

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

MANAGEMENT BOARD 26 MARCH 2014

CABINET – 1 MAY 2014

REPORT BY THE DIRECTOR OF HOUSING

BUDGET MONITORING 2013/14 – QUARTER 4

HOUSING REVENUE ACCOUNT

SUMMARY

REVENUE BUDGET

An in-year surplus of £2.089 million is currently forecast on the Housing Revenue Account. This is £72,000 less than assumed in the budget and equates to 0.1% against the gross budget.

CAPITAL BUDGET

An underspend of **£563,000** (6.1%) is currently forecast.

FOR INFORMATION

1. Revenue Budget

- 1.1 An in-year surplus of £2.089 million is currently forecast on the Housing Revenue Account. This is £72,000 less than assumed when the budget was set. The forecast is summarised in the following table:

	Budget £000	Forecast £000	Forecast Variance (£000)	Forecast Variance (%)
Expenditure				
TMO Management Fee	10,401	10,401	0	0.0%
Maintenance	11,112	11,561	450	4.0%
Heating and Hot Water	3,438	3,438	0	0.0%
Capital Charges	11,775	11,776	1	0.0%
Revenue Contribution to Capital Programme	7,251	7,251	0	0.0%
Other Expenditure	8,612	8,232	-380	-4.4%
Total Gross Expenditure	52,589	52,660	71	0.1%
Income				
Dwelling Rents	-39,927	-39,927	0	0.0%
Service Charges (tenants/leaseholders)	-6,530	-6,530	0	0.0%
Major Works	-750	-750	0	0.0%
Charges for Heating and Hot Water	-2,465	-2,465	0	0.0%
Other Income	-5,078	-5,077	1	0.0%
Total Income	-54,750	-54,749	1	0.0%
Net budget - Contribution to (-) or from (+) Working Balance	-2,161	-2,089	72	-3.3%

- 1.2 A more detailed breakdown of revenue variances is provided in Appendix 1. This also shows whether budgets are managed by the TMO or the Council. Appendix 2 provides an explanation of the key variances.

- 1.3 The arrangements with an interim contractor for the provision of responsive repairs ended on 1 September 2013. From 2 September 2013, these services have been provided by TMO Repairs Direct which is a subsidiary of the TMO company. The TMO is now concluding negotiating the final account with the previous contractor. It is expected that this will be contained within the current provision, however, any variation should be known before the end of the financial year.

Under-Occupancy Housing Benefit Reduction

- 1.4 Dwelling Rents – the Under-Occupancy Housing Benefit reduction commonly referred to as “The Bedroom Tax” came into effect on the 1st of April 2013. The Council’s Housing Benefit Department initially identified 472 tenancies that would be impacted. As at the end of January the number affected had reduced to 260, this reduction reflects a number of transfers, mutual exchanges or changes in the household’s circumstances.

- 1.5 At the end of January, 36.2% of tenants affected by this benefit reduction were in arrears. The total arrears of this group amounted to £80,538.
- 1.6 The original budget for 2013/14 included additional bad debt provision of £325,000 to allow for changes to benefit entitlements, including the introduction of the benefit cap in August 2013. This budget has already been reduced by £200,000 in-year and a further in-year reduction of £50,000 seems prudent. This reflects the work being done by the welfare officers and the rent income team to ensure that tenants affected by the reforms are aware of the support available such as Discretionary Housing Payments (DHP).

2. Capital Budget

2.1 The following table summarises the projected outturn on HRA capital budgets in 2013/14:

Capital Budget Monitoring Report - HRA Quarter 4 (2013-14)							
Description	Annual Budget £'000	Actual Exp to date £'000	% Annual Budget Spent	Forecast Outturn £'000	Variation £'000	% Annual Revised Budget Spent	Slippage £'000
HRA Main Programme	7,339	5,317	72	7,539	200	103	-200
Elm Park Gardens Basements	275	69	25	69	-206	25	0
Regeneration (HRA)	179	0	0	131	-49	73	49
Silchester Garages	300	25	8	25	-275	8	275
Holmefield House	428	400	94	410	-18	96	0
Greaves Tower	186	184	99	170	-16	91	0
Grenfell Tower	500	290	58	300	-200	60	200
Whistler Walk Feasibility	0	1	0	1	1	0	0
Total Housing HRA	9,207	6,287	68	8,645	-563	94	324

Financed By							
Loan (General Resources)	150			131	-20		20
Capital Reserves and Major works Reserves for HRP	29			0	-29		29
HRA dep'n and HRA funding (main programme)	7,252			7,452	200		-200
HRA Revenue Contributions	0			0	0		0
Section 106	101			101	0		0
Capital Reserves and Major works Reserves	87			87	0		0
Capital Receipt (HRA)	1,588			874	-714		475
Total	9,207			8,645	-563		324

- 2.2 The budget for the HRA Main Programme in 2013/14 is £7.339 million. An overspend of £200,000 is currently forecast, this reflects higher expenditure on void properties where in some cases opportunities have been taken to replace kitchens and bathrooms and undertake rewiring work as appropriate. The 2014/15 budget will be reduced by the actual level of any overspend.
- 2.3 Elm Park Gardens Basements - the projected outturn for 2013/14 is £69,000, compared to budget provision of £275,000. The underspend is mainly due to the cost of relocating the gas equipment being less than was assumed in the budget.
- 2.4 Regeneration (HRA): an underspend of £49,000 in 2013/14 arising from the timing of projects within a two year programme. This funding will need to be carried forward to 2014/15 to enable the full Programme to be completed.
- 2.5 Silchester Garages - expenditure of £275,000 relating to the decanting of properties in Shalfleet Drive has now slipped to 2014/15.
- 2.6 Holmefield House and Greaves Tower - both schemes have cost less than was originally assumed and are complete.

- 2.7 The total budget for the scheme to refurbish Grenfell Tower has increased to £9.7 million to enable additional works to be undertaken, thereby achieving efficiencies and minimising disruption to residents. The budget provision shown in 2013/14 is the amount that was included in the Housing Capital Programme (2014/15 to 2016/17). However, costs in year are expected to be in the region of £300,000. The scheme is currently out to tender and the balance of funding will be carried forward to fund costs arising in 2014/15 and 2015/16.

LAURA JOHNSON
DIRECTOR OF HOUSING

Appendix 1

HOUSING REVENUE ACCOUNT

Housing Revenue Account Projected Outturn Position, 2013-2014 - Qtr 4							
Service	Annual Budget £'000	Spend to Date £'000	Spend to Date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
TMO Management Fee	10,038	9,201	91.7%	10,038	0	0.0%	Green
Lancaster West Management Fee	363	333	91.7%	363	0	0.0%	Green
<i>Total Management Fee</i>	10,401	9,534	91.7%	10,401	0	0.0%	Green
<u>Budgets Managed by the TMO</u>							
<i>Expenditure</i>							
Planned Maintenance	6,078	4,330	71.2%	6,295	217	3.6%	Amber
Responsive Maintenance	5,034	4,486	89.1%	5,267	233	4.6%	Amber
Lancaster West EMB Expenditure	595	501	84.1%	595	0	0.0%	Green
Aids and Adaptations	200	77	38.7%	100	-100	-50.0%	Green
Area Revenue Works	200	119	59.6%	200	0	0.0%	Green
Electricity, Heating, and Hot Water	3,438	1,280	37.2%	3,438	0	0.0%	Green
Contract Cleaning	2,189	1,863	85.1%	2,189	0	0.0%	Green
Refuse Collection	144	135	93.8%	144	0	0.0%	Green
Pest Control	189	167	88.6%	189	0	0.0%	Green
Provision for Bad Debts	523	0	0.0%	473	-50	-9.6%	Green
Rents, Rates, Taxes & Other Charges	169	239	140.9%	169	0	0.0%	Green
Car Park Management	41	4	10.7%	41	0	0.0%	Green
Other Expenditure - Special Services	302	272	90.0%	302	0	0.0%	Green
Security Costs	179	117	65.2%	179	0	0.0%	Green
Supporting People Expenditure	220	240	109.3%	220	0	0.0%	Green
Legal Costs	204	177	86.8%	204	0	0.0%	Green
Digital TV	480	364	75.8%	465	-15	0.0%	Green
<i>Income</i>							
Dwelling Rents - Rent and Hostels	-39,927	-36,844	92.3%	-39,927	0	0.0%	Green
Commercial Properties Rent Income	-3,070	-2,922	95.2%	-3,070	0	0.0%	Green
Garages Rent Income	-685	-664	96.9%	-685	0	0.0%	Green
Tenants Service Charges	-4,310	-3,948	91.6%	-4,310	0	0.0%	Green
Leaseholder Service Charges	-2,220	-2,247	101.2%	-2,220	0	0.0%	Green
Major Works Service Charges - Leaseholders	-750	-670	89.3%	-750	0	0.0%	Green
Heating and Hot Water Charges	-2,465	-1,967	79.8%	-2,465	0	0.0%	Green
Insurance Charges - Leaseholders	-981	-920	93.8%	-981	0	0.0%	Green
Other Contributions Towards Expenditure	-27	-13	48.9%	-27	0	0.0%	Green
Other Charges for Services & Facilities	-35	-36	103.6%	-35	0	0.0%	Green
	-34,286	-35,860	104.6%	-34,001	285	0.8%	Green
<u>Council Managed Budgets</u>							
<i>Expenditure</i>							
Capital Charges	11,775	60	0.5%	11,776	1	0.0%	Green
Depreciation - Dwellings and Non Dwellings	2,681	0	0.0%	2,681	0	0.0%	Green
Transfer to Major repairs reserves	4,570	0	0.0%	4,570	0	0.0%	Green
Insurance Costs	1,329	1,270	95.6%	1,329	0	0.0%	Green
Recharges from Corporate Services	395	289	73.0%	395	0	0.0%	Green
Recharges from Housing Services	590	47	8.0%	590	0	0.0%	Green
Miscellaneous expenses	112	2	1.9%	112	0	0.0%	Green
Burgess Field (Supporting People)	103	0	0.0%	103	0	0.0%	Green
Consultancy budget	13	1	7.9%	13	0	0.0%	Green
Rent and rates	23	0	0.0%	23	0	0.0%	Green
Stock Options/Regeneration	413	149	36.0%	198	-215	-52.1%	Red
<i>Income</i>							
Supporting People Grant	-205	-197	96.3%	-205	0	0.0%	Green
Interest income	-75	0	0.0%	-73	1	-1.6%	Green
<i>Council Managed Budgets</i>	21,724	1,620	7.5%	21,511	-213	-1.0%	Green
Total HRA Budget	-2,161	-24,706	1143.1%	-2,089	72	3.3%	Green
Working Balance b/fwd	-16,061			-16,061	0	0.0%	Green
Contribution to (-) or from(+) Working Balance	-2,161			-2,089	72	-3.3%	Green
Working Balance c/fwd	-18,222			-18,150	72	0.4%	Green

RAG Status

Red = £100k+ variance and over +/-5%

Amber = £100k+ variance and between +/-3-5%

Green = under £100k variance or under +/-3%

Appendix 2

Explanations of Projected Budget Variances

1. Overview

1.1 This appendix provides explanations of the key variances shown in Appendix 1. It splits the explanations into those relating to budgets managed by the TMO and those managed by the Council.

1.2 The forecast position is as follows:

	Budget £000	Forecast £000	Forecast Variance (£000)	Forecast Variance (%)
TMO Management Fee	10,401	10,401	0	0.0%
Budget managed by TMO	-34,286	-34,001	285	-0.8%
Budget managed by Council	21,724	21,511	-213	-1.0%
Net budget	-2,161	-2,089	72	-3.3%

2. Budgets Managed by the TMO

2.1 An overall budget underspend of £285,000 is currently forecast on these budgets. The reasons for the key variances are as follows:

- a) Planned Maintenance – an overspend of £217,000 is forecast. This is mainly due to an overspend of £189,000 on the external decorations budgets as the milder weather has enabled more work to be completed than had been anticipated. In addition, there is an overspend of £28,000 on the Horticulture Improvement budget due to the hidden homes project at Holmefield House.
- b) Responsive Maintenance – is forecast to be overspent by £233,000. This is due to a higher than normal demand for responsive repairs, mainly due to the wet winter which increased the demand for emergency drainage, roofing and leakage works. The increase in responsive repairs is indicative of the investment required in the stock to maintain it to a high standard.
- c) Aids and Adaptations – expenditure is forecast to be £100,000 less than budgeted reflecting the capital nature of some of the adaptations undertaken.
- d) Provision for Bad Debts – the 2013/14 budget included an additional provision to reflect the potential implications of the welfare reform changes. The welfare reforms officers have successfully engaged with most of the households affected by the changes and have, where appropriate, encouraged households to claim a Discretionary Housing Payment. As a result, the provision

for 2013/14 has been further reduced by £50,000 (see paragraphs 1.4 to 1.6).

3. Council Managed Budgets

- 3.1 An underspend of £213,000 is currently forecast on these budgets. The is mainly due to an underspend of £215,000 against the regeneration budget.