

# HOUSING MANAGEMENT CONSULTATIVE COMMITTEE MEETING

## Agenda Item 35

Brighton & Hove City Council

<b>Subject:</b>	<b>Housing Revenue Account 2009/10 Final Outturn and Forecast Outturn for 2010/11 as at Month 4</b>		
<b>Date of Meeting:</b>	<b>27 September 2010</b>		
<b>Report of:</b>	<b>Acting Director of Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Sue Chapman</b>	<b>Tel:</b> 293105
	<b>E-mail:</b>	<b>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) 2009/10 final outturn and the forecast outturn for 2010/11 as at Month 4.

#### 2. RECOMMENDATIONS:

That the Housing Management Consultative Committee note:

- (1) the final outturn for the HRA for 2009/10 was an overspend of £0.280 million. This represents a variance of 0.58% of the gross revenue budget of £47.949 million. General HRA revenue reserves have reduced by £0.280 million to £3.622 million as at 31 March 2010.
- (2) the forecast outturn position for 2010/11 as at Month 4, which is an overspend of £0.038 million.

#### 3. RELEVANT BACKGROUND INFORMATION

##### 3.1 FINAL OUTTURN 2009/10

The 2009/10 outturn is a net overspend of £0.280 million, compared to budget as shown in Appendix 1. The main variances are described below:

- 3.1.1 Employees underspent by £0.299 million due to the pay award being lower than anticipated and vacancy management pending reviews to be implemented as part of the Housing Management Improvement Programme.
- 3.1.2 There was a net overspend of the Repairs budget £0.165 million, which represents 1.3% of the budget of £12.565 million. The overspend includes the following variances:-

- Responsive Repairs overspent by £0.630 million mainly due to high levels of expenditure during the early part of the year relating to additional works not in the base contract, such as damp proofing, being undertaken. During the winter months there was an increased level of works made necessary by the extreme weather.
  - This overspend was partly mitigated by the delay in implementing new service contracts (£0.203 million), now programmed to be implemented during 2010 and 2011, and underspendings on the decorations contract budget (£0.102 million), the programmed works budget (£0.095 million) and the empty properties revenue budget (£0.068 million).
- 3.1.3 The underspend reported within Supplies & Services is due mainly to a reduction in the contribution to the bad debt provision of £0.132 million following an improvement in rent collection and arrears. Other Supplies and Services underspends of £0.102 million include £0.050 million on payments relating to Bed and Breakfast accommodation due to improved processes ensuring Housing Benefit is claimed and other efficiencies in office expenditure.
- 3.1.4 The Revenue Contribution to Capital was increased by £0.170 million to finance increased expenditure in the capital programme, this included £0.140 million relating to 6 major voids approved at TMT/Cabinet on 29 June 2009.
- 3.1.5 The economic situation led to a change in the corporate policy towards Treasury management. In order to substantially reduce the exposure to risk the council prematurely repaid some £57 million of debt. This early repayment also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.759 million, (i.e. £0.776 million capital financing costs underspend net of £0.017 million interest reduction shown under Income). However, for the HRA, due to the complexities of the subsidy system, there was also an increase of £1.155 million Housing Subsidy payable to central government resulting in a net overspend of £0.396 million.
- 3.1.6 There was an underachievement of income from service charges to leaseholders of £0.185 million relating to council charges to its leaseholders of sold council flats for major works and services. The underachievement of income was due the actual costs of providing the services and major works being less than anticipated when setting the 2009/10 leaseholder service charge budgets.

## **3.2 FORECAST OUTTURN 2010/11 AS AT MONTH 4**

The forecast outturn for 2010/11 as at Month 4 is an underspend of £0.038 million as shown in Appendix 2. The main variances are explained below:

- 3.2.1 The forecast underspend on employees of £0.068 million is mainly due to vacancy management savings across the Housing Service.
- 3.2.2 There is a forecast underspend of £0.066 million in the Repairs cyclical maintenance and service contract area where various contracts are being retendered during this financial year.
- 3.2.3 Capital Financing costs are forecast to underspend by £0.116 million due to forecast interest rates for the year being lower than the assumptions used for budget setting.
- 3.2.4 Leaseholder service charges income is projected to underachieve by £0.121 million. This projection has been forecast following analysis of last year's outturn which has shown that the charges are likely to be less than budgeted for.
- 3.2.5 The Temporary Accommodation budget is forecast to overspend by £0.124 million in relation to unrealised savings in the Temporary Accommodation budget due to the delay of the commencement of the LDV. The budget for 2010/11 had been set assuming that the temporary accommodation properties would be leased in batches during 2010/11 to the LDV. The forecast overspend for Temporary Accommodation is included in the various relevant subjective headings in Appendix 2. The Housing Management Team have developed a cost reduction plan to identify cost efficiencies to reduce the impact of this overspend.

### **3.3 FORECAST RESERVES AS AT 31 MARCH 2011**

The HRA revenue reserves as at 31 March 2010 reduced by £0.280 million to £3.622 million. The contribution to the capital programme for the re-commissioning of temporary accommodation where 46 empty properties are being brought back into use (as reported to Cabinet on 23 September 2010) and the forecast overspend of £0.038 million for 2010/11 will reduce the projected reserves as at 31 March 2011 to £3.284 million. The recommended minimum level of working balance is £2.4 million so there is £0.884 million available to cover any future single status claims and any other unforeseen expenditure.

The HRA revenue reserves are shown below:

<b>REVENUE RESERVES</b>	<b>General Reserves £'000</b>
Balance at 1 April 2009	3,902
Contribution from reserves 2009/10	280
<b>Balance at 31 March 2010</b>	<b>3,622</b>
Transfer from reserves to fund:	
2010/11 Capital Programme: Re-Commissioning of HRA Temporary Accommodation	(300)
Forecast Overspend 2010/11	(38)
<b>Projected Reserves at 31 March 2011</b>	<b>3,284</b>

#### 4. CONSULTATION

- 4.1 The purpose of this report is to advise of the final outturn for 2009/10 and forecast outturn for 2010/11 and therefore there has been no external consultation.

#### 5. FINANCIAL & OTHER IMPLICATIONS:

##### Financial Implications:

- 5.1 Financial implications are in the main body of the report

*Finance Officer Consulted:* Susie Allen      *Date:* 9 September 2010

##### Legal Implications:

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

*Lawyer Consulted:* Liz Woodley      *Date:* 13 September 2010

##### 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 & 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.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Final Outturn 2009/10
2. Forecast Outturn 2010/11

**Documents In Members' Rooms**

1. None

**Background Documents**

None

<b>APPENDIX 1 - Final Outturn 2009/10</b>			
<b>Housing Revenue Account</b>	<b>Budget 2009/10 £'000</b>	<b>Outturn 2009/10 £'000</b>	<b>Variance 2009/10 £'000</b>
<b>Expenditure</b>			
<b>Employees</b>	<b>9,320</b>	<b>9,021</b>	<b>(299)</b>
<b>Premises</b>			
Repairs - response repairs & empty properties	8,489	9,051	562
- cyclical Maintenance & servicing	4,076	3,679	(397)
Other premises	3,055	3,048	(7)
	<b>15,620</b>	<b>15,778</b>	<b>158</b>
<b>Transport</b>	<b>187</b>	<b>154</b>	<b>(33)</b>
<b>Supplies &amp; Services</b>			
Contribution to Bad Debt Provision	308	176	(132)
Other supplies & services	1,604	1,502	(102)
	<b>1,912</b>	<b>1,678</b>	<b>(234)</b>
<b>Support Services</b>	<b>2,251</b>	<b>2,185</b>	<b>(66)</b>
<b>Revenue contribution to capital</b>	<b>3,220</b>	<b>3,390</b>	<b>170</b>
<b>Capital financing costs</b>	<b>4,356</b>	<b>3,580</b>	<b>(776)</b>
<b>Government Subsidy Payable</b>	<b>11,083</b>	<b>12,238</b>	<b>1,155</b>
<b>Total Expenditure</b>	<b>47,949</b>	<b>48,024</b>	<b>75</b>
<b>Income</b>			
Dwellings rents (net of empty properties)	(41,168)	(41,172)	(4)
Car parking/garages rents (net)	(728)	(727)	1
Commercial Rents	(495)	(477)	18
Service Charges – tenants & leaseholders	(3,861)	(3,676)	185
Other Recharges & Interest	(1,697)	(1,692)	5
<b>Total Income</b>	<b>(47,949)</b>	<b>(47,744)</b>	<b>205</b>
<b>Total Deficit / (Surplus)</b>	<b>0</b>	<b>280</b>	<b>280</b>

Note that figures in brackets (-) are underspends

## APPENDIX 2 - Forecast Outturn 2010/11

<b>Housing Revenue Account</b>	<b>Budget 2010/11 £'000</b>	<b>Forecast at Month 4 2010/11 £'000</b>	<b>Variance at Month 4 2010/11 £'000</b>
<b>Expenditure</b>			
<b>Employees</b>	9,187	9,119	(68)
<b>Premises</b>			
Repairs - response repairs & empty properties	7,915	7,915	0
- cyclical Maintenance & servicing	3,041	2,975	(66)
Other premises	3,622	3,643	21
	<b>14,578</b>	<b>14,533</b>	<b>(45)</b>
<b>Transport</b>	179	179	0
<b>Supplies &amp; Services</b>			
Contribution to Bad Debt Provision	263	263	0
Other supplies & services	1,591	1,610	19
	<b>1,854</b>	<b>1,873</b>	<b>19</b>
<b>Third Party Payments</b>	54	54	0
<b>Support Services</b>	2,153	2,133	(20)
<b>Revenue contribution to capital</b>	3,543	3,543	0
<b>Capital financing costs</b>	3,729	3,613	(116)
<b>Government Subsidy Payable</b>	12,925	12,941	16
<b>Total Expenditure</b>	<b>48,202</b>	<b>47,988</b>	<b>(214)</b>
<b>Income</b>			
Dwellings rents (net of empty properties)	(41,613)	(41,626)	(13)
Car parking/garages rents (net)	(823)	(768)	55
Commercial Rents	(495)	(495)	0
Service Charges – tenants & leaseholders	(4,034)	(3,882)	152
Other Recharges & Interest	(1,237)	(1,179)	58
<b>Total Income</b>	<b>(48,202)</b>	<b>(47,950)</b>	<b>252</b>
<b>Total Deficit / (Surplus)</b>	<b>0</b>	<b>38</b>	<b>38</b>

Note that figures in brackets (-) are underspends

