

# Taunton Deane Borough Council

## Tenant Services Management Board – 19 June 2017

### Financial Monitoring – Outturn 2016/17

This matter is the responsibility of Executive Councillor Terry Beale

Report Author: Stephen Meers Principal Accountant

#### 1 Executive Summary

- 1.1 This report contains information related to the Council's financial performance for 2016/17 financial year. Monitoring the budget is an important part of the Council's performance management framework.
- 1.2 The Housing Revenue Account (HRA) is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to 'break even' (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2016/17 is a net underspend of £0.882m (3.3% of gross income).
- 1.3 The HRA approved Capital Programme at the end of 2016/17 was £20.129m. This relates to schemes which will be completed over the next five years. The actual expenditure on the Capital Programme during 2016/17 was £10.762m, as summarised in Table 4 below, with £9.399m for planned investment to implement approved schemes in future years. A net overspend of £0.033m (0%) is reported against the overall programme.
- 1.4 The Housing Revenue Account (HRA) Reserve balance as at 31 March 2017 stands at £3.224m, which is above the minimum level (£1.800m) set within the Council's Budget Strategy and HRA Business Plan.

#### 2 Recommendations

- 2.1 The Board reviews the Council's financial performance and end of year position for the Housing Revenue Account.
- 2.2 The board is recommended to:
  - (a) note the reported HRA Revenue Budget underspend of £0.882m in 2016/17
  - (b) support a Housing Revenue Account Capital Programme Budget Carry Forward totalling £9.399m (as set out in Appendix B).
  - (c) support £0.590m Supplementary Budget allocations in 2017/18 for the HRA, utilising 2016/17 underspends, for the following areas:

- i. £0.250m to fund supplemental technical development support capacity to help the in house team on complex sites.
- ii. £0.025m - the Halcon One Team Co-ordinator has needed to move to other Police operational activities and this has left a significant gap in our ability to undertake effective One Team working in Halcon. The Police are reviewing this as part of their current restructure however the funding is needed now to replace the Co-ordinator post until 31/3/2018.
- iii. £0.055m - Funding to provide additional capacity of 1 FTE for 18 months on anti-social behaviour. The current anti-social behaviour team is under significant and unsustainable pressure with a marked increase in drug and alcohol issues on our housing estates and associated anti-social behaviour. An increase in 'County Lines' activity which has included people 'cuckooing' in our properties has also contributed to our need for some additional capacity.
- iv. £0.070m - the current hardwired Piper lifelines in our sheltered housing is becoming obsolete and needs replacement. Although there is a replacement programme to do this, we require an immediate injection of funding to address some urgent schemes where there is a risk of the lifelines failing.
- v. £0.040m - Ladymead Road commercial units have proactively been vacated due to lessees having financial difficulties. The funding is required, as an investigation is underway to consider; either revamp and upgrade the units for remarketing as commercial premises, or to make a change of use and convert to a community hub for Housing & Communities to work out from similarly as the One Team.
- vi. £0.150m – there are a number of properties that have significant failure in thermal performance and water ingress, mainly from failing cavity insulation. It is therefore proposed that £150K of the underspend is used to address a selection of options as a pilot. There will be a need for a greater budget for Fabric First measures, which we will find from savings and reallocation of elemental capital works budgets going forward.

### **3 Background and Full details of the Report**

- 3.1 This report informs the Tenants Services Management Board the Council's financial outturn (a comparison of net spending against the budget for the year) for revenue and capital budgets in 2016/17 for the Housing Revenue Account (HRA).

## 4 2016/17 Financial Performance

- 4.1 The HRA is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to break-even (net of approved transfers to/from HRA Reserves). The HRA Revenue Outturn for 2016/17 is a net surplus of £0.882m (3.3% of gross income).

**Table 1: HRA Outturn Summary**

	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Gross Income	(26,768)	(27,116)	(348)	(1%)
Service Expenditure	12,421	12,142	(279)	(1%)
Other Operating Costs and Income	5,742	5,525	(217)	(1%)
Earmarked Reserve Transfers	(333)	(333)	0	0%
Capital Financing and Debt Repayment	8,715	8,677	(38)	0%
Technical Accounting Adjustments	223	223	0	0%
<b>Net Variance</b>	<b>0</b>	<b>(882)</b>	<b>(882)</b>	<b>(3%)</b>

- 4.2 The HRA Revenue Outturn for 2016/17 is provided in more detail in **Appendix A** to this report.
- 4.3 The Forecast Outturn as at Quarter 2 (September 2016) was an under-recovery of £0.129m. The main differences between the reported variances at Quarter 2 and the year-end Outturn are summarised in Table 13 below.

**Table 2: Main Differences between Q2 and Outturn Variances**

	Q2 £000	Change £000	Q4 £000
Dwelling Rents and Service Charges	(280)	(68)	(348)
Housing Management	(59)	(46)	(105)
Repairs and Maintenance	212	(386)	(174)
Other Expenditure	38	55	93
Depreciation and Revenue Contribution to Capital Programme	0	(38)	(38)
Interest Payable	0	(259)	(259)
Interest Receivable	(40)	(11)	(51)
<b>Total</b>	<b>(129)</b>	<b>(753)</b>	<b>(882)</b>

- 4.4 The major under and over spends forecast for year are summarised as follows:
- 4.5 **Dwelling Rents and Service Charges:** Void rate is lower than budgeted leading to additional income of £68k. Income from service charges is £106k higher than budget
- 4.6 **Leasehold Income:** Income from leaseholders is higher than budgeted by £135k to reflect the increased cost of maintenance on shared blocks.

- 4.7 **Housing Management:** There is underspend in IT costs of £44k as new IT systems were not implemented. RTB income of £39k was received which can now be included in the business plan. There was in year saving in Tenant Empowerment staffing of £22k.
- 4.8 **Repairs and Maintenance-Responsive and Voids:** There was underspend in responsive heating work of £19k and underspend on repairs to voids of £155k
- 4.9 **Other Expenditure:** Additional expenditure on grounds maintenance and contribution towards the e5 financial system.
- 4.10 **Interest Payable:** Due to healthy reserves, external borrowing has not yet been needed for the new development schemes, such as Creechbarrow Road. This has therefore reduced the interest payable in 2016/17.
- 4.11 **Interest Receivable:** Healthy reserves and an increasing interest rate has led to higher income from investments during 2016/17.

### **Housing Revenue Unearmarked Account Reserves**

- 4.12 The HRA reserves at the start of the year were £2.675m, and the Council approved allocations totalling £0.333m throughout 2016/17 reducing the budgeted balance to £2.342m. The surplus of £0.882m in 2016/17 increases the balance to £3.224m. This is above the minimum recommended reserve level of £1.800m by £1.424m.

***Table 3: General Reserve Balance***

	£k
Balance Brought Forward 1 April 2016	2,675
<i>Supplementary Estimates</i>	
Initiatives approved utilising 2015/16 underspend – July Full Council	(333)
<b>Budgeted Balance March 2017</b>	<b>2,342</b>
Outturn 2016/17	882
<b>Balance Carried Forward 31 March 2016</b>	<b>3,224</b>
Recommended Minimum Balance	1,800
Balance above recommended minimum	1,424

- 4.13 If recommendation 2.2e (i to vi) is approved as part of this outturn report, this will be funded from the above reserves balance in 2016/17 thus reducing it to £2.634m. This would leave HRA general reserves at £0.834m above the recommended minimum balance. This position has been taken into account in the review of the HRA Business Plan.

## **5 Recommendations for use of the 2016/17 HRA Underspend**

- 5.1 The 2016/17 underspend has allowed the HRA Reserves to remain at a level

comfortably above the recommended minimum balance.

5.2 It is therefore recommended that funds are allocated from the 2016/17 underspend in respect of the following, as set out in Recommendations 2.2c:

		£k
Technical Development Support	to fund supplemental technical development support capacity to help the in house team on complex sites.	250
Halcon One Team Co-ordinator	the Halcon One Team Co-ordinator has needed to move to other Police operational activities and this has left a significant gap in our ability to undertake effective One Team working in Halcon. The Police are reviewing this as part of their current restructure however the funding is needed now to replace the Co-ordinator post until 31/3/2018.	25
Anti Social Behaviour post	Funding to provide additional capacity of 1 FTE for 18 months on anti-social behaviour. The current anti-social behaviour team is under significant and unsustainable pressure with a marked increase in drug and alcohol issues on our housing estates and associated anti-social behaviour. An increase in 'County Lines' activity which has included people 'cuckooing' in our properties has also contributed to our need for some additional capacity.	55
Piper Replacement	- the current hardwired Piper lifelines in our sheltered housing is becoming obsolete and needs replacement. Although there is a replacement programme to do this, we require an immediate injection of funding to address some urgent schemes where there is a risk of the lifelines failing.	70
Ladymead Road	Ladymead Road commercial units have proactively been vacated due to lessees having financial difficulties. The funding is required, as an investigation is underway to consider; either revamp and upgrade the units for remarketing as commercial premises, or to make a change of use and convert to a community hub for Housing & Communities to work out from similarly as the One Team	40
Fabric First	there are a number of properties that have significant failure in thermal performance and water ingress, mainly from failing cavity insulation. It is therefore proposed that £150K of the underspend is used to address a selection of options as a pilot. There will be a need for a greater budget for Fabric First measures, which we will find from savings and reallocation of elemental capital works budgets going forward.	150
	<b>Total</b>	<b>590</b>

## 6 **HRA Capital Programme**

- 6.1 The HRA approved Capital Programme at the end of 2016/17 was £20.129m. This relates to schemes which will be completed over the next five years. The Council is supporting this investment through the use of Capital Receipts, Revenue Funding and Borrowing. The profiled budget on the Capital Programme during 2016/17 was £20.129m, as summarised in Table 15 below, with £9.399m being carried forward and a net overspend of £0.032m being reported.
- 6.2 The major areas of capital spend during the year related to the capital maintenance for the existing housing stock and the development and acquisition of new stock.
- 6.3 **Appendix B** provides a breakdown of the HRA Capital Programme Outturn by scheme, and also sets out the proposed Carry Forward.

**Table 4: HRA Capital Programme 2016/17 Outturn Summary**

	£'000	%
Approved Capital Programme Budget	20,129	47%
Re-profiled forecast of spending Carried Forward to 2017/18	(9,399)	
Residual budget for 2016/17	10,730	
2016/17 actual capital expenditure	10,762	
Overspend	32	0%

- 6.4 The capital programme can be split into two distinct areas:

### **Major Works and Improvements:**

- 6.5 From a budget of £10.743m, a total of £8.347m was spent in 2016/17. This includes £1.552m on bathrooms, £4.234m on heating improvements, £0.668m on air source heat pumps, £0.504m on doors, £0.722m on fascias and soffits and £0.274m on door entry systems. A total of £0.924m was spent on related items such as asbestos removal, Disabled Facility Grants, Environmental Improvements and Aids and Adaptations.
- 6.6 A total of £2.395m has been carried forward into later years as the HRA Major Repairs and Improvement Fund.

### **Development:**

- 6.7 A total of £1.490m has been spent on new housing throughout 2016/17. The Creechbarrow Road and Weavers Arms developments include carry forwards of £3.994m with the schemes are due to complete in 2017/18.

## 7 Finance / Resource Implications

7.1 Contained within the body of the report.

## 8 Legal Implications

7.1 There are no legal implications associated with this report.

### List of Appendices

Appendix A	Housing Revenue Account Outturn Summary
Appendix B	Housing Revenue Account Capital Programme Outturn Summary

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## APPENDIX A

### HOUSING REVENUE ACCOUNT OUTTURN SUMMARY 2016/17

	Target Budget £'000	Total Outturn Position £'000	Variance £'000
<b>Income</b>			
HRA Dwelling Rents	(24,614)	(24,682)	(68)
HRA Non Dwelling Rents	(610)	(590)	20
HRA Charges for Services/Facilities	(995)	(1,242)	(247)
HRA Contributions Towards Expenditure	(549)	(602)	(54)
<b>Total Income</b>	<b>(26,768)</b>	<b>(27,116)</b>	<b>(348)</b>
<b>Expenditure</b>			
Housing Management	6,299	6,194	(105)
Repairs & Maintenance - Planned	1,526	1,535	9
Repairs & Maintenance - Responsive	2,953	2,925	(28)
Repairs & Maintenance - Voids	1,643	1,488	(155)
Other Expenditure	1,812	1,905	93
<b>Total Expenditure</b>	<b>14,233</b>	<b>14,047</b>	<b>(186)</b>
<b>Central Costs/Movement in Reserves</b>			
Social Housing Development Fund	1,000	1,000	0
Depreciation and Revenue Contribution to Capital Programme	7,708	7,670	(38)
Net Interest Payable	2,930	2,620	(310)
Provision for the Repayment of Debt	1,007	1,007	0
Provision for Bad Debt	223	223	0
Other Movement in Reserves	(333)	(333)	0
<b>Total Central Costs/MIRs</b>	<b>12,535</b>	<b>12,187</b>	<b>(348)</b>
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>(882)</b>	<b>(882)</b>

## APPENDIX B

### HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME OUTTURN 2016/17

Scheme	Budget 2016/17 £	Outturn £	Variance £	Carried Forward 2017/18 £
<b>Major Works</b>				
Kitchens	120,000	228,802	(108,802)	
Bathrooms	1,450,000	1,552,072	(102,072)	
Roofing	100,000	1,208	98,792	
Windows	50,000	14,717	35,283	
Heating Improvements	2,604,000	4,234,322	(1,630,322)	
Doors	450,000	503,693	(53,693)	
Fire Safety Works in Communal Areas	225,000	122,843	102,157	
Fascias and Soffits	750,000	722,299	27,701	
Air Source Heat Pumps	680,000	667,555	12,445	
Door Entry Systems	300,000	274,330	25,670	
Other External Insulations	10,000	25,550	(15,550)	
HRA Major Repairs and Improvement Fund	4,004,000	0	4,004,000	2,395,000
<b>Total Major Works</b>	<b>10,743,000</b>	<b>8,347,391</b>	<b>2,395,609</b>	<b>2,395,000</b>
<b>Improvements</b>				
Aids and Adaptations	120,000	108,899	11,101	11,101
DFGs	315,000	277,218	37,782	37,782
Garages	30,000	0	30,000	30,000
Meeting Halls	71,000	28,846	42,154	42,154
Unadopted Areas	21,000	26,479	(5,479)	
Asbestos Works	331,000	345,023	(14,023)	
Tenants Improvements	5,000	0	5,000	
Sustainable Energy Fund	224,000	0	224,000	224,000
Environmental Improvements	291,000	115,814	175,186	175,186
Extensions	158,000	905	157,095	157,095
Community Alarms	5,000	5,021	(21)	
IT Development	394,000	0	394,000	394,000
PV Systems	0	16,260	(16,260)	
<b>Total Improvements</b>	<b>1,965,000</b>	<b>924,465</b>	<b>1,040,535</b>	<b>1,071,318</b>
<b>Social Housing Development Programme</b>				
Creechbarrow Road	2,099,000	778,450	1,320,550	1,321,000
Phase 1: Vale View, West Bag	0	422	(422)	
Phase 1: Bacon Drive	0	3,336	(3,336)	
Phase 1: Normandy Drive	0	(1,939)	1,939	
Buybacks	0	108	(108)	
Social Housing Development Program	1,000,000	11,068	1,938,932	1,939,000
Weavers Arms	3,372,000	698,696	2,673,304	2,673,000
<b>Total Social Housing Development Programme</b>	<b>7,421,000</b>	<b>1,490,141</b>	<b>5,930,859</b>	<b>5,933,000</b>
<b>Total HRA</b>	<b>20,129,000</b>	<b>10,761,997</b>	<b>9,367,003</b>	<b>9,399,318</b>