

ABERDEEN CITY COUNCIL

COMMITTEE:	Communities, Housing & Infrastructure
DATE:	19 May 2015
DIRECTOR	Pete Leonard & Ewan Sutherland
TITLE OF REPORT:	2014/15 Housing Revenue Account
REPORT NUMBER:	CHI/15/149

1. PURPOSE OF REPORT

The purpose of this report is to provide elected members with a status report for the 2014/15 Housing Revenue Account and Housing Capital Programme as at 28 February 2014 summarising both income and expenditure.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

- a) Notes the financial information contained within this report;
- b) Instructs that the Head of Finance continues to update the Committee in consultation with the Director for Communities, Housing and Infrastructure on the actual outturn position for 2014/15 following completion of the year end statutory accounts.

3. FINANCIAL IMPLICATIONS

- 3.1 The Housing Revenue Account (HRA) has a gross expenditure of £83M is ring fenced and is funded mainly from housing rents. The forecast position on the HRA, as outlined, indicates that there will be a working balance of £7.2M after taking account of the 2014/15 out-turn and other agreed commitments. This is in excess of the recommended minimum level of £6.3M.
- 3.2 Housing Capital has a funded programme of £41.7M, monies required to fund the housing capital programme can be achieved through external borrowing, capital receipts, capital grants and a revenue contribution. There are adequate resources available to finance the projected capital spend in 2014/15, as required by the Prudential Code.

4. OTHER IMPLICATIONS

Failure to adequately maintain and improve the Council's housing stock may lead to the Council breaching health and safety regulations, poorer housing conditions in Aberdeen and result in lower demand.

The Council's Scottish Housing Quality Standard (SHQS) Standard Delivery Plan was approved by the former Communities Scotland in August 2006. This outlines the Council's strategy for meeting SHQS by 2015. If the Council cannot achieve the targets set within the Delivery Plan, within reasonable rent increases, then the Scottish Housing Regulator could intervene.

5. BACKGROUND/MAIN ISSUES

Housing Revenue Account

5.1 The projected net saving for the year is forecast at £23.7M. It is anticipated this will be used to provide a CFCR contribution to fund the capital programme and increase the working balance.

5.2 The analysis of the forecast variances from budget are as follows –

	£
Rent	80
Repairs and Maintenance	400
Maintenance of Grounds	190
Former Tenants Arrears	(700)
Admin & Management	(600)
Charges for Environmental Health	(30)
Provision of meals	40
Ethnic Minority Worker	10
Loss of Rent – Council Houses	640
Loss of Rent - Garages, parking etc	140
Capital Financing Costs	(730)
Dwelling Houses Rent Income	340
Housing – Heat with Rent Income	(100)
Housing – Parking Income	(50)
Housing – Insurance Income	(30)
	<hr/>
	(400)

- There is an over spend forecast in repairs and maintenance of £400K as a result of higher than anticipated spends on voids in November and December.
- Maintenance of Grounds is forecast to be £190K over budget and Former Tenants Arrears is anticipated to be £700K under budget based on the outturn for 2013-14.
- Admin and Management is currently forecast to be £600K under budget based on the outturn for 2013-14.
- Loss of Rent – Council Houses is currently forecast to be £640K over budget. The level of voids is high due to delays in the necessary works required to bring the properties up to lettable standard, OT property

reviews, properties requiring improvement to the SHQS once vacant and the decanting of Smithfield Court.

- Capital financing costs are anticipated to under spend by £730K as a result of the spend on the capital programme in 2013/14.
- Dwelling House rent Income is forecast to be £340K below budget based on actual income to date.

Housing Capital

- 5.3 The Council is required to manage its capital programme within the regulations set out in Part 7 of the Local Government in Scotland Act 2003. This allows Councils to set their own borrowing limits, provided that they comply with the Prudential Code.
- 5.4 The Prudential Code requires Councils to set a capital programme that is affordable, prudent and sustainable. The main test of affordability is whether the capital financing costs can be contained within revenue budgets.
- 5.5 Council on the 18 December 2013 approved a funded Housing Capital Programme for 2014/15 of £41.7M.
- 5.6 The summary financial statement at Appendix 2 outlines the original budget for the current year and expenditure and income as at 28 February 2015.
- 5.7 Appendix 3 details the range of projects expected to be undertaken within the overall budget and spend to date. Spend to date is low principally on Structural Repairs General and the Modernisation programme and the purchase of the police houses is now likely to now go ahead in 2015/16.
- 5.8 It is currently forecast, based on figures to date, that the Housing Capital programme outturn will be managed within the framework as set out in the Prudential Code.

6. IMPACT

- 6.1 The report relates to the Single Outcome Agreement and the Council vision of Aberdeen – the Smarter City, in particular the strategic priority ‘Smarter living (Quality of Life)’ where we will provide quality services to our council tenants to enable them to have a dry, warm home in a safe and enjoyable environment..
- 6.2 Public – this report will be of interest to the public as it demonstrates financial performance.

7. MANAGEMENT OF RISK

Housing Revenue Account

To ensure the anticipated forecast outturn is maintained the service has been -

- Managing controllable costs for example staff vacancies and overtime
- Maximising the potential income streams of the service.

Housing Capital

There are many factors that can lead to project delays such as consultation with tenants and owners, decanting of tenants and access to properties. Such delays would result in the opportunity to advance other projects. There is a need for the capital programme slippage to be kept to a minimum to allow the Council to achieve the SHQS by 2015.

8. BACKGROUND PAPERS

18 December 2013 Draft Housing Revenue Account (HRA) and Housing Capital Budget 2014/15 to 2018/19

Financial ledger data extracted for the period.

9.. REPORT AUTHOR DETAILS

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Appendix 1

ABERDEEN CITY COUNCIL REVENUE MONITORING 2014 / 2015 - HOUSING REVENUE ACCOUNT

DIRECTORATE : HOUSING AND ENVIRONMENT
DIRECTOR : PETE LEONARD

As at 28 February 2015	Full year Revised Budget	YEAR TO DATE			FORECAST TO YEAR END			Change from last report
		Revised Budget	Actual Expenditure	Variance Amount	Outturn	Variance Amount	Variance Percent	
ACCOUNTING PERIOD 11	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
PROPERTY COSTS	31,148	28,553	27,970	(583)	31,804	656	2%	0
ADMINISTRATION COSTS	11,759	10,780	9,779	(1,001)	10,435	(1,324)	-11%	0
SUPPLIES & SERVICES	494	453	319	(134)	532	38	8%	0
TRANSFER PAYMENTS TOTAL	2,276	2,087	2,708	621	3,070	794	35%	(60)
CAPITAL FINANCING COSTS	14,254	0	51	51	13,519	(735)	-5%	0
GROSS EXPENDITURE	59,931	41,873	40,827	(1,046)	59,360	(571)	-1%	(60)
LESS: INCOME								
OTHER GRANTS & CONTRIBUTIONS	0	0	0	0	0	0	0%	0
INTEREST	(130)	0	0	0	(130)	0	0%	0
OTHER INCOME	(83,163)	(76,233)	(76,092)	141	(82,994)	169	0%	79
TOTAL INCOME	(83,293)	(76,233)	(76,092)	141	(83,124)	169	0%	79
NET EXPENDITURE	(23,362)	(34,360)	(35,265)	(905)	(23,764)	(402)	0%	19

VIREMENT PROPOSALS

REVENUE MONITORING VARIANCE NOTES

Property Costs

The main reason for the movement is an forecast over spend in repairs and maintenance of £400K as a result of higher than anticipated spend in income and voids.

FORECAST VARIANCE £'000	CHANGE £'000
656	0

Administration Costs

The projected variance is principally due to a decrease in management & admin of £598K and former tenants arrears of £700K based on the out-turn for 2013-14.

FORECAST VARIANCE £'000	CHANGE £'000
(1,324)	0

Supplies and Services

The Provision of meals outturn has been increased by £38K to reflect the actual costs in 2014/15 and £12K for an Ethnic Minority Worker which was not budgeted for.

FORECAST VARIANCE £'000	CHANGE £'000
38	0

Transfer Payments

The main reason for the over spend is the loss of rent for Council Houses this is resulting from a higher than anticipated volume of voids.

FORECAST VARIANCE £'000	CHANGE £'000
794	(60)

Capital Financing Costs

Capital Financing Costs are posted at the end of the financial year. It is forecast that capital financing costs are £735K under budget these are the latest forecasts from Corporate Accounting based on capital expenditure for 2013/14 and Outturn for 2014/15.

FORECAST VARIANCE £'000	CHANGE £'000
(735)	0

Income

The forecasts for Dwelling House Rent Income and various other rents are based on current forecast level of income.

FORECAST VARIANCE £'000	CHANGE £'000
169	79

FORECAST VARIANCE £'000	CHANGE £'000
(402)	19

2014/15

	Approved Budget £'000	Actual at 28/02/15 £'000	Estimated Out-turn £'000	Notes
Expenditure	46,923	30,810	41,762	1
Slippage	(5,161)			2
<u>Total Expenditure</u>	<u>41,762</u>	<u>30,810</u>	<u>41,762</u>	
<u>Funded by:</u>				
Borrowing	19,208	9,848	18,903	3
CFCR	22,459	20,867	22,764	4
Grant Income	95	95	95	
<u>Total Income</u>	<u>41,762</u>	<u>30,810</u>	<u>41,762</u>	

(Note 1) Expenditure

As at 28 February 2015 the Council has paid £30.8M of the budgeted £41.7M.

(Note 2) Slippage

The total available budgeted programme for capital expenditure of £46.9M is set to allow for slippage. (contract price variations, projects starting later than anticipated, projects being amended etc)

(Note 3) Borrowing

This is the level of borrowing the Council has approved to undertake in 2014/15.

(Note 4) Capital From Current Revenue (CFCR)

At present it is anticipated that £22M for the revenue contribution to capital will be made.

The overall level of the revenue contribution will be subject to variation dependent on the final position of the Housing Revenue Account and the Capital programme.

Appendix 3

Housing Capital 2014/15

Project	Original Approved Programme £'000	Actual As at 28 Feb £'000
SCOTTISH HOUSING QUALITY STANDARDS		
1 Compliant with the tolerable standard		
1.1 Major Repairs	1,102	730
Roofs Renewal/Gutters/RWP/Roughcast		
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast		
	1,102	730
2 Free from Serious Disrepair		
2.1 <u>Primary Building Elements</u>	6,433	5,611
Structural Repairs Multi Storey		
Multi Storey blocks are surveyed on a 5-7 year cycle to identify any works required to the Structure of the buildings in order to keep the buildings safe and prolong their life.		
Structural Repairs General Housing	1,642	33
Structural works carried out in order to keep the building stable and structurally sound		
<u>Secondary Building Elements</u>		
2.2 Upgrading Of Flat Roofs General	600	324
Replacement of existing roof covering and upgrading of insulation to meet current building Regulations.		
2.3 Upgrade Flat Roofs Multi Storey	692	186
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required		
2.5 Mono Pitched Types	606	271
Replacement of the external render of the building, replacement of gutters and downpipes and environmental works		
2.6 Window Replace General	1,258	1,283
A rolling programme of double glazing where previously single glazing, or replacing Double glazing to meet current standards. This is based on a cyclical programme.		
2.7 Window Replace Multi Storey	0	0
A rolling programme to replace existing double glazing to meet current standards. This is on a cyclical programme.		
2.8 Balcony Storm Doors	60	5
Replacement of existing doors with more secure, solid doors		
2.9 Balcony Glass Renewal - Multi Storey	457	353
Replacement of existing balcony glazing on a cyclical basis		
	11,746	8,066
3 Energy Efficient		
<u>Effective insulation</u>		
3.1 General Houses Loft Insulation	165	21
Installation of loft insulation where there is none previously or the topping up of existing Insulation to comply with current building regulations.		
<u>Efficient Heating</u>		
3.3 Heating Systems Replacement	5,852	4,825
Replacement of boiler/whole system as deemed necessary.		
3.4 Medical Need Heating	0	0
Installation of gas/electric heating depending on the medical assessment.		
This can be installing a completely new system, modifying or extending an existing system.		
3.5 Energy Efficiency Multi Blocks	4,400	4,460
Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants		
3.6 Energy Efficiency Sheltered	760	580
Introduction of energy efficiency measures in sheltered housing such as new or upgraded Systems.		

Project	Original Approved Programme £'000	Actual As at 28 Feb £'000
<u>Additional Energy Efficiency measures</u>		
3.7 S.C.A.R.F. Payment to SCARF for work carried out by them under the Energy Efficiency programme to Individual council properties. The work carried out includes the installation of loft insulation, Draught proofing and compact fluorescent bulbs. Also, providing tenants with energy efficiency Advice and information.	35	0
3.8 Solid Wall Insulation Installation of solid wall insulation where there was none previously.	150	0
3.9 Vestibule Doors Installation of new doors where there were none before.	0	0
	<hr/> 11,362	<hr/> 9,886
4 Modern Facilities & Services		
<u>Bathroom and Kitchen Condition</u>		
4.1 Modernisation Programme Replacement of bathrooms and kitchens.	10,549	5,517
	<hr/> 10,297	<hr/> 5,517
5 Healthy, Safe & Secure		
Healthy		
5.1 Condensation Measures Installation of heating systems and ventilation measures to combat condensation.	76	13
Safe		
5.3 Rewiring Replacement of cabling, fittings and distribution boards as necessary. This work is carried out in every property on a cyclical basis	1,703	1,645
5.4 Lift Replacement Multi Storey/Major Blocks Replacement of lifts where they are beyond economical repair. This can be full replacement replacement of specific parts of the lift.	823	797
5.5 Smoke Detectors	62	33
5.6 Services Cyclical maintenance/replacement of the following services Ventilation Systems, Water Tanks/Pipework, Refuse Chutes/Chamber Dry Riser Systems, Standby Generators	50	-51
5.7 Entrance Halls/Concierge Provision of security service	50	0
5.8 Laundry Facilities Replacement of laundry equipment	52	22
5.9 Upgrading of Lighting Installation of lighting controlled by photo cell i.e. switches on and off automatically depending on the level of natural light. Installation of lighting in areas where there was none before.	44	114
Secure		
5.11 Door Entry Systems Installation of door entry and replacement of existing doors where required	85	0
5.12 Replace Door Entry Systems - Major Blocks Installation of door entry and replacement of existing doors where required	57	25
5.13 Other Initiatives Upgrading of stairs and installation of security doors and door entry systems	371	56
5.14 Crime Prevention /Safety Measures	<hr/> 3,375	<hr/> 2,655

Original	Actual
Approved	As at 28
Programme	Feb
£'000	£'000

Project

NON SCOTTISH HOUSING QUALITY STANDARDS

6 Community Plan & Single Outcome Agreement		
6.1 Housing For Varying Needs	100	657
New build including extra care housing.		
6.2 Community Initiatives	409	15
Refurbishment of properties or environmental improvements in designated areas.		
6.4 Regeneration/Affordable Housing	120	32
Early Action projects linked to Regeneration and Master planning Briefs for Regeneration & provision of consultation events.		
Acquisition of land for new build programme		
6.6 CCTV – Multi Storey	314	76
Provision of CCTV for the multi storey service		
6.7 Adaptations Disabled	1,342	672
Installation of level access showers, ramps, stair lifts and kitchen adaptations		
6.8 Special Initiatives/Barrier Free Housing	150	0
Provision of specialist facilities or housing for tenants with particular needs i.e. extensions		
6.9 Housing For Varying Needs- Amenity/Adaptations	300	64
Conversion of properties to Amenity Level standard		
6.10 Housing For Varying Needs- Extra Care/Adaptations	579	102
Adaptations required to ensure existing sheltered housing stock meets current standards		
6.11/ Roads/Paths	100	68
6.12		
Upgrade of Roads to an adoptable standard and the Formation or upgrading of paths	100	0
6.13 Garages		
Upgrade of Garages	0	0
6.14 New Affordable Housing	650	1,626
6.15 Purchase of Police Houses	1,350	0
	5,515	3,313
7 Service Development		
7.1 Conditions Surveys	60	76
Surveying of Council houses to identify failures against Scottish Housing Quality Standard		
7.2 Property Database	50	6
Various items of IT equipment including hardware and software		
7.3 Integrated Housing System	75	3
Various purchase of PC's and software packages		
	185	84
8 Service Expenditure		
Corporate Fees	3,089	557
	3,089	557
Total Budget	46,923	30,810