



Board

28 July 2009

YHN and HRA Budget Medium Term Plan Update

Report by Director of Finance and Resources

Decision	Area Implications	All																
<p>Executive Summary</p>	<p>This report sets out for Board the HRA/YHN Medium Term Plan [MTP] position outlining the latest financial forecast for the years 2009-10 to 2013-14 taking account the 2008-09 financial outturn and an updated review of future year financial pressures.</p> <p>The MTP, as detailed in the attached appendix, shows the agreed minimum HRA balance of £5m being maintained for the next three financial years.</p> <p>The net in year position moves from a surplus of £(0.3)m in 2009-10 to £(0.2)m in 2010-11 and to a deficit of £3.1m in 2011-12.</p> <p>The key issues that can effect the MTP forecast significantly in future years are:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Potential Effect</u></th> </tr> </thead> <tbody> <tr> <td>• Stock Reduction</td> <td style="text-align: right;">£1.0m p.a.</td> </tr> <tr> <td>• HRA Subsidy Review</td> <td style="text-align: right;">?</td> </tr> <tr> <td>• Rent Constraint Allowance</td> <td style="text-align: right;">£2.6m p.a.</td> </tr> <tr> <td>• Energy Inflation</td> <td style="text-align: right;">£0.7m p.a.</td> </tr> <tr> <td>• R&M increased demand</td> <td style="text-align: right;">£1.0m p.a.</td> </tr> <tr> <td>• Pension contributions (2012/3)</td> <td style="text-align: right;">?</td> </tr> <tr> <td>• Procurement Savings</td> <td style="text-align: right;">?</td> </tr> </tbody> </table> <p>Finance Committee will continue to receive monthly updates and will, if necessary, raise issues of concern to Board.</p> <p>The Investment Reserve has been increased by £1277k to fund potential HRA new build schemes. The Board is asked to approve the increase in the Investment Reserve by £1277k.</p>			<u>Potential Effect</u>	• Stock Reduction	£1.0m p.a.	• HRA Subsidy Review	?	• Rent Constraint Allowance	£2.6m p.a.	• Energy Inflation	£0.7m p.a.	• R&M increased demand	£1.0m p.a.	• Pension contributions (2012/3)	?	• Procurement Savings	?
	<u>Potential Effect</u>																	
• Stock Reduction	£1.0m p.a.																	
• HRA Subsidy Review	?																	
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• Energy Inflation	£0.7m p.a.																	
• R&M increased demand	£1.0m p.a.																	
• Pension contributions (2012/3)	?																	
• Procurement Savings	?																	

Recommendations	Board is asked to note the latest MTP position and that it will receive an updated report at its October meeting.
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Business Implications	
YHN Mission and Strategic Objectives	A healthy HRA & YHN financial position supports achievement of all strategic objectives.
Value for Money/Efficiencies	Detailed, timely and accurate financial information allows YHN to identify areas of concern with regards to Value for Money, the need to generate efficiency savings and the ability to monitor progress in achieving those savings.
Resources (financial, property, technological or human)	<ul style="list-style-type: none"> • The latest MTP shows that the HRA will have sufficient balances until 2012. • Total HRA reserves, which can be utilised to underpin the MTP if necessary, at 31 March 2009 were £45.3m although it is expected £20m will be utilised in 2009-10 predominantly for major repairs.
Impact on Services/Performance	A healthy financial position enables YHN to invest in services as appropriate to support the achievement of strategic goals and improve performance.
Outcomes for tenants/leaseholders	A healthy financial position enables YHN to invest in services as appropriate to support the achievement of strategic goals and the impact of services on tenants and leaseholders.
Risk (reputation, relationship)	Not holding reserves would leave the HRA in the position of having to make unplanned changes in spending priorities in the face of unexpected financial events. For example unforeseen pressures on spending from pay claims, legal rulings, pensions, energy costs and repair costs.
Environmental	<ul style="list-style-type: none"> • Financial resources are required to implement actions to reduce YHN's/HRA's environmental impact. • Understanding the outturn helps understand some of the environmental impacts of YHN/HRA.
Legal Implications	The legally required statutory financial statements relating to the HRA and YHN outturn will be published separately.
Equality and Diversity	A healthy financial position may help to fund initiatives
Stakeholder Involvement/Consultation	None
Background papers	2009-10 Budget working papers 2008-09 Closedown working papers
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HRA / YHN Medium Term Plan to 2013-14							
Latest position as at Junly 2009							
Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Current Projected Surplus as at June 2009		(2,502)	(2,616)	(2,616)	(2,616)	(2,616)	(2,616)
Plus Single Status Provision		2,000	1,000	1,000	1,000	1,000	1,000
Current Projected Surplus as at June 2009		(502)	(1,616)	(1,616)	(1,616)	(1,616)	(1,616)
YHN Expenditure							
1 Running Costs Inflation - YHN (£3m net @1%)			30	60	91	122	
2 Possible net saving on April 2008(+0.3) & April 2009 Pay awards(-2.5) Provision		(529)	(529)	(529)	(529)	(529)	(529)
3 Pay awards (£24.6m @1.0%)			246	494	745	999	
4 Increments - net			200	400	600	600	
5 Single Status - Protection / Backdating/ Saving			(500)	(1,000)	(1,500)	(1,500)	(1,500)
6 Increased Employers Superannuation Contribution @2.5%(NCC est.)				500	500	500	500
7 Increased Employers NI Contribution @0.5%				100	100	100	100
8 Worklessness - Tenants Training		100	100	100	100	100	100
9 IT Projects Delivery Plan		75	178	178	178	178	178
10 IT Innovation budget		60	60	60	60	60	60
11	-	(294)	(215)	364	345	630	
HRA Expenditure							
12 Gas Inflation @ 16%			457	987	1,601	2,314	
13 Electricity Inflation @ 20%			256	563	932	1,374	
14 General / Running Costs Inflation - HRA (£12m net @1%)			120	241	364	487	
15 R & M Increased demand etc/Contribution to Responsive Repairs Fund		600	1,000	1,500	2,000	2,500	
16 Upgrade IT Links to Offices		87	87	87	87	87	
17 Community Buildings R&M		52	52	52	52	52	
18 Increased Superannuation/Backfunded costs [NCC Estimate]			150	150	150	150	
19 Furniture Prudential borrowing costs			630	1,260	1,130	1,130	
20 Loss of NCC Area Based Grant re HASBET					33	33	
21	0	739	2,752	4,840	6,349	8,128	
22 Total Cost Pressures	0	445	2,537	5,204	6,694	8,758	
23 Efficiency savings 'More for the same' budgets			85	85	85	85	
24 Other Efficiency Savings (see app 3a - Efficiency savings)			(85)	(85)	(85)	(85)	
25 Procurement Savings (see app 3a-Efficiency savings)	0	(29)	(210)	(210)	(210)	(210)	
26 SLA Efficiency Savings (see app 3a - Efficiency savings)	0	(247)	(247)	(247)	(247)	(247)	
HRA Income Changes							
27 Loss of rent income from future RTB sales / Demolitions / Voids			920	1,990	3,060	4,130	
28 Service Charge Income [Increase RPI + ½%]			(270)	(540)	(810)	(1,080)	
29 Heating Income 16%			(500)	(1,080)	(1,760)	(2,550)	
30 Furniture Income			(350)	(680)	(930)	(1,180)	
31 Loss of Supporting People Subsidy			?	?	?	?	
32 Reduction in Interest (MRA)			620	620	620	620	
33	0	0	420	310	180	(60)	
34 Transfers to Reserves etc.							
35 NET Cost Pressures	-	169	2,500	5,057	6,417	8,241	
Government Guidelines							
36 HRA Subsidy M&M			1,750	2,230	2,900	3,570	
37 HRA Subsidy Notional Rent		(2,500)	(110)	4,410	8,700	13,100	
38 Rent increases re Formula rent increase		2,500	(110)	(5,490)	(10,880)	(16,290)	
39 Compensation for individual limits to rent increases			(2,630)	(1,510)	(520)	420	
40 Net Impact of Government Guidelines	-	-	(1,100)	(360)	200	800	
41 Net Projected HRA (Surplus)/Deficit	-	(333)	(216)	3,081	5,001	7,425	
Housing Revenue Account Working Balance							
42 Projected Net HRA (Surplus)/Deficit	0	(333)	(216)	3,081	5,001	7,425	
Movement to Reserves		1277					
43 Opening Balance at 1st April - (Surplus)	(9,876)	(9,876)	(8,932)	(9,148)	(6,067)	(1,066)	
44 CLOSING BALANCE at 31st MARCH - (Surplus)/Deficit	(9,876)	(8,932)	(9,148)	(6,067)	(1,066)	6,358	
Proposed Reserves as at :							
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.13	
Workforce Planning	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	
Pension Reserve	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	
Repairs Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	
Major Repairs Reserve	(20,308)	(147)	-	-	-	-	
IT Renewals Fund	(555)	(463)	(463)	(463)	(463)	(463)	
Investment Fund (Bungalows)	(6,537)	(7,814)	(7,814)	(7,814)	(7,814)	(7,814)	
Furniture Investment	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	
	(35,400)	(16,424)	(16,277)	(16,277)	(16,277)	(16,277)	
TOTAL Balances as at:	(45,276)	(25,356)	(25,425)	(22,344)	(17,343)	(9,919)	

		Latest position as at				Jul-09	
Efficiency Savings	Description	Efficiency savings Target	Actual Savings Achieved	Efficiency savings Target	Efficiency savings Target	Efficiency savings Target	Efficiency savings Target
		2009-10	2009-10	2010-11	2011-12	2012-13	2013-14
		£000's	£000's	£000's	£000's	£000's	£000's
REVENUE Procurement Savings							
(Not yet included within budgets)							
1	- Building Cleaning (Offices, Low and High Rise, Communal, Sheltered)	0	0	(98)	(98)	(98)	(98)
2	- Water Sampling / Legionella	(1)	0	(2)	(2)	(2)	(2)
3	- Laundry Equipment (Repairs & Servicing)	(4)	0	(6)	(6)	(6)	(6)
4	- Decoration Vouchers (Ph2 Charge Cards)	0	0	(31)	(31)	(31)	(31)
5	- Refreshments Catering Contract	0	0	0	0	0	0
6	- Inspection of SE ducts	(2)	0	(2)	(2)	(2)	(2)
7	- Window Cleaning	0	0	(3)	(3)	(3)	(3)
8	- Waste Removal Contract	0	0	(2)	(2)	(2)	(2)
9	- Postage / Franking Machines	(3)	0	(14)	(14)	(14)	(14)
10	- Mobile Phones	(7)	0	(14)	(14)	(14)	(14)
11	- Telephony	0	0	(15)	(15)	(15)	(15)
12	- Swipe Card Contract	(1)	0	(1)	(1)	(1)	(1)
13	- Generator Services	0	0	0	0	0	0
14	- Asbestos Sampling (Communal Areas)	0	0	0	0	0	0
15	- Provision ,Design, Management & Hosting Websites	0	0	0	0	0	0
16	- Security Alarms	0	0	(3)	(3)	(3)	(3)
17	- Domestic Furniture	(11)	0	(11)	(11)	(11)	(11)
18	- Building Cleaning (YHN House)	0	0	(2)	(2)	(2)	(2)
19	- Job Vacancy Advertising	0	0	(6)	(6)	(6)	(6)
19	Total Procurement Savings included in MTP - Appendix 3	(29)	0	(210)	(210)	(210)	(210)
REVENUE Other Efficiency Savings (More for the same)							
(Not yet included within budgets)							
20	Painting Programme Procurement	0	0	(85)	(85)	(85)	(85)
21		0	0	0	0	0	0
22	Total Revenue Other Efficiency Savings included in MTP Appendix 3	0	0	(85)	(85)	(85)	(85)
REVENUE SLA Reviews Efficiency Savings							
(Not yet included within budgets)							
28	- Transport	(40)	(40)	(40)	(40)	(40)	(40)
30	- Pest Control	(20)	0	0	0	0	0
33	- Building Cleaning	(207)	(207)	(207)	(207)	(207)	(207)
38	- Property Services 1 & 2	(50)	0	0	0	0	0
47	- Legal Services	(87)	0	0	0	0	0
49	Revenue SLA Reviews Efficiency Savings included in MTP- Appendix 3	(405)	(247)	(247)	(247)	(247)	(247)
CAPITAL Procurement Savings							
Decent Homes							
50	- Windows and Doors	(2,429)	-	(1,618)	(729)	-	-
51	- Asbestos Surveys	-	-	-	-	-	-
52	- Planning Supervision	-	-	-	-	-	-
53	- Inflation	(1,518)	-	(1,182)	(540)	-	-
53	- Benchmarking	(4,006)	-	(2,668)	(1,201)	-	-
54	- Labour Only Trial	(22)	-	-	-	-	-
55		(7,975)	-	(5,468)	(2,470)	-	-
Non Decency							
56	- Furniture Service Procurements	(232)	0	(241)	(249)	(256)	(264)
57	- Bathrooms, Internal Alterations & Ramps	(210)	0	(210)	(210)	(210)	(210)
58	- Stairlift Installations						
59	- Lift Refurbishment	(131)	0	(131)	(70)	(75)	(75)
60	- IT Hardware	(6)	0	(6)	(6)	(6)	(6)
61	- Scaffolding	0	0	0	0	0	0
62	- PEMS	(48)	0	(48)	(48)	(48)	(48)
63	- Area Project Fund	(60)	0	(60)	(60)	(60)	(60)
63	- Minor Works	(28)	0	(28)	(28)	(28)	(28)
64	- Warden Call Equipment	(5)	0	(10)	(10)	(10)	(10)
65	- Aerial Services Contract	(2)	0	(2)	(2)	(2)	(2)
66	- Security/CCA upgrades	0	0	0	0	0	0
67	- Demolitions Programme	(12)	0	(25)	(25)	(25)	(25)
68		(734)	0	(761)	(708)	(720)	(728)
69							
70	Total Capital Savings	(8,709)	0	(6,229)	(3,178)	(720)	(728)

	Efficiency Savings	Latest position as at				Jul-09	
		Efficiency savings Target	Actual Savings Achieved	Efficiency savings Target	Efficiency savings Target	Efficiency savings Target	Efficiency savings Target
		2009-10	2009-10	2010-11	2011-12	2012-13	2013-14
Description	£000's	£000's	£000's	£000's	£000's	£000's	
REVENUE Procurement Savings							
(Included within budgets)							
71 - Lift Maintenance	(296)	(296)	(292)	(292)	(292)	(292)	
72 - Decoration Allowances/Vouchers (Ph1 via Procurement for Housing)	(37)	(47)	(47)	(47)	(47)	(47)	
73 - Skip Hire	(22)	(22)	(22)	(22)	(22)	(22)	
74 - Protective Clothing	(3)	(3)	(3)	(3)	(3)	(3)	
75 - Cleaning Materials	(3)	(3)	(3)	(3)	(3)	(3)	
76 - Business Travel	(3)	(3)	(3)	(3)	(3)	(3)	
77 - Taxi	(3)	(3)	(3)	(3)	(3)	(3)	
78 - Gardening / Horticultural Hand Tool Framework	(2)	(2)	(2)	(2)	(2)	(2)	
79 - Stationery Contract	(9)	(9)	(9)	(9)	(9)	(9)	
80 - Printer Cartridges	(2)	(2)	(2)	(2)	(2)	(2)	
81 - Utilities - Electricity	(97)	(97)	(97)	(97)	(97)	(97)	
82 - Utilities - Telephones	(2)	(2)	(2)	(2)	(2)	(2)	
83 - Warden Call System (Maintenance)	(50)	(18)	(18)	(18)	(18)	(18)	
77 - Legal Fees	(50)	(50)	(50)	(50)	(50)	(50)	
78 - Building Cleaning (YHN House)	(5)	(3)	(3)	(3)	(3)	(3)	
79 - Specialist Bathing Maintenance	(130)	(147)	(147)	(147)	(147)	(147)	
80 - Stairlift & Hoist Specialist Maintenance (Repairs & Servicing)	(36)	(38)	(38)	(38)	(38)	(38)	
81 - Translation	0	0	(4)	(4)	(4)	(4)	
82 - Debt Tracing Contract	(4)	0	0	0	0	0	
83 - Photocopying Machine Service Contract	(8)	(10)	(20)	(20)	(20)	(20)	
84 - YHN Bus Vehicle Maintenance Contract	(1)	0	0	0	0	0	
85 - Office Furniture	(2)	(5)	(5)	(5)	(5)	(5)	
86 - Fire Equipment Contract	(2)	0	0	0	0	0	
87 - Agency Temporary Staffing Contract	(44)	(18)	(18)	(18)	(18)	(18)	
88 - Removals Service	(14)	0	0	0	0	0	
89 - Mechanical & Electrical Services (YHN House)	(1)	0	0	0	0	0	
90 - Safety Footwear and Gloves	(3)	(1)	(1)	(1)	(1)	(1)	
91 - Printing Framework	(35)	(35)	(35)	(35)	(35)	(35)	
92 Total Cumulative Procurement Savings included since April 2007	(864)	(814)	(824)	(824)	(824)	(824)	
REVENUE SLA Reviews Efficiency Savings							
(Included within budgets)							
93 - Energy Consultancy	0	(1)	(1)	(1)	(1)	(1)	
94 - Highways and Street Lighting	0	0	0	0	0	0	
95 - Grounds Maintenance	0	0	0	0	0	0	
96 - Environmental Services	0	0	0	0	0	0	
97 - Landscape Design	0	0	0	0	0	0	
98 - Transport	0	0	0	0	0	0	
99 - Security - Void Alarms	0	0	0	0	0	0	
100 - Pest Control	0	0	0	0	0	0	
101 - Complaints	0	0	0	0	0	0	
102 - IT	0	0	0	0	0	0	
103 - Building Cleaning	0	0	0	0	0	0	
104 - Cashiering	(79)	(79)	(79)	(79)	(79)	(79)	
105 - Democratic Services	(10)	(10)	(10)	(10)	(10)	(10)	
106 - Exchequer - Employee Admin Services (Payroll)	(119)	(119)	(119)	(119)	(119)	(119)	
107 - Exchequer - Payment Services (Paybills)	0	0	0	0	0	0	
108 - Property Services 1 & 2	(16)	(66)	(66)	(66)	(66)	(66)	
109 - Corporate Business Management (Formerly City Buy)	(10)	(10)	(10)	(10)	(10)	(10)	
110 - Design	0	0	0	0	0	0	
111 - Communication	0	0	0	0	0	0	
112 - HR Admin. & OD (Occupational Health)	0	0	0	0	0	0	
113 - Exchequer Services - Income	0	0	0	0	0	0	
114 - Internal Audit	(12)	(12)	(12)	(12)	(12)	(12)	
115 - Welfare Rights Service	0	0	0	0	0	0	
116 - Health & Safety	0	0	0	0	0	0	
117 - Legal Services	(56)	(143)	(143)	(143)	(143)	(143)	
118 - Research	(22)	(22)	(22)	(22)	(22)	(22)	
119 Total SLA Reviews Efficiency Savings included	(324)	(462)	(462)	(462)	(462)	(462)	
REVENUE Other Efficiency Savings (More for the same)							
(Included within budgets)							
120 - Changes to Procurement Practices (Atain 3 Quotes instead of R&M sche	(142)	(142)	(142)	(142)	(142)	(142)	
121 - Electrical & Smoke Alarm Testing (New Service within existing budgets)	(159)	(159)	(159)	(159)	(159)	(159)	
122 - New CCAS Service (New Service within existing staffing)	(100)	(100)	(100)	(100)	(100)	(100)	
123 - HR Admin. Personality tests carried out in-house	(4)	(4)	(4)	(4)	(4)	(4)	
124 - Reduction on Prudential Borrowing Charges (included within MTP line 20	0	(6)	(94)	(182)	(274)	(281)	
125 - Grounds Maintenance (Reduction in SLA cost)	(100)	(100)	(100)	(100)	(100)	(100)	
128 Total Revenue Other Efficiency Savings included	(505)	(511)	(599)	(687)	(779)	(786)	
129 TOTAL REVENUE SAVINGS	(2,127)	(2,034)	(2,427)	(2,515)	(2,607)	(2,614)	
130 TOTAL CAPITAL SAVINGS	(8,709)	0	(6,229)	(3,178)	(720)	(728)	
131 GRAND TOTAL	(10,836)	(2,034)	(8,656)	(5,693)	(3,327)	(3,342)	