



To Executive Councillor for Housing And Deputy Leader: Councillor Catherine Smart
Report Director of Customer and Community Services
by Director of Resources
Relevant Scrutiny Housing Management Board 4 June 2013
Committee

2012/13 Revenue Outturn, Carry Forwards and Significant Variances

Key Decision

1. Executive Summary

- 1.1 This report presents a summary of the 2012/13 outturn position (actual income and expenditure) for services within the Housing Revenue Account, compared to the current budget for the year. The position for revenue is reported and variances from budgets are highlighted, together with explanations. Requests to carry forward funding arising from certain budget underspends into 2013/14 are identified.
- 1.2 The position in relation to the Housing Capital Investment Plan will be reported to the Community Services Scrutiny Committee.

2. Recommendations

The Executive Councillor is recommended:

- a) To agree that the carry forward requests, totalling £3,108,480 as detailed in Appendix C, are to be recommended to Council for approval.

3. Background

Revenue Outturn

- 3.1 The final outturn position for the Housing Revenue Account, compared to revised and current revenue budget, is presented in detail in Appendix A.
- 3.2 The outturn position is currently presented prior to final accounting adjustments, which are not expected to have an impact on the net

use of, or contribution to, balances for 2012/13. The final version of the HRA accounts for 2012/13 will be presented to Civic Affairs on 26th June 2013, for final approval at Civic Affairs in September 2013.

- 3.3 Appendix B to this report provides explanations of the main variances.
- 3.4 Appendix C sets out the final list of items, for the Housing Revenue Account, for which approval is sought to carry forward unspent budget from 2012/13 to the next financial year, 2013/14.
- 3.5 The overall revenue budget outturn position for the Housing Revenue Account, is set out in the table below:

Housing Revenue Account 2012/13 Total (Surplus) / Deficit	£
Final Budget (Deficit - Use of Reserves)	(4,611,350)
Outturn (Deficit – Use of Reserves)	(1,478,555)
Variation – (Under) / Overspend for the year	(3,132,795)
Carry Forward Requests:	3,108,480
Net Variance	(24,315)

- 3.5 The net variance of (£3,132,795) on the overall Housing Revenue Account, before allowing for carry forwards, comprises a 0.1% variance in expenditure and a 0.05% variance in income. After allowing for carry forwards, the outturn position will comprise a 0.03% variance in expenditure and a 0.05% variance in income.

4. Implications

- 4.1 The net variance from final budget, after approvals to carry forward £3,108,480 budget from the current year into 2013/14, will result in a reduction in the use of Housing Revenue Account reserves, from £4,611,350 to £4,587,035.
- 4.2 In relation to requests to carry forward revenue budgets into 2013/14 the decisions made may have a number of implications. A decision not to approve a carry forward request will impact on officers' ability to deliver the service or scheme in question and this could have

staffing, equal opportunities, environmental and / or community safety implications.

5. Background Papers

These background papers were used in the preparation of this report:

- Closedown Working Files 2012/13
- Directors Variance Explanations – March 2013
- Budgetary Control Reports to 31 March 2013

6. Appendices

- Appendix A - Revenue Budget 2012/13 - Outturn
- Appendix B - Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets
- Appendix C - Revenue Budget 2012/13 - Carry Forward Requests

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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<O:\accounts\Committee Reports & Papers\Housing Management Board\2013 June\Final\HMB Final Outturn 2012-13 Report.doc>

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Final Outturn

Service Grouping	Original Budget £'s	Final Budget £'s	Outturn £'s	Variation Increase/ (Decrease) £'s	Carry Forward Requests - see Appendix C £'s	Net Variance £'s
INCOME						
Dwelling Rents	(32,828,590)	(32,843,550)	(32,816,760)	26,790	0	26,790
Garage Rents	(625,380)	(610,910)	(612,770)	(1,860)	0	(1,860)
Other Land and Premises Rents	(397,910)	(399,710)	(401,122)	(1,412)	0	(1,412)
Service Charges	(2,309,390)	(2,254,420)	(2,238,953)	15,467	0	15,467
Contributions towards Expenditure	(480,810)	(453,390)	(467,141)	(13,751)	0	(13,751)
Other Income (Incl. RTB Capitalisation)	(28,000)	(40,500)	(83,654)	(43,154)	0	(43,154)
Total Income	(36,670,080)	(36,602,480)	(36,620,400)	(17,920)	0	(17,920)
EXPENDITURE						
Supervision & Management (General)	4,704,060	4,614,300	4,376,776	(237,524)	5,230	(232,294)
Supervision & Management (Special)	2,425,690	2,310,500	2,164,794	(145,706)	18,230	(127,476)
Repairs & Maintenance	6,762,960	7,258,740	7,760,879	502,139	0	502,139
Negative HRA Subsidy	0	0	(11,521)	(11,521)	0	(11,521)
Depreciation	9,289,470	9,578,490	9,578,490	0	0	0
Debt Management Expenditure	151,000	20,000	0	(20,000)	0	(20,000)
Other Expenditure	312,330	404,340	286,433	(117,907)	0	(117,907)
Total Expenditure	23,645,510	24,186,370	24,155,851	(30,519)	23,460	(7,059)
Net Cost of HRA Services	(13,024,570)	(12,416,110)	(12,464,549)	(48,439)	23,460	(24,979)
Interest Receivable (Interest on Balances)	(110,410)	(93,930)	(101,202)	(7,272)	0	(7,272)
Interest Receivable (Mortgage Interest)	(250)	(250)	(233)	17	0	17
(Surplus) / Deficit on the HRA for the Year	(13,135,230)	(12,510,290)	(12,565,984)	(55,694)	23,460	(32,234)
Appropriations / Other Movement in the HRA Balance						
Loan Interest	6,981,700	7,505,850	7,503,769	(2,081)	0	(2,081)
Early Debt Redemption Premium	301,330	301,330	301,332	2	0	2
Housing Set-Aside	1,090,400	1,090,400	1,090,400	0	0	0
Depreciation Adjustment (MRA)	(1,969,170)	(2,214,080)	(2,214,080)	0	0	0
Impairment	0	0	10,000	10,000	0	10,000
Direct Revenue Financing of Capital	9,333,460	10,438,140	7,353,118	(3,085,022)	3,085,020	(2)
(Surplus) / Deficit for year	2,602,490	4,611,350	1,478,555	(3,132,795)	3,108,480	(24,315)
(Surplus) / Deficit b/f	(6,974,044)	(6,974,044)	(6,974,044)			
Balance Carried Forward	(4,371,554)	(2,362,694)	(5,495,489)	0	0	0

Changes between original and final budgets may be made to reflect:

- departmental restructuring
- approved budget carry forwards from the previous financial year
- technical adjustments, including changes to the capital accounting regime
- virements approved under the Council's constitution
- additional external revenue funding not originally budgeted for

and are detailed and approved:

- in the June committee cycle (outturn reporting and carry forward requests)
- in September (as part of the HRA Mid-Year Business Plan Update)
- in the January committee cycle (as part of the HRA budget setting report)
- and via technical adjustments/virements throughout the year

Appendix B

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
Supervision and Management (General)		
Computer Services	Significant under-utilisation of application support days through the Serco contract for 2012/13 (£67k), coupled with lower than budgeted costs for the Orchard Housing Management System due to transfer to a new operating environment.	(76,708)
Tenant Participation / Resident Involvement	Resident Involvement activity was delivered at a lower level in 2012/13, due to the transition of services back to the Council following cessation of the arrangements with the Cambridge Federation.	(54,427)
City Homes	Underspending in general operational costs such as consultancy, training, telephones, stationery and printing. This represents a 3% variance on the cost centre.	(38,090)
City Homes Overheads	Recharges for legal services based upon actual activity in 2012/13 were lower than anticipated when budgets were set. This is a demand led service area, with activity dependent predominantly upon the volume of arrears recovery activity.	(33,859)
HRA Allocation for Recharged Costs	A specific sum of money was ear-marked in the HRA to meet both the increased costs of pensions and any increases in recharges to the HRA following restructures and re-organisation. The latter was not called upon in 2012/13 as anticipated.	(28,630)
Strategic Housing Overheads (HRA)	Recharges for legal services based upon actual activity in 2012/13 were higher than anticipated when budgets were set. This is partly due to advice required in relation to new build activity.	19,220
Leasehold Property Management	Underspending in employee costs due to a vacancy within the team for part of the year, and decisions by staff not to partake in the pension scheme.	(13,234)
Anti-Social Behaviour	Underspending in employee costs due to vacancies within the team for part of the year, in IT due to delays in implementing a new system to record ASB activity and also in legal fees for ASB prosecutions.	(12,036)
	Minor Variations	240
	Total	(237,524)

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
Supervision and Management (Special)		
Temporary Accommodation	Based upon performance in the early part of 2012/13, increased activity was anticipated in respect of responsive and void repairs in Temporary Housing, with additional funding approved mid-year. This increase did not materialise, resulting in a significant underspend. Employee costs were also underspent due to a vacancy within the team for the majority of the year.	(53,887)
Estate Caretaking	Underspending in both the north and south caretaking cost centres occurred as a direct result of not appointing to the 2 newly approved caretaker posts. The decision was made not to recruit pending the outcome of the review of building cleaning services, which may consider whether this service could be expanded to cover these duties, and which will also require consultation with residents.	(36,755)
Estate Management	Underspending predominantly in communal electricity costs, where budgets will need to be reviewed again for future years to take account of current electricity prices and the impact of having Smart meters installed in the majority of locations.	(28,919)
Independent Living Service	Underspending in employee costs due to vacancies within the team for part of the year. This was compounded by associated underspending in training and IT costs.	(27,624)
Brandon Court	Budgets for the operational costs of Brandon Court were not fully utilised in 2012/13 as the scheme was not ready for re-occupation as early in the year as anticipated. This underspend is offset by a corresponding under-achievement in service charge income.	(19,253)
Emergency Alarms	Income for community alarms was less than expected due to a reduction in the number of customers in 2012/13, despite the decision to freeze prices at 1/4/2012 in an attempt to maintain customer numbers.	18,927
Independent Living Services Management	Underspending in employee costs due to long-term absence and a resulting vacancy, coupled with the need to carry forward resource for consultancy input to support the delayed tender process for Supporting People Services.	(18,150)
Mansel Court	Gas costs were significantly higher than budgeted for 2012/13, following the resolution of a problem with the meter at Mansel Court, which had caused under-billing in previous years.	11,043
	Minor Variations	8,912
	Total	(145,706)

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
Repairs and Maintenance		
Planned Repairs	The majority of the apparent overspend on this cost centre relates to capital works (soffit and fascia replacements) undertaken as part of the PTR programme delivered by Apollo during 2012/13. Capital allocation existed to cover this type of work. Steps are being taken to ensure that the invoicing for these works include separate identification of the revenue and capital elements for the future.	574,459
Void Repairs	Spending in respect of void repairs was lower than budgeted, where the average cost of a void repair has been significantly reduced in 2012/13 due to operational changes that include the voids team also undertaking emergency repairs to ensure improved productivity.	(178,318)
Citywide Schemes	A significant overspend exists in electrical testing (£119k) due to unanticipated repairs being identified and undertaken as part of routine inspections. This was partially offset by underspending in door entry maintenance (£13k) and lift maintenance (£25k), where fewer failures were experienced in 2012/13 than allowed for and also in fire safety risk assessments (£19k), where savings were achieved over a 3 year programme of assessments. TV aerial maintenance of £15k was charged to Citywide Schemes as opposed to responsive repairs where the budget existed and gas maintenance costs exceeded the budget by £17k, due to payment of the pain / gain share for 2011/12 in 2012/13 when the calculation was agreed.	75,841
Repairs & Maintenance Overheads	Recharges for legal services based upon actual activity in 2012/13 were higher than anticipated when budgets were set. This is partly due to advice required in relation to the water hygiene and planned maintenance contracts.	18,837
Technical Services	Unanticipated spending in respect of consultancy support and legal advice in relation to the Planned Maintenance Contract.	17,940
	Minor Variations	(6,620)
	Total	502,139

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
<i>HRA Subsidy and Other Expenditure</i>		
Bad Debt Provision	The contribution to the bad debt provision for 2012/13 was lower than budgeted based upon the opening fund balance, call on the fund in the year and the incidence of both current and former tenant arrears at 31st March 2013.	(113,298)
HRA Subsidy	Although the HRA Subsidy system was abolished from April 2013, there was a small sum due to Cambridge City Council when the final forms for 2011/12 were submitted during 2012/13.	(11,521)
Debt Management Expenses	Any marginal additional costs associated with the management of the existing HRA PWLB debt have been met within existing resources and recharged to the HRA as part of the Finance SLA. The budget identified for specific external debt management / borrowing advice was not required in 2012/13.	(20,000)
	Minor Variations	(4,609)
	Total	(149,428)
<i>HRA Income and Other</i>		
Rent	Rent income was marginally under-achieved due to higher than anticipated right to buy sales, delays in letting Brandon Court and tenants moving out of re-development properties more quickly than anticipated.	26,790
Service Charges	Service Charge income was under-achieved due to a combination of the delay in letting Brandon Court and the decision not to recruit to 2 new caretaker roles, pending review of the building cleaning service.	15,467
Right to Buy Capitalisation	The value that the authority was able to capitalise in respect of work in relation to the right to buy sale of a dwelling was significantly higher than budgeted due to the increase in volume of right to buys in the second half of the year following changes in legislation from April 2012.	(43,154)
Recharge to General Fund for Shared Amenities	Recharge to the General Fund for shared amenities was greater than budgeted in 2012/13 predominantly due to the change in the proportion of council owned and all other dwellings in the city, which is the basis for much of the recharge.	(13,751)
	Minor Variations	(3,272)
	Total	(17,920)

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
<i>HRA Interest, Premiums and Appropriations</i>		
Direct Revenue Funding of Capital Expenditure (DRF)	A reduced demand on the use of revenue funding of capital was realised in 2012/13 as a direct result of re-aligning the operational year of the Planned Maintenance Contract with the Council's financial year (to March 2013, instead of July 2013) and the timing of payments in respect of the new build affordable housing projects. This resource will instead be required in 2013/14.	(3,085,022)
	Minor Variations	666
	Total	(3,084,356)
Total for Housing Revenue Account		(3,132,795)

Housing Management Board - Housing Revenue Account

Revenue Budget 2012/13 - Carry Forward Requests

Request to Carry Forward Housing Revenue Account Budgets from 2012/13 into 2013/14 and future years

Item		Request £
	Director of Customer and Community Services	
	Supervision and Management General	
1	A carry forward is requested to meet the costs of the Spring edition of Open Door, which was consciously delayed for editorial reasons, until April 2013, when it would normally have been printed in March.	5,230
	Supervision and Management Special	
2	A carry forward of funding to allow consultancy services to support the preparation of tenders in relation to Supporting People Services is requested due to deferral of the tender process by the County Council.	9,300
3	Due to changes in staffing, tree and landscape works anticipated to be undertaken in 2012/13 did not take place, but still need to be arranged and completed. A carry forward is requested to ensure that this can happen early in 2013/14.	8,930
	Repairs and Maintenance	
	No carry forward requests.	
	Appropriations	
4	A reduced demand on the use of revenue funding of capital was realised in 2012/13 as a direct result of re-aligning the operational year of the Planned Maintenance Contract with the Council's financial year (to March 2013, instead of July 2013) and the timing of payments in respect of the new build affordable housing projects. This resource will instead be required in 2013/14 to fund the deferred spending.	3,085,020
		3,108,480