

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

MANAGEMENT BOARD 26 JUNE 2013

LEADER'S GROUP 4 JULY 2013

CABINET – 18 JULY 2013

REPORT BY THE DIRECTOR OF HOUSING

BUDGET MONITORING 2013/14 – QUARTER 1

SUMMARY

REVENUE BUDGET

At this stage, it is forecast that Housing Services (General Fund) will **underspend by £1,457,000** (10.6%) by the year-end.

CAPITAL BUDGET

No year- end variation is currently forecast on the Housing General Fund Capital Budget. The Housing Revenue Account capital budget is forecasting an underspend of £6,074,000 (40%).

HOUSING REVENUE ACCOUNT (HRA)

A overspend of **£82,000** (0.2%) is currently forecast against the gross budget.

FOR INFORMATION

1. FORMAT OF THE REPORT

- 1.1 This report is split into 2 sections. The first considers the General Fund budgets within Housing Services (both revenue and capital) and the second section considers the budgets within the Housing Revenue Account (HRA).

2. GENERAL FUND BUDGETS

Revenue Budget

- 2.1 A projected underspend of £1,457,000 is currently forecast on housing revenue budgets within the General Fund. The outturn position is summarised in the following table:

Revenue Budget Monitoring Report - Housing Services
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	Annual Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
<u>Housing Functions</u>					
Housing Management and Support	1,377	1,314	-63	-4.6%	Green
Housing Strategy	3	3	0	0.0%	Green
Housing Needs and Homelessness	4,713	3,804	-909	-19.3%	Red
Enabling Activities	299	278	-21	-7.0%	Green
Supporting People	6,471	6,007	-464	-7.2%	Red
Total - Housing Services	12,863	11,406	-1,457	-11.3%	Red
Budgets Controlled by Other Services	1,451	1,451	0	0.0%	
Capital Financing Charges	1	1	0	0.0%	
FRS17	122	122	0	0.0%	
Dept Budgets Recharged to Other Services	-676	-676	0	0.0%	
Total	13,761	12,304	-1,457	-10.6%	

RAG Status:

Red = £100k+ variance and over +/-5%

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

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

The key variances are set out in the paragraphs below.

- 2.2 A surplus in the region of £500,000 is currently forecast on the Temporary Accommodation budget. However, no allowance has been included for the impact of the benefit cap which is scheduled to be implemented in September. It is expected that most households with a shortfall in benefits will be able to apply for a Discretionary Housing Payment administered by Housing Benefits. This should minimise the effect on the Housing Budget in the short term but cannot be considered a long term solution.
- 2.3 An underspend on the Homelessness Prevention Budget of £354,000 is currently forecast. Additional funding has been received to support the welfare reform agenda, but at this stage is not fully committed.

- 2.4 The Supporting People budget has a forecast underspend of £464,000. This is the result of ongoing planned efficiency and procurement savings. Further procurement activity is planned in the second half of the year which may result in further savings being achieved.

Capital Budget

- 2.5 The following table summarises the projected outturn on the Capital Programme funded from the General Fund:

Capital Budget Monitoring Report - Housing General Fund					
Description	Original Budget £'000	Annual Budget £'000	Forecast Outturn £'000	Forecast Variation £'000	Slippage £'000
Regeneration (Non-HRA)	215	275	275	0	
Disabled Facilities Grant	555	555	555	0	
Renovation Grant	230	230	230	0	
Empty Property Grants		111	111		
Westway Travellers Site	400	405	405	0	
Sub Total - Housing General Fund	1,400	1,576	1,576	0	0

Financed By					
Loan (General Resources)	785	845	845	0	
Contributions from Health	100	100	100	0	
Other contributions	30	146	146	0	
Government Grants	485	485	485	0	
Total	1,400	1,576	1,576	0	0

- 2.6 No variances are currently forecast on the above Capital Programme.

3. HOUSING REVENUE ACCOUNT

Revenue Budget

- 3.1 A projected overspend of £82,000 is currently forecast on the HRA. This equals to 0.2% of the gross budget. A breakdown is provided in Appendix 2. The key variances are set out in the following paragraphs.

Tenants Consultative Committee (TCC) Managed Budgets

- 3.2 The overall forecast for 2013/14 is for net income of £34.383 million compared to the net income budget of £34.360 million. A minor variation of £23,000 is currently forecast on these budgets. The reasons for this variance are as follows:

- Major Works Service Charges Leaseholders – an under recovery of £92,000. The review of the final accounts for Elm Park Gardens has identified that a number of items were deemed to be improvements and are not therefore rechargeable to leaseholders and
- Insurance Charges Leaseholders – charges are projected to be £115,000 more than assumed in the 2013/14 budget. At the time the budget for 2013/14 was set, the contract for leaseholder insurance was out to tender. The budget assumed an increase in costs of 50%, based on informal discussions with the previous insurer and reflected the increase in claims costs in recent years. The number of insurers working in this field is small, and bids were received from all those expected to tender. An experienced broker was engaged to undertake the tender and Leaseholders were consulted appropriately as part of the process.

Under-Occupancy Housing Benefit Reduction

- 3.3 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 has identified 472 tenancies that will be impacted.
- 3.4 The full year reduction in household’s income is estimated to be £550,000. The expectation is that tenants meet this shortfall from other resources or seek to move to alternative accommodation. However, in order to bridge the gap, tenants can on a temporary basis apply for a Discretionary Housing Payment (DHP). All affected tenants will be eligible for DHP, however, due to its “discretionary” nature tenants must apply in order to qualify for the payments.
- 3.5 Two welfare reform officers have been employed, to mitigate the potential risk of any adverse impact from the benefit reforms. It is expected that they will work with all tenants affected by these changes to educate on the range of options available to find longer term solutions.
- 3.6 Providing that all the 472 tenancies identified apply for a DHP, the dwellings income will not be affected by the reform. This would result in the bad debt provision created within the 2013/14 budget not being required for this purpose. No variance against this provision has been included in this report, this will be reviewed as part of the quarter 2 monitoring process.

Council Managed Budgets

3.7 The overall forecast outturn position for the HRA (Council Managed) budgets for 2013/14 is for net expenditure of £21.708 million, which represents a £105,000 overspend in comparison to the budget of £21.602 million. This variation comprises:

- Capital Charges - An decrease of £10,000 in the cost of debt charges (interest costs on borrowing to fund the capital programme), is due to a decrease in the interest rate used to calculate the debt charges from that used in the original budget.
- Insurance Costs – an overspend of £115,000 which is offset by additional insurance charges to leaseholders (see paragraph 3.2 above).

Capital Budget

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

Capital Budget Monitoring Report - HRA Quarter 1 (2013/14)						
Description	Annual Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variation £'000	% Annual Revised Budget Spent	Slippage £'000
HRA Main Programme	7,368	7,339	7,339	0	100	0
Elm Park Gardens Basements	230	275	210	-65	76	0
Regeneration (HRA)	250	179	179	0	100	0
Silchester Garages	1,450	880	300	-580	34	580
Holmefield House	330	540	409	-131	76	0
Greaves Tower	207	343	170	-173	50	0
Grenfell Tower	5,000	5,624	500	-5,124	9	5,124
Total Housing HRA	14,835	15,180	9,107	-6,073	60	5,704

Financed By						
Loan (General Resources)	250	150	150	0		0
Capital Reserves and Major works Reserves for HRP	0	29	29	0		0
HRA dep'n and HRA funding (main programme)	7,202	7,202	7,202	0		0
HRA Revenue Contributions	50	50	50	0		0
Section 106	0	101	101	0		0
Capital Reserves and Major works Reserves	116	87	87	0		0
Capital Receipt (HRA)	7,217	7,561	1,488	-6,073		5,704
Total	14,835	15,180	9,107	-6,073		5,704

3.9 The HRA Main programme for 2013/14 is £7.339 million. It is envisaged that the budget will be fully spent at the year-end.

3.10 Elm Park Gardens Basements - the budget includes slippage of £45,000 carried over from 2012/13. The projected outturn for

2013/14 is £210,000, 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.

- 3.11 Holmefield House and Greaves Tower - the budget for 2013/14 includes funding carried forward from 2012/13 (£210,000 and £136,000 respectively). Both schemes are forecast to cost less than was originally assumed and are both expected to be completed in 2013/14.
- 3.12 Silchester Garages – it is expected that the first half of the grant to Peabody (£580,000) will be paid in September 2014, on completion of phase one, rather than in 2013/14 as assumed in the budget. Expenditure of £300,000 is anticipated in 2013/14 to enable properties in Shalfleet Drive to be decanted.
- 3.13 Regeneration (HRA) - a net decrease in budget of £71,000 is made up of two elements;
- an overspend of £100,000 in 2012/13 due to schemes being completed in the first year of a two year programme, a corresponding reduction of £100,000 has been made to the 2013/14 budget and
 - an increase of £29,000 to match the commitments agreed in the key decision report regarding regeneration schemes.

Grenfell Tower

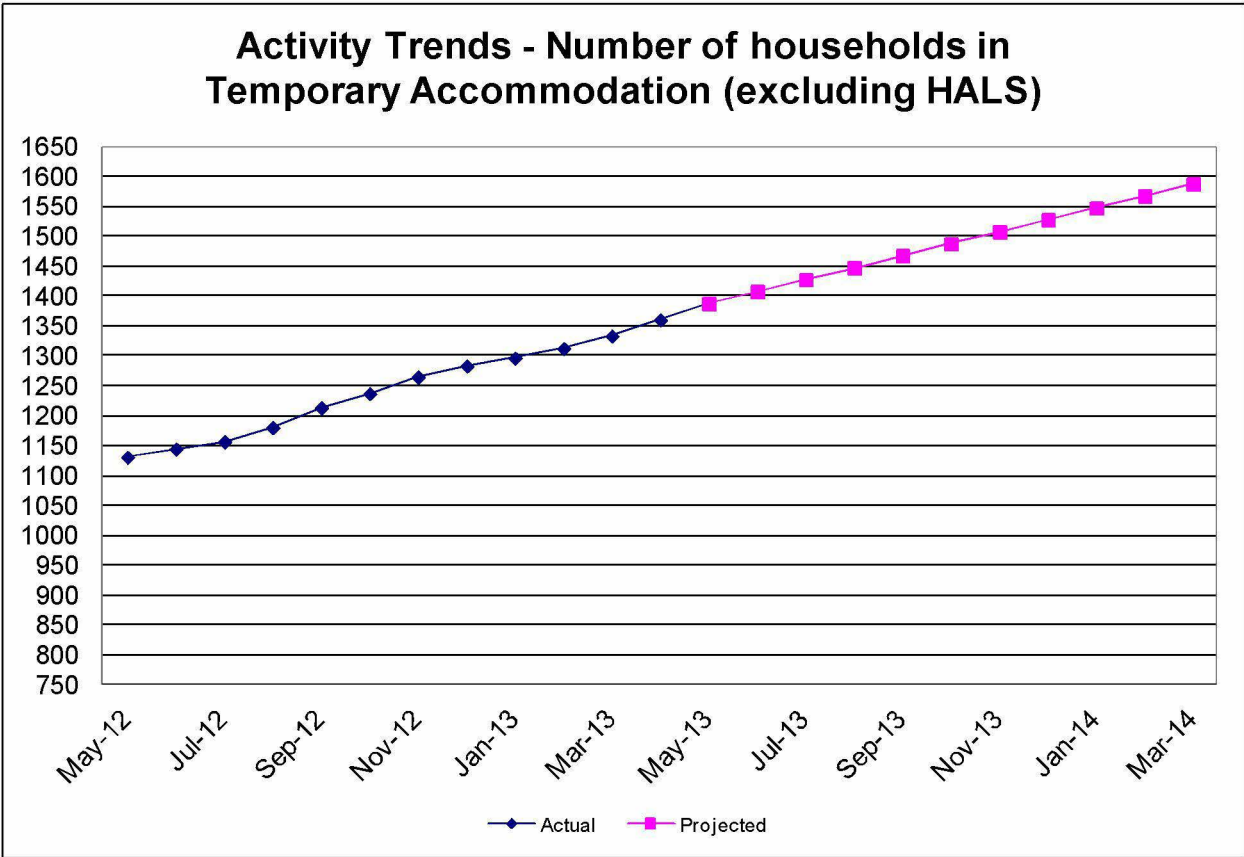
- 3.14 The 3 year Housing Capital Programme (2013/14 to 2015/16) included the scheme to refurbish Grenfell Tower. The total budget provision over the 3 year period is £5.6 million, this is in addition to the £400,000 that was incurred last year. This is being funded from the capital receipts arising from the sale of basements at Elm Park Gardens.
- 3.15 In order to achieve efficiencies and minimise disruption to residents, it is planned to undertake additional works at Grenfell Tower as part of the same project. The estimated cost of the overall scheme is approximately £9.7 million, although won't be confirmed until the tendering process is completed later in the year.
- 3.16 The recent asset management strategy has confirmed a significant level of investment is required over the medium term. Rather than redirecting resources from the Main HRA Programme (annual provision of £7.3 million), it is planned to draw down this additional funding from the HRA Working Balance.

- 3.17 Cabinet is therefore recommended to increase the total capital provision for this scheme to £9.7 million, the increase being funded through a draw down from the HRA Working Balance.
- 3.18 Currently, it is assumed that costs in the region of £500,000 will be incurred in 2013/14, the balance will be carried forward to fund costs arising in 2014/15 and 2015/16.

4. RECOMMENDATIONS

- 4.1 It is recommended that:
- (i) Cabinet agree that the total budget provision for Grenfell Tower be increased to £9.7m. The increase can be met from the HRA Working Balance.

**LAURA JOHNSON
DIRECTOR OF HOUSING**



Appendix 2

HOUSING REVENUE ACCOUNT

Housing Revenue Account Projected Outturn Position, 2013/2014 - Qtr 1					
Service	Annual Budget Revised £'000	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
TMO Management Fee	10,038	10,038	0	0.0%	Green
Lancaster West Management Fee	363	363	0	0.0%	Green
Total Management Fee	10,401	10,401	0	0.0%	Green
TCC Managed Budgets					
Expenditure					
Planned Maintenance	7,124	7,124	0	0.0%	Green
Responsive Maintenance	5,074	5,074	0	0.0%	Green
Lancaster West EMB Expenditure	595	595	0	0.0%	Green
Aids and Adaptations	200	200	0	0.0%	Green
Area Revenue Works	200	200	0	0.0%	Green
Electricity, Heating, and Hot Water	3,438	3,438	0	0.0%	Green
Contract Cleaning	2,189	2,189	0	0.0%	Green
Refuse Collection	144	144	0	0.0%	Green
Pest Control	189	189	0	0.0%	Green
Provision for Bad Debts	723	723	0	0.0%	Green
Rents, Rates, Taxes & Other Charges	169	169	0	0.0%	Green
Car Park Management	41	41	0	0.0%	Green
Other Expenditure - Special Services	307	307	0	0.0%	Green
Security Costs	179	179	0	0.0%	Green
Supporting People Expenditure	220	220	0	0.0%	Green
Legal Costs	204	204	0	0.0%	Green
Digital TV	480	480	0	0.0%	Green
Income					
Dwelling Rents - Rent and Hostels	-39,927	-39,927	0	0.0%	Green
Commercial Properties Rent Income	-3,119	-3,119	0	0.0%	Green
Garages Rent Income	-685	-685	0	0.0%	Green
Tenants Service Charges	-4,310	-4,310	0	0.0%	Green
Leaseholder Service Charges	-2,420	-2,420	0	0.0%	Green
Major Works Service Charges - Leaseholders	-2,026	-1,934	92	-4.5%	Green
Heating and Hot Water Charges	-2,465	-2,465	0	0.0%	Green
Insurance Charges - Leaseholders	-821	-936	-115	14.0%	Red
Other Contributions Towards Expenditure	-27	-27	0	0.0%	Green
Other Charges for Services & Facilities	-35	-35	0	0.0%	Green
	-34,360	-34,383	-23	-0.1%	Green
Council Managed Budgets					
Expenditure					
Capital Charges	11,813	11,803	-10	-0.1%	Green
Depreciation - Dwellings and Non Dwellings	2,815	2,815	0	0.0%	Green
Transfer to Major repairs reserves	4,386	4,386	0	0.0%	Green
Revenue contribution to capital	50	50	0	0.0%	Green
Insurance Costs	1,169	1,284	115	9.8%	Red
Recharges from Corporate Services	395	395	0	0.0%	Green
Recharges from Housing Services	590	590	0	0.0%	Green
Miscellaneous expenses	112	112	0	0.0%	Green
Burgess Field (Supporting People)	103	103	0	0.0%	Green
Consultancy budget	13	13	0	0.0%	Green
Rent and rates	23	23	0	0.0%	Green
Stock Options/Regeneration	413	413	0	0.0%	Green
Income					
Supporting People Grant	-205	-205	0	0.0%	Green
Interest income	-75	-75	0	0.0%	Green
Council Managed Budgets	21,602	21,708	105	0.5%	Green
Total HRA Budget	-2,357	-2,274	82	3.5%	Green
Working Balance b/fwd	-16,061	-16,061	0	0.0%	Green
Contribution to (-) or from (+) Working Balance	-2,357	-2,274	82	-3.5%	Green
Working Balance c/fwd	-18,418	-18,335	82	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%