

## **HOUSING REVENUE ACCOUNT**

### **KEY ISSUES – REVENUE OUTTURN 2014/15**

#### **Responsive Repairs - £3,987,400 over spend (38.1%)**

The volume of repairs reported increased significantly as a result of the exceptional and stormy weather conditions in the winter of 2013/14 and the backlog of repairs that were carried forward from that financial year. In headline terms, the Council received an additional 6,000 repair requests compared to the number anticipated over the period. The weather related repairs involved a significant amount of complex work to the fabric of approximately 200 properties. It is anticipated that, over time, this will reduce the draw on the capital programme for this stock in future years. In addition, a significant amount of weather related responsive repairs work was carried out by transferring internal staff resources from the capital programme to work on responsive repairs.

The total cost, incurred in 2014/15, in repairing damage caused by the previous winter storms is estimated at £2,500,000. This has been funded from a reduction in Direct Revenue Financing (DRF) for the capital programme, as costs were moved from the capital programme to revenue, and from the related increase in leaseholder service charges.

In addition to the weather related expenditure detailed above and in order to deal with the backlog of jobs, there were additional costs for materials and contractors. The contractors' costs increased largely as a result of the significant additional scaffolding that was required. This additional expenditure, estimated at £1,500,000, has been funded from savings found elsewhere in the wider HRA budget, for example the under spends in interest payments and in the provision for bad debts which are both described below.

#### **Housing Investment - £291,200 over spend (5.2%)**

The material variations in the Housing Investment budget were as follows:

##### **Water Quality Testing and Treatment (over spend of £208,000)**

In order to maintain water quality within Council walk-up blocks to updated legal requirements, it was necessary to implement a programme of water quality inspection, repairs, monitoring and testing across the city. This was not originally budgeted for.

##### **Gas Servicing (under spend of £166,200)**

Continuing investment in the replacement of gas boilers in the Capital Programme has led to a reduction in the expenditure on boiler servicing with fewer breakdown callouts, due to the possession of new equipment warranties.

##### **Electrical Testing Works (over spend of £116,000)**

This over spend is related to costs for the testing of void dwellings. This expenditure, in future, will be correctly coded to the appropriate Responsive Repairs budgets.

Health & Safety Works (over spend of £211,500)

There have been some issues correctly allocating the actual expenditure between Health & Safety Works and Responsive Repairs and this has resulted in more work being allocated to the former budget than expected.

Asbestos Works (under spend of £76,800)

The cost of dealing with asbestos found in kitchens and bathrooms was included in the contract for replacement kitchens and bathrooms. The expenditure is now incurred by these capital schemes rather than being charged to revenue.

**Supervision and Management - £986,200 under spend (4.7%)**

This heading covers the costs of all services provided to tenants other than repairs. The main variations were as follows:

Provision for Bad Debts (under spend of £629,700)

2014/15 was the second of a 3 year plan to increase the staffing compliment of the Housing Income Team. These additional early intervention staff have assisted in identifying tenants with financial difficulties and taking early steps to assist these tenants before debts can accumulate. The result of this work is that only 24% of the budgeted contribution to the bad debt provision was required leaving a £629,700 favourable variance for the year.

Block Utilities (under spend of £208,200)

The communal heating and lighting electricity costs for housing blocks were under budget mainly due to the increased accuracy of the charges against prudent estimates.

Housing Management (under spend of £145,900)

The additional staff for the Housing Income Team were budgeted to start from 1 April 2014 but, due to phasing in the recruitment process, a number of these staff did not start until later in the year.

**Other budget variances**

**Interest Repayments - under spend £948,100 (15.2%)**

The original budget assumption was that borrowing of £23,000,000 would be required on the 1<sup>st</sup> October 2014 to fund the capital programme. As a result of the re-phasing in the capital programme, as detailed in the February 2015 capital update, the estimated borrowing was reduced to £4,100,000 on 1<sup>st</sup> March 2015. However, as the capital outturn position showed further slippage, no borrowing was required to finance the expenditure in the year. The combined effect of these changes to the borrowing assumptions has resulted in a reduction of £948,100 in interest payments.

**Total Income – £219,900 increase (0.3%)**

There has been an increase in leaseholder service charges following the increase in the revenue major works to housing blocks, which are charged back to the Council's leaseholders. This increase has been partially offset by a loss of rental income from an increased number of void properties and from the revised implementation date of the new block cleaning charge as part of the warden review.

**Depreciation / Direct Revenue Financing of Capital - £2,011,500 reduction (7.6%)**

This combined revenue contribution to the funding of capital expenditure has been reduced by £2,011,500. This has contributed to balancing the increases in expenditure in Responsive Repairs detailed above.

For the capital programme, increases in useable capital receipts from the number of right-to-buy sales in 2014/15 has enabled future planned capital expenditure to remain fully funded without this draw on revenue expenditure.