

# HOUSING CONSULTATIVE COMMITTEE MEETING

## Agenda Item 30

Brighton & Hove City Council

<b>Subject:</b>	<b>Housing Revenue Account 2007/08 Final Outturn and Forecast Outturn for 2008/09</b>		
<b>Date of Meeting:</b>	<b>23 September 2008</b>		
<b>Report of:</b>	<b>Director of Adult Social Care and Housing</b>		
<b>Contact Officer:</b>	<b>Sue Chapman</b>	<b>Tel:</b>	<b>29-3105</b>
	<b>E-mail: sue.chapman@brighton-hove.gov.uk</b>		
<b>Key Decision:</b>	<b>No</b>		
<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report informs the meeting of the Housing Revenue Account (HRA) 2007/08 final outturn and the forecast outturn for 2008/09 as at Month 4.

#### 2. RECOMMENDATIONS:

- 2.1 That the Housing Management Consultative Committee note that the final outturn for the HRA for 2007/08 was an underspending of £1.310 million compared to the budgeted position of a small surplus of £0.129 million. This represents a variance of 2.99% of the gross revenue budget of £43.463 million. General HRA revenue reserves have increased by £1.439 million to £5.615 million as at 31 March 2008.
- 2.2 That the Housing Management Consultative Committee note that the earmarked revenue reserves for the Estate Development Budget (EDB) are £34,000 at 31st March 2008
- 2.3 That the Housing Management Consultative Committee note that the forecast breakeven position for 2008/09 as at Month 4 which includes an additional contribution from HRA reserves to fund additional energy costs.

### **3. FINAL OUTTURN 2007/08:**

- 3.1 The 2007/08 outturn is a net underspend compared to budget of £1.310 million as shown in Appendix 1. The main variances are described below:
- 3.2 The employees budget underspent by £0.526m which was due to vacancy management across the service, a reduction in pension costs as fewer employees have joined the local government pension scheme than expected and an unspent contingency budget of £0.066m for single status.
- 3.3 Overall the responsive and empty properties repairs contracts have underspent by £0.500m. The responsive repairs budget underspent by £0.491m due to a general reduction in the number of jobs being ordered. This led to a reduction in the management fees payable by £0.113m. This was partly offset by an overspend of £0.104m on repairing empty properties.
- 3.4 The service contracts budget has underspent by £0.852m as follows:
- £0.241m from delays in specifying new maintenance contracts for lifts, ventilation, fire alarms and cold water tanks as it is intended to combine these contracts with those in Property and Design, so that the council can maximise efficiency by tendering citywide.
  - £0.242m from efficiencies within the gas servicing and maintenance contract
  - £0.464m from where windows maintenance costs have now been included within the responsive repairs budget.
- 3.5 The programme repairs budget has underspent by £0.253m as most of the cyclical decorations work undertaken in the year were capital works rather than revenue.
- 3.6 The other premises overspend of £0.083m is the net overspend from an increase of £0.328m charge for leaseholders buildings insurances which was unknown at budget time, offset by underspends on utilities of £0.162m due to a lack of precise consumption information being available at budget setting time and other minor underspends totalling £0.083m.
- 3.7 The budget for supplies and services has overspent by £0.024m. There was an unbudgetted increase of £0.99m in the contribution to the Bad Debt Provision due to an increase in debt write-offs during the year which depleted the provision. This was partly offset by minor underspending in bed and breakfast payments and other supplies & services.
- 3.8 The revenue contribution to the capital programme was increased by £1.264 million to allow additional investment in the capital programme for

targeted decent homes work. A separate report to this Committee in September 2007 provided details of the revised capital programme for 2007/08 and 2008/09.

- 3.9 The service charges overachievement of income of £0.104m mainly relates to additional income of £0.150m from leaseholders for major works. These charges can only be passed onto to leaseholders upon completion of the capital works and are sometimes very difficult to estimate accurately at budget setting time. This is offset slightly by small reductions in income from service charges for temporary accommodation, heating charges and salaries being charged to capital.
- 3.10 Other income and recharges has overachieved its income target by £0.327 million. This increased income was mainly generated by higher than expected interest of £0.167m earned on HRA balances and increased employee charges to capital of £0.145m which was a result of the increased capital programme identified in paragraph 3.8.

#### **4. FORECAST OUTTURN 2008/09 AS AT MONTH 4**

- 4.1 The budget has now been increased by £0.250 million to reflect the net increase in the energy costs following the renewal of these contracts. This increase will be funded from useable general reserves as noted in the 2008/09 HRA Budget report approved by Council on 28 February 2008. The forecast outturn for 2008/09 as at Month 4 is a breakeven position as shown in Appendix 2. The main variances are explained below:
- 4.2 The Employees underspend of £0.223m is mainly due to vacancy management.
- 4.3 Empty property repair costs £0.200m due to an increase in the average cost of repair per property from £2,300 to £2,600. An action plan is being developed in order to reduce future costs.
- 4.4 Service contract underspend £0.162m due to continuing with the existing contracts, which have a lower specification than the new contracts that had been budgeted for. (New contracts to be let for 2009/10)
- 4.5 Supplies and Services are expected to underspend by £0.158m as a result of a reduction in the use of consultants for the Audit of the gas service contract.
- 4.6 Underachieved income on Major works recharges to leaseholders £0.126m due to completion of contracts in time for this years billing to leaseholders being less than anticipated when setting the original income budget.

## 5. FORECAST RESERVES AS AT 31 MARCH 2009

- 5.1 The HRA revenue reserves as at 31 March 2008 increased to £5.615 m. Since then £1.386m has been allocated to fund the 2008/09 capital programme (as approved at Housing Committee on 27 March 2008) and a further £0.250 million has been allocated to fund the energy contract prices increases (as approved at Cabinet on 18 September 2008). This reduces the projected reserves as at 31 March 2009 to £3.979m which is £1.779m above the recommended minimum level of reserves of £2.2 million. The £1.779m will be set aside to invest in the new long term partnering contracts. This will ensure that the council achieves maximum value for money from future procurement and that these funds are clearly directed towards meeting the Decent Homes target.
- 5.2 Estate Development Budget total earmarked reserves were £0.707 million as at 1 April 2007. These earmarked reserves are split between £0.034m revenue and £0.673m capital. These reserves will reduce as agreed schemes are completed.
- 5.3 The HRA revenue reserves are shown below:

<b>REVENUE RESERVES</b>	<b>General Reserves £'000</b>	<b>Earmarked Reserves: EDB £'000</b>	<b>Total HRA Reserves £'000</b>
Balance at 1 April 2007	4,171	39	4,210
Contribution to / (from) reserves 2007/08	1,444	(5)	1,439
<b>Balance at 31 March 2008</b>	<b>5,615</b>	<b>34</b>	<b>5,649</b>
Contribution to fund 2008/09 Capital Programme	(1,386)		(1,386)
Additional contribution to 2008/09 Revenue Budget to fund energy contract increases	(250)		(250)
Completion of EDB Schemes		(34)	(34)
<b>Projected Reserves at 31 March 2009</b>	<b>3,979</b>	<b>0</b>	<b>3,979</b>

## **FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 5.1 Financial information on the 2007/08 Final Outturn and 2008/09 Forecast Outturn is contained in the main body of the report.

*Monica Brooks, Principal Accountant*

*August 2008*

### Legal Implications:

- 5.2 The Council is obliged to keep a separate Housing Revenue Account by virtue of the Local Government & Housing Act 1989.

*Deborah Jones, Lawyer*

*August 2008*

### Equalities Implications:

- 5.3 There are no equalities implications arising from this report.

### Sustainability Implications:

- 5.4 There are no environmental implications arising from this report.

### Crime & Disorder Implications:

- 5.5 There are no direct implications for crime and disorder.

### Risk and Opportunity Management Implications:

- 5.6 Risk assessments have allowed the council to allocate its resources appropriately.

### Corporate / Citywide Implications:

- 5.7 There are no corporate or citywide implications arising from this report.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

6.1 There are no alternative options for this report.

**7. REASONS FOR REPORT RECOMMENDATIONS**

7.1 To consult tenants and members of the final outturn position of the HRA for 2007/08 and forecast outturn for 2008/09.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Final Outturn 2007/08
2. Forecast Outturn 2008/09

### **Documents In Members' Rooms**

None

<b>APPENDIX 1 - Final Outturn 2007/08</b>			
<b>Housing Revenue Account</b>	<b>Budget 2007/08 £'000</b>	<b>Outturn 2007/08 £'000</b>	<b>Variance 2007/08 £'000</b>
<b>Employees</b>	<b>9,122</b>	<b>8,596</b>	<b>(526)</b>
<b>Premises</b>			
Repairs - response repairs & empty properties	8,161	7,661	(500)
- service contracts	3,628	2,776	(852)
- programme repairs	511	258	(253)
Other premises	2,223	2,306	83
	<b>14,523</b>	<b>13,001</b>	<b>(1,522)</b>
<b>Transport</b>	<b>133</b>	<b>138</b>	<b>5</b>
<b>Supplies &amp; Services</b>			
Bed & Breakfast payments	102	78	(24)
Contribution to Bad Debt Provision	300	399	99
Other supplies & services	1,481	1,430	(51)
	<b>1,883</b>	<b>1,907</b>	<b>24</b>
<b>Support Services</b>	<b>2,270</b>	<b>2,250</b>	<b>(20)</b>
<b>Capital financing costs</b>	<b>4,966</b>	<b>4,990</b>	<b>24</b>
<b>Revenue contribution to capital</b>	<b>3,176</b>	<b>4,440</b>	<b>1,264</b>
<b>Government Subsidy Payable</b>	<b>8,155</b>	<b>8,129</b>	<b>(26)</b>
<b>Total Expenditure</b>	<b>44,228</b>	<b>43,451</b>	<b>(777)</b>
<b>Income</b>			
Dwellings rents (net of empty properties)	(38,896)	(38,903)	(7)
Car parking/garages rents (net)	(732)	(764)	(32)
Commercial Rents	(441)	(471)	(30)
Service Charges – tenants & leaseholders	(3,202)	(3,306)	(104)
Supporting People charges	(527)	(560)	(33)
Other income & recharges	(559)	(886)	(327)
<b>Total Income</b>	<b>(44,357)</b>	<b>(44,890)</b>	<b>(533)</b>
<b>Total (Surplus)</b>	<b>(129)</b>	<b>(1,439)</b>	<b>(1,310)</b>

Note that figures in brackets (-) are underspends



## APPENDIX 2 - Forecast Outturn 2008/09

<b>Housing Revenue Account</b>	<b>Budget 2008/09 £'000</b>	<b>Forecast at Month 4 2008/09 £'000</b>	<b>Variance at Month 4 2008/09 £'000</b>
<b>Employees</b>	9,020	8,797	(223)
<b>Premises</b>			
Repairs - response repairs & empty properties	7,242	7,442	200
- service contracts	3,195	3,091	(104)
- programme repairs	376	366	(10)
Other premises	2,800	2,810	10
	<b>13,613</b>	<b>13,709</b>	<b>96</b>
<b>Transport</b>	<b>159</b>	<b>249</b>	<b>90</b>
<b>Supplies &amp; Services</b>			
Bed & Breakfast payments	105	105	0
Contribution to Bad Debt Provision	300	300	0
Other supplies & services	1,624	1,471	(158)
	<b>2,029</b>	<b>2,120</b>	<b>(158)</b>
<b>Support Services</b>	<b>2,300</b>	<b>2,300</b>	<b>0</b>
<b>Capital financing costs</b>	<b>4,941</b>	<b>4,924</b>	<b>(17)</b>
<b>Revenue contribution to capital</b>	<b>3,385</b>	<b>3,385</b>	<b>0</b>
<b>Government Subsidy Payable</b>	<b>11,494</b>	<b>11,520</b>	<b>26</b>
<b>Total Expenditure</b>	<b>46,941</b>	<b>46,755</b>	<b>(186)</b>
<b>Income</b>			
Dwellings rents (net of empty properties)	(40,478)	(40,503)	(25)
Car parking/garages rents (net)	(757)	(731)	26
Commercial Rents	(452)	(452)	0
Service Charges – tenants & leaseholders	(3,292)	(3,165)	127
Supporting People charges	(550)	(545)	5
Other income & recharges	(1,162)	(1,109)	53
<b>Total Income</b>	<b>(46,691)</b>	<b>(44,656)</b>	<b>186</b>
<b>Total (Surplus)</b>	<b>250</b>	<b>250</b>	<b>0</b>

Note that figures in brackets (-) are underspends

