



**NORTHAMPTON
BOROUGH COUNCIL**

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| Name of Committee | CABINET |
| Directorate: | Citizens, Finance, and Governance |
| Corporate Manager / Director: | Ian Thompson |
| Date: | 5 th March 2007 |

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| Report Title | Housing Revenue Account Forecast Outturn 2006/07 |
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| Key Decision | Yes |
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1. Recommendations

- 1.1 At its meeting on 29th January, Cabinet accepted recommendations that:
- 1.2 The anticipated Housing Revenue Account (HRA) outturn position be noted;
- 1.3 HRA earmarked reserves be transferred back into HRA working balances;
- 1.4 The anticipated revenue impact of the financing of the HRA capital programme be noted and approved.

2. Summary

Cabinet approved the budgets for the HRA for 2006/07 on 16th February 2006. This report

- Indicates the updated anticipated outturn position for the HRA for 2006/07,
- Identifies the impact of capital financing on the HRA, and
- Identifies the level of HRA working balances anticipated to be available at 1st April 2007, and therefore the opening balance of HRA working balances to be considered in setting the HRA budgets 2007/08, considered elsewhere on this agenda.

3. Report Background

Rent Rebates Subsidy Limitation

Up to and including the 2003/04 financial year, rent rebates were accounted for within the HRA. Each year the Government set a maximum level of rent rise on which it would pay rent rebate subsidy. This was colloquially known as the 'rent cap'. Some Councils, including Northampton, raised rents above the level specified by the Government, thus limiting the amount of subsidy received. From the 2004/05 financial year, rent rebates have been accounted for in the General Fund. Subsidy payable by the Government in respect of rent rebates has continued to be limited. In order to negate the potential adverse financial effects to the General Fund, a transfer equal to the reduced subsidy is made from the HRA to the General Fund. The methodology for calculating this transfer is set down in regulations and is based on the levels of rent rebates paid, average rent charged to HRA tenants, and the capping level for that year. The actual cost of this transfer can only be finally determined after the Housing Benefit subsidy claim has been finalised. The claims for 2004/05 and 2005/06 have yet to be finally agreed by the Government, although based on the anticipated position there will be an additional payment required for previous years of £570,000 and a reduced transfer in respect of 2006/07, compared to the budget, of £556,000. The net effect for 2006/07 is £14,000.

Housing Repairs Account

From 2006/07 Northampton has operated a Housing Repairs Account. The Housing Repairs Account sits as a separate account within the HRA ring fence. The Housing Repairs Account is intended to equalise the effect to the HRA of Housing Repairs from year to year and can carry its own balance from one year to another.

In the original budget the transfer to the Housing Repairs Account was shown within the Street Scene and Property Maintenance service area. The transfer to the Housing Repairs Account is now under the control of the Corporate Manager for Housing Services. The Housing Repairs Account itself is under the control of the Corporate Manager for Street Scene and Property Maintenance. This arrangement will provide additional control over Housing Repairs expenditure. Details of the Housing Repairs Account projections for 2006/07 are shown at Appendix 3, which also shows an indicative breakdown between different types of work. Also shown within this Appendix is the anticipated level of work to be capitalised and therefore financed through the HRA capital programme.

For 2006/07 the transfer to the Housing Repairs Account is anticipated to increase by £470,000 to cover the additional costs of voids and gas maintenance and other improvements in the delivery of Housing repairs. £225,000 is shown in Appendix 1 against the transfer to the Housing Repairs Account line and £245,000 is within the anticipated expenditure shown against the 'Improvement Fund' (detailed in Appendix 2).

Interest & Financing Costs

The HRA is anticipated to receive a slightly improved level of interest. This however has been netted off against additional revenue financing of the HRA capital programme. The Housing voids programme incorporates some substantial

improvement work which is undertaken on individual properties whilst they are empty. This work is capital in nature and therefore should be funded through the HRA capital programme. Appendix 3 indicates the anticipated level of capitalisation from the Housing Repairs Account. This work can then be financed from HRA Capital resources. As part of the financing of the HRA capital programme it is necessary to include an element of revenue funding which is anticipated to be in the region of £4m for the 2006/07 financial year.

Working Balance B/f

The final HRA position for 2005/06 was an improvement on the forecast position which was used for budget purposes. The level of balances brought forward in to 2006/07 was increased by £1,083,000 net.

Improvement Fund

The budget for 2006/07 referred to an "Improvement Fund". This included an amalgamation of a number of budgets including any additional contribution to Housing Repairs in respect of improving voids and maintenance backlogs, and any Revenue Contribution to Capital Expenditure (RCCE). Appendix 2 shows the anticipated use of this budget for 2006/07. For 2007/08 onwards this budget will be included within relevant services and shown separately as proposed levels of RCCE within the Interest and Financing Costs budget.

4. Options and Evaluation of Options

N/a

5. Resource Implications (including Financial Implications)

Included above

6. Risk and Opportunity Issues

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| N/a |
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7. Consultees (Internal and External)

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| Internal | |
| External | |

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

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| Recovery Plan |
| N/a |
| Corporate Plan |
| N/a |

B: Other Implications


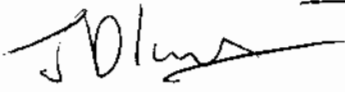
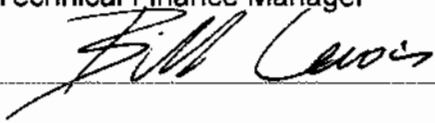
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| Other Strategies |
| N/a |

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| Finance Comments |
| None additional to the above. |

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| Legal Comments |
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9. Background Papers

| Title | Description | Source |
|--------------|--------------------|---------------|
| | | |

| Name | Signature | Date | Ext. |
|--|--|----------|------|
| Author | Bill Lewis Technical Finance Manager | 28/02/07 | 7167 |
| Corporate Manager | N/a | | |
| Director | Ian Thompson  | 28/02/07 | 8744 |
| Monitoring Officer or Deputy (Key decision only) |  | 1. 3. 07 | 7335 |
| Section 151 Officer or Deputy (Key decision only) | Bill Lewis Technical Finance Manager  | 28/02/07 | 7167 |

Housing Revenue Account - Forecast Outturn Variance 2006/2007

| | 2006/07 Annual Budget | 2006/07 Forecast Outturn (Income) / Expenditure | 2006/07 Forecast Outturn (Under) / Over Spends | Note |
|---|--------------------------|---|---|------|
| | £000 | £000 | £000 | |
| <u>Housing Services</u> | | | | |
| Rent, Rates and Taxes | 133 | 87 | -46 | 1 |
| General Management | 2,707 | 2,801 | 94 | 2 |
| Communal Heating and Lighting | 501 | 529 | 28 | |
| Caretaking and Cleaning | 307 | 314 | 7 | 3 |
| Lifts | 58 | 58 | 0 | |
| Maintenance of Greens and Shrubs | 145 | 105 | -40 | 4 |
| Environmental Enhancement | 119 | 119 | 0 | |
| Television and Wireless | 89 | 29 | -60 | 5 |
| Single Persons Accomodation | 69 | 56 | -13 | 6 |
| Improvement Fund (Appendix 2) | 2,948 | 665 | -2,283 | 7 |
| Transfer To Housing Repairs Account (Appendix 3) | 8,235 | 8,460 | 225 | 8 |
| | 15,311 | 13,223 | -2,088 | |
| Targetted Dwellings | 101 | 101 | 0 | |
| Sheltered Housing | 1,732 | 1,606 | -126 | 9 |
| Housing Rents and Other Income | -40,688 | -40,688 | 0 | |
| Rent Rebates Subsidy Limitation | 2,457 | 2,471 | 14 | 10 |
| HRA Subsidy | 7,695 | 7,150 | -545 | 11 |
| | -13,392 | -16,137 | -2,745 | |
| <u>Regeneration, Growth and Community Development</u> | | | | |
| Community Development | 82 | 82 | 0 | |
| | 82 | 82 | 0 | |
| Revenue Account Forecast Outturn | -13,310 | -16,055 | -2,745 | |
| Net Recharges to the General Fund | 5,438 | 5,438 | 0 | |
| Major Repairs Allowance | 7,488 | 7,488 | 0 | |
| Interest & Financing Costs | -278 | 3,701 | 3,979 | 12 |
| Net Transfer From / (To) Working Balance | -662 | 572 | 1,234 | |
| Working Balance B/f | -3,555 | -4,638 | -1,083 | 13 |
| HRA Earmarked Reserves | 0 | -611 | -611 | |
| HRA Working Balance c/f | -4,217 | -4,677 | -460 | |

Notes to Forecast Outturn Variance 2006/07

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| 1 | Rent, Rates and Taxes - The underspend on this budget of £46k relates to reduced costs that have been incurred for Council Tax on empty properties due to improvement in the speed of turnaround of Void properties (£21k) and a credit received from Anglian water (£25k). |
| 2 | General Management - The overspend is due to the cost of a team of staff that were previously accounted for in the General Fund and have been transferred to the Housing Revenue Account. Additional costs have also been incurred for future years pensions as a result of the Root and Branch process. This additional cost has been partially offset by vacancies within the service. |
| 3 | Caretaking and Cleaning - The overspend of this budget relates to the use of temporary staff in addition to the budgeted establishment as a result of increased demand on the service. |
| 4 | Maintenance of Greens and Shrubs - The underspend on this budget relates to the delay on the commencement of a weed spraying contract to the next financial year. |
| 5 | Television and Wireless - The underspend on this service is due to lower demand on the service than anticipated. |
| 6 | Single Persons Accommodation - The underspend on this budget relates to savings on Furniture, Equipment and Tools due to the delaying replacement of carpets at Robinson House. |
| 7 | Improvement Fund - This budget was intended to represent an Improvement Fund. As explained in the body of the report, much of this budget is actually required to finance the HRA Capital Programme. Appendix 2 identifies the expenditure that has been incurred against this budget. |
| 8 | Transfer to Housing Repairs Account - In the original budget this item was shown within Streetscene and Property budgets. From 2006/07 Northampton has operated a Housing Repairs Account. The background to this is detailed in the main body of the report. |
| 9 | Sheltered Housing - Sheltered Housing charges have recently been reviewed. The effects of this review will not affect 2006/07 and have been built into the HRA Budgets for 2007/08 considered elsewhere on this agenda. The savings against the current year's budget arise mainly from vacancies among the warden posts. |
| 10 | Rent Rebate Subsidy Limitation - This variation includes anticipated adjustments relating to previous years and a change in the anticipated costs for the current year. The background to this item is detailed in the main body of the report. |
| 11 | HRA Subsidy - A lower payment to the Government is required than originally anticipated in the draft subsidy determination. |
| 12 | Interest & Financing Costs - The HRA is anticipated to receive a slightly improved level of interest. This however has been netted off against additional revenue financing of the HRA capital programme as detailed in the main body of the report. |
| 13 | Working Balance B/f - The brought forward working balance is improved on that originally anticipated when the estimates were compiled. This relates to an improved outturn position for the HRA for 2005/06 than anticipated when the budgets for the current year were set. |

Forecast 'Improvement Fund' Expenditure 2006/2007

| | 2006/07 Forecast Expenditure £000 |
|---|--|
| Preparation for housing inspection and HRA business planning | 50 |
| Choice Based Lettings Project Manager 18 months fixed term contract | 13 |
| Environmental Enhancements | 210 |
| Reward and Recognition Scheme | 2 |
| Tenants Initiative Scheme | 10 |
| CRE Code of Practice Assessment | 10 |
| Investment Planning and Asset Management Strategy | 30 |
| NBA Continuation of Stock Condition Survey | 95 |
| Additional Transfers to Housing Repairs Account | |
| Multi Skilled Training | 40 |
| Access Warrants | 25 |
| Gas Contract Uplift | 180 |
| Forecast Outturn | 665 |

Forecast Housing Repairs Account Expenditure 2006/2007

| | £'000 | £'000 |
|--------------------------------------|---------------|-------------------|
| Original Budget | | 8,235 |
| Forecast Expenditure | | |
| Improvement Schemes | 14 | |
| Responsive Repairs | 3,844 | |
| Misc Communal Services | 344 | |
| Drainage | 241 | |
| External | 35 | |
| Voids | 4,045 | |
| Target Repairs | 660 | |
| External Decorations | 202 | |
| Planned Maintenance | 336 | |
| Gas Maintenance | 1,405 | |
| Fire Damage | 233 | |
| Estate Shops | 49 | |
| Operational Heat Lease | 2 | |
| | <u>11,410</u> | |
| Expenditure to be Capitalised | <u>2,950</u> | |
| | | 8,460 |
| Additional Transfer from HRA | | <u><u>225</u></u> |