

Report of Directors of Environment and Housing and City Development

Report to Scrutiny Board (Housing and Regeneration)

Date: 29th October 2013

Subject: Financial Position Statement 2013/14 – 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 5 of the financial year 2013/14.
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)
 - General Fund (section 5)
 - Capital programme (section 6)

3. Housing Revenue Account

3.1. At the end of Period 5 the HRA is projecting a surplus of **£(333)k**. Key variances from budget are detailed below.

3.2. Key Variances - Income

- Net additional rental income of **£(700)k** is projected from dwelling rents. This is due to two elements:

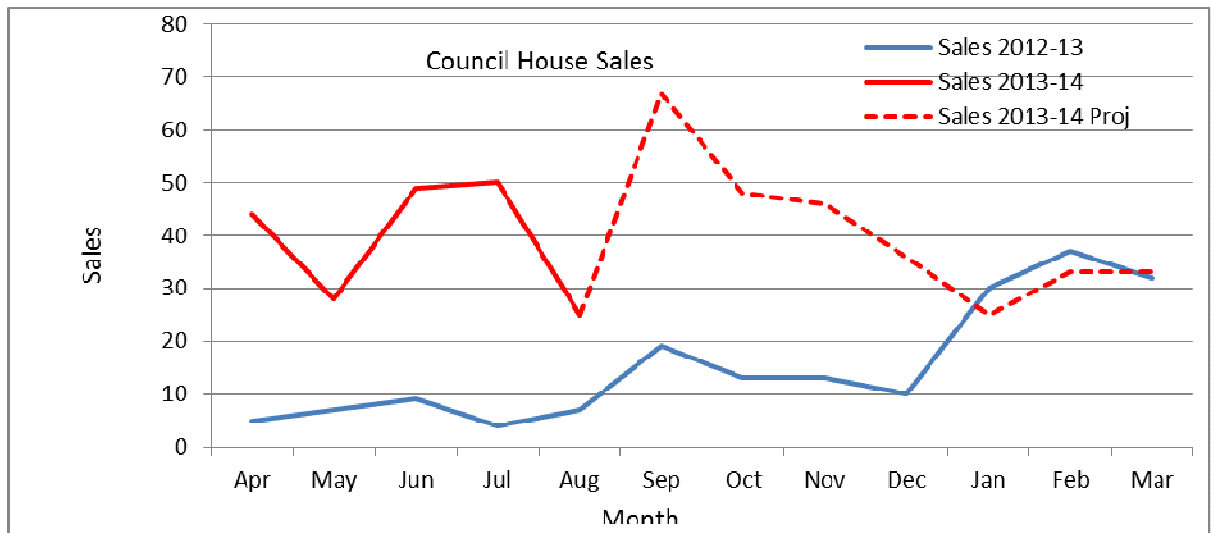
- Void levels - Voids are currently 0.9%, which is 0.6% lower than budget. If this level is sustained this will generate a **£(1.1)m** additional income, although this will be paid to the ALMOs in line with the current voids incentive scheme.
- RTB sales – Based on current trends sales are projected to be 375 which is 241 more than budget. This level of sales, together with other miscellaneous stock movements will reduce rental income by a projected £0.4m.
- Due to the anticipated increase in RTB sales it is projected that an additional **£(312)k** of staff time can be capitalised.

3.3. Key Variances – Expenditure

- There are projected savings of a **£(1)m** in the budgeted contribution to the provision for bad debts. This saving is anticipated to arise due to the introduction of a new methodology for calculating the provision. It is proposed that this is transferred to the Major Repairs Reserve and used to fund additional capital investment priorities. Following a review of arrears, no further significant savings are anticipated against the Bad Debt Provision.
- The Little London, Beeston Hill and Holbeck (LLBH&H) PFI project has now been signed and service commencement will begin in late September/early October. The impact of the delay is that there will be savings in contractor payments and a loss of grant. However the grant is still anticipated to exceed contractor payments by the year end, and the balance will be transferred into the Project's Sinking Fund.
- It is anticipated that **£(240)k** of unbudgeted interest will be earned on HRA balances, which is in line with 2012/13. A further £(181)k of positive variations arises from a combination of additional income and savings against revenue budgets.
- Additional posts have been created to advise tenants about Welfare Change. It is anticipated that costs in connection with this will be £0.36m, which will be funded from an earmarked reserve.

3.4. Right to Buy (RTB) Sales

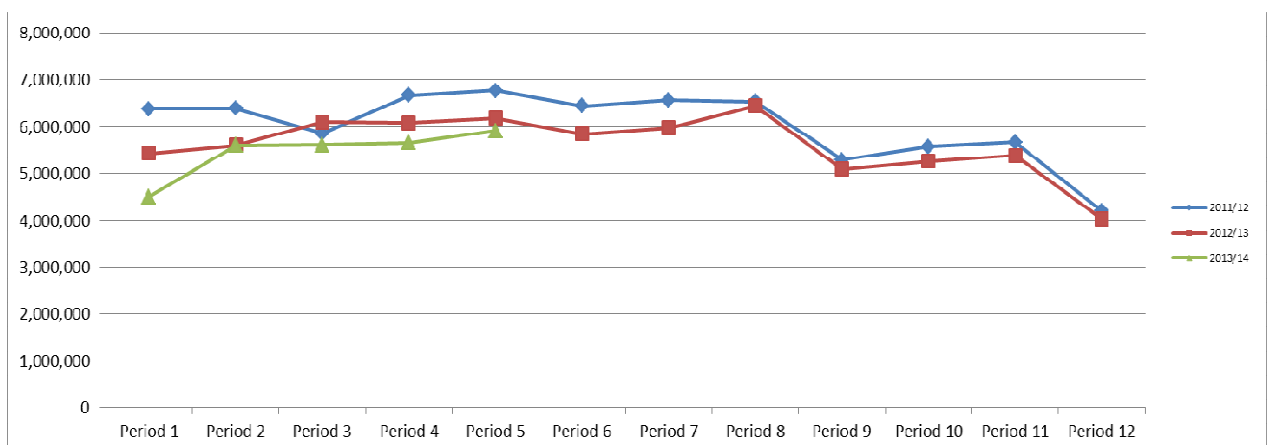
- To the end of August 2013 there were 196 completed sales. Current projections based on live applications are that 375 properties will be sold in 2013/14, which is 189 more than in 2012/13.



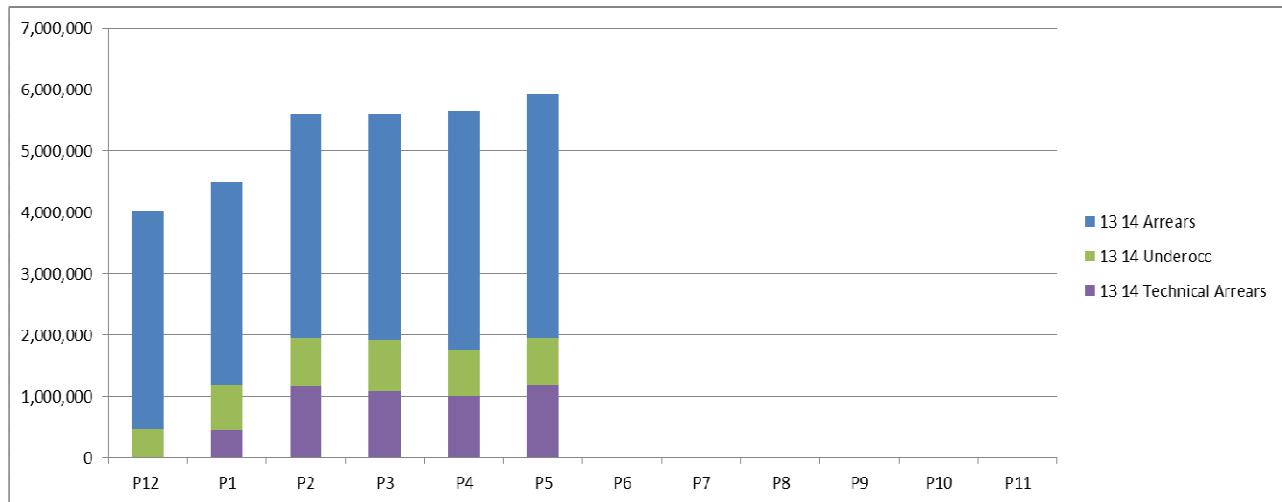
3.5. Arrears

- Overall, arrears is £5.9m compared to £4m at the end of 2012/13, an increase of £1.9m. Of this approximately £1.2m is due to technical arrears, and £0.28m has arisen due to Welfare Change in connection with Under-occupancy. Collection rates are currently 97.2% for dwelling rents, compared to 98% at the end of 2012/13.
- There are currently circa 6,300 tenants classified as under-occupied. At the end of 2012/13 approximately 23% of under-occupiers were in arrears, this has now risen to 60% as at the end of July. Total rent arrears for under-occupiers are £0.76m as at the end of July, compared to £0.48m at the end of 2012/13, an increase of £0.28m.

3.6. HISTORICAL COMPARISON OF CURRENT TENANT ARREARS



3.43. PROPORTION OF TECHNICAL AND UNDEROCC ARREARS 2013/14



4. Housing Regeneration

- 4.1. At Period 5 it is projected that Regeneration Services will have a small underspend of £25k against the net managed budget of £672k.
- 4.2. The Service is expected to underspend by £36k on staffing whilst income and other costs are expected to be in line with the budget.
- 4.3. The Service has secured some additional Heritage Lottery Funding which will fund an additional post until 2018.

5. General Fund

- 5.1. The latest projection for Statutory Housing is that it will come in on budget during 2013/14.
- 5.2. The restructure is nearing completion and as a result a number of posts have been vacant for the early part of the year. An underspend on staffing of £229k overall is anticipated (underspends in Housing Options £160k, Area Renewal £48k, Private Sector Rented Accommodation £33k, Locality Team £64k less £78k costs of Managing Workforce Change). The Leeds Neighbourhoods Approach team staffing underspend will reduce the amount of New Homes Bonus that can be reclaimed in 2013/14 by £64k.
- 5.3. Actions to cover the specific targets for delivering restructure savings (£67k), staffing recharges on the Cross Green Facelift capital scheme (£73k), Temporary Accommodation 10% HB income shortfall (£25k) and the reduction in Homelessness Grant (£165k) all appear as though they will be delivered in 2013/14.
- 5.4. The staffing underspend will be necessary in 2013/14 to offset some of the more challenging budget action plans facing the service. In particular, the need to

identify £200k of alternative income as a result of the Adaptations income from Housing Associations needing to be capital rather than revenue.

5.5. It is anticipated that the action plans will be delivered overall and that the service will come in on budget.

6. Capital Programme

6.1. Capital Programme - ALMOs and BITMO

- The ALMOs and BITMO's programmes for 2013/14 are reporting spend and commitments to date of £17.8m. Of the £6.1m accruals made in 12/13 at period 5 £2.0m still remain unmatched. Some slippage on sheltered housing within WNWHL at period 5 has reduced available resources in year to £59.5m. Projected outturn at period 5 is expected to be within revised available resources of £58.5m.
- AVH capital programme spend and commitments at period 5 are £4.55m against agreed available resources of £16m. A total of £2.825m of HRA contributions for planned works to Malverns and Waverleys were injected at period 4 £1m of which is cashflowed for 2013/14. Projected outturn for 2013/14 is expected to be on budget within revised available resources of £16m.
- BITMO capital programme spend and commitments at period 5 are £519k against available resources of £2.5m. Revenue contributions of £460k were injected at period 5 which have increased available resources to £2.5m. There are still £234k of unmatched accruals to be paid. Projected outturn for 2013/14 is expected to be within revised available resources of £2.5m.
- ENEHL capital programme spend and commitments at period 5 are £5.32m against agreed available resources of £18.37m. Projected outturn for 2013/14 is expected to be on budget within revised available resources of £18.37m taking account of efficiency savings of £700k.
- WNWHL capital programme spend and commitments at period 5 are £7.37m against agreed available resources of £21.6m. £2.5m of sheltered housing resources earmarked for works to the Farrar Lane scheme have slipped to 2014/15. Projected outturn is expected to be within the revised available resources of £21.6m.
- Strategic Landlord are currently working up the revised business plan for 14/15 onwards and as part of the approved capital programme Feb 13 will hold the self financing resources of £108.9m for 14/15 and 15/16 until detailed programmes are worked up in autumn 2013.

6.2. Capital Programme - Strategic Landlord (HRA)

- At period 5 Strategic Landlord actual spend is £84k. Resources available in 2013/14 have been further revised down to £1.0m. At period 5 we have slipped £260k of unallocated self financing resource and its likely there will be more slippage throughout the year.
- A requirement to provide £12m extra work to Morrisons has to be resourced over the next 3 years. At period 5 £4m of this has been slipped to 2014/15. In future years this will be funded from resources identified in the Business Plan i.e. at expense of other priorities.
- The Council Housing Growth programme was approved at July Exec Board injecting a further £28.5m into the Newbuild programme which will allow us £42m to invest in new council housing over the next 4 years beginning 2014/15. These will be delivered in two phases. Phase one will deliver approximately 100 new units and phase 2 will deliver a further 325 new units. A scheme where we will purchase 25 properties from a developer will be approved at period 6.
- A £2.8m scheme is included in the programme over two years for works to two small areas of Council Housing in Beeston and Holbeck which had formerly been identified to be included within the Beeston Hill and Holbeck Private Finance Initiative (PFI). These were subsequently omitted following Central Government's Comprehensive Spending Review and Value for Money Review.
- The refurbishment of the Malvern Road and Waverley Garth schemes offers an opportunity to deliver some well needed investment to the area adjoining the Beeston Hill PFI and to bring a total of 87 empty properties back into management. HRA capital resources have been made available to support the scheme without any impact on the existing capital programme. This has now been transferred and incorporated into the AVHL programme.
- The Sanctuary programme has a £200k provision in 2013/14 and spend to date at period 5 is £36k. Final Outturn is likely to be lower than budget based on the 12/13 position and this will be monitored closely in the coming months.

6.3. Capital Programme - Housing General Fund

- At period 5 Housing Services General Fund spend is £2.7m against an annual programme of £9.37m. The recycling empties £1m of the stimulating housing growth fund has been transferred to Housing General Fund .
- The Regional Housing Board programme is coming to a close and any unspent funding on residual schemes will be spent in 2013/14. Spend to date is £260k against a budget £398k. The majority of this funding £300k is for CPOs.
- At period 5 the DFG Adaptations scheme has spend to date of £2.16m against a budgeted £6.68m. Within the Adaptations budget there is a provision to fund Leeds Care and Repair's Home Improvement Agency and Handypersons

Service at a value of £307k in 2013/14. At period 5 the projected outturn is expected to be on budget within available resources of £6.68m.

- New phases 2 and 3 of group repair in Cross Green were approved at September EB and will spend £4m across the next three years. Currently signing up home owners and this is part of the Sustainable Communities Investment programme.
- The free home insulation scheme to date has resulted in 10,007 cavity wall insulation and loft insulation jobs taking place in over 8,000 private homes, all at zero cost to the householder. £250k of this funding will be used to set up a discretionary Fuel Poverty Fund where we will also look to match fund and utilise £50k pa loan repayments provided from the green Deal Demonstrator project. This will allow us to top up ECO (Energy Companies Obligation) contributions helping vulnerable households to receive measures which will alleviate fuel poverty. Slipped £500k from the parent across next two years.
- The Green Deal Demonstrator project has seen around 180 ALMO properties receive free external wall insulation. In addition, over 100 private properties have received fully funded external wall insulation and over 90 private sector Green Deal loans have been applied for. The value to the city of this programme is c£5m. The council has now formed a partnership with 3 major Green Deal Providers and expects to improve at least 2,000 homes over the next year, at a value of c£10m, for an investment of under £1m from the council (predominantly from existing ALMO capital budgets). We secured £1m of funding for this programme from DECC which was paid in period 3 awaiting reconcile of spend.

6.4. Capital Programme - Regeneration Services

- At period 5 Regeneration Services actual spend is £300k against available resources of £2.2m.
- The Town & District Regeneration 2 programme has funding in place of £700k. Three district centres have been identified for support to increase their vitality and viability for the benefit of local traders and shoppers. These schemes, namely Harehills Lane, Kirkstall and Dewsbury Road did not benefit from Round 1 of T&DC funding. The first projects will reach design freeze in Spring 2014.
- Investment in Armley and Chapeltown Townscape Heritage Initiative programme continues to underpin private investment in sensitive building repair and restoration and at period 5 spend to date on the two schemes is £1.5m in total £287k in 2013/14. The HLF has awarded Leeds £1.5m of funding to create a new Townscape Heritage Initiative (THI) in Lower Kirkgate, making Leeds the only local authority with three active THI schemes. The HLF funding has been injected into the capital programme. 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 for this project.

- The HLF has also awarded Leeds £845k to address heritage construction skills shortages within the city, primarily in relation to the repair and maintenance of pre-1919 buildings and other buildings within conservation areas. An NVQ3 will be offered to placement trainees with NVQ2 in Construction (or equivalent) in addition to discrete short courses to fill identified skills gaps. It is likely that the former will be attractive to 19-25 year olds, with the latter to local construction small and medium sized enterprises that will also be the principal target for providing the work-based placements.
- The EASEL private properties acquisition and demolition scheme has slipped and the latest programmed spend profile is £137k in 2013/14 and £400k spread over the next two years. Of the 7 properties remaining 4 remain to be acquired two can be built round and one owner refuses to move.
- A provision of £173k for the Combined Heating and Power plant at Yarn Street remains and this should be settled in 2013/14.

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 5 of the financial year 2013/14.

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.