

Report to Scrutiny Committee of 9th October 2008

Subject: Housing Revenue & Capital Account 2008/09 Budget Monitoring

Prepared by: Lawrence Hunter, Service Manager Policy, Planning & Performance and Martin Dunsmore, Accounting and Budgeting Manager

1.0 SUMMARY

- 1.1. This paper reports on the projected out-turn of both the Housing Revenue Account for the financial year 2008/09, and the three year capital programme to 2010/11.
- 1.2. The projected position is that there will be a net contribution to reserves in the year of £210k, slightly above the budget of £145k.
- 1.3. The draft accumulated reserve at the end of 2007/08 was £7.447m. Assuming a contribution from reserves towards the capital programme of £1.481m, in accordance with the Business Plan, the draft accumulated reserve would be decreased to £6.176m at the end of 2008/09.

2.0 RECOMMENDATIONS

- 2.1. It is recommended that the Committee note the contents of this report

3.0 BACKGROUND - REVENUE ACCOUNT

Repairs & Maintenance

- 3.1. *Repairs & Maintenance* expenditure is projected to be £119k over budget at the year-end, with over-spends on General Maintenance, Cyclical Maintenance and the Gas Contract.

Supervision & Management

- 3.2. *Supervision and Management* costs overall are projected to be £99k below budget at the end of 2008/09.
- 3.3. *Staff Costs* are forecast to be around £77k below budget, with the increase in agency staff more than compensated for by decreases in the regular staffing.
- 3.4. *Professional Fees* are projected to be about £38k below budget, with plans for some consultancy work to be delivered by existing staff and some unlikely to be undertaken in the current year.

Capital Financing Costs

3.5. *Capital Financing Costs* are recording a reduction in interest charges of £138k through improvements in overall borrowing costs.

Other Expenses

3.6. Overall, *Other Expenses* are projected to be £24k below budget. This is mainly due to a new agreement being reached with Scottish Power on the charges for *Stair Lighting*, resulting in a significant decrease in expenditure.

Income

3.7. *Income* is projected to be close to budget.

4.0 BACKGROUND - CAPITAL ACCOUNT

4.1 At its meeting in February 2008, the Council approved the Housing Capital Programme for 2008/09 with a gross expenditure of £8,665k together with budgets of £6.120k and £5.437k for 2009/10 and 2010/11 respectively.

4.2 The current review of the programme brings in to the current year, sums carried forward from 2007/08, and records over's and underspends within programme areas which are detailed within Appendix 2.

4.3 The table below summarises the financial position for the three years to 2010/11:

£'000	2008/09	2009/10	2010/11	Total for 3 years
GROSS EXPENDITURE				
As approved by Special Council meeting on 2008	8,665	6,120	5,437	20,222
Carry forward of 2007/08	807			807
Anticipated savings in 2008/09 budgets as per latest Housing Capital Liaison (HCL) meeting	(1,330)			(1,330)
Anticipated overspends in 2008/09 budgets as per latest HCL meeting	954			954
	9,096	6,120	5,437	20,653
CAPITAL RECEIPTS FROM SALE OF ASSETS				
Sale of Council Houses	(2,799)	(2,535)	(2,548)	(7,882)
AS & E ILM Funding	(17)			(17)
	(2,816)	(2,535)	(2,548)	(7,899)
NET EXPENDITURE (COUNCIL BORROWING)				
Anticipated Net Expenditure (Council Borrowing)	6,280	3,585	2,889	12,754

5.0 BUSINESS PLAN

- 5.1 An extract from the Housing Business plan is attached at Appendix C. This records the combined effect of the current years revenue and capital spend and its impact on next years budget proposals.
- 5.2 The business plan assumes that contributions from reserves towards funding the capital programme will be made in each of the next three years and a sum of £1.481m has been included in this report in respect of 2008/09. It remains the case that the actual amounts contributed in each year will be assessed based on the prevailing borrowing rates each year and levels of reserves forecast forward.

6.0 CONCLUSIONS

- 6.1 The Housing Revenue Account has a projected net contribution to reserves of £124k for the year 2008/09. There is no overall change to the budgeted contribution.
- 6.2 Expenditure on *Repairs & Maintenance* is expected to be over budget, but *Supervision & Management* and *Other Expenses* are projected to be below budget.
- 6.3 The anticipated capital spend over the three years to 2010/11 remains broadly in line with budget.
- 6.4 Based on the projected year-end position, the HRA accumulated reserve would be reduced to £6.176m at the end of 2008/09. This assumes that the reserve is used in accordance with the Housing Business Plan to finance stock investment and that a contribution of £1.481m is made in 2008/09 to help finance the capital programme.

7.0 SUSTAINABILITY IMPLICATIONS

- 7.1 N/A.

8.0 FINANCIAL IMPLICATIONS

- 8.1 As noted in the report.

8.2. Declarations

- (1) The recommendations contained within this report support or implement Corporate Priorities, Council Policies and/or the Community Plan:

• **Corporate Priorities (Key Themes)** (Please tick)

- | | |
|---------------------------------------|-------------------------------------|
| Achieving Potential | <input type="checkbox"/> |
| Maximising Quality of Life | <input checked="" type="checkbox"/> |
| Securing Prosperity | <input type="checkbox"/> |
| Enhancing the Environment | <input type="checkbox"/> |
| Maintaining an Effective Organisation | <input type="checkbox"/> |

- **Council Policies** (Please detail)
- **Community Plan (Themes)** (Please tick)

Community Safety	<input checked="" type="checkbox"/>
Economic Development	<input type="checkbox"/>
Environment and Sustainability	<input type="checkbox"/>
Health Improvement	<input checked="" type="checkbox"/>

(2) In adopting the recommendations contained in this report, the Council is acting within its legal powers. (Please tick)

(3) The full financial implications of the recommendations contained in this report are set out in the report. This includes a reference to full life cycle costs where appropriate. (Please tick)

Head of Service

Director

Report to Scrutiny Committee

To accompany all Reports to Council

To: Head of Administration And Legal Services

Author: Martin Dunsmore	Date: 17 September 2008
Service: Corporate Development - Finance	
Date of Meeting: 9th October 2008	
Title of Report: Housing Revenue & Capital Account 2008/09 Budget Monitoring	

Recommendation that the attached report be:

1. Given unrestricted circulation

(tick appropriate box)

2. Taken in private

By virtue of paragraph ____ of schedule 7A, Local Government (Scotland) Act 1973.

Appendices attached to this report (if none, state "none")

1. Summary of HRA Revenue Expenditure
2. Summary of HRA Capital Expenditure
3. Summary business plan cash flow position
- 4.

List of Background Papers (if none, state "none")

1. Housing Revenue Budget 2008/09 and Capital Programme 2008/11 - report to Special meeting of Council on 21st February 2008

Note: All documents specified must be kept available by the author for public inspection for four years from the date of the meeting at which the report is considered.

HOUSING REVENUE ACCOUNT

Appendix A

SUMMARY

	Budget 2008/09	Budget to 31/07/08	Expenditure to 31 July 2008	Projections	Variance projected outcome to original budget
	£	£	£	£	£
REPAIRS AND MAINTENANCE					
Private Contractors	235,000	78,326	78,828	236,484	1,484
Void Houses	1,035,000	344,966	267,915	943,378	(91,622)
General Maintenance	2,000,000	666,600	492,534	2,076,313	76,313
Cyclical Maintenance	732,630	244,186	177,359	771,843	39,213
Gas Contract	262,116	87,363	105,343	355,943	93,827
Pathways	50,000	16,665	834	50,000	0
	4,314,746	1,438,106	1,122,813	4,433,961	119,215
SUPERVISION AND MANAGEMENT					
Net Expenditure	4,086,124	1,085,644	1,043,105	3,986,876	(99,248)
CAPITAL FINANCING COSTS					
Principal Repayments	1,297,842	0	0	1,316,144	18,302
Interest Payments	2,138,921	0	0	2,001,372	(137,549)
Loans Fund Expenses	22,236	0	0	23,126	890
	3,458,999	0	0	3,340,642	(118,357)
OTHER EXPENSES					
Insurance	244,615	0	0	244,615	0
Stair Lighting	23,378	7,792	1,640	10,000	(13,378)
Void Rent Loss	325,145	108,371	74,616	325,145	0
Grounds Maintenance	59,326	19,773	19,680	59,326	0
Garden Aid Scheme	97,581	32,524	46,446	97,581	0
Special Uplifts	122,040	40,676	30,653	122,040	0
Pest Control	20,000	6,666	3,260	9,780	(10,220)
Contributions to Bad Debts	250,000	0	0	250,000	0
Miscellaneous Expenses	3,090	1,030	93	3,090	0
Council Tax Empty Properties	20,000	0	0	20,000	0
	1,165,175	216,832	176,388	1,141,577	(23,598)
TOTAL EXPENDITURE	13,025,044	2,740,582	2,342,306	12,903,056	(121,988)
INCOME					
Rents	(12,741,416)	(4,246,714)	(4,564,534)	(12,710,141)	31,275
Other Income	(40,581)	(13,526)	(11,298)	(46,681)	(6,100)
Interest on Revenue Balances	(388,177)	0	0	(356,471)	31,706
	(13,170,174)	(4,260,240)	(4,575,832)	(13,113,293)	56,881
NET EXPENDITURE	(145,130)	(1,519,658)	(2,233,526)	(210,237)	(65,107)

SUPERVISION AND MANAGEMENT
SUMMARY

Appendix A

<u>As per ledger</u>	Budget 2008/09	Budget to 31/07/08	Expenditure to 31 July 2008	Projections for 2008/09	Variance projected outcome to original budget
	£	£	£	£	£
<u>EXPENDITURE</u>					
Employee Costs	2,446,638	924,831	902,242	2,369,557	(77,081)
Premises Related Expenditure	44,184	17,665	17,605	46,296	2,112
Transport Related Expenditure	59,124	21,090	21,302	61,699	2,575
Supplies and Services	108,459	36,150	11,957	69,977	(38,482)
Administration	99,901	33,297	25,305	101,121	1,220
Computer Charges	134,489	44,827	57,935	134,489	0
Third Party Payments	206,051	68,677	68,299	196,949	(9,102)
Transfer Payments	55	18	274	0	(55)
Support Services	1,169,972	0	0	1,169,972	0
TOTAL EXPENDITURE	4,268,873	1,146,555	1,104,919	4,150,060	(118,813)
<u>INCOME</u>					
	(182,749)	(60,911)	(61,814)	(163,185)	19,564
NET EXPENDITURE	4,086,124	1,085,644	1,043,105	3,986,876	(99,248)

														Appendix B	
Housing Capital Programme 2008/09	Approved Budget for 2008/09	Revised Budget including 07/08 c/f	To 31st August 2008							% increase/ (decrease) over revised Budget	Out-turn for year (as per HCL mtg on 19/08/08)	Variance of August out-turn with Budget	Budget 2009/10	Budget 2010/11	
			Contract	Payments to	Prof	Other	Total	Income	Net						
			Payments	DSO/DLO	Fees	Expend	Expend	£	Expend						
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
SCOTTISH HOUSING QUALITY STANDARD															
TACKLING SERIOUS DISREPAIR															
PRIMARY BUILDING ELEMENTS															
Structural Works	200,000	259,000	55,583.34	604.29	8,005.93	6,551.51	70,745.07	0.00	70,745.07	(27.8)	331,000	(72,000)	85,000	85,000	
Damp/Rot	30,000	30,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0	30,000	0	30,000	25,000	
Roofs / Rainwater / External Walls	400,000	347,000	22,252.87	0.00	104.19	120.00	22,477.06	(830.12)	21,646.94	(41.8)	492,000	(145,000)	300,000	150,000	
External Door, etc	0	(54,000)	(12,489.90)	1,917.75	0.00	1,233.16	(9,318.99)	0.00	(9,318.99)	268.5	91,000	(145,000)	0	0	
ENERGY EFFICIENCY															
Full/Efficient Central Heating	1,140,000	1,270,000	133,626.01	16,838.90	0.00	1,017.50	151,482.41	0.00	151,482.41	0.0	1,270,000	0	560,000	560,000	
Thermal Insulation	575,000	1,163,000	0.00	0.00	0.00	0.00	0.00	(43,520.00)	(43,520.00)	100.0	0	1,163,000	125,000	0	
MODERN FACILITIES & SERVICES															
Kitchen Renewal	3,860,000	3,602,000	(11.50)	2,534.43	23,226.62	7,749.81	33,499.36	0.00	33,499.36	(0.1)	3,606,000	(4,000)	3,200,000	1,000,000	
Bathrooms	1,000,000	1,140,000	150,518.34	1,089.86	2,563.12	1,871.28	156,042.60	0.00	156,042.60	(23.5)	1,408,000	(268,000)	800,000	2,500,000	
HEALTHY, SAFE & SECURE															
Safe Electrical Systems	465,000	292,000	3,217.28	52,841.07	0.00	0.00	56,058.35	0.00	56,058.35	(70.9)	499,000	(207,000)	300,000	337,452	
Communal Areas (Environmentals)	100,000	79,000	0.00	2,962.81	0.00	0.00	2,962.81	0.00	2,962.81	(26.6)	100,000	(21,000)	100,000	150,000	
NON-SHS ELEMENTS															
PARTICULAR NEEDS HOUSING (CITC)															
Conversions & Upgradings	70,000	120,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.0	60,000	60,000	50,000	50,000	
Disabled Adaptations	375,000	640,000	21,108.60	151,073.90	15,246.00	308.56	187,737.06	0.00	187,737.06	0.0	640,000	0	300,000	305,000	
Area Improvements	70,000	64,000	0.00	0.00	0.00	63.03	63.03	0.00	63.03	(9.4)	70,000	(6,000)	45,000	50,000	
Water Supply Pipe Replacement	150,000	164,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(52.4)	250,000	(86,000)	50,000	50,000	
Demolitions	100,000	147,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.3	104,000	43,000	50,000	50,000	
Feasibility Work	30,000	48,000	0.00	0.00	6,287.15	2,500.00	8,787.15	0.00	8,787.15	0.0	48,000	0	25,000	25,000	
Other Costs	100,000	172,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.2	108,000	64,000	100,000	100,000	
TOTAL CAPITAL EXPENDITURE (EXC ILM)	8,665,000	9,483,000	373,825.04	229,863.01	55,433.01	21,414.85	680,535.91	(44,350.12)	636,185.79	4.0	9,107,000	376,000	6,120,000	5,437,452	

Housing Capital Programme 2008/09	Approved Budget for 2008/09	Revised Budget including 07/08 c/f	To 31st August 2008							% increase/ (decrease) over revised Budget	Out-turn for year (as per HCL mtg on 19/08/08)	Variance of August out-turn with Budget	Appendix B		
			Contract	Payments to	Prof	Other	Total	Income	Net				Budget 2009/10	Budget 2010/11	
			Payments	DSO/DLO	Fees	Expend	Expend	£	Expend				£	£	£
			£	£	£	£	£	£	£				£	£	£
Plus AS&E ILM Funding	0	(11,000)	0.00	0.00	0.00	0.00	0.00	(27,642.00)	11,000.00	(151.3)	(27,642)	16,642	0	0	
TOTAL CAPITAL EXPENDITURE (INC ILM)	8,665,000	9,472,000	373,825.04	229,863.01	55,433.01	21,414.85	680,535.91	(71,992.12)	647,185.79	4.1	9,079,358	392,642	6,120,000	5,437,452	
SALE OF COUNCIL PROPERTY	(2,799,000)	(2,799,000)	0.00	0.00	918.57	53,141.34	54,059.91	(878,602.15)	(824,542.24)	0.0	(2,799,000)	0	(2,535,000)	(2,548,000)	
GRANTS	0	0							0.00		0	0	0	0	
NET EXPENDITURE	5,866,000	6,673,000	373,825.04	229,863.01	56,351.58	74,556.19	734,595.82	(950,594.27)	(177,356.45)	5.9	6,280,358	392,642	3,585,000	2,889,452	

Summary Cashflow			Appendix C
	2008/09	2008/09	2009/10
Housing Revenue Account	Estimate	Projection	Estimate
Repairs & maintenance	4,314,746	4,433,961	4,297,276
Supervision & Management	4,086,124	3,986,876	4,163,943
Capital Financing Costs	3,458,999	3,340,642	3,771,451
Other Expenses	1,165,175	1,141,577	1,311,066
Total Expenditure	13,025,044	12,903,056	13,543,736
Income	(13,170,173)	(13,113,293)	(13,391,562)
Net / Surplus for year	(145,129)	(210,237)	152,175
Net / Surplus from previous year	(7,447,000)	(7,447,000)	(6,176,237)
Contribution to Capital Account	1,481,000	1,481,000	966,482
Net / Surplus at end of year	(6,111,129)	(6,176,237)	(5,057,581)
	2008/09	2008/09	2009/10
Capital Account	Estimate	Projection	Estimate
SHQS Works	7,770,000	7,827,000	5,500,000
Non SHQS Works - Other Works	895,000	1,269,000	620,000
Total Capital Budget	8,665,000	9,096,000	6,120,000
Funded By :			
House Sales	(2,798,640)	(2,799,000)	(2,534,518)
Borrowing Requirement	(4,640,000)	(4,816,000)	(2,619,000)
(CFCR) Reserves	(1,226,360)	(1,481,000)	(966,482)
Total Funding	(8,665,000)	(9,096,000)	(6,120,000)
Combined HRA & Capital A/C	(6,111,129)		(5,057,581)

