

CANNOCK CHASE COUNCIL

CABINET

21 FEBRUARY, 2008

JOINT REPORT OF THE DIRECTOR OF SERVICE IMPROVEMENT & THE DIRECTOR OF

GOVERNANCE

PORTFOLIO LEADER: LEADER OF COUNCIL

HOUSING REVENUE ACCOUNT AND HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME
REVIEW 2007-08

1. Purpose of Report

- 1.1 To present the outturn position regarding expenditure and income for the 2006-07 Housing Revenue Account (HRA).
- 1.2 To review the level of expenditure and income for the 2007-08 HRA.
- 1.3 To review, in accordance with the Council's agreed Capital Expenditure Control Procedures, the HRA Capital Programme for 2007-08.

2. Recommendations

That Council on 27 February 2008 are recommended:-

- (a) That the outturn position in respect of the 2006-07 HRA as set out as part of Annex 1 is noted.
- (b) That the revised position in respect of the 2007-08 HRA as set out as part of Annex 1 is agreed and that £907,913 of working balances are carried forward to 2008-09.
- (c) That the position with regard to estimated expenditure and available resources in respect of the 2007-08 HRA Capital Programme as set out in Annexes 2 and 3 are noted and approval is given to:-
- (i) Incur £281,100 of additional expenditure of the following schemes:-
- | | |
|--|------------|
| - Demolition of Cornwall and Cherry Tree House Sheltered Schemes | - £ 6,100 |
| - Void properties (Decent Homes) | - £100,000 |
| - Testing and removal of asbestos | - £175,000 |
- (ii) Re-programme £12,500 of expenditure in respect of the replacement of central heating systems from 2007-08 to 2008-09
- (iii) Carry forward £3,236,280 of estimated available resources for use in 2008-09 and future years.

3. Key Issues

- 3.1 The outturn position for the 2006-07 HRA budget is set out as part of Annex 1 and resulted in working balances of £944,913 at 31 March 2007.
- 3.2 Revised estimates for the 2007-08 HRA budget are also set out as part of Annex 1 and it is estimated that working balances at 31 March 2008 will be £907,913.
- 3.3 Estimated available resources in respect of the 2007-08 HRA Capital Programme are set out as Annex 2 and are expected to total £12,206,940. Expenditure in respect of the 2007-08 is set out as Annex 3 and is estimated to be £8,970,660. As a result, an estimated £3,236,280 of uncommitted resources can be carried forward to part finance the HRA Capital Programme in 2008-09 and future years.

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Section 1

Background

This report provides a review of both the 2007-08 Housing Revenue Account (HRA) and the 2007-08 HRA Capital Programme as the basis for preparing proposed HRA and HRA Capital Programme budgets for 2008-09, 2009-10 and 2010-11.

Section 2

The Housing Revenue Account outturn position for 2006-07

Annex 1 compares the outturn position for 2006-07 against the estimated outturn as reported to Council on 28 February, 2007.

The total amount of income received was £16,101,602 compared to £16,133,620 at 28 February 2007. This reduction in income of £32,018 primarily results from lower than anticipated rent income from Council owned garages and a reduced contribution from the General Fund in respect of services associated with the administration of the housing register.

Total expenditure was £16,877,155 compared to £16,860,260 estimated at 28 February 2007. The net increase in expenditure of £16,895 results from a number of variances as detailed in Annex 1 i.e.:-

- (a) Housing subsidy. A decrease of £29,158 in the amount of housing subsidy repaid to the Department for Communities and Local Government following interest rate changes.
- (b) Repairs and Maintenance. Additional expenditure of £44,898 in respect of responsive repairs.
- (c) Supervision and Management (General). Savings of £86,873 in respect of recharges, bank charges and tenancy services, together with increased income from the sale of small areas of land.
- (d) Supervision and Management (Special). A decrease of £16,705 in the estimated amount of income in respect of the Supporting People Programme.
- (e) Rents, Rates, Taxes and other charges. Additional expenditure of £33,103 in respect of rates for vacant properties at the Cherry Tree House and Cornwall House Sheltered Housing Schemes, prior to demolition.
- (f) Provision for Bad Debts. Reduction in the estimated amount of rent arrears "write-offs" during 2006-07.
- (g) Capital Financing Costs. Adjustments to the interest rate calculation.

As a result of these changes, the level of working balances at 31 March 2007 was £944,913, compared to £993,826 as estimated on 28 February 2007 i.e. a reduction of £48,913.

Section 3

The Housing Revenue Account 2007-08

The agreed HRA budget for 2007-08 has been revised in the light of the outturn expenditure for 2006-07 and the latest estimates of income and expenditure for 2007-08.

This has been compared to the original HRA budget for 2007-08 as approved by Council on 28 February, 2007 and shown as Annex 1.

The total amount of income which is expected to be received is now estimated to be £16,560,590 compared to £16,367,980 estimated on 28 February, 2007. This results from a net increase in income of £192,610 which reflects:-

- (a) A reduction in the estimated number of Council house sales.
- (b) The "51 week" rent year during 2007-08.
- (c) An estimated reduction in the amount of rent income from Council owned garages.

Total expenditure is now estimated to be £16,597,590 compared to £16,295,250 estimated at 28 February, 2007. This increase in expenditure of £302,340 results from the following variances:-

- (a) Housing subsidy. An increase of £117,130 in the estimated amount of housing subsidy repaid to the Department for Communities and Local Government as a result of a change in the interest rate and a prior year adjustment.
- (b) Repairs and Maintenance. Additional estimated expenditure of £78,600 in respect of responsive repairs due to increased demand in accordance with current policy, and a change in the level of recharges.
- (c) Supervision and Management (General). Additional estimated expenditure of £83,430 in respect of virements from repairs budgets during the year and a change in the level of recharges.
- (d) Capital Financing Costs. Additional estimated expenditure of £87,420 as a result of increases in interest rates.
- (e) Revenue Contribution of Capital Outlay. Additional RCCO of £53,000 for the purchase of replacement housing service vehicles as agreed by Council on 27 June, 2007.

As a result, the estimated level of working balances at 31 March, 2008 is now estimated to be £907,913. This compares to the estimate of £1,066,556 reported on 28 February, 2007, a decrease of £158,643.

Section 4

Housing Revenue Account Capital Programme 2006-07

The outturn position for the 2006-07 HRA Capital Programme was reported to Council on 27 June, 2007.

Section 5**Housing Revenue Account Capital Programme 2007-08**

The 2007-08 HRA Capital Programme (as determined by Council on 28 February, 2007) has previously been reviewed by Council,

- (a) on 27 June, 2007 when:-
- (i) A net £19,060 re-programming of expenditure from 2006-07 to 2007-08 was approved.
 - (ii) Additional expenditure of £405,000 was agreed.
- (b) on 22 August, 2007 when additional expenditure of £10,000 was agreed.

In accordance with the Councils agreed Capital Expenditure Control Procedures, the HRA Capital Programme (as revised by Council on 22 August, 2007) has been reviewed again in the light of actual expenditure and the latest estimates of 2007-08 capital expenditure and available capital resources.

A revised estimate of 2007-08 available housing capital resources is presented as Annex 2, whilst details of the actual and estimated expenditure in relation to the 2007-08 HRA Capital Programme is presented as Annex 3.

The changes since the last report considered by Council on 22 August 2007 are summarised below:-

Estimated Position Reported**22 August 2007**

	£	£
Resources available		13,561,940
<u>Less estimated expenditure</u>		<u>8,953,890</u>
Resources carried forward to 2008-09 (August 2007)	(i)	<u>4,608,050 (+)</u>

Net Changes in Resources

(a) Capital Receipts (vacant bungalows) *1	825,000 (-)	
(b) Capital Receipts (sale of land) *2	880,000 (-)	
(c) Improving the mix of the Social Housing Stock *3	350,000 (+)	
	(ii)	<u>1,355,000 (-)</u>

Net Changes in Expenditure

(a) Additional scheme costs *4	281,100 (-)	
(b) Budget savings *5	251,830 (+)	
(c) Re-Programming of expenditure*6	12,500 (+)	
	(iii)	<u>16,770 (-)</u>

Resources carried forward to 2008-09 (31 December, 2007)
(i) + (ii) + (iii)

3,236,280 (+)

Notes

- *1 Decrease in the estimated number of one bedroom bungalow sales which will be completed in 2007-08.
- *2 Decrease in resources as a result of re-programming the sale of the Cornwall House and Cherry Tree House sites to 2008-09.
- *3 Decrease in the contribution to the General Fund Capital Programme for "Replacement Social Housing" (in relation to the sale of one bedroom bungalows) to reflect the reduction in estimated bungalow sales offset by an increase in the grant requirement from Registered Social landlords.
- *4 Additional expenditure in respect of:-
 - (i) Demolition of the Cornwall and Cherry Tree House Sheltered Schemes (£6,100)
 - (ii) Void properties (Decent Homes) (£100,000)
 - (iii) Testing and removal of asbestos (£175,000)
- *5 Estimated budget savings:-
 - (i) Right to compensation for improvements (£2,000)
 - (ii) Reinstatement of PRC Dwellings (£75,000)
 - (iii) Kitchen and bathroom replacement (£61,180)
 - (iv) Estate Security (18,650)
 - (v) Up-grading of electrical systems (£95,000)
- *6 Re-programming of expenditure
 - (i) Replacement of central heating (12,500)

Estimated available resources in 2007-08 are now forecast to be £12,206,940. This compares to the estimate of £13,561,940 when the programme was reviewed on 22 August, 2007, a decrease of £1,355,000.

Actual expenditure in respect of the 2007-08 HRA Capital Programme (as at 31 December 2007) was £5,701,604, whilst total expenditure for the financial year is now estimated to be £8,970,660. This latter figure compares to the estimate of £8,953,890 when the programme was reviewed on 22 August, 2007, an increase of £16,770.

Following the deduction of 2007-08 expenditure commitments an estimated £3,236,280 of uncommitted resources can be carried forward to part finance the HRA Capital Programme in 2008-09 and future

years. This compares to the estimate of £4,608,050 when the programme was reviewed on 22 August, 2007, a decrease of £1,371,770.

Section 6

Contribution to CHASE

The implementation of the 2007-08 HRA budget and the 2007-08 HRA Capital Programme contribute to the "Healthier Communities, Housing and Older People" objective of CHASE.

Section 7

Section 17 (Crime Prevention) Implications

Action to combat anti-social behaviour on the Councils estates would be funded through the HRA budget which would have positive implications for crime prevention.

Section 8

Human Rights Act Implications

There are no identified implications in respect of the Human Rights Act arising from this report.

Section 9

Data Protection Act Implications

There are no identified implications in respect of the Data Protection Act arising from this report.

Section 10

Risk Management Implications

A potential risk arising from the inadequate management of the HRA has been identified in the Councils risk register. The potential problems include:-

- (a) The October rent review policy which necessitates rent changes to be estimated in advance of the Governments determination of management and maintenance allowances which govern the HRA subsidy for the next financial year.
- (b) Further adverse changes to the Councils position of negative subsidy.
- (c) Increases in interest rates, material costs and pay awards above those estimated.
- (d) The volatile nature of property sales under RTB.
- (e) The Governments rent restructuring and convergence policies which prescribe rent changes and prohibit rent increases to fund net expenditure shortfalls.

The score rating for the gross risk is 20 which fall within the high risk category. It is however considered that the Council can undertake a number of actions to mitigate a number of the identified risks which include:-

- (a) Medium term HRA business plan projections for the period 2008-09 to 2018-19.
- (b) The adoption of a prudent approach to budgeting.
- (c) The maintenance of an adequate level of working balances.
- (d) Regular monitoring of expenditure and income.
- (e) The implementation of an annual internal Audit Plan and scrutiny from the External Auditor.

It is considered that these actions will reduce the risk score to 4, placing it within the tolerable risk category.

Section 11

Legal Implications

The legal implications have been referred to throughout the report.

Section 12

Financial Implications

The financial implications have been referred to throughout the report.

Section 13

Human Resource Implications

The business plan projections assume reductions in supervision and management costs (10%), the Housing Maintenance Management fee (5%) and corporate recharges (5%) from 2009-10 onwards to reflect the reduction in the number of dwellings in the housing stock.

This planned reduction in expenditure will have human resource implications in that there will need to be a reduction in overall staffing levels. At this stage it is not possible to assess as to whether the reduction can be made through "natural wastage" or whether there will be a need for redundancies.

Section 14

Conclusion

This report provides a review of the 2007-08 Housing Revenue Account and the 2007-08 HRA Capital Programme as the basis in preparing the proposed budgets for the period 2008-09 to 2010-11.

The recommendations are set out in section two of the preceding report.

Section 15

Background Papers

- Annex 1 – Revenue outturn 2006-07 and projection 2007-08
- Annex 2 – HRA Capital Resources 2007-08
- Annex 3 – HRA Capital Expenditure 2007-08

<u>Resources</u>	2007-08			
	<u>Estimated Resources</u> 28 February, 2007	<u>Estimated Resources</u> 27 June, 2007	<u>Estimated Resources</u> 22 August, 2007	<u>Estimated Resources</u> 31 December, 2007
	£	£	£	£
Resources Brought Forward	6,069,930	5,851,340	5,851,340	5,851,340
Supported Capital Expenditure	420,000	420,000	420,000	420,000
Capital Receipts (Right to Buy)	1,372,000	1,240,200	855,600	855,600
Capital Receipts (Vacant Bungalows)	2,450,000	2,450,000	1,500,000	675,000
Capital Receipts Sale of Land)	1,293,000	1,339,000	1,339,000	459,000
Major Repairs Allowance	3,134,000	3,134,000	3,134,000	3,134,000
Revenue Contribution to Capital Outlay	1,534,000	1,534,000	1,587,000	1,587,000
Energy Efficiency Commitment Monies	50,000	50,000	50,000	50,000
<u>Less Contributions to the General Fund Capital Programme</u>				
Strategic Housing Priorities	(400,000)	(375,000)	(375,000)	(375,000)
Improving the Mix of the Social Housing Stock	(1,400,000)	(1,400,000)	(800,000)	(450,000)
<u>Total Resources</u>	14,522,930	14,243,540	13,561,940	12,206,940
Less Committed Expenditure	8,748,000	8,623,890	8,953,890	8,970,660
Resources Carried Forward	5,774,930	5,619,650	4,608,050	3,236,280

Cannock Chase Council

Housing Revenue Account Summary Base

HRA Summary	2006-07			2007-08	
	Revised Budget £	Outturn £	Variance £	Original Budget £	Revised Budget £
Income					
Dwelling Rents (gross)	15,556,180	15,553,168	-3,012	15,789,560	16,022,940
Non Dwelling Rents (gross)	418,660	400,701	-17,959	418,660	397,940
Interest - Mortgage Interest	16,240	10,509	-5,731	14,890	8,130
Interest - Interest on Cash Balances	520	561	41	520	520
Other Income	91,920	94,659	2,739	92,300	92,300
Transfer to General Fund Services	50,100	42,004	-8,096	52,050	38,760
Total Income	16,133,620	16,101,602	-32,018	16,367,980	16,560,590
Expenditure					
HRA Subsidy Repayable	2,387,520	2,358,362	-29,158	2,828,010	2,945,140
Repairs and Maintenance	3,986,950	4,031,848	44,898	3,778,900	3,857,500
Supervision and Management General	2,335,650	2,248,777	-86,873	2,737,050	2,820,480
Supervision and Management Special	633,160	649,865	16,705	687,750	570,510
Rents, Rates, Taxes and Other Charges	262,510	295,613	33,103	0	0
Rent Rebates			0	0	0
Provision for Bad / Doubtful Debts	89,190	65,637	-23,553	90,980	90,980
Capital Financing Costs	4,522,280	4,584,052	61,772	4,638,560	4,725,980
Revenue Contribution to Capital Expenditure	2,643,000	2,643,000	0	1,534,000	1,587,000
Total Expenditure	16,860,260	16,877,155	16,895	16,295,250	16,597,590
(Surplus) / Deficit for the year	726,640	775,553	48,913	(72,730)	37,000
Revised Working Balance Opening		(1,720,466)			(944,913)
Revised Working Balance Closing		(944,913)			(907,913)

Housing Revenue Account Capital Programme 2007-08

CODE NAVISION	Scheme Detail	2007-08 Programme 28 February 2007 £	2007-08 Programme 27 June 2007 (Outturn Report) £	2007-08 Programme 22 August 2007 £	2007-08 Actual Expenditure 31 December 2007 £	2007-08 Programme 31 December 2007 £	2007-08 Variance £
	<u>SUMMARY - HOUSING</u>						
	Enabling Role	328,000	339,000	659,000	518,081	665,100	6,100
	Mandatory Expenditure	361,000	357,370	357,370	201,369	355,370	-2,000
	Improvements	5,264,000	5,092,520	5,092,520	3,402,428	5,025,190	-67,330
	Enhancements	2,795,000	2,835,000	2,845,000	1,579,726	2,925,000	80,000
	TOTAL	8,748,000	8,623,890	8,953,890	5,701,604	8,970,660	16,770

CODE NAVISION	Scheme Detail	2007-08 Programme 28 February 2007 £	2007-08 Programme 27 June 2007 (Outturn Report) £	2007-08 Programme 22 August 2007 £	2007-08 Actual Expenditure 31 December 2007 £	2007-08 Programme 31 December 2007 £	2007-08 Variance £
	<u>ENABLING ROLE</u>						
C683	- PRC re-development (Bevan Lee Estate)	308,000	309,000	309,000	502,059	309,000	0
	-PRC re-development (Elizabeth Road)	0	0	0	0	0	0
C701	Demolition Cost (Cherry Tree House - Cornwall House)	0	10,000	10,000	16,022	16,100	6,100
C705	Demolition of Garages	20,000	20,000	20,000	0	20,000	0
C706	Replacement of Housing Service Vehicles	0	0	320,000	0	320,000	0
	Sub-Total	328,000	339,000	659,000	518,081	665,100	6,100

CODE NAVISION	Scheme Detail	2007-08 Programme 28 February 2007 £	2007-08 Programme 27 June 2007 (Outturn Report) £	2007-08 Programme 22 August 2007 £	2007-08 Actual Expenditure 31 December 2007 £	2007-08 Programme 31 December 2007 £	2007-08 Variance £
	<u>MANDATORY EXPENDITURE</u>						
C029	Disabled Facilities Works (Council Dwellings)	356,000	352,370	352,370	200,681	352,370	0
C031	Right to Compensation	5,000	5,000	5,000	688	3,000	-2,000
	Sub-Total	361,000	357,370	357,370	201,369	355,370	-2,000

CODE NAVISION	Scheme Detail	2007-08 Programme	2007-08 Programme	2007-08 Programme	2007-08 Actual Expenditure	2007-08 Programme	2007-08 Variance
		28 February 2007	27 June 2007 (Outturn Report)	22 August 2007	31 December 2007	31 December 2007	
		£	£	£	£	£	£
	<u>IMPROVEMENTS</u>						
C438	Reinstatement of PRC Dwellings	993,000	810,000	810,000	250,393	735,000	-75,000
C680	Replacement of Kitchens & Bathrooms	2,919,000	2,932,180	2,932,180	1,977,760	2,871,000	-61,180
C699	Replacement of Central Heating	1,062,000	1,020,340	1,020,340	896,822	1,007,840	-12,500
C684	Estate Security	0	40,000	40,000	21,350	21,350	-18,650
C695	Void Properties - Decent Homes	290,000	290,000	290,000	256,103	390,000	100,000
	Sub-Total	5,264,000	5,092,520	5,092,520	3,402,428	5,025,190	-67,330

CODE NAVISION	Scheme Detail	2007-08 Programme 28 February 2007 £	2007-08 Programme 27 June 2007 (Outturn Report) £	2007-08 Programme 22 August 2007 £	2007-08 Actual Expenditure 31 December 2007 £	2007-08 Programme 31 December 2007 £	2007-08 Variance £
	<u>ENHANCEMENTS</u>						
C692	Upgrading of Electrical Systems:	495,000	495,000	495,000	317,507	400,000	-95,000
C681	External Envelope Works	2,300,000	2,280,000	2,280,000	1,100,147	2,280,000	0
C437	Asbestos testing and removal	0	60,000	60,000	162,072	235,000	175,000
C707	Roof Renewal	0	0	10,000	0	10,000	0
	Sub-Total	2,795,000	2,835,000	2,845,000	1,579,726	2,925,000	80,000