



Cambridge City Council

To Executive Councillor for Housing
Report Director of Customer and Community Services
by Director of Business Transformation

Relevant Scrutiny Committee Housing Committee 1 July 2014

2013/14 Revenue Outturn, Carry Forwards and Significant Variances

Key Decision

1. Executive Summary

- 1.1 This report presents a summary of the 2013/14 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 2014/15 are identified.
- 1.2 The position in relation to the Housing Capital Investment Plan will be reported to the Housing Committee under a separate report.

2. Recommendations

The Executive Councillor is recommended:

- a) To agree that the carry forward requests, totalling £3,393,320 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 2013/14. The final version of

the HRA accounts for 2013/14 will be presented to Civic Affairs on 25th June 2014, for final approval at Civic Affairs in September 2014.

- 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 2013/14 to the next financial year, 2014/15.
- 3.5 The overall revenue budget outturn position for the Housing Revenue Account, is set out in the table below:

Housing Revenue Account 2013/14 Total (Surplus) / Deficit	£
Final Budget (Deficit - Use of Reserves)	(1,875,940)
Outturn (Surplus – Contribution to Reserves)	3,385,249
Variation – (Under) / Overspend for the year	(5,261,189)
Carry Forward Requests:	3,393,320
Net Variance	(1,867,869)

- 3.5 The net variance of (£5,261,189) on the overall Housing Revenue Account, before allowing for carry forwards, comprises a 6.6% variance in direct expenditure and a 0.2% variance in direct income. After allowing for carry forwards, the outturn position will comprise a 4.6% variance in expenditure and a 0.2% variance in income.

4. Implications

- 4.1 The net variance from final budget, after approvals to carry forward £3,393,320 budget from the current year into 2014/15, will result in a reduction in the use of Housing Revenue Account reserves, from £1,875,940 to £8,071.
- 4.2 In relation to requests to carry forward revenue budgets into 2014/15 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 2013/14
- Directors Variance Explanations – March 2014
- Budgetary Control Reports to 31 March 2014

6. Appendices

- Appendix A - Revenue Budget 2013/14 - Outturn
- Appendix B - Revenue Budget 2013/14 - Major Variances from Final Revenue Budgets
- Appendix C - Revenue Budget 2013/14 - 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\2014 June\HMB Final Outturn 2013-14 Report.doc>

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - 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	(34,073,000)	(34,184,090)	(34,175,372)	8,718	0	8,718
Garage Rents	(640,380)	(640,380)	(645,223)	(4,843)	0	(4,843)
Other Land and Premises Rents	(407,030)	(397,730)	(419,362)	(21,632)	0	(21,632)
Service Charges	(2,104,180)	(2,338,960)	(2,351,338)	(12,378)	0	(12,378)
Contributions towards Expenditure	(414,140)	(461,100)	(468,282)	(7,182)	0	(7,182)
Other Income (Incl. RTB Capitalisation)	(58,070)	(83,070)	(124,065)	(40,995)	0	(40,995)
Total Income	(37,696,800)	(38,105,330)	(38,183,642)	(78,312)	0	(78,312)
EXPENDITURE						
Supervision & Management (General)	4,956,920	4,764,720	4,493,315	(271,405)	0	(271,405)
Supervision & Management (Special)	2,311,650	2,319,670	2,212,536	(107,134)	0	(107,134)
Repairs & Maintenance	7,117,230	7,320,570	6,049,606	(1,270,964)	483,910	(787,054)
Depreciation	9,603,470	9,811,240	9,781,483	(29,757)	0	(29,757)
Debt Management Expenditure	20,000	0	0	0	0	0
Other Expenditure	672,300	526,540	572,528	45,988	0	45,988
Total Expenditure	24,681,570	24,742,740	23,109,468	(1,633,272)	483,910	(1,149,362)
Net Cost of HRA Services	(13,015,230)	(13,362,590)	(15,074,174)	(1,711,584)	483,910	(1,227,674)
Interest Receivable (Interest on Balances)	(104,770)	(79,420)	(113,397)	(33,977)	0	(33,977)
Interest Receivable (Mortgage Interest)	0	0	(60)	(60)	0	(60)
(Surplus) / Deficit on the HRA for the Year	(13,120,000)	(13,442,010)	(15,187,631)	(1,745,621)	483,910	(1,261,711)
Appropriations / Other Movement in the HRA Balance						
Loan Interest	7,474,240	7,501,770	7,499,934	(1,836)	0	(1,836)
Housing Set-Aside	0	0	0	0	0	0
Depreciation Adjustment (MRA)	(2,242,080)	(2,280,780)	(2,103,293)	177,487	0	177,487
Impairment	0	0	0	0	0	0
Direct Revenue Financing of Capital	7,162,340	10,096,960	6,405,741	(3,691,219)	2,909,410	(781,809)
(Surplus) / Deficit for year	(725,500)	1,875,940	(3,385,249)	(5,261,189)	3,393,320	(1,867,869)
(Surplus) / Deficit b/f	(5,495,489)	(5,495,489)	(5,495,489)			
Balance Carried Forward	(6,220,989)	(3,619,549)	(8,880,738)	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

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - 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 Northgate contracts for 2013/14 (£86k), coupled with savings in the costs of the Orchard Housing Management System due to rationalisation of IT systems.	(106,400)
HRA Allocation for Recharged Costs	A specific sum of money was ear-marked in the HRA to meet any increases in recharges to the HRA following restructures and re-organisation. This was not called upon in 2013/14 as anticipated.	(72,000)
Tenant Participation / Resident Involvement	Resident Involvement activity continued to be delivered at a lower level in 2013/14, due to a combination of staff vacancies and reduced working hours in the team and the lead in time for the new work plan identified following the transition of resident involvement services back to the Council.	(35,393)
HRA Departmental Overheads	The budget for abortive development fees was under-utilised in 2013/14 as the majority of new build schemes considered are currently being progressed (£10k). Employee costs were underspent due to staff opting not to join the pension scheme (£14k) and training budgets were not fully utilised (£9k). These underspends were partially offset by overspending in both the costs of maternity cover for the HRA for 2013/14 and general office running costs. This represents a 2.8% variance on the cost centre.	(25,769)
City Homes	Net underspending in general operational costs such as staff recruitment, consultancy, training, telephones, stationery and printing. This represents a 1.1% variance on the cost centre.	(13,918)
Open Door	The costs of producing Open Door were lower in 2013/14, partly due to fewer additional inserts into the publication during the year.	(9,459)
	Minor Variations	(8,466)
	Total	(271,405)
Supervision and Management (Special)		
Independent Living Services Management	Underspending in employee costs due to vacancies within the team prior to the outcome of a management restructure, coupled with savings in resource identified for consultancy input to support the delayed tender process for Supporting People Services, which has now been superseded with a community budgeting model.	(24,611)
Independent Living Service	Underspending in training, IT, telephones and mileage allowances have been combined with no increase in the cost of the out of hours service where inflation was anticipated to apply. The bid incorporated to cover the costs of retaining the current staffing structure if Supporting people funding were to have reduced were less than anticipated due to changes in staffing and recruitment to vacancies at lower points on pay bands.	(24,147)

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
Estate Management	Underspending in communal electricity costs partially offset by overspending in bulky refuse costs. Electricity budgets will be reviewed as part of the 2015/16 budget process to take account of current electricity prices and recent usage levels.	(21,298)
Temporary Accommodation	Underspending in employee costs due to vacancies within the team coupled with savings in building maintenance costs due to reduced void repair costs. Underspending has been partially offset by an increase in both cleaning costs and gas across the Temporary Housing stock.	(18,427)
Brandon Court	The cost of gas used at this scheme was significantly lower than anticipated, where budgets for the scheme were based upon other similar schemes and early indications of usage levels. Budgets for all utility costs will be reviewed as part of the 2015/16 budget process.	(13,047)
Stanton House	The cost of electricity for 2013/14 was significantly higher than budgeted, due entirely to an adjustment received from the energy supplier in respect of a prior period.	9,548
Emergency Alarms	Underspending in maintenance of emergency alarm equipment coupled with an over-achievement in income based upon maintained customer numbers throughout the year.	(9,052)
	Minor Variations	(6,100)
	Total	(107,134)

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
<i>Repairs and Maintenance</i>		
Planned Repairs	The planned repair (PTR) programme was underspent in 2013/14, with Apollo still in the process of undertaking the work identified and ordered for the year. The final valuation for work undertaken is not expected until September / October 2014, and as a result it is requested that the budget be carried forward to complete the 2013/14 programme. Due to the cessation of the current planned maintenance contract with Apollo anticipated to be in August 2014, it is not yet possible to predict whether the full 2014/15 PTR programme will be deliverable in addition to the works carried forward from 2013/14. Any financial impact in 2014/15 will be incorporated as part of the HRA Mid-Year Financial Review at which point the position for 2014/15 will be clear.	(349,325)
Void Repairs	Spending in respect of void repairs was significantly lower than previously experienced and budgeted, where the average cost of a void repair has been reduced in 2013/14 due to operational changes that include the voids team also undertaking emergency repairs to ensure improved productivity. A reduction in reliance upon sub-contractors has also contributed to a significant reduction in the average cost of a void repair. The budget for void repairs was reduced on an ongoing basis as part of the 2014/15 budget process, but this area will be subject to a zero based budget exercise as part of the 2015/16 budget process to determine whether the changes made will result in the ability to reduce budgets further.	(316,109)
Response Repairs	Response repair costs were lower than previously experienced due to a combination of the successful outcome of the Repairs Improvement Plan Project, which has seen a significant reduction in the use of sub-contractors and the implementation of a new IT system and mobile working solution and a mild winter. It was difficult to predict the overall outcome for 2013/14 at earlier stages during the year due to the transition between IT systems between December 2013 and March 2014. It is anticipated that a zero based budget exercise for the 2015/16 budget process will result in a level of proposed ongoing savings, whilst recognising the need to retain resource to meet the costs of a harsher winter and to offset any changes that may be made to the level of capital investment in the housing stock.	(261,284)

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
Technical Services	Funds ear-marked for potential restructure costs were not required due to successful recruitment and redeployment (£65k), IT costs were underspent (£49k) due to a combination of the timing of 'go live' with the new repairs IT solution and lack of payment for the planned maintenance contract software in 2013/14, the latter of which is requested as a carry forward to allow retrospective payment of this in 2014/15. Consultants fees were less than budgeted, and the funds ear-marked for the work associated with procuring and implementing a new planned maintenance contractor were not fully realised in 2013/14 due to delays in the process. A carry forward is requested for the resource to complete the planned maintenance procurement project in 2014/15.	(185,029)
Citywide Schemes	Underspending in 2013/14 was predominantly evident in the servicing and maintenance of electrical and heating appliances in sheltered schemes, lift maintenance and lamp column maintenance. Work was not completed fully in respect of asbestos surveys, electrical testing and water safety testing, where resources are requested to be carried forward into 2014/15 to complete the programmes. The gas maintenance contract shows an underspend of £29,000, the majority of which (£20,000) is requested as a carry forward to meet the anticipated contract bonus payment for 2013/14, with the balance being predominantly due to reduced repairs outside of the core contract.	(164,488)
	Minor Variations	5,271
	Total	(1,270,964)
<i>HRA Subsidy and Other Expenditure</i>		
Council Tax	The cost of Council Tax which has to be met from the HRA in respect of void properties was significantly higher than anticipated in 2013/14 due to changes in the local Council Tax Discounts and Exemptions Policy from April 2014, coupled with lengthy void periods in properties vacated for demolition and redevelopment as part of the affordable housing programme.	113,956
Bad Debt Provision	The contribution to the bad debt provision for 2013/14 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 2014.	(67,968)
Depreciation	The level of depreciation charged to the HRA for 2013/14 was marginally lower than anticipated, as depreciation for new build assets is only chargeable in year if the asset was in stock at 1st April of the year in question.	(29,757)
	Minor Variations	0
	Total	16,231

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - Major Variances from Final Revenue Budgets

Service Grouping	Reason for Variance	Amount £
<i>HRA Income and Other</i>		
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 higher than budgeted due to the continuation of right to buy activity at the higher levels experienced from the latter part of 2012/13 following changes in legislation from April 2012.	(40,995)
Rent - Other Land and Premises	Rent income invoiced for HRA shops and land was higher than budgeted for in 2013/14 due to rent being levied for a property where the lease was in the lengthy process of being terminated for non-payment of rent. It is anticipated that the rent due will ultimately need to be written off, and therefore provision has been made in the bad debt provision to meet the cost.	(21,632)
Service Charges	Service Charge income was marginally over-achieved due to a combination of the incidence of void activity across housing stock where service charges are levied, and an increase in the number of leasehold flats, where service charges are levied for items which are currently recovered via rental income when the property is tenanted.	(12,378)
	Minor Variations	(3,307)
	Total	(78,312)
<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 2013/14 as a result of the decision to procure new planned maintenance contractors from 2014/15 coupled with the timing of payments in respect of the new build affordable housing projects. This resource will instead be required in 2014/15 and beyond.	(3,691,219)
Depreciation Adjustment	Transfer of funding into the Major Repairs Reserve (the equivalent of depreciation for HRA dwelling assets) can be adjusted under transitional arrangements for a five year period, after which full depreciation will be applicable. The transitional income adjustment for 2013/14 was less than budgeted recognising the application of the sum identified in the self-financing settlement, which both applies inflation and de-recognises any further stock reductions in a move towards full depreciation charges across the five year transitional period.	177,487
Interest Received	Interest received in respect of HRA balances during 2013/14 was higher than anticipated due to the level of underspending across the HRA as a whole.	(34,037)
	Minor Variations	(1,836)
	Total	(3,549,605)
Total for Housing Revenue Account		(5,261,189)

Housing Committee - Housing Revenue Account

Revenue Budget 2013/14 - Carry Forward Requests

Request to Carry Forward Housing Revenue Account Budgets from 2013/14 into 2014/15 and future years

Item	Request £	
Director of Customer and Community Services		
Supervision and Management General		
No carry forward requests		
Supervision and Management Special		
No carry forward requests		
Repairs and Maintenance		
1	Costs associated with the project to procure, select, train and implement new planned maintenance contractors for the Housing Service are not yet fully realised. The completion of this project is anticipated during 2014/15, with new contracts estimated to start in July 2014	55,290
2	Costs for the 2013/14 support of an IT system used to monitor the contractual relationship with the planned maintenance contractors were not realised in 2013/14, but have subsequently been invoiced to the authority in 2014/15. A request to carry the resource forward into 2014/15 is made to ensure that there is sufficient resource in 2014/15 to meet the costs for both 2013/14 and 2014/15.	13,800
3	Carry forwards are requested to complete works in respect of asbestos surveys (£18,000), electrical testing (£21,000) and water safety testing (£6,500), where the full programme of works was not completed during 2013/14. Resources of £20,000 are also requested as a carry forward to meet the anticipated contract bonus for 2013/14 in respect of the gas maintenance contract.	65,500
4	The full 2013/14 PTR programme was not undertaken or invoiced in year, but is anticipated to instead be completed during 2014/15.	349,320
Appropriations		
5	A reduced demand on the use of revenue funding of capital was realised in 2013/14 as a direct result of underspending in the Housing Capital Investment Plan brought about in part by the decision to procure a new planned maintenance contractor from 2014/15 onwards. A significant proportion of this resource will instead be required in 2014/15 and beyond to fund the deferred spending.	2,909,410
		3,393,320