Leeds
CITY COUNCIL

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Report of Director of Environment and Housing

Report to Housing Advisory Board

Date: 3rd June 2014

Subject: Housing Revenue Account - 2013/14 Outturn

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

The **draft** outturn position on the Housing Revenue Account (HRA) is an in year surplus of £3.4m. It should be noted that this position reflects the transfer of the housing management function from the ALMOs back into the Council. Key variances from budget are detailed in sections 2 and 3 below.

There were 462 completed Right to Buy (RTB) sales to the 31st March 2014.This is 328 more than budget. Further details can be found in section 4. below.

Recommendations

Housing Advisory Board members are asked to note the draft outturn position of the HRA, RTB sales and arrears.

1. Purpose of the report

1.1 The purpose of this report is to update Members of the Housing Advisory Board on the 2013/14 draft outturn position on the Housing Revenue Account (HRA). It also includes details of RTB sales and arrears.

2. Key Variances – Income

2.1 Income from dwelling rents, other rents and service charges is broadly in line with budget. Loss of income due to Right to Buy (RTB) sales , which are 328 higher than budget has been largely compensated for by additional income due to voids being 0.6% less than the budget of 1.5%.

2.2 Due to slippage in the commencement of the Little London, Beeston Hill and Holbeck (LLBH&H) PFI project, grant of £5.5m was not received in this financial year. This has no net impact on the HRA bottom line as there has been a corresponding reduction in the unitary charge payable to the contractor.

2.3 Other income is £0.4m higher than budget. This is due to an increase in capitalisation, mainly as a result of higher than budgeted RTB sales. This is offset by a reduction in external income due to the reduced contribution from Aire Valley Homes (AVH) and West North West Homes (WNWH) towards the LLBH&H PFI project in the first 6 months of the year due to slippage in the project

3. Key Variances - Expenditure

3.1 There are savings of £0.7m on employee costs. These primarily relate to posts within Housing Leeds being held vacant in light of the Housing Management Review and savings on training, recruitment advertising and occupational health.

3.2 Expenditure on repairs to dwellings is broadly in line with budget.

3.3 The budget for premises has under spent by £0.5m due to savings on rents and utilities and a reduced contribution in respect of carbon reduction.

3.4 Savings of £5.4m have been realised on Supplies & Services. This has arisen mainly due to the reduction in unitary charge payable to the contractor in relation to the LLBH&H PFI as a result of slippage in the scheme. Other savings include savings on insurance, clothing and uniforms, office consumables and equipment, postages and miscellaneous items.

3.5 The saving of £0.2m on transport is related to posts within Housing Leeds being held vacant in light of the Housing Management Review (£68k) and savings on vehicle repair and maintenance.

3.6 There have been savings of £0.4m in relation to the Council Tax payable on empty homes. This is due to the number of voids being less than budget and improved turnaround times.

3.7 The contribution to provisions is £0.1m less than budget. This is the net impact of an overspend of £0.9m on the contribution required to the provision for disrepair due to a high volume of new claims being received following canvassing in the city by two compensation companies. This is largely offset by a saving of £1.0m in respect of the contribution required to the bad debt provision. The saving on bad debts has arisen due to fewer rent arrears being written off and the impact/delay of the introduction of Welfare Change being less than anticipated.

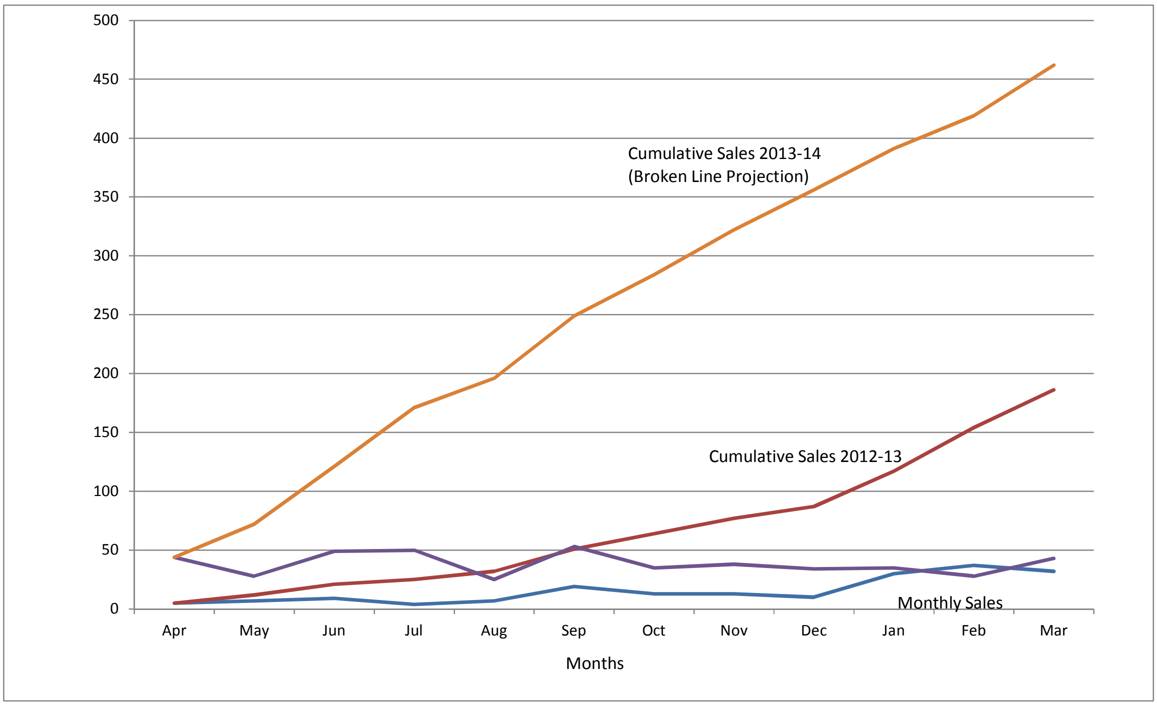
3.8 There has been an under recovery of £0.3m in relation to Construction Services. This has arisen due to delays in processing timesheets & valuing work as a result of transferring to a new costing system (Orchard Direct Works) during the year & a deficit on the adaptations contracts held with SSE and WNW areas.

4. Right to Buy (RTB) Sales

4.1 To the 31st March 2014 there were 462 completed sales. This has generated sales receipts of £20.5m. In accordance with the Government's formula, LCC can retain the sum of £15.1m.

Of this, £6.4m 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 £6.7m 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 to 31st March 2014



5. Arrears

5.1 Overall, arrears for current tenants are £4.8m compared to £4m at the end of 2012/13, an increase of £0.8m. Of this approximately £0.2m 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 year-end were 97.85% for dwelling rents, compared to 98% at the end of 2012/13.

5.2 There are currently circa 5,550 tenants classified as under-occupied. At the end of 2012/13 approximately 23% of under-occupiers were in arrears, this rose to 41% at the end of 2013/14. Total dwelling rent arrears for under-occupiers are £0.68m as at the year-end, compared to £0.48m at the end of 2012/13, an increase of £0.2m.