

Report of: Business Manager, Financial & Asset Management

To: Housing Advisory Board

Date: 9 January 2007

Item No:

Title of Report : Financial Monitoring

Summary and Recommendations

Purpose of report: To present the financial position of the Housing Revenue Account for the period April 2006 to November 2006 and request approval for changes to the budget.

Key decision: No

Portfolio Holder: Councillor Murray

Scrutiny Responsibility: Housing

Ward(s) affected: All

Report Approved by: Sarah Fogden

Policy Framework: Financial Stability

Recommendation(s): To note the report and to recommend to the Strategic Director, Housing Health and Community, that he should approve the budget changes contained in the forecast budget totalling £112,002 and recommend to Executive Board approve the changes as a supplementary estimate.

1. Summary

- 1.1 The financial revenue summary attached as Appendix A shows the original and revised budget for 2006/07, the profiled budget, the actual position at 30th November 2006 and the forecast for the year.
- 1.2 Appendix A is in a revised format which reflects the Oxford City Homes structure and separates income and expenditure. If members approve this revised format it will be used for future monitoring reports.
- 1.3 The forecast deficit remains unchanged at £310K; this reflects Southfield Park and the carry forwards of £112K and £340K respectively.
- 1.4 The actual surplus of £2,022 is £572 more than the profile budget. Spend on bids is starting to catch up with profiled budget and capital spend is now reducing in line with expectations.

2. Income

2.1 *Rental Income*

A minor variance to profile but the rent forecast remains unchanged at £26,988K.

2.2 *Service Charges*

The profiled budget is based on the approved budget so there is a large variance against profile. The actual to date is in line with the forecast of £643k.

2.3 *Shops/ Garages/ Furnished Tenancies/ Other Rent*

Income from Furnished Tenancies, Shops and Garage rents are all exceeding the profiled budget and are reflected in the increased forecast.

2.4 *Contracting*

This heading reflects the level of work undertaken by Oxford City Homes operatives including external works (SOHA), estates, capital, repairs and maintenance. The variance to profile and increased forecast is as a result of more capital works been undertaken in-house rather than by sub-contractors.

2.5 *Fees/ Other*

Income to the major projects team is ahead of profile and additional invoices recharging tenants have been raised. It is expected that a number of these recharges will need to be written off, so the forecast remains unchanged.

Date
21/12/2006

15.4

3. Expenditure

- 3.1 *Local Housing Management*
Underspend against profile due to vacancies.
- 3.2 *Rent / Income Collection*
The variance to profile reflects the estimated increased rent for Southfield Park, partly offset by lower bank charges. These are reflected in the forecast.
- 3.3 *Tenants Participation*
The forecast is unchanged from the approved budget. The underspend against profile is because of low expenditure on Environmental Improvements. Projects have now been approved against these schemes that will be completed by year-end.
- 3.4 *Tower Block & Flats*
The underspend relates to supplies and services budgets, primarily for white goods replacement.
- 3.5 *Furnished Tenancies*
The additional income referred to above is partly as a result of additional expenditure and is reflected in the forecast.
- 3.6 *Contact Centre*
Vacancies are the cause of the underspend. Forecast currently unchanged but will be reviewed for the December monitoring.
- 3.7 *Contracting Prime Costs*
This is the expenditure side of the 'Contracting income' referred to in 2.4 above. Cost plus is still in the process of being rolled out and settling down. The 'overspend' against profile therefore needs to be taken with the underspends in Day to day responsive repairs and Planned Maintenance which results in a minor underspend.
- 3.8 *Day to Day & Planned Maintenance*
See comments above
- 3.9 *Operational Management*
Savings to date are due to vacancies.
- 3.10 *Management/ Infrastructure*
The underspend is due to the contingency budget and budget provision for i-world replacement which is transferred to a reserve at the end of the financial year. The underspend in the contingency budget is reflected in the forecast.
- 3.11 *Major Project/ Policy/ Technical*
Less use of consultants has resulted in an underspend against profile. The forecast overspend reflects additional maintenance costs.

Date
21/12/2006

4 Capital

- 4.1 The total capital budget for 2006/2007 was £12,560K. The forecast remains £11,400K. Actual spend to date is £7,053K representing 61.9% of the forecast budget.
- 4.2 Appendix B shows the budgets and expenditure on a scheme by scheme basis.

Name and contact details of author: Dave Higgins 01865 252470
dhiggins@oxford.gov.uk

Background papers: Monthly monitoring reports

Oxford City Homes
Budget 2006/07
Period 8

Provisional Reporting Summary

Revenue Account

Nov-06

Service Description	Approved Budget for 2006/07	Budget to Date	Actual to Date	Variance £	Variance %	Forecast
INCOME						
Dwellings - Rent	(26,988,330)	(18,165,845)	(18,129,469)	36,376	(0)	(26,988,330)
Service Charges	(1,053,060)	(685,151)	(419,481)	265,670	(39)	(643,060)
Shops/Garages/Furn./Other Rent	(1,599,653)	(1,131,996)	(1,270,929)	(138,933)	12	(1,764,653)
Interest on Balances	(170,000)	(113,322)	(113,322)	0	0	(170,000)
Contracting	(12,484,890)	(8,420,769)	(8,556,579)	(135,809)	2	(13,584,890)
Fees/Other	(1,417,893)	(825,099)	(951,733)	(126,635)	15	(1,417,893)
National Subsidy Payment	12,327,910	8,217,785	8,217,785	0	0	12,177,910
Item 8 Interest payable	1,570,407	0	0	0	0	1,570,407
Net Income	(29,815,509)	(21,124,398)	(21,223,728)	(99,330)	(10)	(30,820,509)
EXPENDITURE						
Tenancy Services						
Local Housing Management	1,228,052	817,121	785,772	(31,349)	(4)	1,228,052
Rent/Income Collection	1,108,195	743,249	803,988	60,738	8	1,184,453
Tenant's Participation	276,514	176,050	114,871	(61,179)	(35)	276,514
Tower Blocks and Flats	874,491	490,766	462,795	(27,972)	(6)	874,491
Caretaking Services	606,833	404,080	396,306	(7,773)	(2)	606,833
Furnished Tenancies	450,305	271,019	286,005	14,986	6	471,049
Contact Centre	619,852	404,744	365,370	(39,374)	(10)	619,852
Contracting Prime Costs	11,111,482	7,427,045	8,209,494	782,450	11	12,211,482
Repairs Service						
Day to day responsive repairs	2,989,407	2,011,809	1,677,586	(334,223)	(17)	2,906,987
Planned Maintenance	3,651,637	2,415,769	1,918,904	(496,864)	(21)	3,651,637
Operational Management	2,253,606	1,518,375	1,433,578	(84,798)	(6)	2,228,606
Overheads						
Management/Infrastructure	3,316,489	1,917,128	1,728,484	(188,643)	(10)	3,198,909
Major Project/Policy/Technical	1,216,713	881,115	822,448	(58,667)	(7)	1,361,713
Depreciation	9,938,489	6,638,895	6,629,944	(8,951)	(0)	9,938,489
Total OCH Expenditure	39,642,065	26,117,165	25,635,545	(481,619)	(2)	40,759,067
NET COST - OCH	9,826,556	4,992,766	4,411,817	(580,950)	(12)	9,938,558
Other Business unit Recharges and Appropriations						
AMRA	(9,938,489)	(6,638,909)	(6,629,944)	8,965	(0)	(9,938,489)
Neighbourhood Renewal	231,726	154,469	154,480	11	0	231,726
Pension/Retirement Provision/Charge	78,205	41,097	41,093	(3)	(0)	78,205
Other Business Units	(9,628,558)	(6,443,344)	(6,434,371)	8,973	(0)	(9,628,558)
Total HRA (Surplus) / Deficit for 2007/08	197,998	(1,450,577)	(2,022,554)	(571,977)	39	310,000

15.7

Oxford City Homes - Capital Programme 2006/07

Scheme	Approved budget	Actual	Forecast
Tower Blocks	1,058,200	0	0
Disability	500,000	396,485	500,000
Voids Work	2,640,000	2,008,392	2,640,000
Structural Work	297,000	89,858	120,000
Square Blocks	0	124,888	160,000
Heating	1,056,000	554,785	1,200,000
Kitchens & Bathrooms	2,545,400	2,784,946	4,200,400
Damp-proofing	149,600	118,950	99,600
Re-roofing	924,000	381,716	800,000
Rewiring	1,405,800	103,158	249,800
Windows	712,800	391,828	712,800
Controlled Entry	100,100	2,716	150,100
External Doors	113,300	0	83,300
Insulation	66,000	49,236	120,000
Sheltered Blocks Refurbishments	932,100	48,255	300,100
Other Schemes	59,700	-1,738	63,900
Total	12,560,000	7,053,475	11,400,000

Report of: Business Manager, Oxford City Homes

To: Housing Advisory Board

Date January 2007

Item No:

Title of Report : HRA Stand Alone Empty Shop Units.

Summary and Recommendations

Purpose of report:	To inform the Housing Advisory Board and the Strategic Director of the options regarding 2 vacant stand alone HRA shops.
Key decision:	No
Portfolio Holder:	Councillor Patrick Murray
Scrutiny Responsibility:	Housing
Ward(s) affected:	Lye Valley and Blackbird Leys Wards.
Report Approved by:	Oxford City Homes Business Manager, Graham Bourton, Legal Services Jeremy King and Financial and Asset Management David Higgins.
Policy Framework:	To meet Decent Homes Target by 31 st December 2010.
Recommendation(s):	That the Housing Advisory Board recommends to the Strategic Director that Shop A be retained and re-let as soon as possible and that the HRA Asset Manager markets the Shop B site for potential disposal.

Background.

1. On 31st October 2006 the Housing Advisory Board recommended to the Strategic Director to give "in principle approval" to investigate options when stand alone shop units become vacant. The Strategic Director accepted this recommendation.
2. Two such stand alone units are currently vacant and this report outlines the options available for each property.

Shop A Options (Please see confidential appendix regards actual addresses).

3. Shop A is a stand alone unit with a leasehold 2 bedroom flat above. The shop is currently vacant following the early ending of the lease which was due to run until 2009.
4. The potential rental income is £4500 per annum and the shop has been valued at circa £65,000 within the last month.
5. With the potential rental income at 7% of the valuation, the yield that disposal is likely to realise, makes the option to dispose un-commercial.
6. A Stock Condition Survey was carried out by HDP Associates Ltd in November 2005 that highlighted a backlog and future repair requirement of circa £10,000 for Shop A. (Approx 2 times the annual rental).
7. The site has little or no development potential and with the added difficulty of the leasehold flat above any disposal for development would be complicated. Therefore, despite the repair requirement, this report recommends that the shop is retained and re-let in accordance with normal lease arrangements and policy, as soon as practically possible.

Shop B Options

8. Shop B is a stand alone unit with a tenanted 3 bedroom flat above. The shop is currently vacant following the termination of the existing lease.
9. The potential rental income from the shop is £14,000 per annum and within the last month it has been valued at £125 000. The 3 bedroom flat has an annual rental income of £4,072 and has been recently valued at £175,000, bringing the total value of the buildings to circa £300k and rental income to £18,000 per annum.
10. With the potential rental income at 6% of the valuation, the yield that disposal is likely to realise, appears to make the option to dispose, un-commercial. However there are compelling reasons to further investigate this option.

11. The recent Stock Condition Survey highlighted a backlog and future repair requirement of £57,500 (over 3 times the annual rental). This repair commitment is significant and the previous HRA Shops Report of 31st October 2006 did highlight that no capital budget currently exists to fund the repairs identified in the Survey.
12. The shop sits on a large corner plot in the middle of a residential area and has significant development potential. Although the 3 bedroom flat is tenanted, Officers believe that an agreement regarding decanting is achievable and therefore the fact that it is currently tenanted is unlikely to prevent the marketing of the site. The plot itself is larger than the actual foot print of the buildings and this enhances potential development value.
13. It is the view of Asset Management Manager that the plot if marketed correctly has the potential to realise £400k. At this level of yield the current rental income would only represent 4.5%
14. This report therefore recommends that following immediate discussions with the tenant of the 3 bedroom flat and providing that they are agreeable to a move, the HRA Asset Manager should market the plot. It is also recommended that should the market valuation demonstrate that a sale in excess of £400k can be achieved, the HRA Asset Manager is authorised to proceed with the sale.

Financial Implications

15. The financial implications are summarised in Appendix 2 and show the indicative effects on revenue and capital of the options for shop B over a five year medium term period.

Open Market Sale. Would result in a loss of income of £86k over the period with net contribution to capital resources of £446k.

Retention. Would result in potential income of £90k and a net contribution to capital resources of £33k.

The estimated capital costs of repairs to shops has been included in the consultation capital programme for 2007/08 onwards. The overall shortfall in funding the capital programme is over £6m.

Legal Implications

16. Any future disposal proposed above £50,000, would need to be approved by the Executive Board. It would also need to be checked whether any proposed disposal came within "The General Housing Consents 2005" or whether Secretary of State approval is required.

Staffing Implications

17. There are no additional staffing implications other than the need for specialist advice.

Recommendation

18. That the Housing Advisory Board recommends to the Strategic Director that Shop A be retained and re-let as soon as possible and that the HRA Asset Manager markets the Shop B site for potential disposal.

Name and contact details of author:

Geoff Corps
Responsive Operations Manager.
01865 335446
gcorps@oxford.gov.uk

Report of: Head of Oxford City Homes

To: Housing Advisory Board

Date: 9 January 2007

Item No:

Title of Report : Options for a Non-Domestic HRA Property.

Summary and Recommendations

Purpose of report:	To give the options and recommendations for a non-domestic HRA property.
Key decision:	Yes
Portfolio Holder:	Councillor Murray
Scrutiny Responsibility:	Housing Scrutiny Committee
Ward(s) affected:	All
Report Approved by:	
Portfolio Holder:	
Strategic Director:	Michael Lawrence
Legal Services:	Jeremy King
Finance Services:	David Higgins
Community Housing:	
Policy Framework:	To meet Decent Homes Target by 31 December 2010.
Recommendation(s):	To note the report and to recommend to the Strategic Director, Housing Health and Community, that he should:- 1. Retain the property and continue letting it at a market rent. 2. Submit a further report at the next rent review should the market change to such an extent that letting is not viable.

Background –

1. The property is a public House with living accommodation over, it is traditionally brick built and located in Jericho. It is currently leased to a sitting tenant who is responsible for all repairs, insurance and service costs.
2. The current lease was agreed in 2003 and is in force until 2033 with the next rent review due in March 2008. The current rent of £30,000 per annum is in line with current market values. At current market value, the rent provides a yield of 6%, a good return on investment.
3. As this is not a domestic property, it is not subject to the decent homes standards and consequently was not surveyed by Savills in 2003/04. It is a Council asset on HRA land.
4. An independent valuer recently estimated the market value to be in the region of £500,000.

Options -

5. The options for the properties are as follows:-
 - a. To sell on the open market with the proceeds going to meet the decent homes programme which is currently under-funded. It is understood that the sitting tenant is interested in purchasing the property and has made an offer. As the lease is current and the tenant has to agree to vacate the property before sale, it is highly unlikely that a sale on the open market will be possible although a sale to the sitting tenant would be.
 - b. To retain and reassess the options at the next rent review in March 2008, taking into account the decent homes financial position and current market values.

Proposals -

6. Owing to existing favourable financial return from the property it is thought that it is in the Council's best interests to retain it and then reassess the situation at the next rent review.

Legal implications -

7. Paragraph A5.3.1 of the General Consents provide that Secretary of State consent would not be required if this building was sold to an individual for the best consideration that can reasonably be obtained. If it were to be sold to a company, Secretary of State consent could be required.
8. It should be noted that this property can only be sold on the open market if the current tenant provides vacant possession or he/she purchases it as the sitting tenant and that under the Constitution, before the sale goes ahead, a further report to Executive Board would be required outlining the proposed use for the building and the terms of the disposal.

Financial implications -

9. The financial implications are set out in the Confidential Appendix 1 attached.

Name and contact details of author: Chris Pyle, tel; 335411, extn 3611,
Email: cpyle@oxford.gov.uk

Background papers: Independent valuation report.