

HOUSING MANAGEMENT CONSULTATIVE COMMITTEE

Agenda Item 26
Brighton & Hove City Council

Subject:	Housing Revenue Account 2008/09 Final Outturn and Forecast Outturn for 2009/10 as at month 4		
Date of Meeting:	12 October 2009		
Report of:	Director of Adult Social Care and Housing		
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Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report informs the meeting of the Housing Revenue Account (HRA) 2008/09 final outturn and the forecast outturn for 2009/10 as at Month 4.

2. RECOMMENDATIONS:

- (1) That the Housing Management Consultative Committee note the final outturn for the HRA for 2008/09 was an underspending of £0.445 million compared to the budgeted deficit of £0.250 million. This represents a variance of 0.95% of the gross revenue budget of £47 million. General HRA revenue reserves have reduced by £1.747 million to £3.902 million as at 31 March 2009.
- (2) That the Housing Management Consultative Committee note the forecast position for 2009/10 as at Month 4, which is an overspend of £0.089 million.

3. RELEVANT BACKGROUND INFORMATION

3.1 FINAL OUTTURN 2008/09:

The 2008/09 outturn is a net underspend of £0.445 million, compared to budget as shown in Appendix 1. The main variances are described below:

- The Employees budget underspent by £0.544 million due to vacancy management pending reviews to be implemented as part of the Housing Management Improvement Programme, including a £0.060 million provision for the implementation of single status.

- Overall Repairs underspent by £0.002 million, which although not significant, the following variances are included within this figure:
 - There was an underspend of £0.210 million in the responsive repairs budget (3.75% of total £5.6 million budget). This saving has been delivered through the open book process, which enabled the close management of larger responsive repairs and collaborative working with partners to improve the diagnosis of repairs and performance on job completion times. These savings were in addition to those already built into the 2008/09 base budget.
 - The empty property repair budget overspent by £0.332 million. The overspend was due to an increase in the average cost of repair per property from £2,300 to £2,600 compared to the previous year.
 - Repairs and Maintenance expenditure of Temporary Accommodation properties exceeded the annual budget by £0.035 million.
 - An underspend on service contracts of £0.167 million due to the continuation of existing contracts which have a lower specification than the new proposed contracts, which had been budgeted for.

- The other premises outturn was an overspend of £0.242 million. Approximately £0.130 million was due to the utility provider issuing correct billing going back to 2004/05 for outstanding gas bills at Leach Court. The remaining overspend is due to the short cold spell at the beginning of the year increasing consumption to a greater level than forecast.

- The underspend reported under Supplies & Services is due mainly to a reduction in the contribution to the bad debt provision of £0.123 million resulting from a reduction in level of tenants arrears at the end of the financial year. Also, a reduction in the use of consultants in respect of inspections to gas installation works resulted in an underspend of £0.094 million.

- The Revenue Contribution to Capital was increased by £0.096 million to finance increased expenditure in the capital programme.

- Rental income for dwellings overachieved against the budget by £0.063 million due to lower than anticipated Right to Buy sales during the year.

- The income budget for service charges overachieved by £0.057 million in respect of leaseholder service charges, due to costs for recharging being greater than anticipated at budget setting.

- The Other Recharges & Interest income underachieved by £0.156 million. This was partly due to a reduction of staff time chargeable to capital schemes as a result of less works being capitalised i.e. now being carried out as revenue expenditure, together with the reprofiling of some of the capital budget into 2009/10. The forecast under achievement of income also includes £0.056 million reduction of fees reclaimed from RTB sales income, this is offset by reduced expenditure under the Supplies & Services heading.

3.2 FORECAST OUTTURN 2008/09 AS AT MONTH 4

The forecast outturn for 2009/10 as at Month 4 is an overspend of £0.089 million as shown in Appendix 2. The main variances are explained below:

- The forecast underspend on Employees is £0.518 million due to the anticipated pay award being lower than budgeted for and vacancy management continuing to be a major factor pending the Housing Management improvement programme.
- Repairs Service contracts are projected to underspend by £0.069 million due to the new service contracts being implemented later than expected.
- A reduction in the contribution to the bad debt provision of £0.050 million compared to the budget is forecast. The actual provision is calculated and made at the end of the financial year based on the amount of arrears at that time with regular monitoring taking place during the year.
- The Revenue Contribution to the Capital programme has been increased by £0.140 million to fund refurbishment works on 6 major empty properties.
- The current economic situation has led to a change in the corporate policy towards treasury management. In order to substantially reduce its exposure to risk, the council has prematurely repaid some £57 million of debt. This early repayment has also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.525 million, (i.e. £0.613 million capital financing costs net of £0.088 million interest reduction shown under other income). However, for the HRA, due to the complexities of the subsidy system, there is also an increase of £0.912 million Housing subsidy payable to central government resulting in a net overspend of £0.387 million. The council is monitoring the financial markets and, when there are signs that the markets are returning to a more stable and secure outlook, these interim measures will be withdrawn and new borrowing will be raised. If and when this happens the negative impact on the HRA will be revised.

- Service Charges -The amount the council charges its leaseholders of sold council flats for major works is projected to under achieve by £0.075 million at month 4. However, as capital schemes have now been finalised, it will now be possible to bill leaseholders in this financial year which will enable an almost break even position to be reported in future.
- Dwellings rents are likely to underachieve by £0.080m due to Temporary Accommodation properties being held vacant pending conversion of shared facilities.

3.3. FORECAST RESERVES AS AT 31 MARCH 2010

The HRA revenue reserves as at 31 March 2009 reduced by £1.747 million to £3.902 million. During 2008/09 £1.386 million was allocated to fund the 2008/09 capital programme (as approved at Housing Committee on 27 March 2008), a further £0.250 million was allocated to fund the energy contract prices increases (as approved at Cabinet on 18 September 2008) and £0.556 million costs for single status were paid from reserves. The forecast overspend of £0.089 million for 2009/10 will reduce the projected reserves as at 31 March 2010 to £3.813 million which is £1.413 million above the recommended minimum level of reserves of £2.4 million above. The £1.413 million will be required to fund further costs of Single Status, TUPE and mobilisation costs of the new long term partnering contract.

The HRA revenue reserves are shown below:

REVENUE RESERVES	General Reserves £'000
Balance at 1 April 2008	5,649
Contribution to reserves 2008/09	445
Transfer from reserves to fund:	
Electricity Contract price increase	(250)
2008/09 Capital Budget	(1,386)
Equal pay instalments	(556)
Balance at 31 March 2009	3,902
Forecast Contribution from reserves 2009/10	(89)
Projected Reserves at 31 March 2010	3,813

4. CONSULTATION

- 4.1 The purpose of this report is to advise of the final outturn for 2008/09 and forecast outturn for 2009/10 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: Sue Chapman Date: 14 September 2009

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: 16 September 2009

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 2008/09 and forecast outturn for 2009/10.

SUPPORTING DOCUMENTATION

Appendices:

1. Final Outturn 2008/09
2. Forecast Outturn 2009/10

Documents In Members' Rooms

1. None

APPENDIX 1 - Final Outturn 2008/09			
Housing Revenue Account	Budget 2008/09 £'000	Outturn 2008/09 £'000	Variance 2008/09 £'000
Employees	9,043	8,499	(544)
Premises			
Repairs - response repairs & empty properties	7,649	7,806	157
- service contracts	2,779	2,612	(167)
- programme repairs	1,469	1,477	8
Other premises	2,923	3,165	242
	14,820	15,060	240
Transport	159	177	18
Supplies & Services			
Contribution to Bad Debt Provision	300	177	(123)
Other supplies & services	1,701	1,575	(126)
	2,001	1,752	(249)
Support Services	2,300	2,267	(33)
Revenue contribution to capital	2,242	2,338	96
Capital financing costs	4,941	4,897	(44)
Government Subsidy Payable	11,494	11,539	45
Total Expenditure	47,000	46,529	471
Income			
Dwellings rents (net of empty properties)	(40,478)	(40,541)	(63)
Car parking/garages rents (net)	(757)	(709)	48
Commercial Rents	(452)	(494)	(42)
Service Charges – tenants & leaseholders	(3,428)	(3,485)	(57)
Supporting People charges	(550)	(566)	(16)
Other income & recharges	(1,085)	(929)	156
Total Income	(46,750)	(46,724)	26
Total Deficit / (Surplus)	250	(195)	(445)

Note that figures in brackets (-) are underspends

APPENDIX 2 - Forecast Outturn 2009/10			
Housing Revenue Account	Budget 2009/10 £'000	Forecast at Month 4 2009/10 £'000	Variance at Month 4 2009/10 £'000
Employees	9,266	8,748	(518)
Premises			
Repairs - response repairs & empty properties	7,342	7,342	0
- service contracts	2,910	2,841	(69)
- programme repairs	476	476	0
Other premises	3,038	3,047	9
	13,766	13,706	(60)
Transport	187	187	0
Supplies & Services			
Contribution to Bad Debt Provision	308	258	(50)
Other supplies & services	1,618	1,661	43
	1,926	1,919	(7)
Support Services	2,251	2,232	(19)
Revenue contribution to capital	5,034	5,174	140
Capital financing costs	4,356	3,743	(613)
Government Subsidy Payable	11,083	11,995	912
Total Expenditure	47,869	47,704	(165)
Income			
Dwellings rents (net of empty properties)	(41,168)	(41,084)	84
Car parking/garages rents (net)	(727)	(712)	(15)
Commercial Rents	(495)	(495)	0
Service Charges – tenants & leaseholders	(3,861)	(3,782)	79
Supporting People charges	(564)	(544)	20
Other income & recharges	(1,054)	(968)	86
Total Income	(47,869)	(47,615)	254
Total Deficit / (Surplus)	0	89	89

Note that figures in brackets (-) are underspends