

ABERDEEN CITY COUNCIL

COMMITTEE:	Communities, Housing & Infrastructure
DATE:	15 March 2016
DIRECTOR	Pete Leonard & Richard Ellis
TITLE OF REPORT:	2015/16 Housing Revenue Account
REPORT NUMBER:	CHI/16/016

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 December 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 £25M. 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)
Management & Admin	(83)
General Consultancy	60
Benefits staff	(100)
Provision for meals	(80)
Integrated Housing System	(70)
Loss of rent council houses	150
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	(370)
Other service charges	(60)

- 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 £150k 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 2015-16.

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 December 2015.
- 5.7 As reported to CHI Committee on 20th January 2016 the forecast under spend remains at £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 December 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 9	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
PROPERTY COSTS	32,114	10,705	10,713	8	31,880	(234)	-1%	14
ADMINISTRATION COSTS	12,042	4,014	3,624	(390)	11,753	(289)	-2%	(221)
SUPPLIES & SERVICES	541	180	94	(86)	396	(145)	-27%	60
TRANSFER PAYMENTS TOTAL	2,907	886	945	59	2,952	45	2%	(186)
CAPITAL FINANCING COSTS	14,985	0	0	0	13,326	(1,659)	-11%	0
GROSS EXPENDITURE	62,589	15,785	15,376	(409)	60,307	(2,282)	-4%	(333)
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	(85,680)	(1,489)	2%	158
TOTAL INCOME	(84,321)	(28,107)	(27,770)	337	(85,794)	(1,473)	2%	158
NET EXPENDITURE	(21,732)	(12,322)	(12,394)	(72)	(25,487)	(3,755)	0%	(175)

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.

(234) 14

Administration Costs

The under spend is as a result of an under spend within Benefits Staff £100K ,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 £60K

(289) (221)

Supplies & Services

The under spend is a result of reduced spend on meals £80k and Integrated Housing £70k.

(145) 60

Transfer Payments

The main reason for the over spend is the loss of rent for Council Houses £150K & loss of rent for Garages/parking £190K this is resulting from a higher than anticipated volume of voids. This is offset by an underspend on Supporting People contribution £203K

45 (186)

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) 0

Income

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

(1,473) 158

(3,755) (175)

APPENDIX 2

2015/16

	Approved Budget £'000	Actual at 31/12/15 £'000	Estimated Out-turn £'000	Notes
Expenditure	39,758	17,751	33,545	1
Slippage	(4,373)			2
<u>Total Expenditure</u>	<u>35,385</u>	<u>17,751</u>	<u>33,545</u>	
<u>Funded by:</u>				
Borrowing	14,744	0	9,556	3
CFCR	20,641	(17,751)	23,989	4
Grant Income	0	0	0	
<u>Total Income</u>	<u>35,385</u>	<u>(17,751)</u>	<u>33,545</u>	

(Note 1) Expenditure

As at 31 December 2015 the Council has paid £17.7M 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 £23.9M 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 Dec £'000	
SCOTTISH HOUSING QUALITY STANDARDS			
1 Compliant with the tolerable standard			
1.1 Major Repairs			
Roofs Renewal/Gutters/RWP/Roughcast	1,733	1,043	
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast			
	1,733	1,043	
2 Free from Serious Disrepair			
2.1 <u>Primary Building Elements</u>			
Structural Repairs Multi Storey	8,464	3,959	5
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	1,057	246	
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	40	
Replacement of existing roof covering and upgrading of insulation to meet current building Regulations.			
2.3 Upgrade Flat Roofs Multi Storey	572	217	
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required			
2.5 Mono Pitched Types	750	535	
Replacement of the external render of the building, replacement of gutters and downpipes and environmental works			
2.6 Window Replace General	296	64	
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	90	10	
Replacement of existing balcony glazing on a cyclical basis			
	11,732	5,071	
3 Energy Efficient			
<u>Effective insulation</u>			
3.1 General Houses Loft Insulation	72	6	
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	8,041	4,022	
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	233	
Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants			
3.6 Energy Efficiency Sheltered	291	161	
Introduction of energy efficiency measures in sheltered housing such as new or upgraded Systems.			

Project	Original Approved Programme £'000	Actual As at 31 Dec £'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	
	10,403	4,423	
4 Modern Facilities & Services			
<u>Bathroom and Kitchen Condition</u>			
4.1 Modernisation Programme Replacement of bathrooms and kitchens.	4,238	2,086	1
	4,238	2,086	
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	2,353	1,267	
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	414	2
5.5 Smoke Detectors	186	171	
5.6 Services Cyclical maintenance/replacement of the following services Ventilation Systems, Water Tanks/Pipework, Refuse Chutes/Chamber Dry Riser Systems, Standby Generators	56	12	
5.7 Entrance Halls/Concierge Provision of security service	0	0	
5.8 Laundry Facilities Replacement of laundry equipment	16 0	15	
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.	84	82	
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	66	41	3
5.13 Other Initiatives Upgrading of stairs and installation of security doors and door entry systems	285	4	
5.14 Crime Prevention /Safety Measures			
	3,891	2,010	

Original Approved Programme £'000	Actual As at 31 Dec £'000
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Project

NON SCOTTISH HOUSING QUALITY STANDARDS

6 Community Plan & Single Outcome Agreement		
6.1 Housing For Varying Needs New build including extra care housing.	750	351
6.2 Community Initiatives Refurbishment of properties or environmental improvements in designated areas.	637	13
6.4 Regeneration/Affordable Housing Early Action projects linked to Regeneration and Master planning Briefs for Regeneration & provision of consultation events. Acquisition of land for new build programme	320	29
6.6 CCTV – Multi Storey Provision of CCTV for the multi storey service	147	2
6.7 Adaptations Disabled Installation of level access showers, ramps, stair lifts and kitchen adaptations	1,328	564
6.8 Special Initiatives/Barrier Free Housing Provision of specialist facilities or housing for tenants with particular needs i.e. extensions	612	187
6.9 Housing For Varying Needs- Amenity/Adaptations Conversion of properties to Amenity Level standard	75	28
6.10 Housing For Varying Needs- Extra Care/Adaptations Adaptations required to ensure existing sheltered housing stock meets current standards	25	693
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 Upgrade of Garages	0	0
6.14 New Affordable Housing	380	532
6.15 Purchase of Police Houses	0	0
	4,475	2,501
7 Service Development		
7.1 Conditions Surveys Surveying of Council houses to identify failures against Scottish Housing Quality Standard	0	30
7.2 Property Database Various items of IT equipment including hardware and software	0	0
7.3 Integrated Housing System Various purchase of PC's and software packages	0	0
	0	30
8 Service Expenditure		
Corporate Fees	3,285	587
	3,285	587
Total Budget	39,758	17,751

4

ADDITIONS

Note 1- 4.1 Modernisation Programme

Sum to be vired £400,000

Increase in level of kitchen and/or bathroom replacement in void properties.

Note 2 -5.4 Lift Replacement Programme

Sum to be vired £165,000

Additional lifts added to programme following a recent conditions survey.

Note 3 -5.12 Door Entry Replacement Major Blocks

Sum to be vired £20,000

Additional blocks added to programme following conditions survey.

Note 4-6.14 New Affordable Housing

Sum to be vired £200,000

The initial costs of new builds at Smithfield and Manor Walk.

REDUCTIONS

Note 5- 2.1.1 Structural Repairs – Multi Storeys

Sum to be vired £785,000

Further reductions in budget due to delays in over cladding works at Linksfield, Promenade and Regent Courts.

Earmarked Reserves

As at Period 9 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	