

FINANCIAL MONITORING: DERBY HOMES AND HOUSING CAPITAL PROGRAMME

Report of the Director of Policy and Director of Finance

SUMMARY OF REPORT

- 1.1 This report provides a capital budget monitoring position for the Council's Housing Capital Programme at the end of February. The public sector part of the Programme is managed by Derby Homes on behalf of the Council. The private sector programme, which is managed directly by the Council, is included for completeness. Financial monitoring is included on Derby Homes operating account to the end of January and the retained Housing Revenue Account and the Housing Repairs account to the end of February 2003. The agreed framework for capital and revenue monitoring is also outlined.
Paragraphs 5.1 to 5.17
- 1.2 A revised Housing Capital Programme forecast is shown in Appendix A. The forecast expenditure on public sector housing, managed for the Council by Derby Homes remains at £17.478 million approved by Cabinet in December 2002. The private sector programme has increased by a total £0.404 million since December reflecting increased expenditure in the Council's Renewal Area financed mainly by contributions from owner-occupier residents benefiting from Group Repair Schemes.
Appendix A
- 1.3 A cumulative underspend of £31,000 has been recorded by Derby Homes Limited on its operating budget at period 10, January, and the latest position on the retained HRA is an underspend of £10,000.
Paragraphs 5.13 to 5.17

OPTIONS CONSIDERED

2. The financial monitoring forms part of the overall monitoring of the performance of Derby Homes Limited. There is no other option but to monitor Derby Homes against the targets set by the Council. Such monitoring is recognised by the Office of the Deputy Prime Minister – ODPM – and the Audit Commission as good practice for those councils that have delegated their housing management responsibilities to an arm's length management organisation.

RECOMMENDATIONS

- 3.1 To consider the financial monitoring information contained in this report.
- 3.2 To approve the revisions to the housing capital programme, as detailed in the Appendix to the report.
- 3.3 To refer the report to the Social Care, Health and Housing Overview and Scrutiny Commission.

REASONS FOR RECOMMENDATIONS

- 4.1 To comply with good practice suggested by the Office of the Deputy Prime Minister and the Audit Commission and to comply with the monitoring requirements of the Council.
- 4.2 To approve the revisions to the Council's housing capital programme to ensure ultimate completion of schemes through expenditure of resources provided by the government and other resources, including contributions from owner occupiers in the case of Group Repair Schemes.

MATTERS FOR CONSIDERATION

Capital and Revenue Framework for Financial Monitoring

- 5.1 **Housing Capital Programme** - consists of two sections covering the Public and Private sectors. The Public sector programme is delivered by Derby Homes on behalf of the Council and the Private Sector Programme is delivered directly by the Council.
- 5.2 The following reporting limits for major variances were agreed by Cabinet in December...
- **Public Sector Housing Capital Programme** – the lower of £100,000 or over 20% of total scheme cost and/or the introduction of new schemes to be reported to Cabinet for approval. The variances will be mainly owing to the re-phasing of individual schemes within the overall programme. This is consistent with Derby Homes delivering the programme by operating at arm's length and is considered to provide the Council with sufficient safeguard.
 - **Private Sector Housing Capital Programme** – continue to report all variances since the number of schemes is relatively small and the programme tends to be more static than that of the public sector.

Latest Monitoring Position – Housing Capital Programme

- 5.3 Spending for both sectors of the Capital Programme to the end of February is summarised in the table below:

	Actual to February 2002 £000	Revised total budget 2002/03 £000
Public Sector Housing Capital	11,483	17,478
Private Sector Housing Capital	3,604	4,943
Total	15,087	22,421

Full spend up to the total revised forecast is anticipated to be achieved by the end of March 2003.

- 5.4 Appendix A shows previous and latest forecast expenditure and financing on all schemes in the programme to the end of February and to the end of 2002/03.

Public Sector – Derby Homes Limited

- 5.5 Variances being reported in line with the criteria given in paragraph 5.2 are summarised in the table overleaf and included in the revised forecast shown at Appendix A.

Variance	Reason for variance
£16,000 extra	Increased expenditure on Cardinal Square – mainly additional furniture for use by the relocated area teams and for the future repairs call centre.
£90,000 reduction	Reduced expenditure on smoke alarms – reduced take-up owing to previous installation under responsive repairs.

- 5.6 It has been agreed with Derby Homes that the overspend on Cardinal Square will be met from the 2.5% capitalised element of the management fee.

Private Sector – Derby City Council

- 5.7 Additional expenditure is necessary on Group Repair Schemes in order to complete the area renewal programmes in the former Peartree Renewal Area Programme and the Rosehill Home Improvement Zone. The proposed additional expenditure of £474k can be financed by the use of two Supplementary Credit Approvals – SCAs – totalling £58,000 awarded for Housing Renewal, a virement of £90,000 from Housing Grants line 0J02 of the programme, use of £250,000 owners' contributions and use of £76,000 VAT on payments made by the Council to grant works contractors and subsequently recovered from HM Customs and Excise.
- 5.8 The profiling of expenditure for Normanton Home Zone has changed following delays in the bidding process and the actual start of works. Some catch-up has now occurred during the period. The revised amounts are £0.075 million, £0.425 million and £0.5 million for the three years 2002/03 to 2004/05 respectively following commencement of the scheme in the current year. This expenditure will be financed by Government grant following a successful bid for funding.

Housing Repairs Account

- 5.9 The revised budgeted contribution from the HRA to the Housing Repairs Account is £8.565 million in the current year. In July, Cabinet approved a further contribution of £200,000 from the DSO trading surplus. It is proposed to spend this additional contribution on additional responsive repairs and adaptations to enhance customer care and satisfaction.
- 5.10 A total of £8.882 million is available in the current year including the balance of £0.117million on the account brought forward from 2001/02. It is planned to spend a total of £8.732 million during the year and carry forward a balance of £0.150 million at 31 March 2003.
- 5.11 A summary of the separate budgets within the repairs account agreed for different categories of work together with an actual expenditure comparison is summarised in the table overleaf.

Budget head	Approved budget 2002/03	Revised forecast 2002/03	Actual to February 2002/03
	£000	£000	£000
Responsive repairs	4,820	5,279	4,562
Servicing	1,420	1,382	1,216
Planned works	2,005	1,709	1,586
Health and safety	50	70	51
Others	270	292	206
Total housing repairs	8,565	8,732	7,621

- 5.12 A total spend of £7.621 million has been achieved in the current year to the end of February after estimated transfers to capital of £3.004 million.

Operating Expenditure of Derby Homes Limited

- 5.13 The total revised management fee for 2002/03 approved by Cabinet in July and redefined in the October monitoring report was £11.028 million. On 18 March 2003, Cabinet approved an increase in the fee by £334,000 to £11.362 million, to reflect the following changes:

	£000
Purchase rather than lease furniture and white goods in exchange for future rental savings	320
Payment of Council Tax on void dwellings prior to incorporation	32
<i>less</i>	
Reduced capitalised salaries following delay in recruitment	(18)
Total	334

- 5.14 Additional development funding made available in the HRA budget approved in July consisted of an increase in the management fee of £0.262 million and 2.5% of the additional Capital Programme for 2002/03 with continuation in future years yet to be agreed. The £18,000 slippage referred to in the table above will be added to the allowance for 2003/04, making a revised total of £641,000 for that year for the additional capitalised salaries.

- 5.15 The management accounts of Derby Homes Limited were considered by their Management Board on 27 February 2003. The accounts show a net surplus of £31,000 by the end of January. This variance is forecast to increase to £134,000 by the end of March 2003.
- 5.16 It is important that the position achieved by the end of the financial year is managed carefully. An overspend will involve the Council having to make additional funds available from the HRA while an underspend could result in a corporation tax liability for Derby Homes Limited. Discussions are ongoing with the Council's and Derby Homes' external auditors to devise an appropriate strategy.
- 5.17 The summary operating statement from the management accounts of Derby Homes Limited for period 10, January, is shown at Appendix B.

Council Retained HRA

- 5.18 Latest monitoring shows a net controllable underspend of £10,000 to the end of period 11, February. This is mainly owing to staff vacancies and increased income following a catch-up exercise on billing for service charges for flats sold under the Right to Buy Scheme. It is anticipated that the budget will be fully spent by the end of the financial year following staff restructuring and appointments and the continuation of computer development work. There will be an addition to the budget of up to £54,000, to accommodate payment of council tax on voids prior to the incorporation of Derby Homes Limited

FINANCIAL IMPLICATIONS

6. As set out in the report.

LEGAL IMPLICATIONS

7. None directly arising.

PERSONNEL IMPLICATIONS

8. None directly arising.

ENVIRONMENTAL IMPLICATIONS

9. None directly arising.

EQUALITIES IMPLICATIONS

10. None directly arising.

Background Papers: None

List of Appendices: Appendix A – Housing Capital Monitoring 2002/03
Appendix B – Derby Homes Limited Operating Statement 2002/03