

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT REVENUE MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2009		
<b>DATE OF DECISION:</b>	15 FEBRUARY 2009		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING & LOCAL SERVICES		
<b>AUTHOR:</b>	Name:	KARL SMITH	Tel: 023 8083 2785
	E-mail:	Karl.smith@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>
NOT APPLICABLE

## SUMMARY

This report summarises the revenue financial position for the Housing Revenue Account (HRA) for the 9 months to the end of December 2009. The 2 main issues are savings on Supervision and Management and an increase in subsidy paid to CLG due to falling interest rates.

## RECOMMENDATIONS:

- (i) Note the current HRA revenue budget monitoring position for 2009/10 as at Period 9 (December).

## REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

## CONSULTATION

2. Heads of Service and Budget Holders and the Executive Director have been consulted in preparing the reasons for variations contained in the report.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Not applicable.

## DETAIL

4. This report sets out to advise Cabinet of the HRA revenue budget monitoring position to the end of period 9 (December 2009) and to highlight any significant issues.
5. The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to over 18,000 Southampton tenants and leaseholders and their families. This includes housing management, repairs and improvements, welfare advice, sheltered housing services, neighbourhood wardens and contributes to bringing all Council properties up to the decent homes standard.

## Budget position 2009/10

6. The approved budget shown in appendix 1 reflects the changes in the level of dwelling rents and subsidy payment resulting from the governments 3.1% limit on rent increases, and the successful bid to Government to bring forward £2.42M of the Major Repairs Allowance from 2010/11 into the current financial year.
7. It also reflects the use of the £1,187,000 additional balances at the end of 2008/09. £968,900 has been made available to the capital programme through increasing Direct Revenue Financing, and £218,100 has been added to the External Decorations element within Programme Repairs, as approved by Council on 15<sup>th</sup> July 2009.
8. The approved HRA expenditure budget for the year is therefore, £60,672,500 and the income budget is £59,485,500, giving an overall deficit budget of £1,187,000. This deficit would be funded by a draw from balances, following which HRA balances would be at their target level of £1.2M.
9. There is no longer an adverse variance within responsive repairs. There are savings on responsive repairs due to average costs being at the level anticipated and number of jobs being lower than expected. This is offset however by a significantly higher level of void properties than anticipated with average cost being marginally lower than expected.

## 10. Summary of Variances

11. The table below shows the major variances.

Activity	Variance £000	A/F
Supervision and Management – Housing Management	452.7	F
Interest Rate Changes	395.0	A
Contingency	191.2	F
Dwelling Rents	150.1	A
Garages, Shops and Parking Rents	100.2	A
Tenants Service Charge Income	72.0	A

12. A full explanation of these variances is given in the following paragraphs. Issues not previously reported to Cabinet are the significant savings detailed in paragraph 13 and the position on the contingency, paragraph 15.

### **Supervision & Management – Housing Management and Leaseholder Service Charge Income**

13. There has been a change in the provider of leaseholder insurances. The estimated cost was £220,000 based on the previous provider, and the actual charge for 2009/10 is £140,000. This will reduce the cost to leaseholders and therefore the income received, this has been offset by an increase in charges due to higher revenue major works this year.

14. Significant savings have been realised from:
- Sheltered housing utility costs (£104,000);
  - Concierge running costs, mainly staffing and maintenance costs (£102,000);
  - Sheltered housing staffing and associated costs (£88,000); and
  - Staff savings from vacancies in the policy team (£122,000).
15. There is also a saving of £54,700 on budgets relating to the implementation of the sheltered housing review. This offsets lower than expected income from the new service charges for sheltered housing (see paragraph 19 below).

### **Interest Rate Changes**

16. Interest rates have decreased sharply and therefore the HRA financing costs have reduced by £1.915M. However the reduction in interest rates has reduced the amount of subsidy that can be claimed for Capital Financing Costs, which has increased the amount of subsidy that is paid to CLG this year by £2.310M. In overall terms therefore the reduction in interest rates has caused an adverse variance of £395,000.

### **Contingency**

17. The contingency position has been deleted as it is no longer required.

### **Dwelling Rents**

18. There is a decrease in the number of properties sold under Right to Buy, however there is a higher level of void properties than expected. Voids have increased due to the number of properties removed for development in Estate Regeneration as well as number of bedsit conversions at Kinloss Court.

### **Garage, Parking and Shop Rents**

19. Significant reduction in the income received from Shopping Parades. This is mainly due to the current economic climate and regeneration of Hinkler Parade.

### **Interest Received**

20. As the level of interest rates have decreased sharply, the amount of interest the HRA receives from the cash balances that it holds will also decrease.

### **Tenants Service Charge Income**

21. There is a reduction in income of £17,000 from service charges related to the Electronic Concierge. In addition, the support assessments for tenants in sheltered housing took longer than expected to complete. Income from the new service charges for sheltered housing is therefore £54,700 lower than expected but this has been offset by savings made in other budgets relating to the implementation of the sheltered housing review.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

22. None

**Revenue**

23. Contained in the detail of this report

**Property**

24. Not applicable

**Other**

25. Not applicable

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

26. Financial reporting is consistent with the Chief Financial Officer’s duty to ensure good financial administration within the Council.

**Other Legal Implications:**

27. Not applicable

**POLICY FRAMEWORK IMPLICATIONS**

28. Not applicable

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members’ Rooms and can be accessed on-line**

**Appendices**

1.	HRA Revenue Summary Report
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**Documents In Members’ Rooms**

1.	None
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**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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**Background documents available for inspection at:** Not Applicable

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	None
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