

CABINET - 15 SEPTEMBER 2010

PRINCIPAL SCRUTINY COMMITTEE – 20 SEPTEMBER 2010

HOUSING REVENUE ACCOUNT – REVISED BUDGET 2010/11

REPORT OF HEAD OF LANDLORD SERVICES

Contact Officer: Richard Botham Tel No: 01962 848421

RECENT REFERENCES:

[CAB1958](#) – HRA Budget and Rent Setting 2010/11 – 3 February 2010

[CAB1991](#) – Delivering Decent Homes – Repairs and Renewals Programme 2010/11 – 17 March 2010

EXECUTIVE SUMMARY:

The Housing Revenue Account (HRA) 2010/11 budget was approved in February 2010 (CAB1958 refers) and the Maintenance Programme was approved in March 2010 (CAB1991 refers). Since then, more information is now available regarding approved carry forwards, additional receipts received to fund repairs works and changes to staffing have also been approved. This report details all the changes and their impact on the HRA budget for the year. It also recommends revisions to the maintenance programme in light of latest works projections.

In addition to the carry forwards already approved by Council and the staffing changes approved by Cabinet, this report also includes a proposal to increase the Estate Improvement budget from £80,000 to £230,000, funded from additional surpluses generated in 2009/10. Demand for estate improvement and security related works is very high and this additional resource will allow for a number of small schemes to proceed to address problems with parking on estates, restricting access to communal blocks, improving lighting to garage areas, etc.

RECOMMENDATIONS:

- 1 That, subject to any comments made by Principal Scrutiny Committee, Cabinet recommend to Council that the proposed £150,000 increase in the Estate Works budget, funded from Housing Revenue Account balances, be approved.
- 2 That, subject to Council approving the increase in the Estate Works budget, the Housing Revenue Account revised budget proposals for 2010/11 as detailed in paragraph 2 and Appendix 1 be approved.
- 3 That the revised maintenance programme as detailed in paragraph 3 and appendix 3 be approved and that the capital programme be amended to take account of these changes.
- 4 That the £400,000 revenue repairs carry forward approved by Council in July 2010 be used as a revenue contribution to capital to fund additional kitchen works

To Principal Scrutiny Committee:

1. That, having regard to the decisions made by Cabinet, the Committee considers whether to call in for review the supplementary estimate referred to in Recommendation 1 above and whether they wish to make any other comments.

## CABINET

15 SEPTEMBER 2010

### HOUSING REVENUE ACCOUNT – REVISED BUDGET 2010/11

#### REPORT OF HEAD OF LANDLORD SERVICES

##### DETAIL:

#### 1 Introduction

- 1.1 In February 2010, Cabinet approved a Housing Revenue Account (HRA) budget based on a rent increase averaging 1.09%. The budget projected a deficit for the year of £120,000. This included a balanced budget and also the impact of funding a major IT upgrade from balances.
- 1.2 The HRA outturn for 2009/10 as reported in CAB2014 generated a surplus of £1,075,093, resulting in balances at March 2010 increasing to £2,200,846. Since then, Council has approved a carry forward of £700,000 (repairs works and digital switchover).
- 1.3 This report sets out the impact of those carry forwards, of further changes required to account for the staffing changes detailed in PER174 (including part year impact of approved changes and one off severance payments) and of further changes proposed to meet emerging demand and to reflect current income projections.

#### 2 Revised Housing Revenue Account 2010/11

- 2.1 The revised HRA for 2010/11 as detailed in Appendix 1 results in an increase in the net deficit for the year of £896,860 as a result of the changes set out in 1.3 above. Further detail on these changes is provided below:
- a) Estate Maintenance – It is proposed to increase the Estate Improvements budget by £150,000, effectively funded from the increased surplus achieved at the end of 2009/10 (CAB2014 refers). Demand for estate improvement and security related works is very high and this additional resource will allow for a number of small schemes to proceed to address problems with parking on estates, restricting access to communal blocks, improving lighting to garage areas, etc. Tenant groups and members will be consulted in identifying priorities for investment.
  - b) Communal Services – The budget for service charges has been increased to reflect actual numbers now paying the full charge.
  - c) Disabled Adaptations – Demand for adaptations has increased in recent months and an additional £135,000 is proposed for this budget, funded by a reduction in repairs works as described in 2.1 h) below.

- d) Sheltered Housing – The changes to this budget result from the disestablishment of long term vacant posts offset by increased provision for allowances paid to staff working flexibly to ensure 24 hour cover for all sheltered schemes.
- e) Central Control – Provision for overtime payments has been increased to ensure 24 hour control centre cover and budget provision has been made for the maintenance agreement for Tunstall Telecom equipment, which was not included in the original budget.
- f) Homelessness – The budget for service charges and licence income has been reduced to reflect the reduced number of hostel units since the closure of provision at Sussex St.
- g) Repairs Administration – This budget has been revised to include severance payments approved in PER174 dated 9 June 2010. Proposals to restructure the Property Services team do result in significant one year costs, as all severance costs are incurred this year. However, the changes do result in a reduction in the staffing numbers in the team by two full time equivalents. The base budgets for Repairs Administration for 2011/12 and beyond achieve savings of over £90,000 per annum compared to the 2010/11 original budget
- h) Repairs Works – This budget has been reduced by £285,000 as set out in paragraph 3.2 below, offset by the increase in Disabled Adaptations described above.
- i) Capital financing – In addition to the £300,000 approved for Digital Switchover, the £400,000 brought forward from repairs works 2009/10 outturn is to be used as a revenue contribution to capital to fund kitchen works.
- j) Dwelling Rents – The projections for rental income have been adjusted as there have been fewer voids than projected in the first four months and more tenants have moved to target rent.
- k) Garage Rents – Projections for garage income have been reduced to allow for general fund garages which had previously been misallocated to the HRA.
- l) Sheltered Service Charges – The budgeted income has been reduced to reflect fewer number of residents than originally projected paying full sheltered service charges (lower turnover than projected so more tenants than budgeted remaining on capped charges).

2.2 Changes included in the above items result in an increase in employee costs (see appendix 2) totalling £165,107, mainly due to the severance costs and part year impact of approved staffing changes. However, it should be noted that the employee budget for 2011/12 and beyond will reduce by £200,000 from this revised amount per annum as a result of the full year effect of the changes approved.

- 2.3 The above changes result in a projected HRA balance at March 2011 totalling £1,303,986.

### 3 Maintenance Programme

- 3.1 The annual maintenance programme set out in CAB1991 dated 17 March 2010 included provision for works totalling £9,785,000 (including a £500,000 reserve to cover for the risk of increased urgent demand arising in the year for areas currently subject to underinvestment (boiler replacement, external works and kitchen/bathroom replacement)).
- 3.2 A number of revisions are required to take account of final 2009/10 outturn, approved 2009/10 carry forwards and additional receipts now in, which result in the Council now having a total resource available to fund maintenance and renewal works amounting to £10,741,000. Because of limited staff capacity and works scheduling requirements, only £8,425,000 of this resource will be spent by March 2011 (with an additional reserve currently at £307,000), with the remaining £2,009,000 needing to be deferred to 2011/12. Reasons for the revisions are set out below:
- a) HRA revenue works budget needs to be reduced by £285,000. £135,000 of this is required for additional demand for disabled adaptations and the remaining £150,000 reflects savings made on the gas servicing contract. A significant procurement efficiency was reported as part of the 2009/10 outturn (CAB 2014 refers). The programme was reduced this year to take account of reduced costs but needs to be further revised to reflect actual costs. This £150,000 will be used to fund the 2011/12 programme.
  - b) The £400,000 revenue carry forward approved by Council in July is to be used as a contribution to capital to fund kitchen works in the current year and some structural repairs to flats in Woolford Close, Stanmore.
  - c) Projected year end spend on major repairs is £564,000 less than the current approved budget. It is recommended that £371,000 of this be carried forward to 2011/12 to fund kitchen works next year with the remaining £193,000 being retained in the major repairs reserve to ensure a minimum £500,000 is retained for the purposes described in 3.1 above.
  - d) A further £645,000 receipts to fund repairs works have come in since April 2010 from asset sales. This makes total receipts available to support this programme amount to £1,408,000. Only £113,000 of this work will be completed in 2010/11. £845,000 of these receipts need to be deferred to 2011/12 to fund the projects detailed in 3.3 below, with the remaining £450,000 being available to fund additional kitchen and bathroom improvements in 2011/12.
- 3.3 Work on the programme is progressing well and as planned in most areas although some schemes do need to be deferred for the reasons set out below:

- a) Victoria House Replacement Doors/Windows – The long term future of the Extra Care Scheme is currently subject to review. Any works will be deferred until this is concluded.
- b) Winnall Flats Replacement Roof - Works are currently subject to specification/tendering but a start on site before March 2010 is not likely due to limited resources in Landlord Services. No direct impact on tenants is expected due to this delay.
- c) Winnall Flats and Richard Moss House Lift Refurbishment – As b) above. These works will have a significant impact on tenants when they are undertaken due to the possibility of lifts being out of action for a period. This will require extensive tenant consultation and this further supports the scheme being deferred to allow for this.

3.4 Subject to these revisions being approved, a summary of available resources and revised budgets is provided below, with full details of the revised maintenance programme given in appendix 3. It is proposed to amend the Capital Programme to take account of the deferred schemes. The revenue carry forward will be subject to year end outturn.

<b>Summary of Maintenance Spend/Resources:</b>			
	<b>Revised 10/11 Budget</b>	<b>Proposed Carry Forwards from 10/11 to 11/12</b>	<b>Total Resources</b>
<b>HRA Revenue:</b>			
HRA Repairs Works	3,508,000	150,000	3,658,000
HRA Disabled Adaptations	435,000		435,000
<b>Total Revenue Repairs</b>	<b>3,943,000</b>	<b>150,000</b>	<b>4,093,000</b>
<b>Capital:</b>			
Major repairs Allowance	3,434,000	371,000	3,805,000
Reserve	307,000	193,000	500,000
Other Capital Receipts (sewage works)	235,000		235,000
Asset Sales	113,000	1,295,000	1,408,000
Revenue Contributions to Capital	700,000		700,000
<b>Total Capital</b>	<b>4,789,000</b>	<b>1,859,000</b>	<b>6,648,000</b>
<b>Grand Total</b>	<b>8,732,000</b>	<b>2,009,000</b>	<b>10,741,000</b>

OTHER CONSIDERATIONS:

4 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

4.1 The proposals accord with the principles of making the best use of all available resources by continued clear financial planning.

5 RESOURCE IMPLICATIONS:

5.1 As detailed in the body of the report

6 Risk Management

6.1 The subsidy planning system is notoriously volatile and works against effective planning for tenant related services. However, the Government has stated their intention to work with councils to minimise disruption between now and 2012, if the amendments to the existing housing finance system are implemented.

6.2 There is a significant risk in the recommended approach of suspending cyclical works and investing less than maybe required in boiler replacements. However, this risk has been carefully assessed and action has been taken to mitigate the risk, through building up reasonable revenue and capital reserves and through maintaining a reasonable survey programme of properties to identify essential and urgent maintenance requirements.

7 TACT COMMENT:

7.1 The TACT Chairs would like to thank Richard Botham Head of Landlord Services, for taking them through this paper in great detail.

7.2 The Revised Housing Revenue Account 2010/11 - TACT realise though showing an increase, in the net deficit for the year of £896,860. As a result of the changes set out in 1.3. Namely, staffing changes, and a one off severance payment. TACT is assured that this will be a one off blip, leading to marked improvement next year and subsequent years.

- a) 2.1 a. Estate Maintenance – and the proposed increase to the budget of £150,000 though still not enough, will go a long way in providing the services required by tenants. TACT are particularly pleased to see restricting access to communal blocks, and lighting to garages areas, among the proposals, along with the parking problems.
- b) Sheltered Housing is not without its problems and cost of staffing and overtime, involves overtime increasing costs, and the loss of full time wardens at several schemes was bound to take its toll.
- c) Central Control is not without its problems, having to increase overtime payments to ensure 24hour cover, in what is a vital service to the elderly.

- d) TACT has noted the other items included in this section, and in general accept the findings.

7.3 Maintenance Programme - The provision for works totalling £9,785,000 (including a £500,000) reserve, to cover risk of increased demand, arising in the year. TACT is reminded this is a similar figure we pay in negative subsidy to the government, what a difference that would make if it could be used by the council.

- a) 3.2a. TACT accepts until future plans are known regarding this property, caution is advised before spending large sums on it.
- b) 3.2b. TACT raised the point if Solar panels are being offered to the Council through various schemes, it would be prudent not to put them on roofs that are going to be replaced, or at least till they have been.
- c) The last of the property sales, and possibly the last of such sales, produced a further £645,000 to be retained in the HRA repairs, welcome in one respect, but something TACT were not happy with as it had its down side as well.
- d) Total projected spend on maintenance and repairs by March 2011, is £8,732,000, this includes a £307,000 reserve to cover risk, £520,000 for kitchens and bathrooms work which is underway. £200,000, to cover the costs of replacement kitchens, and bathrooms, in void properties. TACT raised the point was it costing more on voids that the elderly had lived in, as they no longer had a room decorated, no figures were available.
- e) TACT pointed out this scheme had only been suspended, and they were keen to see it restated in some form or other.
- f) Tact felt that all concerned had tried under difficult times to do their best for council tenants, whilst dealing with the previous government who took so long on reviewing the Housing Revenue Account Review, it never got finalised and caused many problems for councils around the country, TACT hope this will not be the case with the Coalition Government, and they will treat councils fairly.

#### BACKGROUND DOCUMENTS:

Working papers held in the Landlord Services and Finance Divisions

#### APPENDICES:

- 1 HRA Revised Budget 2010/11 – Service Summary
- 2 HRA Revised Budget 2010/11 – Subjective Summary
- 3 Revised 2010/11 Maintenance Programme (an A3 version of this appendix is available on request)



Housing Revenue Account – Revised Budget 2010/11  
Service Summary

Budget Section Desc	Est Book Desc	2010/11 Original		2010/11 Revised Budget	Notes
		2009/10 Actual	Budget		
Housing Management - General	Housing Management - Gen	2,403,683	2,672,232	2,705,393	
Housing Management - General Total		2,403,683	2,672,232	2,705,393	
Housing Management - Special	Sewage works	185,086	161,726	161,726	
	Estate Maintenance	288,959	310,197	460,197	See 2.1 a)
	Communal Services	65,192	28,320	8,113	See 2.1 b)
	Disabled Adaptations	348,561	362,354	494,602	See 2.1 c)
	Sheltered Housing	1,023,673	1,199,540	1,139,783	See 2.1 d)
	Central Control	444,716	175,538	235,391	See 2.1 e)
	Homelessness	30,047	49,805	57,635	See 2.1 f)
Housing Management - Special Total		2,386,233	2,287,480	2,557,447	
Housing Repairs	Repairs - administration	924,497	875,236	1,031,028	See 2.1 g)
	Repairs - works	2,998,177	3,793,465	3,508,465	See 2.1 h)
Housing Repairs Total		3,922,674	4,668,701	4,539,493	
Capital Financing	Capital Financing	3,757,112	3,987,516	4,687,516	See 2.1 i)
Capital Financing Total		3,757,112	3,987,516	4,687,516	
Rents & Other Income	Dwelling Rents	-20,153,338	-20,359,000	-20,550,000	See 2.1 j)
	Garage Rents	-753,102	-792,000	-762,000	See 2.1 k)
	Other Income	-184,747	-237,000	-235,000	
	Supporting People	-723,962	-605,560	-608,620	
	Sheltered Charges	-409,265	-500,000	-435,000	See 2.1 l)
Rents & Other Income Total		-22,224,412	-22,493,560	-22,590,620	
Housing Subsidy	HRA Subsidy	8,565,383	8,947,981	8,947,981	
Housing Subsidy Total		8,565,383	8,947,981	8,947,981	
Transfers	Transfer re Insurance Reser	1,621	49,650	49,650	
	Transfer re Pension Reserv	112,613		0	
Transfers Total		114,234	49,650	49,650	
Sales	Sales	0		0	
Sales Total		0		0	
Grand Total		-1,075,093	120,000	896,860	

<b>HRA Working Balance</b>	2009/10 Outturn £	2010/11 Revised Budget £
(Surplus)/Deficit	- 1,075,093	896,860
Balance Brought Forward HRA Working Balance	- 1,125,752	- 2,200,846
Balance Carried Forward HRA Working Balance	- <b>2,200,846</b>	- <b>1,303,986</b>

Housing Revenue Account – Revised Budget 2010/11  
Subjective Summary

Group Name	2009/10 Actual	2010/11 Original Budget	2010/11 Revised Budget	Notes
Employees	3,227,891	3,411,063	3,576,170	See 2.2
Premises	4,655,325	5,236,769	5,239,769	
Transport	256,771	248,950	246,863	
Supplies & services	431,752	374,522	424,522	
Third party payments	44,386	41,000	41,000	
Transfer payments	8,565,383	8,947,981	8,947,981	
Capital financing costs	-28,253,657	4,284,362	4,984,362	See 2.1 i)
Management overheads	1,426,444	1,541,378	1,541,378	
External income	-23,894,593	-23,404,130	-23,543,290	See 2.1 j)-l)
Recharges to services	-290,297	-295,760	-295,760	
Transfers	32,755,502	-266,135	-266,135	
Total	-1,075,093	120,000	896,860	



Ref. Work Element	A	B	C	E	F	G	I
	HRA base	MRA base	Other Capital Approvals	HRA Rev. cont. to cap	MRA Reserve + Estimated 09/10 Underspend	Asset sales	Totals
<b>Planned Maintenance &amp; Enhancement Works</b>							
11 Kitchen/bathroom renewals (ad-hocs/planned (voids)	-	200,000	-	320,000	-	-	520,000
12 Window/door/screen replacements	-	250,000	-	-	-	-	250,000
13 External envelope works to maintain DHS	270,000	249,000	-	-	-	-	519,000
14 Garage repairs & misc estate works	143,000	-	-	-	-	-	143,000
15 Asbestos removal	-	150,000	-	-	-	-	150,000
16 Internal works to maintain DHS	-	150,000	-	-	-	-	150,000
17 Heating systems replacement & assoc.wks.	-	1,000,000	-	-	-	-	1,000,000
18 Lift refurbishment	-	25,000	-	-	-	-	25,000
19 Communal TV Aerial Replacements	-	-	-	300,000	-	-	300,000
20 Disabled Adaptation works	435,000	445,000	-	-	-	-	880,000
21 Upgrading Sewage Treatment Works	-	-	235,000	-	-	-	235,000
22 Consultancy support works	-	75,000	-	-	-	-	75,000
23 Planned Maintenance Staff costs	-	245,000	-	-	-	-	245,000
24 Forder Court upgrade	-	100,000	-	-	-	-	100,000
25 Fire Risk Assessments	-	125,000	-	-	-	-	125,000
26 Danemark Heating	200,000	-	-	-	-	-	200,000
27 Woolford Close - structural repairs	-	-	-	80,000	-	-	80,000
28 Victoria House	-	-	-	-	-	-	-
29 Tes/Meon Windows	-	-	-	-	-	113,000	113,000
30 Winnall Flat roofs	-	-	-	-	-	-	-
31 Lifts - Winnall + Richard Moss	-	-	-	-	-	-	-
32 Project Fees	-	-	-	-	-	-	-
<b>Planned - estimated spend</b>	<b>1,048,000</b>	<b>3,214,000</b>	<b>235,000</b>	<b>700,000</b>	<b>-</b>	<b>113,000</b>	<b>5,310,000</b>
<b>Total estimated spend for 2010/2011</b>	<b>3,943,000</b>	<b>3,434,000</b>	<b>235,000</b>	<b>700,000</b>	<b>-</b>	<b>113,000</b>	<b>8,425,000</b>
<b>Projected Unspent Resource at March 2011</b>	<b>150,000</b>	<b>564,000</b>	<b>-</b>	<b>-</b>	<b>307,000</b>	<b>1,295,000</b>	<b>2,316,000</b>

Projects to be funded by Asset Sales but now earmarked for 2011/12:

Winnal flat roofs	£	375,000
Winnal/Richard Moss lifts	£	220,000
Victoria House	£	200,000
Project fees to support above schemes	£	50,000
Provisional Kitchen/bathrooms	£	450,000

**Notes:**

£300,000 for Disabled Adaptations included in HRA base budget (CAB1958) but omitted from original programme in CAB1991  
£743,000 was the estimated 09/10 carry forward included in CAB1991. Actual figures now included as "Approved Carry Forwards".