

**Report of: Directors of Environment and Housing and City Development**

**Report to: Scrutiny Board (Housing and Regeneration)**

**Date: 9th December 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

**1. Summary of main issues**

- 1.1 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 6 of the financial year 2014/15.
- 1.2 The attached information has been provided by the relevant Head of Finance for the Board's consideration in relation to:-
  - Housing Revenue Account (section 2)
  - Housing Regeneration (section 3)
  - Housing General Fund (section 4)
  - Capital programme (section 5)

**2. Housing Revenue Account**

**2.1 Summary**

At the end of Period 6 the HRA is projecting a net surplus of £(1.1)m

**2.2 Key Variances - Income**

- Income from dwelling rents is projected to be £(1.0)m more than budget. This is primarily due to the actual level of voids (0.7%) being less than budgeted levels (1.25%).

- £(0.4)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 £0.4m in salaries which can be capitalised in accordance with council's principles.

### **2.3 Key Variances – Expenditure**

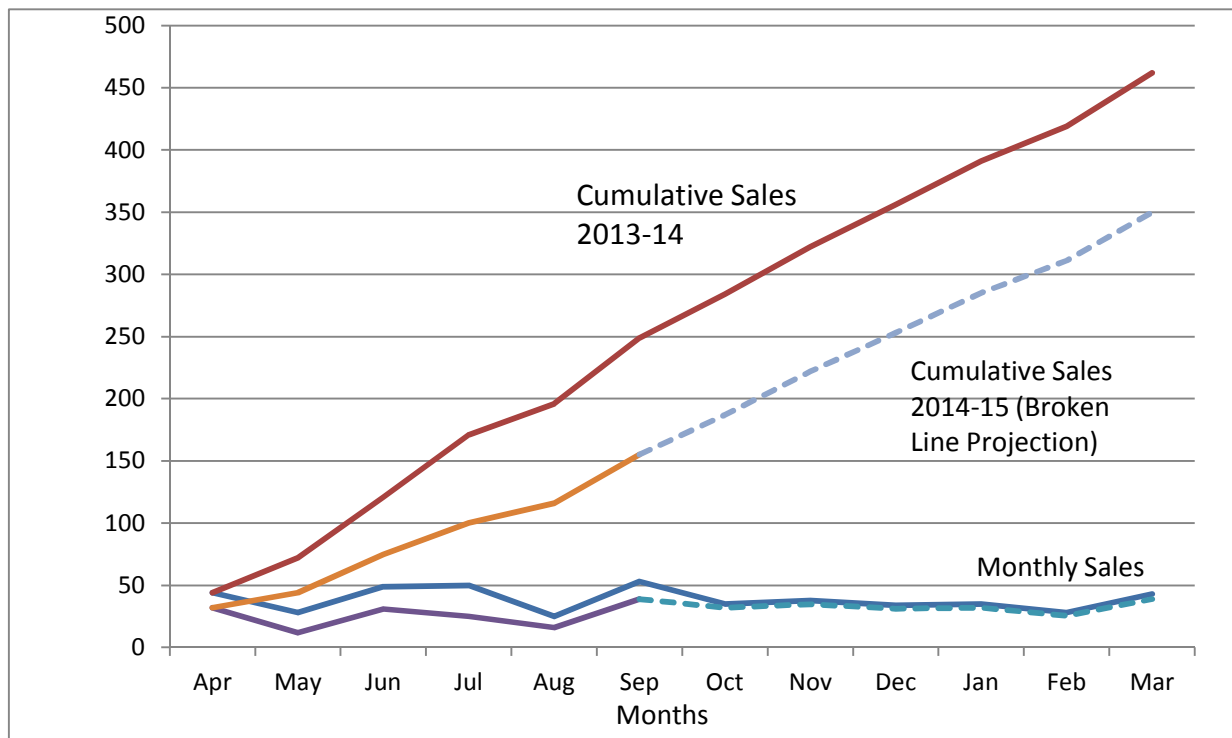
- Savings of £(0.9)m over the £1m assumed in the budget are projected in relation to employees and transport. This is due to vacancies being held whilst revised structures are agreed and implemented as a result of the housing management function coming back in house. It should be noted however that these additional savings may not be recurring.
- Savings of £(0.3)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 are also projected in relation to void repairs £(0.3)m, supplies and services £(0.2)m and utilities £(0.2)m following an in depth review of budgets rolled forward from the ALMOs.
- 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 £(0.4)m against charges for capital which is due to interest rates on debt being lower than budgeted.
- These savings contribute towards offsetting the additional £1.1m of costs in relation to Disrepair claims against the council. Additional resources have been provided to address this issue. 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.

### **2.4 Right to Buy (RTB) Sales**

To the end of September there were 155 completed sales with total sales of 350 being projected at year end. This is 112 less than 2013/14. It is anticipated that the total year sales of 350 units will generate sales receipts of £16.2m. In accordance with the Government's formula, LCC can retain the sum of £10.4m.

Of this, £3.4m 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 £4.3m 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 £0.5m 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 end of September 2014 and Projected Sales to Year End

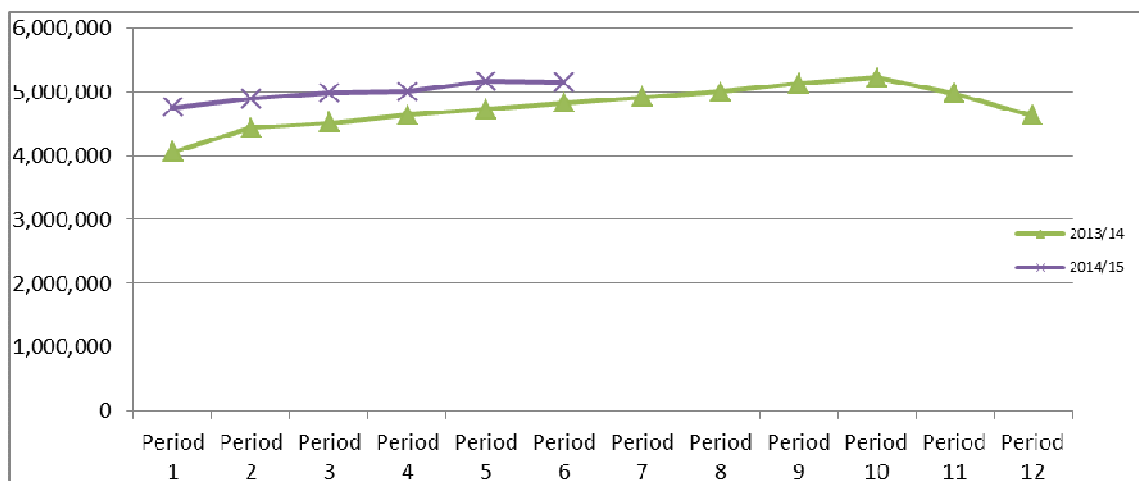


### 2.5 Arrears

Excluding technical arrears, arrears for current tenants are £5.1m compared to £4.6m at the end of 2013/14, an increase of £0.5m. Collection rates to the end of August were 97.48% for dwelling rents, compared to the target of 98.06%.

There are currently circa 5,400 tenants classified as under-occupied. At the end of 2013/14 approximately 41% of under-occupiers were in arrears, this rose to 51% as at the end of August. However, the value of dwelling rent arrears for under-occupiers has remained static at £0.7m.

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



### **3 Housing Regeneration**

- 3.1** 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.
- 3.2** At Period 6 it is projected that Regeneration Services will have an underspend of £10k against the net managed budget of £603k. Staffing is expected to overspend by £16k although this is offset by savings in staffing in Asset Management and the staffing budgets may need realigning once the restructure has been completed.
- 3.3** Income is forecast to be £26k above budget. This is mainly as a result of additional external income that was not budgeted for.

### **4. Housing General Fund**

- 4.1** The latest projection for Statutory Housing is that it will achieve an underspend of £144k during 2014/15.
- 4.2** 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 6 it is projected that the overall efficiency target will be achieved and with a further efficiency of £154k 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.
- 4.3** 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. At period 6, further actions have been identified that will offset the majority of the pressures but that a net pressure of £10k will exist for the other areas of Strategic Housing.

### **5. Capital Programme**

#### **Housing Leeds & BITMO**

Housing Leeds refurbishment programme actual spend and commitments to period 6 is £19.1m equating to 29% of revised available resources at period 6 an increase of 6% from period 5. The projection to outturn at period 6 is £66.2m which now includes the £1.15m construction services vehicle replacement programme 14/15.

Planned works in 2014/15 are estimated at £51.2m with total spend and commitments to period 6 of £11.4m equating to 22% of the programme an increase of 5% since period 5.

At period 6 further over and underspends have been identified on individual schemes within the planned programme which we have contained within the

programme. Individual overhead schemes have been transferred to the main overhead scheme with no overall impact on the programme. Given the low spend on the planned programme to date Housing Leeds have identified areas where we can accelerate programmes which will reduce the amount of slippage from 14/15 to future years.

Responsive works in 2014/15 are estimated at £14.9m with spend and commitments to date of £7.7m equating to 52% of the programme an increase of 5% since period 5. Whilst capital voids are low with turnaround times reducing Housing Leeds are investigating whether the voids programme can be contained within the £6m budget. As at period 6 the responsive programme is reporting delivery within available resources.

Adaptations as part of the responsive programme have spend and commitments of £1.92m against an annual budget of £5.0m. Adaptations will receive a further £500k in period 7 which will be realigned from within the existing programme.

Actual BITMO programme spend and commitments at period 6 is £1.4m which equates to 48% of revised available resources of £2.9m a 10% increase on period 5. At period 6 BITMO are projecting to spend on budget.

### **Housing Leeds Council House Growth Programme**

At period 6 the spend on the Council Housing Growth and new build programme is £1.3m in 2014/15. The current cash flow projection at period 6 is now £6m which has been revised downwards to reflect a realistic spend profile of what's deliverable in 2014/15.

On the 22<sup>nd</sup> July, LCC were successful in securing £8.6m of 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 we currently have £7m available funding but we will utilise some of this on East End Park Road new build if needed.

### **Housing General Fund**

At period 6 Housing Services General Fund spend is £5.1m against a revised annual programme of £12.2m.

At period 6 the DFG Adaptations scheme has spend to date of £3.3m equating to 48% 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 6 the projected outturn is expected to be on budget.

The equity loan scheme to vulnerable households has paid out 3 loans totalling £27k in 2014/15 to period 6. 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 EB and will spend £5m across the next two years, £1m transferred into the scheme from current available resource and Green Deal Community Fund. Currently signing up home owners, this is part of the Sustainable Communities Investment Programme.

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. The inquiry was completed on 7<sup>th</sup> August and we should know the outcome later in the year.

Home Energy & Green Deal ECO schemes – The Leeds City Region Green Deal and ECO Scheme is currently in the final stage of procurement, although the project has been delayed due to changes in the funding regime for energy efficiency projects, this project has come in on budget and within the revised timetable.

The Green Deal Communities Fund attracted £2.53 million of DECC funding to Leeds, which will be added to with £1.03 million of ECO funding (from energy companies) to deliver area based solid wall insulation to 406 households in Leeds. This project is now delivering schemes in 6 areas of Leeds, parts of Hyde Park, The Drive and surrounding estate in Kippax, parts of Cookridge and Adel and Wharfedale, the Nowells Neighbourhood Challenge area and the in phase 2 of the Cross Green regeneration area. Approximately £101K of the fuel poverty fund has currently been allocated which has resulted in energy efficiency improvements to 135 properties for vulnerable residents.

The Groundwork Project Support fund has a budget of £70k in 2014/15 no spend to period 6.

### **Regeneration Services**

At period 6 Regeneration Services actual spend is £132k equating to 5% of revised available resources of £2.4m.

The Town & District Regeneration 2 programme has funding in place of £700k and the 3 schemes are progressing in Kirkstall, Dewsbury and Harehills.

Investment in Armley and Chapeltown Townscape Heritage Initiative programme continues to underpin private investment in sensitive building repair and restoration and at period 6 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.

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.

## **6. Recommendation**

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 6 of the financial year 2014/15.

### **Background documents<sup>1</sup>**

No documents referred to.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.