                 |
| 7 Local Government Overtime                           | 296                        | 180                                   | 188                             | 104.4%          | 268                                     |                 |
| 9 Agency Staff  | 9                          | 10                                    | 0                               | 0.0%            | 5                                       |                 |
| <b>0</b>  | <b>9,776</b>               | <b>10,296</b>                         | <b>7,103</b>                    | <b>69.0%</b>    | <b>10,631</b>                           |                 |
| <b>B Indirect Employee Expenses</b>                   |                            |                                       |                                 |                 |   |                 |
| 10 Relocation & Interview Expenses                    | 0                          | 0                                     | 0                               | 0.0%            | 0                                       |                 |
| 11 Training Costs                                     | 62                         | 57                                    | 56                              | 98.2%           | 57                                      |                 |
| 12 Staff Advertising                                  | 6                          | 0                                     | 6                               | 0.0%            | 6                                       |                 |
| 13 Severance Payments                                 | 0                          | 55                                    | 42                              | 59.5%           | 42                                      |                 |
| <b>0</b>  | <b>123</b>                 | <b>99</b>                             | <b>87</b>                       | <b>87.9%</b>    | <b>105</b>                              |                 |
| <b>C PREMISES COSTS</b>                               |                            |                                       |                                 |                 |   |                 |
| 15 Business Rates                                     | 0                          | 96                                    | 62                              | 71.0%           | 72                                      |                 |
| <b>0</b>  | <b>96</b>                  | <b>62</b>                             | <b>44</b>                       | <b>71.0%</b>    | <b>72</b>                               |                 |
| <b>D Other Premises Related Expenditure</b>           |                            |                                       |                                 |                 |   |                 |
| 16 Repairs, Alterations & Maintenance of Buildings    | 0                          | 14,043                                | 14,023                          | 66.0%           | 14,971                                  |                 |
| 17 Energy Costs                                       | 0                          | 1,279                                 | 1,685                           | 787             | 46.7%                                   | 1,631           |
| 18 Carbon Reduction Commitment Allowances             |                            | 88                                    | 88                              | 0               | 0.0%                                    | 88              |
| 19 Rents  |                            | 148                                   | 152                             | 109             | 71.7%                                   | 160             |
| 20 Water Services                                     |                            | 10                                    | 3                               | 1               | 33.3%                                   | 3               |
| 22 Apportionment of Expenses of Operational Buildings |                            | 263                                   | 316                             | 175             | 55.4%                                   | 263             |
| 23 Cleaning & Domestic Supplies                       | 0                          | 366                                   | 339                             | 247             | 72.9%                                   | 369             |
| 24 Grounds Maintenance Costs                          |                            | 714                                   | 682                             | 616             | 90.3%                                   | 739             |
| 25 Premises Insurance                                 |                            | 157                                   | 157                             | 160             | 101.9%                                  | 160             |
| <b>0</b>  | <b>17,068</b>              | <b>17,445</b>                         | <b>11,347</b>                   | <b>65.0%</b>    | <b>18,384</b>                           |                 |
| <b>TRANSPORT COSTS</b>                                |                            |                                       |                                 |                 |   |                 |
| <b>E Other Transport Related Expenditure</b>          |                            |                                       |                                 |                 |   |                 |
| 27 Direct Transport Costs                             | 0                          | 10                                    | 20                              | 12              | 60.0%                                   | 18              |
| 28 Internal Transport Recharges                       | 0                          | 42                                    | 45                              | 52              | 115.6%                                  | 70              |
| 30 Staff Travel Allowances                            |                            | 200                                   | 196                             | 136             | 69.4%                                   | 205             |
| 31 Transport Insurance                                |                            | 0                                     | 4                               | 4               | 100.0%                                  | 4               |
| <b>0</b>  | <b>252</b>                 | <b>265</b>                            | <b>204</b>                      | <b>77.0%</b>    | <b>297</b>                              |                 |
| <b>SUPPLIES &amp; SERVICES COSTS</b>                  |                            |                                       |                                 |                 |   |                 |
| <b>F Other Purchases of Supplies &amp; Services</b>   |                            |                                       |                                 |                 |   |                 |
| 33 Furniture, Equipment & Materials                   | 0                          | 267                                   | 260                             | 179             | 68.8%                                   | 270             |
| 34 Catering   |                            | 1                                     | 6                               | 4               | 66.7%                                   | 3               |
| 35 Clothes, Uniforms & Laundry                        |                            | 4                                     | 1                               | 0               | 0.0%                                    | 1               |
| 36 Printing, Stationery & General Office Expenses     | 0                          | 126                                   | 128                             | 44              | 34.4%                                   | 121             |
| 37 Supplies and Services                              | 0                          | 1,526                                 | 601                             | 370             | 61.6%                                   | 773             |
| 38 Communications & Computing                         | 0                          | 298                                   | 308                             | 106             | 34.4%                                   | 306             |
| 40 Grants & Subscriptions                             | 0                          | 27                                    | 27                              | 25              | 92.6%                                   | 27              |
| 41 Miscellaneous Expenses                             |                            | 669                                   | 614                             | 629             | 102.4%                                  | 959             |
| <b>0</b>  | <b>2,918</b>               | <b>1,945</b>                          | <b>1,357</b>                    | <b>69.8%</b>    | <b>2,460</b>                            |                 |
| <b>G THIRD-PARTY PAYMENTS</b>                         |                            |                                       |                                 |                 |   |                 |
| <b>H All Other Third Party Payments</b>               |                            |                                       |                                 |                 |   |                 |
| 51 Voluntary Associations                             |                            | 29                                    | 29                              | 19              | 65.5%                                   | 29              |
| 52 Private Contractors                                |                            | 19                                    | 25                              | 5               | 20.0%                                   | 20              |
| 53 Other Agencies                                     |                            | 114                                   | 152                             | 96              | 63.2%                                   | 152             |
| <b>0</b>  | <b>162</b>                 | <b>206</b>                            | <b>120</b>                      | <b>58.3%</b>    | <b>201</b>                              |                 |
| <b>TRANSFER PAYMENTS</b>                              |                            |                                       |                                 |                 |   |                 |
| <b>J Other Transfer Payments</b>                      |                            |                                       |                                 |                 |   |                 |
| 60 Social Work Clients                                |                            | 0                                     | 0                               | 0               | 0.0%                                    | 0               |
| 62 Other Transfer Payments to Individuals             |                            | 30                                    | 50                              | 13              | 26.0%                                   | 45              |
| <b>0</b>  | <b>30</b>                  | <b>50</b>                             | <b>13</b>                       | <b>26.0%</b>    | <b>45</b>                               |                 |
| <b>K SUPPORT SERVICES</b>                             |                            |                                       |                                 |                 |   |                 |
| 63 Total Recharged Cost from Support Functions        |                            | 2,419                                 | 2,415                           | 1,610           | 66.7%                                   | 2,415           |
| <b>0</b>  | <b>2,419</b>               | <b>2,415</b>                          | <b>1,610</b>                    | <b>66.7%</b>    | <b>2,415</b>                            |                 |
| <b>Gross Expenditure</b>                              | <b>0</b>                   | <b>32,844</b>                         | <b>32,783</b>                   | <b>21,885</b>   | <b>66.8%</b>                            | <b>34,610</b>   |
| <b>INCOME</b>   |                            |                                       |                                 |                 |   |                 |
| <b>O Customer &amp; Client Receipts</b>               |                            |                                       |                                 |                 |   |                 |
| Rent Income:  |                            |                                       |                                 |                 |   |                 |
| 82 - Dwelling Rents Within the HRA                    |                            | (44,150)                              | (45,985)                        | (30,069)        | 65.4%                                   | (45,923)        |
| 83 - Rental income                                    |                            | (1,063)                               | (1,049)                         | (664)           | 63.3%                                   | (1,062)         |
| 84 Income from Charges to Service Users               | 0                          | (5,134)                               | (5,014)                         | (2,978)         | 59.4%                                   | (4,650)         |
| 85 Other Sales, Fees and Charges                      |                            | (293)                                 | (444)                           | (192)           | 43.2%                                   | (394)           |
| 86 Interest   |                            | (45)                                  | (117)                           | (15)            | 12.8%                                   | (117)           |
| 87 Recharges  | 0                          | (2,799)                               | (3,749)                         | (2,412)         | 64.3%                                   | (3,659)         |
| <b>0</b>  | <b>(53,484)</b>            | <b>(56,358)</b>                       | <b>(36,330)</b>                 | <b>64.5%</b>    | <b>(55,805)</b>                         |                 |
| <b>Total Income</b>                                   | <b>0</b>                   | <b>(53,484)</b>                       | <b>(56,358)</b>                 | <b>(36,330)</b> | <b>64.5%</b>                            | <b>(55,805)</b> |
| <b>Capital and Other Items</b>                        |                            |                                       |                                 |                 |   |                 |
| 93 Loans Fund   |                            | 5,664                                 | 6,755                           | 4,167           | 61.7%                                   | 6,250           |
| 96 Loans Fund Expenses                                |                            | 37                                    | 0                               | 0               | 0.0%                                    | 0               |
| 97 Debt Rescheduling                                  |                            | 263                                   | 0                               | 0               | 0.0%                                    | 0               |
| 98 Principal Repayments                               |                            | 533                                   | 0                               | 0               | 0.0%                                    | 0               |
| Central Administration - Corporate Democratic Core    |                            | 332                                   | 365                             | 243             | 66.6%                                   | 365             |
| Capital Funded from Current Revenue (CFCR)            |                            | 14,543                                | 16,455                          | 9,720           | 59.1%                                   | 14,580          |
| New Build Funding                                     |                            | (732)                                 | 0                               | 0               | 0.0%                                    | 0               |
| <b>Total Capital and Other Items</b>                  | <b>0</b>                   | <b>20,640</b>                         | <b>23,575</b>                   | <b>14,130</b>   | <b>59.9%</b>                            | <b>21,195</b>   |
| <b>Net Expenditure</b>                                | <b>0</b>                   | <b>0</b>                              | <b>(315)</b>                    | <b>0.0%</b>     | <b>0</b>                                |                 |

## Appendix 2

### Variations from Budget

- Line 1 – Salaries and wages are forecast to be £219,000 higher than budget due to higher staff costs within Tenancy Services and Sheltered Housing.
- Line 16 – Repairs and Maintenance Costs are forecast to be £948,000 higher than budget. As detailed within the report, £885,000 of this increase relates to costs associated with the reinstatement of properties in Ballater damaged by the floods of December 2015. The remaining increase relates to an increase in the use of subcontractors within the Housing Repairs service where specialist trades have been required
- Line 37 – Supplies and Services are forecast to be £172,000 higher than forecast due to higher costs associated with surveys for energy performance certificates.
- Line 41 – Miscellaneous Expenses are forecast to be £345,000 higher than budget due to an increase in costs associated with void properties. This is due to a number of properties being void pending completion of major capital works including EESSH works, Sheltered Housing Upgrades and Flooding repairs. In addition, some properties are being held as void to enable them to be used for decant purposes during the capital works period.
- Line 84 – Income from charges to service users is forecast to be £364,000 lower than budget. This is predominantly due to a realignment of service charge income associated with the rental of temporary accommodation units. The service charge received in relation to the administration and management of the units has been transferred to the General Fund Homelessness budget to offset the corresponding expenditure.
- Line 93 – Loans Fund costs are forecast to be £505,000 lower than budget due to a reduction in the borrowing requirement as a result of delays in the capital programme in previous years, together with a lower cost of borrowing
- Capital Funded from Current Revenue (CFCR) – is forecast to be £1,875,000 lower than budget. This is the balancing figure on the HRA which is used to fund the capital programme. This balance will fluctuate based on the net of all the other variances in the HRA.

### Appendix 3

#### Funding of HRA Capital Programme 2016/17

|  | <b>Revised<br/>Budget<br/>£000</b> | <b>Forecast<br/>£000</b> | <b>Variance<br/>£000</b> |
|--|------------------------------------|--------------------------|--------------------------|
| Capital programme expenditure              | <b>27,385</b>                      | <b>26,900</b>            | <b>(485)</b>             |
| <b>Funding:</b>                            |                                    |                          |                          |
| Capital Receipts and other capital income  | 4,564                              | 4,506                    | (58)                     |
| Capital Funded from Current Revenue (CFCR) | 16,455                             | 14,580                   | (1,875)                  |
| Borrowing                                  | 6,366                              | 7,814                    | 1,448                    |
|  | <b>27,385</b>                      | <b>26,900</b>            | <b>(485)</b>             |

The decrease in the amount of HRA revenue available to fund the capital programme increases the amount of borrowing required to fund the forecast capital expenditure. Details of the capital expenditure and income are detailed in a separate report to this Committee.

