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**REPORT TO: COMMUNITIES COMMITTEE ON 1 DECEMBER 2009**

**SUBJECT: HOUSING BUDGET MONITORING – 2009/10**

**BY: DIRECTOR OF COMMUNITY SERVICES**

**1. REASON FOR REPORT**

- 1.1 This report presents budget monitoring for the Housing Revenue Account (HRA) and General Services Other Housing Budget for the period to 30 September 2009.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme relating to the management of housing budgets.

**2. RECOMMENDATION**

**2.1 It is recommended that the Communities Committee:-**

- (i) considers the budget monitoring report for the period to 30 September 2009; and
- (ii) considers the projected outturn for 2009/10.

**3. BACKGROUND**

- 3.1 The Council agreed the HRA Budget for 2009/10 at its meeting on 12 February 2009 (paragraph 7 of the Minute refers). Housing budget monitoring reports will be presented to each cycle of meetings during the course of 2009/10.

**4. HOUSING REVENUE ACCOUNT TO 30 SEPTEMBER 2009**

- 4.1 **APPENDIX I** details the HRA budget position to 30 September 2009.
- 4.2 The main expenditure variances to note as at 30 September 2009 relate to –

**Supervision and management** – there are various underspends totalling £0.210m to date on a range of budgets within this heading, including vacancies and IT development budgets.

**Repairs and maintenance** – the budget monitoring report indicates a significant underspend of £0.714m at this stage of the year. A separate report on the Housing Investment Programme on the Committee's agenda provides details of commitments and expenditure to date.

- 4.3 The income to date currently exceeds the budget projection, primarily due to the higher than expected level of Hostel Support Grant. A total grant of £0.315m will be received in the current year, which is greater than the £0.190m original budget agreed in February 2009. The other minor variations largely reflect the budget projections.
- 4.4 As at 30 September 2009, the HRA shows an underspend of £0.901m, with income exceeding the profiled budget to date by £0.086m. This position is projected to change over the remainder of the financial year and is considered in more detail below.

## 5. PROJECTED OUTTURN 2009/10

- 5.1 The Council will be asked to consider the Housing Revenue Account proposals for 2010/11 and beyond at its budget meeting in February 2010. As part of the process of budget preparation, budget meetings have been held with each Budget Manager to identify savings, pressures etc. This enables revised outturn projections for 2009/10 to be presented to the Committee in this report.
- 5.2 Overall, the HRA is projected to outturn with a surplus of £0.064m in the current year. This compares to the original budget position which projected a small overspend of £0.029m, to be met from balances on the HRA. While the overall projected outturn is satisfactory, there are a number of variations to note.

### **Expenditure**

- 5.3 The main areas of variation are:-

**Supervision and Management** – savings of £0.233m are projected for the current year, primarily as a result of staff vacancies, but also a number of other savings achieved including IT development and leaflet publication.

**Hostels** – an overspend of £0.036m is projected as a result of staffing costs, gas heating and repairs expenditure. The impact of this is mitigated by the higher than projected level of Hostel Support Grant received for 2009/10.

**Repairs and maintenance** – as was noted in the budget outturn for 2008/09, several areas of the repairs and maintenance budget are under pressure. This arises from the reduced number of Council house sales, building cost inflation and demands on specific budgets, particularly response repairs and gas servicing. It is now projected that the outturn for 2009/10 will exceed the original budget provision by £0.173m.

**Financing costs**

An underspend of £0.207m is projected on this budget due to the decrease in interest rates.

**Bad and doubtful debt provision**

This was an area of the budget where initial budget figures were exceeded in 2008/09. The revised projected outturn is £0.070m higher than that originally budgeted but reflects historical trends.

**Income**

- 5.4 The level of income projected for 2009/10 is now projected to fall short of the original budget estimate by £0.083m. This is due to a number of variances including –

- reductions in the projected level of rental income due to flood affected properties;
- a significant reduction in Interest on Revenue Balances (IORB) as a result in the decrease in interest rates;
- a slight reduction in the income due as a result of the revised level of surplus expected from the Building Services DLO.

These are partially offset by the increase in Hostel Support Grant received for 2009/10 and minor increases in projected income from hostels and garages.

- 5.5 The projected surplus on the HRA at the year end will enable further consideration to be given to the level of Capital from Current Revenue (CFCR) to be applied at the year end. An increase in CFCR would have the effect of reducing the borrowing requirement for 2009/10. Given the forthcoming increase in borrowing required to finance the Council new build Phase 1 project, it is considered prudent to minimise borrowing to enable further new build projects to be undertaken in the future. The Committee will be aware that the HRA cannot operate in deficit and therefore a surplus of not less than £0.500m will be carried forward. This is in line with the Housing Business Plan and earlier Council decisions.

**6. IMPLICATIONS FOR BUDGET 2010/11**

- 6.1 While detailed work on the budget for 2010/11 is still ongoing, there are several areas where the budgetary pressures identified above will need to be considered in the budget preparation work. In particular, as detailed above, there are pressures on specific areas of the repairs and maintenance budget and hostel provision.
- 6.2 It is also clear that the level of council houses sales continues to fall below the original projections. While this is welcome in terms of the Council retaining its housing stock, it does have financial implication on the Capital budget as a result of a reduction in capital receipts. Currently 75% of receipt income is set aside to reduce housing debt. The remaining 25% reduces the borrowing requirement by funding part of the HRA Capital Programme. The projections for Council house sales will be revisited.

## 7. OTHER HOUSING BUDGET

- 7.1 **APPENDIX II** details the budget position to 30 September 2009 and provides a revised projected outturn for 2009/10.
- 7.2 **Planning and Development** consists of Improvement Grants and Affordable Housing budgets. This budget shows a current underspend of £0.065m, relating to the use of Private Sector Housing Improvement Grants, details of which are included in a separate report on Housing Investment on the Committee's agenda.
- 7.3 **Housing Management** relates to the Gypsy/Traveller Budget. This budget currently has an overspend of £0.011m. As previously reported, the variance on this budget relates to cleaning/waste disposal, barrier works at Kingston and the provision of chemical toilets.
- 7.4 **Homelessness/Allocations** comprises homelessness, NASSO (National Accommodation Strategy for Sex Offenders), Landlord Registration, housing support services and private sector leasing budgets. A net overspend of £0.144m existed at 30 September 2009. This budget has consistently been under pressure due to the costs of bed and breakfast and temporary accommodation which reflect homelessness pressures on the Council.
- 7.5 **Miscellaneous General Services** include house loans and the Grampian Housing Association Maintenance Bond for open space maintenance. There is a minor overspend on this budget resulting from a reduction in mortgage interest repayments.
- 7.6 **The Building Services Budget** is reported in detail separately on the Committee's agenda.
- 7.7 The projected outturn for 2009/10 is £4.088m which equates to an overspend of £0.360m. This is predominantly due to the homelessness budget as a result of bed and breakfast and temporary accommodations costs, but also reflects the issues detailed above.

## 8. SUMMARY OF IMPLICATIONS

### (a) **Single Outcome Agreement/Service Improvement Plan**

The Single Outcome Agreement and Service Improvement Plan identify that the quality of housing and housing service provision are Council priorities.

### (b) **Policy and Legal**

There are no policy or legal implications arising from this report.

### (c) **Resources (Financial, Risks, Staffing and Property)**

The financial implications of this report are considered in Sections 4, 5, 6 and 7 of this report and detailed in **APPENDIX I** and **II**.

**(d) Consultations**

This report has been prepared in close consultation with Finance staff. Consultation on this report has been carried out with the Director of Community Services, Senior Managers within Housing and Deborah Bosworth, Principal Accountant, who all agree the content of the report.

**8. CONCLUSION**

- 8.1 This report sets out the budget monitoring position for the HRA and General Services Housing to 30 September 2009 and details the projected outturn for 2009/10.
- 8.2 Within the General Services Housing budgets, the main area of budgetary pressure continues to be the homelessness budget.

Author of Report: Jill Stewart, Chief Housing Officer  
Background Papers: held by CHO  
Ref: CC/JS/TS – HRA Outturn – 1 December 2009

Signature: Jill Stewart Date : 18 November 2009

Designation: Chief Housing Officer Name: Jill Stewart