

ABERDEEN CITY COUNCIL

COMMITTEE:	Communities, Housing & Infrastructure
DATE:	17 May 2016
DIRECTOR	Pete Leonard & Richard Ellis
TITLE OF REPORT:	2015/16 Housing Revenue Account
REPORT NUMBER:	CHI/16/064

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 29 February 2016 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 for Capital Finance in Local Authorities ("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 £23M. 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	3,460
Gas/Electric	(1,155)
Office telephone	(70)
Management & Admin	(80)
General Consultancy	170
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	(100)
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 £3.5m which based on billing up to January 2016 and known trends.
- 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.
- The outturn for Supporting People at Period 11 reflects the phasing agreed from 5th October 2015 for the protected tenants for the Sheltered Housing charging policy.

- 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 29 February 2016.
- 5.7 The forecast under spend £2.8M from the funded budget of £35.3M. This is a result of potential under spends of £3.14M principally within 2.1.1 Structural Repairs (Multi Storeys).
- 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.

6 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.

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

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 29 February 2016	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	32,114	29,438	32,431	2,993	34,308	2,194	7%	2,428
ADMINISTRATION COSTS	12,042	11,039	10,055	(984)	11,811	(231)	-2%	58
SUPPLIES & SERVICES	541	496	360	(136)	396	(145)	-27%	0
TRANSFER PAYMENTS TOTAL	2,907	2,665	2,808	143	3,054	147	5%	102
CAPITAL FINANCING COSTS	14,985	0	0	0	13,326	(1,659)	-11%	0
GROSS EXPENDITURE	62,589	43,638	45,654	2,016	62,895	306	0%	2,588
LESS: INCOME								
OTHER GRANTS & CONTRIBUTIONS	0	0	0	0	0	0	0%	0
INTEREST	(130)	(119)	0	119	(114)	16	-12%	0
OTHER INCOME	(84,191)	(77,175)	(78,612)	(1,437)	(85,680)	(1,489)	2%	0
TOTAL INCOME	(84,321)	(77,294)	(78,612)	(1,318)	(85,794)	(1,473)	2%	0
NET EXPENDITURE	(21,732)	(33,656)	(32,958)	698	(22,899)	(1,167)	0%	2,588

VIREMENT PROPOSALS

REVENUE MONITORING VARIANCE NOTES

Property Costs

The main reasons for the movement is a forecast over spend in repairs and maintenance of £3.5M based on billing up to January 2016 and known trends, and an anticipated reduction in Gas and Electric costs of £1.2M based on 2014-15 out-turn.

2,194 2,428

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 £170K.

(231) 58

Supplies & Services

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

(145) 0

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 offset by £94K lower rental loss than budgeted due to modernisation. The loss of rent is resulting from a higher than anticipated volume of voids. This is offset by an underspend on Supporting People contribution £102K.

147 102

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) 0

(1,167) 2,588

APPENDIX 2

	Approved Budget £'000	Actual at 29/02/16 £'000	Estimated Out-turn £'000	Notes
Expenditure	39,758	24,351	32,545	1
Slippage	(4,373)			2
<u>Total Expenditure</u>	<u>35,385</u>	<u>24,351</u>	<u>32,545</u>	
<u>Funded by:</u>				
Borrowing	14,744	4,029	10,011	3
CFCR	20,641	20,074	21,899	4
Grant Income	0	248	635	
<u>Total Income</u>	<u>35,385</u>	<u>24,351</u>	<u>32,545</u>	

(Note 1) Expenditure

As at 29 February 2016 the Council has paid £24.3M 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 £21.9M 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

Project

SCOTTISH HOUSING QUALITY STANDARDS

1 Compliant with the tolerable standard

1.1 Major Repairs			
Roofs Renewal/Gutters/RWP/Roughcast	1,733	1,428	1
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast			
	1,733	1,428	

2 Free from Serious Disrepair

2.1 <u>Primary Building Elements</u>			
Structural Repairs Multi Storey	7,679	5,120	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	1,143	714	6
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	39	7
Replacement of existing roof covering and upgrading of insulation to meet current building957 Regulations.			
2.3 Upgrade Flat Roofs Multi Storey	572	330	8
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required			
2.5 Mono Pitched Types	750	590	
Replacement of the external render of the building, replacement of gutters and downpipes and environmental works			
2.6 Window Replace General	304	285	
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			
	11,042	7,088	

3 Energy Efficient

<u>Effective insulation</u>			
3.1 General Houses Loft Insulation	72	25	
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	8,160	5,570	
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	260	
Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants			
3.6 Energy Efficiency Sheltered	295	181	
Introduction of energy efficiency measures in sheltered housing such as new or upgraded Systems.			

Project	Approved As at 29		
	Programme	Feb	
	£'000	£'000	
<u>Additional Energy Efficiency measures</u>			
3.7 S.C.A.R.F	0	0	
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.			
3.8 Solid Wall Insulation	500	0	
Installation of solid wall insulation where there was none previously.			
3.9 Vestibule Doors	0	0	
Installation of new doors where there were none before.			
	10,527	6,036	
4 Modern Facilities & Services			
<u>Bathroom and Kitchen Condition</u>			
4.1 Modernisation Programme	4,768	2,833	2
Replacement of bathrooms and kitchens.			
	4,768	2,833	
5 Healthy, Safe & Secure			
Healthy			
5.1 Condensation Measures	20	3	
Installation of heating systems and ventilation measures to combat condensation.			
Safe			
5.3 Rewiring	2,414	1,594	
Replacement of cabling, fittings and distribution boards as necessary. This work is carried out in every property on a cyclical basis			
5.4 Lift Replacement Multi Storey/Major Blocks	980	949	3
Replacement of lifts where they are beyond economical repair. This can be full replacement replacement of specific parts of the lift.			
5.5 Smoke Detectors	187	172	
5.6 Services	56	12	
Cyclical maintenance/replacement of the following services			
Ventilation Systems, Water Tanks/Pipework, Refuse Chutes/Chamber			
Dry Riser Systems, Standby Generators			
5.7 Entrance Halls/Concierge	0	0	
Provision of security service			
5.8 Laundry Facilities	16	15	
Replacement of laundry equipment			
5.9 Upgrading of Lighting	84	80	
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.			
Secure			
5.11 Door Entry Systems	10	0	
Installation of door entry and replacement of existing doors where required			
5.12 Replace Door Entry Systems - Major Blocks	86	42	
Installation of door entry and replacement of existing doors where required			
5.13 Other Initiatives	290	9	
Upgrading of stairs and installation of security doors and door entry systems			
5.14 Crime Prevention /Safety Measures	4,143	2,876	

Original	Actual
Approved	As at 29
Programme	Feb
£'000	£'000

Project

NON SCOTTISH HOUSING QUALITY STANDARDS

6 Community Plan & Single Outcome Agreement			
6.1 Housing For Varying Needs	761	376	4
New build including extra care housing.			
6.2 Community Initiatives	643	22	9
Refurbishment of properties or environmental improvements in designated areas.			
6.4 Regeneration/Affordable Housing	320	109	
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	148	6	
Provision of CCTV for the multi storey service			
6.7 Adaptations Disabled	1,345	756	
Installation of level access showers, ramps, stair lifts and kitchen adaptations			
6.8 Special Initiatives/Barrier Free Housing	612	216	10
Provision of specialist facilities or housing for tenants with particular needs i.e. extensions			
6.9 Housing For Varying Needs- Amenity/Adaptations	75	273	
Conversion of properties to Amenity Level standard			
6.10 Housing For Varying Needs- Extra Care/Adaptations	25	925	
Adaptations required to ensure existing sheltered housing stock meets current standards			
6.11/ Roads/Paths	200	52	
6.12			
Upgrade of Roads to an adoptable standard and the Formation or upgrading of paths			
6.13 Garages	0	102	
Upgrade of Garages			
6.14 New Affordable Housing	580	553	
6.15 Purchase of Police Houses	0	0	
	4,709	3,390	
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	2,836	671	
	2,836	671	
Total Budget	39,758	24,352	

ADDITIONS

Note 1- 1.1 Major Repairs

Sum to be vired £200,000

Continued additional spend for the Wales Street refurbishment.

Note 2- 4.1 Modernisation Programme

Sum to be vired £560,000

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

Note 3 - 5.4 Lift Replacement Programme

Sum to be vired £420,000

Additional lifts added to programme following a recent conditions survey.

Note 4 – 6.1 Housing for varying Needs

Sum to be vired £150,000

Additional spend on provision of Telecare in sheltered Housing.

Sum to be vired.£720,000

Telecare Project amended coding.

REDUCTIONS

Note 5 - 2.1.1 Structural Repairs – Multi Storeys

Sum to be vired £1,450,000

Delays in Seaton 7 project due to dispute with contractor and in delays to the commencement of the re-rendering of Stewart Park and Hilton Courts.

Note 6 – 2.1.2 Structural Repairs – General Housing

Sum to be vired £150,000

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

Note 7 – 2.2 Upgrading Flat Roofs – General Housing

Sum to be vired £150,000

Delay in the tendering of works.

Note 8 – 2.3 Upgrading Flat Roofs – Multi Storey

Sum to be vired £100,000

Delay in roof replacement at Hazelhead multis due to the requirement for further Investigation and design work.

Note 9 – 6.2 Community Initiatives

Sum to be vired £100,000

Reduction in scope of work at Seaton Back Gardens project.

Note 10 – 6.8 Special Initiatives/Barrier Free Housing.

Sum to be vired £100,000

Delays in conversion of flats at 49 Beattie Avenue to supported accommodation.

APPENDIX 4

Earmarked Reserves

As at Period 11 2015/16	Balance b/f 1 April 2015	Forecast for Year	New Amounts / (Unrequired) Amounts	Projected c/f 31 March 2016	Details (reason for holding, plans for using, assumptions on new amounts and reasons for unrequired amounts)
	£'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 the zero cost jobs in Building Services as at 31 March 2015. Jobs initiated at 31 st March 2015 but work has yet to commence.
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	