

Report of Directors of Environment and Housing and City Development

Report to Scrutiny Board (Housing and Regeneration)

Date: 23rd September 2014

Subject: Financial Position Statement 2014/15 – City Development and Environment and Housing Directorates

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

Summary of main issues

1. At the request of the Scrutiny Board, the purpose of this report is to provide Members with a financial position statement of the City Development and Environment and Housing Directorate's in relation to this Board's responsibilities at period 4 of the financial year 2014/15.
2. The attached information has been provided by the relevant Head of Finance for the Board's consideration in relation to:-
 - Housing Revenue Account (section 3)
 - Housing Regeneration (section 4)
 - Housing General Fund (section 5)
 - Capital programme (section 6)

3. Housing Revenue Account

3.1. At the end of Period 4 the HRA is projecting a surplus of **£(1.2)m**. Key variances from budget are detailed below.

3.2. Key Variances - Income

- Income from dwelling rents is projected to be £(1.0)m more than budget. This is due to voids levels being less than budgeted, voids are currently 0.7% but

budgeted at 1.25%. RTB sales are budgeted at 450 for the year (compared to 462 sales in 2013/14) and no change to this is currently forecast.

- £(0.5)m of unbudgeted income has been received in connection with contract-related performance payments and profit sharing. This is offset by a projected reduction of £0.2m in salaries which can be capitalised in accordance with council's principles.

3.3. Key Variances – Expenditure

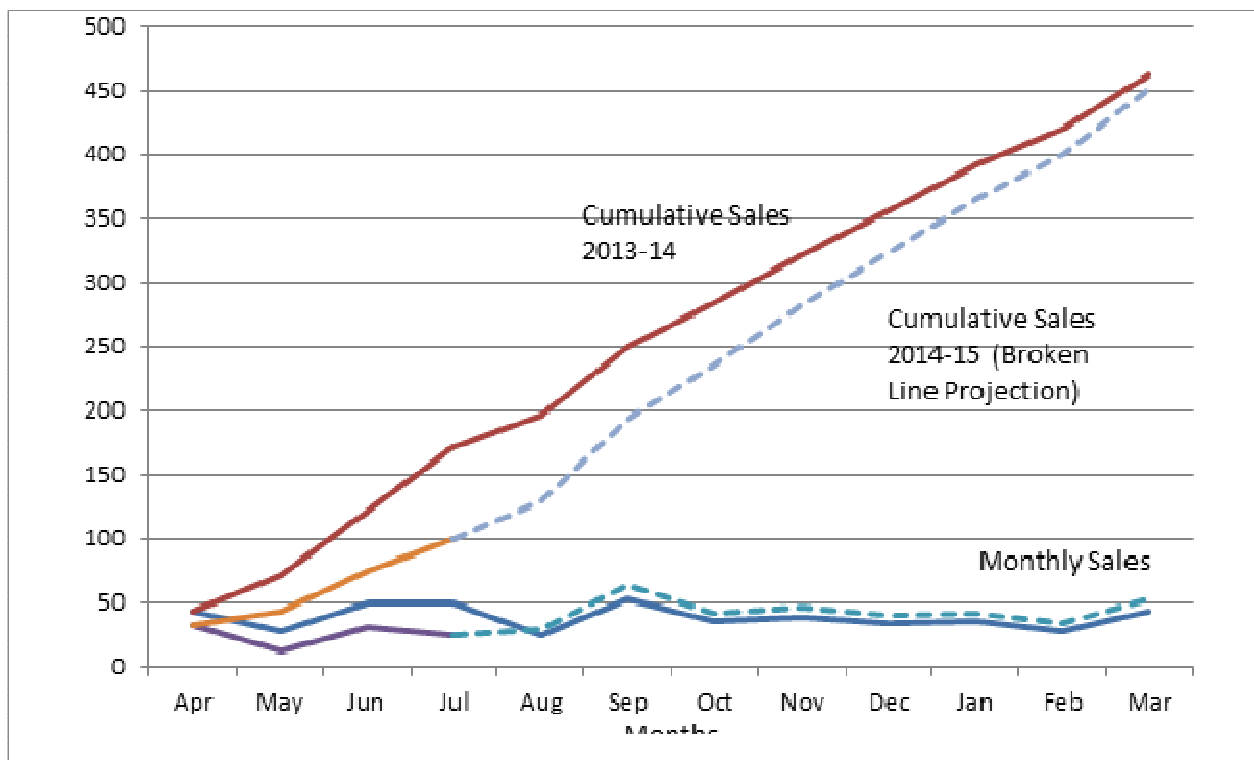
- Savings of £(0.35)m are expected from Council Tax in relation to void properties. This is due to reducing void levels and is consistent with trends in 2013/14. Savings of £(0.5)m are expected against the contribution to the Bad Debt Provision, again, this is in line with 2013/14.
- There is a projected saving of £(0.3)m against Capital Charges, this is due to the interest rates on debt being lower than budgeted.
- Net savings on repairs to dwellings are currently projected to be £(0.2)m which is after redirecting £0.4m to fund the painting programme. Savings on repairs have arisen primarily due to lower than anticipated void levels. Any further savings arising will be redirected to meet housing priorities.
- These positive variations are offset by an additional cost of £0.5m from internal services. This is as a result of £0.4m of unbudgeted costs for Contract Cleaning and £0.1m in connection with forestry works.
- There is a requirement to increase the contribution to the Disrepair Provision by £0.8m more than the budget. This is due to claims firms targeting the City which has led to a 284% increase in cases from 2012/13 levels. In order to deal with this two additional surveyors and two legal officers have been engaged and processes put in place to manage the service to improve efficiency and create clearer accountabilities and responsibilities within the teams. The Disrepair service is being proactively managed with regular meetings with internal and external teams including surveyors, legal, asbestos and contractors responsible for completing the works monitoring progress, identifying blockages in the system and amending processes. In addition to this the team is engaging with both the Repairs Teams and Housing Management to introduce measures to stem the growth in caseload.
- A payment of £90k will be made to Leeds Credit Union this year, this is consistent with the funding provided by ALMOs in previous years.

3.4. Right to Buy (RTB) Sales

- To the end of July there were 100 completed sales. It is anticipated that the total year sales of 450 units will generate sales receipts of £21.54m. In accordance with the Government's formula, LCC can retain the sum of £16.4m.
- Of this, £7.0m 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

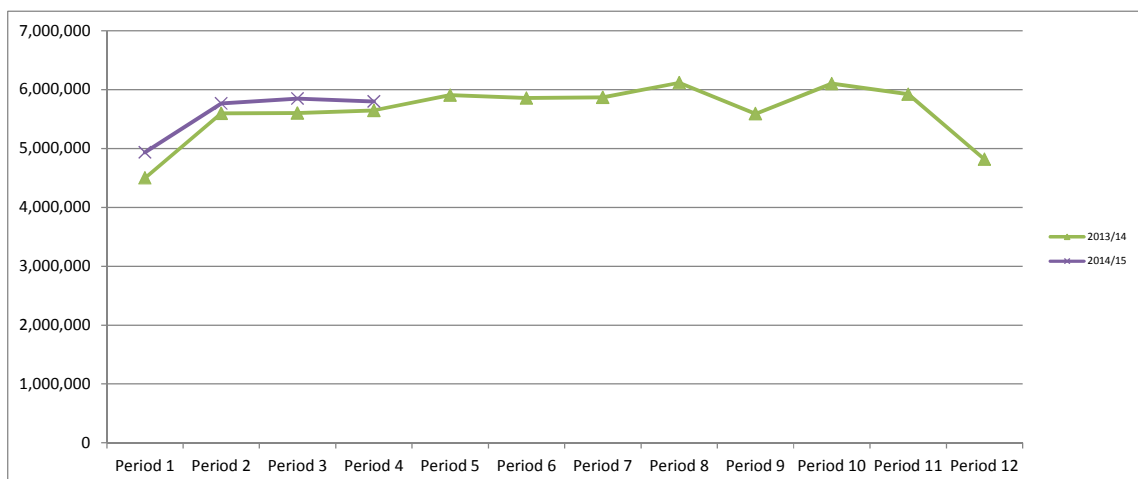
stock, and must be match-funded by a 70% contribution from the RSL. A further £6.6m can be retained for 'allowable debt' which can be used either to repay debt or to fund other capital expenditure; proposals are currently being developed. The sum of £0.6m will be retained to fund administration costs and the remaining sum of £2.2m will be retained corporately to fund the General Fund's Capital Programme.

Council House Sales to July 2014 and Projected Sales to Year End



3.5. Arrears

Comparison of Current Tenant Arrears 2013/14 and 2014/15



- Overall, arrears for current tenants are £5.8m compared to £4.8m at the end of 2013/14, an increase of £1.0m. Of this £0.9m is due to timing differences between rent being charged on a weekly basis and payments being received from tenants who pay monthly by standing order or direct debit. Collection rates to the end of June were 97.7% for dwelling rents, compared to the target of 98.06%.
- There are currently circa 5,500 tenants classified as under-occupied. At the end of 2013/14 approximately 41% of under-occupiers were in arrears, this rose to 47% as at the end of June. However, the value of dwelling rent arrears for under-occupiers has remained static at £0.7m.

4. Housing Regeneration

- 4.1. Regeneration Services is now included as part of the Asset Management and Regeneration Services budget in City Development. The Service is currently in the process of implementing a restructure which brings staff across both the former services into a single structure.
- 4.2. At Period 4 it is projected that Regeneration Services will have an overspend of £115k against the net managed budget of £609k. Staffing is expected to overspend by £21k although this is offset by savings in staffing in Asset Management and the staffing budgets may need realigning once the restructure has been completed.
- 4.3. Income is forecast to be £94k below budget. This is mainly as a result of Heritage Lottery funding being less than that assumed in the 2014/15 budget.

5. Housing General Fund

- 5.1. The latest projection for Statutory Housing is that it will achieve an underspend of £140k during 2014/15.
- 5.2. The 2014/15 budget for Supporting People contained an efficiency target of £742k as well as a £542k reduction for the TEAs and Resettlement Service. At period 4 it is projected that the overall efficiency target will be achieved and with a further efficiency of £140k delivered. This is primarily due to the confirmation of full year funding from the Office of the Police and Crime Commissioner that can be applied to a number of alcohol related contracts.
- 5.3. There are a number of other challenging targets within the budget, including a £220k staffing efficiency target, a likely £30k pressure on bond retrieval income and an income pressure on the Cross Green Facelift scheme. Staffing underspends have been projected for Leeds Housing Options, Leeds Neighbourhood Approach and Independent Living which will contribute towards the staffing efficiency target.

6. Capital Programme

6.1. Housing Leeds & BITMO

- Housing Leeds actual spend to period 4 is £8.6m together with £4m of commitments equating to 19% of revised available resources at period 4. The projection to outturn at period 4 is £65m.
- Housing Leeds are accelerating £6m of schemes due to be delivered in 2015/16 which will negate some of the slippage already accounted for in 2014/15.
- Planned works in 2014/15 are estimated at £51.1m with spend and commitments to period 4 of £7m equating to 14% of the programme.
- Responsive works in 2014/15 are estimated at £13.9m with spend and commitments to date of £5.6m equating to 40% of the programme. As at period 4 the responsive programme is on its way to delivering within available resources.
- Adaptations as part of the responsive programme have spend and commitments of £1.2m against an annual budget of £5.0m.
- Actual BITMO programme spend at period 4 is £471k which equates to 16% of revised available resources of £2.9m. At period 4 BITMO are projecting to spend on budget.

6.2. Housing Leeds - Council House Growth Programme

- At period 4 the spend on the Council Housing Growth and newbuild programme is £1.1m. The current cash flow projection at period 4 is £13.8m which will be revised downwards to reflect a realistic spend profile of what's deliverable in 2014/15 and future years. The likely projection for the year at period 4 is estimated at £6m.
- On the 22nd July, Leeds City Council was successful in securing £8.6m grant funding to support a programme of 408 affordable homes. This will deliver 308 new build properties and an empty homes programme which will return 100 properties back into use.
- Since the setting of the Feb 2014 capital programme the Housing Growth programme has had additional resources injected bringing the total available to £72.6m this will now increase to £81m.
- The Newbuild workstream of the programme is now committed to delivering 408 units utilising £54.2m of available funding, with the Recycling Empties programme bringing 122 properties back into use utilising £11.3m. There are no commitments as yet on the one for one right to buy stream of the programme where currently there is £7m available for other Social Landlords.

6.3. Housing General Fund

- At period 4 Housing Services General Fund spend is £2.27m against a revised annual programme of £12.2m.

- At period 4 the DFG Adaptations scheme has spend to date of £2.17m equating to 32% of available resources £6.86m. Within the Adaptations budget there is a provision to fund Leeds Care and Repair's Home Improvement Agency and Handypersons. At period 4 the projected outturn is expected to be on budget.
- The equity loan scheme to vulnerable households has paid out 2 loans of £17.5k in 2014/15 to period 4. Revised current budget to reflect an adjusted projection so slipped £200k to future years.
- New phases 2 and 3 of group repair in Cross Green were approved at September Executive Board and will spend £4m across the next two years.
- A sum of £140k is available as part of the fuel poverty scheme and this will top up ECO (Energy Companies Obligation) contributions helping vulnerable households to receive measures which will alleviate fuel poverty.
- The Green Deal Demonstrator project is now complete. In March 2014 we received a grant on behalf of LCR of £4.943m from DECC (Department for Energy and Climate Change) from the Green Deal Communities Fund. LCC will utilise £2.6m of this within Leeds and the first payments will be made in period 5.
- The scheme for the expansion of the new site at Cottingley Springs was presented to March Executive Board. It was resolved that subject to the outcome of the local inquiry to be held by the secretary of state a further report will be submitted to EB. Current estimates for the twelve new pitches are £1.7m. This will be funded from £1.074m of secured government grant and an estimated 700k of commuted S106 funds yet to be approved. The inquiry was completed on 7th August.

6.4. Regeneration Services

- At period 4 Regeneration Services actual spend is £129k against available resources of £2.7m.
- The Town & District Regeneration 2 programme has funding in place of £700k and the 3 schemes are progressing.
- Investment in Armley and Chapeltown Townscape Heritage Initiative programme continues to underpin private investment in sensitive building repair and restoration and at period 4 spend to date on the two schemes is £1.8m in total £128k in 2014/15.
- The Townscape Heritage Initiative (THI) scheme in Lower Kirkgate was approved at July EB with authority to spend of £2.4m. It will support bringing vacant properties into use and increasing the viability of existing businesses within the historic Lower Kirkgate area. A Council contribution of £668k is also included in the programme alongside the £1.5m of lottery grant and £250k of English Heritage grant.
- A provision of £173k for the Combined Heating and Power plant at Yarn Street remains and this should be settled in 2014/15.

7. The Head of Finance from each of the Directorates have been invited to today's meeting to present the attached information and address any further questions from the Board.

8. Recommendation

- 8.1. Members are asked to note the projected financial position of the Directorates City Development and Environment and Housing in relation to the areas listed in paragraph 2 above at period 4 of the financial year 2014/15.

9. Background documents¹

- 9.1.5. No documents referred to.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.