

ABERDEEN CITY COUNCIL

COMMITTEE:	Communities, Housing & Infrastructure
DATE:	20 January 2016
DIRECTOR	Pete Leonard & Richard Ellis
TITLE OF REPORT:	2015/16 Housing Revenue Account
REPORT NUMBER:	CHI/15/313

1. PURPOSE OF REPORT

The purpose of this report is to provide elected members with a status report for the 2015/16 Housing Revenue Account and Housing Capital Programme as at 31 October 2015 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 2015/16 following completion of the year end statutory accounts; and
- c) Approves the virements outlined in Appendix 3.

3. FINANCIAL IMPLICATIONS

3.1 The Housing Revenue Account (HRA) has a gross expenditure of £83M which 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 £8.5M after taking account of the 2015/16 out-turn and other agreed commitments. This is in excess of the recommended minimum level of £8.3M.

3.2 Housing Capital has a funded programme of £35.3M, 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 2015/16, 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 £25.3M. 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 –

	£'000
Repairs & maintenance	1,280
Gas/Electric	(1,200)
Security service	(120)
Premises insurance	(60)
Office telephone	(70)
Legal Expenses	198
Management & Admin	(83)
General Consultancy	60
Benefits staff	(100)
Provision for meals	(80)
Integrated Housing System	(130)
Loss of rent council houses	240
Loss of rent garages, parking etc	190
Supporting People contribution	(200)
Capital Charges	(1,660)
Dwelling house rent income	(1,010)
Heat with rent income	(340)
Other service charges	(60)
Legal expenses	(160)

- There is an over spend forecast in repairs and maintenance of £1.2m which based on billing up to September 2015 and known trends. This will be monitored on a monthly basis. Repairs and Maintenance is demand led therefore out-turns will fluctuate depending on weather conditions and stock condition.
- Loss of Rent – Council Houses is currently forecast to be £190k over budget this is based on current trends.
- Dwelling House Rent Income is forecast to be £1m above budget based on actual income to date.

- Capital charges have been provided by the Corporate Accounting team based on the anticipated out-turn for 2015/16 and actual expenditure for 2014/15.
- A revised charging policy is to be introduced in October 2015 therefore the full supporting people contribution will not be required.
- All other variances are based on actual expenditure/income for 2014-15.

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 17 December 2014 approved a funded Housing Capital Programme for 2015/16 of £35.3M.
- 5.6 The summary financial statement at Appendix 2 outlines the original budget for the current year and expenditure and income as at 31 October 2015.
- 5.7 It is currently forecast that there will be an under spend of £1.8M from the funded budget of £41.5M. This is a result of potential under spends of £3.14M principally within the following projects:
- 2.1.1 Structural Repairs (Multi Storeys) - £2M
 - 2.1.2 Structural Repairs (general Houses) - £190k
 - 2.3 Upgrading of Flat Roofs (Multi Storey) - £200k
 - 6.8 Special Initiatives/Barrier Free Housing - £100k
- 5.8 Appendix 3 details the range of projects expected to be undertaken within the overall budget and spend to date.
- 5.9 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.
- 5.10 Appendix 4 details the earmarked reserves identified for the Housing Revenue Account.

1 IMPACT

Improving Customer Experience –

Accurate budget monitoring and forecasting assists the Council to plan and design our services around current and future customer needs as much as possible.

Improving Staff Experience –

Good financial information improves good financial management and helps to track how successful management initiatives, such as service redesign, have been.

Improving our use of Resources –

As a public sector organisation, the Council has a legal duty to be open, transparent and accountable for spending public funds.

Corporate -

Aberdeen the Smarter City:

Smarter Governance (Participation)

Accurate budget monitoring and forecasting contributes to the process of Smarter Governance.

Smarter Living (Quality of Life)

Housing Revenue Account delivers the priority 'tenants have a dry, warm home in a safe and enjoyable environment'.

Public –

The Council has a duty to ensure that best value is considered in all of its operations and this report helps to inform that process.

2 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.

3 BACKGROUND PAPERS

17 December 2014 Draft Housing Revenue Account (HRA) and Housing Capital Budget 2015/16 to 2019/20

Financial ledger data extracted for the period.

9.. REPORT AUTHOR DETAILS

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Appendix 1

ABERDEEN CITY COUNCIL REVENUE MONITORING 2015 / 2016 - HOUSING REVENUE ACCOUNT

DIRECTORATE : HOUSING AND ENVIRONMENT
DIRECTOR : PETE LEONARD

As at	31 October 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 7		£'000	£'000	£'000	£'000	£'000	%	£'000	
PROPERTY COSTS	32,114		10,705	10,713	8	31,866	(248)	-1%	(2,247)
ADMINISTRATION COSTS	12,042		4,014	3,624	(390)	11,974	(68)	-1%	144
SUPPLIES & SERVICES	541		180	94	(86)	336	(205)	-38%	(205)
TRANSFER PAYMENTS TOTAL	2,907		886	945	59	3,138	231	8%	55
CAPITAL FINANCING COSTS	14,985		0	0	0	13,326	(1,659)	-11%	(1,659)
GROSS EXPENDITURE	62,589		15,785	15,376	(409)	60,640	(1,949)	-3%	(3,912)
LESS: INCOME									
OTHER GRANTS & CONTRIBUTIONS	0		0	0	0	0	0	0%	0
INTEREST	(130)		(43)	0	43	(114)	16	-12%	0
OTHER INCOME	(84,191)		(28,064)	(27,770)	294	(85,838)	(1,647)	2%	(204)
TOTAL INCOME	(84,321)		(28,107)	(27,770)	337	(85,952)	(1,631)	2%	(204)
NET EXPENDITURE	(21,732)		(12,322)	(12,394)	(72)	(25,312)	(3,580)	0%	(4,116)

VIREMENT PROPOSALS

REVENUE MONITORING VARIANCE NOTES

Property Costs

The main reasons for the movement is a forecast over spend in repairs and maintenance of £1.2M based on billing up to September 2015 and known trends, and an anticipated reduction in Gas and Electric costs of £1.2M based on 2014-15 out-turn.

(248) (2,247)

Administration Costs

The under spend is as a result of an under spend within Benefits Staff £101K, telephones £70K, Management & Administration £80k and Environmental Health £41K based on actuals for 2014/15. Offset in part by an over spend in General consultancy of £64K

(68) 144

Supplies & Services

The under spend is a result of reduced spend on meals £78k and Integrated Housing £127k.

(205) (205)

Transfer Payments

The main reason for the over spend is the loss of rent for Council Houses £242K & loss of rent for Garages/parking £192K this is resulting from a higher than anticipated volume of voids. This is offset by an underspend on Supporting People contribution £203K

231 55

Capital Financing Costs

Capital Financing Costs are posted at the end of the financial year. It is forecast that capital financing costs are £1.6M under budget these are the latest forecasts from Corporate Accounting based on capital expenditure for 2014/15 and Outturn for 2015/16.

(1,659) (1,659)

Income

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

(1,631) (204)

(3,580) (4,116)

2015/16

	Approved Budget £'000	Actual at 31/10/15 £'000	Estimated Out-turn £'000	Notes
Expenditure	39,758	13,536	33,545	1
Slippage	(4,373)			2
Total Expenditure	35,385	13,536	33,545	
Funded by:				
Borrowing	14,744	0	9,233	3
CFCR	20,641	(13,536)	24,312	4
Grant Income	0	0	0	
Total Income	35,385	(13,536)	33,545	

(Note 1) Expenditure

As at 31 October 2015 the Council has paid £13.5M of the budgeted £35.3M.

(Note 2) Slippage

The total available budgeted programme for capital expenditure of £35.3M 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 2015/16.

(Note 4) Capital From Current Revenue (CFCR)

At present it is anticipated that a £24.3M 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 2015/16

Project	Original Approved Programme £'000	Actual As at 31 October £'000	
SCOTTISH HOUSING QUALITY STANDARDS			
1 Compliant with the tolerable standard			
1.1 Major Repairs			
Roofs Renewal/Gutters/RWP/Roughcast	1,226	675	1
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast			
	<hr/>	<hr/>	
	1,226	675	
2 Free from Serious Disrepair			
<u>2.1 Primary Building Elements</u>			
Structural Repairs Multi Storey	9,381	3,275	10
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	1,556	113	11
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	350	26	
Replacement of existing roof covering and upgrading of insulation to meet current building957 Regulations.			
2.3 Upgrade Flat Roofs Multi Storey	1,072	127	12
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required			
2.5 Mono Pitched Types	750	512	
Replacement of the external render of the building, replacement of gutters and downpipes and environmental works			
2.6 Window Replace General	290	58	
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	154	0	
Replacement of existing doors with more secure, solid doors			
2.9 Balcony Glass Renewal - Multi Storey	10	10	2
Replacement of existing balcony glazing on a cyclical basis			
	<hr/>	<hr/>	
	13,564	4,121	
3 Energy Efficient			
<u>Effective insulation</u>			
3.1 General Houses Loft Insulation	72	2	
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	7,550	3,070	3
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	1,500	189	
Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants			
3.6 Energy Efficiency Sheltered	283	124	
Introduction of energy efficiency measures in sheltered housing such as new or upgraded Systems.			

Project	Original Approved Programme £'000	Actual As at 31 October £'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.	0	0	
3.8 Solid Wall Insulation Installation of solid wall insulation where there was none previously.	500	0	
3.9 Vestibule Doors Installation of new doors where there were none before.	0	0	
	9,906	3,386	
4 Modern Facilities & Services			
<u>Bathroom and Kitchen Condition</u>			
4.1 Modernisation Programme Replacement of bathrooms and kitchens.	3,305	1,885	4
	3,305	1,288	
5 Healthy, Safe & Secure			
Healthy			
5.1 Condensation Measures Installation of heating systems and ventilation measures to combat condensation.	20	3	
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	2,573	741	13
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.	815	313	
5.5 Smoke Detectors	186	140	
5.6 Services Cyclical maintenance/replacement of the following services Ventilation Systems, Water Tanks/Pipework, Refuse Chutes/Chamber Dry Riser Systems, Standby Generators	52	8	
5.7 Entrance Halls/Concierge Provision of security service	0	0	
5.8 Laundry Facilities Replacement of laundry equipment	0	15	5
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.	50	81	6
Secure			
5.11 Door Entry Systems Installation of door entry and replacement of existing doors where required	10	0	
5.12 Replace Door Entry Systems - Major Blocks Installation of door entry and replacement of existing doors where required	25	41	
5.13 Other Initiatives Upgrading of stairs and installation of security doors and door entry systems	281	4	
5.14 Crime Prevention /Safety Measures			
	4,057	1,346	

Original Actual
Approved As at 31
Programme October
£'000 £'000

Project

NON SCOTTISH HOUSING QUALITY STANDARDS

6 Community Plan & Single Outcome Agreement			
6.1 Housing For Varying Needs	600	336	7
New build including extra care housing.			
6.2 Community Initiatives	637	(18)	
Refurbishment of properties or environmental improvements in designated areas.			
6.4 Regeneration/Affordable Housing	0	29	8
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	147	2	
Provision of CCTV for the multi storey service			
6.7 Adaptations Disabled	1,252	334	
Installation of level access showers, ramps, stair lifts and kitchen adaptations			
6.8 Special Initiatives/Barrier Free Housing	1,042	1	14
Provision of specialist facilities or housing for tenants with particular needs i.e. extensions			
6.9 Housing For Varying Needs- Amenity/Adaptations	75	33	
Conversion of properties to Amenity Level standard			
6.10 Housing For Varying Needs- Extra Care/Adaptations	25	396	
Adaptations required to ensure existing sheltered housing stock meets current standards			
6.11/ Roads/Paths	200	102	
6.12			
Upgrade of Roads to an adoptable standard and the Formation or upgrading of paths			
6.13 Garages	0	0	
Upgrade of Garages			
6.14 New Affordable Housing	40	380	9
6.15 Purchase of Police Houses	0	0	
	4,019	1,472	
7 Service Development			
7.1 Conditions Surveys	0	30	
Surveying of Council houses to identify failures against Scottish Housing Quality Standard			
7.2 Property Database	0	0	
Various items of IT equipment including hardware and software			
7.3 Integrated Housing System	0	0	
Various purchase of PC's and software packages			
	0	30	
8 Service Expenditure			
Corporate Fees	3,681	500	
	3,681	270	
Total Budget	39,758	13,536	

ADDITIONS

Note 1 – 1.1 Major Repairs

Sum to be vired £500,000

Late addition of Wales Street refurbishment project to budget line

Note 2 - 2.9 Balcony Glass Renewal – Multi Storeys

Sum to be vired £80,000

Final payment for balcony works at Tillydrone

Note 3 - 3.3 Heating Systems

Sum to be vired £350,000

Additional addresses added to contract

Note 4 - 4.1 Modernisation Programme

Sum to be vired £900,000

Number of kitchens and bathrooms fitted during void period (£250,000) and costs attributed to Smithfield Court refurbishment (£650,000).

Note 5 - 5.8 Laundry Facilities

Sum to be vired £16,000

Ad hoc laundry works not accounted for in original budget.

Note 6 - 5.9 Upgrading of Lighting

Sum to be vired £34,000

Lighting to poorly lit communal and external areas identified through housing condition surveys.

Note 7- 6.1 Housing for Varying Needs

Sum to be vired £150,000

Additional spend on provision of Telecare in sheltered housing.

Note 8 - 6.5 Regeneration/Acquisition of Land or Houses

Sum to be vired £320,000

Production of proposals from external consultants on Regeneration areas.

Note 9 - 6.14 New Build

Sum to be vired £340,000

Costs attributed to the new build proposals for the former Smithfield School site

SUBTRACTIONS

Note 10- 2.1.1 Structural Repairs – Multi Storeys

Sum to be vired £1,000,000

Delay in Seaton 7 project due to a dispute with the contractor.

Note 11 - 2.1.2 Structural Repairs – General Housing

Sum to be vired £500,000

Delay in commencement of low rise structural surveys due to additional pre-contract dialogue with consultant engineer.

Note 12- 2.3 Upgrading Flat Roofs – Multi Storey

Sum to be vired £500,000

Delay in roof replacement at Hazlehead multis due to requirement for further investigation and design work.

Note 13 - 5.3 Rewiring

Sum to be vired £260,000

Refusal of works by tenants.

Note 14 - 6.8 Special Initiatives/Barrier Free Housing

Sum to be vired £430,000

No further action required at this time on proposal for alterations at 3 Dominies Road.

Earmarked Reserves

As at Period 4 2015/16	Balance b/f 1 April 2015	Forecast for Year	New Amounts / (Unrequired) Amounts	Projected c/f 31 March 2016	Narrative
	£'000	£'000	£'000	£'000	
<i>Projects:</i>					
Welfare Reform	1,850	0	0	1,850	Money Set aside for the potential impact of welfare reform, as Universal Credit does not commence in Aberdeen until November. It is anticipated that it will not be required in 2015-16.
Repairs & Maintenance	1,205	1,205	0	0	This is for repairs and maintenance jobs that have been committed as at 31 March 2015 but no work has been undertaken..
Victoria House	305	305	0	0	Allocated for the land transfer for Victoria House, this will need to be applied for again as the previous application was not progressed by the Scottish Government.
Non RTB Sales	245	0	0	245	Income from non Right to Buy sales to be set aside for new build.
Total	3,605	1,510	0	2,095	