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Report of Director of Environment and Housing

Report to Housing Advisory Board

Date: 8th April 2014

Subject: HRA Financial update – Period 11 (February 2014)

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	x No
Are there implications for equality and diversity and cohesion and integration?	x Yes	☐ No
Is the decision eligible for Call-In?	☐ Yes	x No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	☐ Yes	x No

Summary of main issues

At the end of Period 11 the Housing Revenue Account (HRA), incorporating Housing Leeds, is projecting a surplus of £ (2.0) m, key variances from budget are detailed in sections 2. and 3. below.

Right To Buy (RTB) sales are projected to be 450 by the end of the year. This is 316 more than budget. Further details can be found in section 4. below.

Recommendations

Housing Advisory Board members are asked the note the projected year-end financial position of the HRA, RTB sales and arrears.

1. Purpose of the report

1.1 The purpose of the report is to update Members of the Housing Advisory Board on the financial position of the Housing Revenue Account (HRA). It also includes details of RTB sales and arrears.

2. Key Variances - Income

2.1 Income from dwelling rents is projected to be £0.2m less that the budget. Loss of income due to RTB sales (projected to be 316 higher than budgeted) is largely compensated for by additional income due to voids being 0.6% lower than the budget of 1.5%.

2.2 Income from service charges and non-dwelling rents is projected to be £0.1m less than budget. This is primarily due to a reduction in income from furniture charges (which are demand led) partially offset by an increase in leaseholder charges and telecom income.

2.3 Additional income of £ (0.5) m is anticipated from capitalisation, mainly due to the increase in RTB sales. £ (0.2) m of unbudgeted income is projected from interest on balances and £ (0.2) m will be utilised from reserves earmarked to fund specific expenditure.

3. Key Variances - Expenditure

3.1 Projected savings of £ (0.7) m on employee costs and £ (0.2) m on transport are related to posts within Housing Leeds being held vacant in light of the Housing Management Review. In addition a 1% pay award for JNC posts was budgeted for but not awarded.

3.2 Following a full review of repairs expenditure it is anticipated that savings of £ (1.1) m will be achieved. This is largely in connection with demand-led activities such as responsive repairs and repairs to void properties.

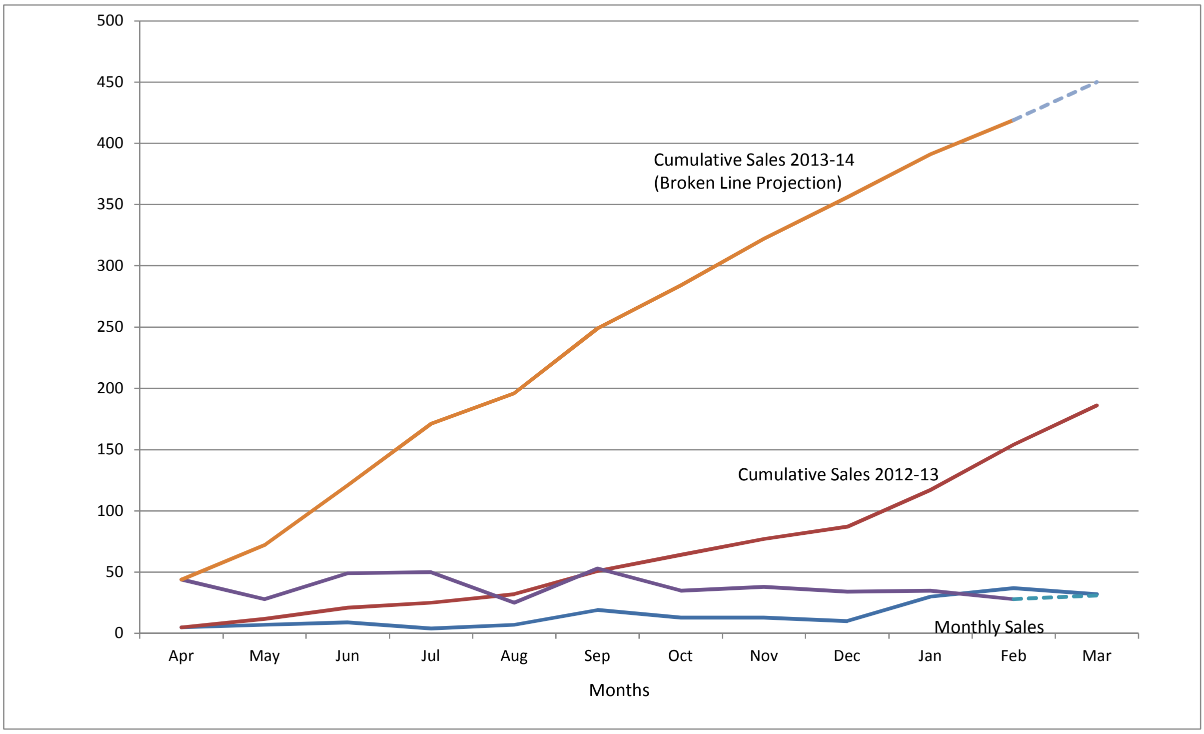
3.3 Savings of £ (0.7) m are projected from running expenses. These include savings on premises costs, IT, postages and office consumables. A further saving of £ (0.2) m is expected from Council Tax in relation to void properties.

3.4 These positive variations are offset by an additional net cost of £0.6m from internal charges. This reflects an additional £1m from Adult Social Care in respect of supporting people to remain in their own homes, partly mitigated by savings of £(0.4)m from other internal charges such as PPPU and Legal Services.

3.5 There is a requirement to increase the contribution to the disrepair provision by £0.8m more than the budget. This is due to a high volume of new claims being received following canvassing in the city by two compensation companies.

4. Right to Buy (RTB) Sales

4.1 As shown in the graph below there were 419 completed sales to the end of February 2014. Current projections based on live applications are that 450 properties will be sold in 2013/14, generating sales receipts of £20.0m. In accordance with the Government's formula, LCC can retain the sum of £14.7m. Of this, £6.2m is likely to be passported to Registered Social Landlords (RSLs) as a grant. This is to fund 30% of the cost of building new housing stock, and must be match-funded by a 70% contribution from the RSL. A further £6.6m can be retained for ‘allowable debt’ which can be used either to repay debt or to fund other capital expenditure; current proposals are that this income will be used to fund capital expenditure. The remaining sum of £2.0m will be retained corporately to fund the General Fund’s Capital Programme.



Council House Sales - Actual and Projected

5. Arrears

5.1 Overall, arrears for current tenants are £5.9m compared to £4m at the end of 2012/13, an increase of £1.9m. Of this approximately £1.0m is due to timing differences between rent being charged on a weekly basis and payments being actually received from tenants who pay monthly by standing order of direct debit. Of the remainder of the increase £0.3m has arisen due to Welfare Change in connection with under-occupancy. Collection rates to the first week in February were 97.4% for dwelling rents, compared to 98% at the end of 2012/13.

5.2 There are currently circa 5,600 tenants classified as under-occupied. At the end of 2012/13 approximately 23% of under-occupiers were in arrears, this rose to 56% at the beginning of February. Total dwelling rent arrears for under-occupiers are £0.71m as at the beginning of February, compared to £0.48m at the end of 2012/13, an increase of £0.23m.

6. Recommendation

6.1 Housing Advisory Board members are asked the note the projected year - end financial position of the HRA, RTB sales and arrears.