

Report To:	CABINET	Date:	24 TH NOVEMBER 2016
Heading:	UPDATE ON THE COUNCIL'S BUDGETS POST TRANSFER OF AHL		
Portfolio Holder:	CORPORATE SERVICES, HOUSING & ASSET MANAGEMENT		
Ward/s:	N/A		
Key Decision:	NO		
Subject To Call-In:	NO		

Purpose Of Report

This report is intended to provide an update on the Council's General Fund and Housing Revenue Account (HRA) budgets following the decision to bring the housing service provided by Ashfield Homes Limited (AHL) back into the Council as at 30th September 2016.

Recommendation(s)

It is recommended that Cabinet notes the budget movements following the transfer of Ashfield Homes Ltd back to within the Authority.

In accordance with Financial Regulations it is also recommended that such changes be approved by Council.

Reasons For Recommendation(s)

It is recommended that Cabinet notes the movements on the budgets following the transfer of AHL back within the Authority.

Alternative Options Considered (With Reasons Why Not Adopted)

None – not considered as the new budgets will provide a clear picture of the operational costs of the Ashfield Homes Directorate enabling officers to make well-informed strategic decisions based upon detailed information provided.

Detailed Information

Background

On the 7th January 2016, Cabinet recommended that the Council should bring the housing service provided by Ashfield Homes Limited back in house in order to achieve significant efficiencies for potential reinvestment in the Council's housing services for tenants and in supporting other key services provided by the Council.

On the 14th April 2016, Council accepted the recommendation to dissolve Ashfield Homes Limited and served notice to terminate the Management Agreement and for Ashfield District Council to directly deliver the housing management function in-house at the latest by 30th April 2017 and for the necessary legal process to be followed in order to subsequently dissolve the Company.

Following a number of meetings and discussions with members and officers of both Ashfield Homes Limited and Ashfield District Council, a decision was taken to bring the housing service back in house from an earlier date, 30th September 2016. This decision was ratified by Council on 21st July 2016.

With effect, on the 1st October 2016 all Ashfield Homes budgets transferred to Ashfield District Council. The conclusion was that there was a zero net impact upon the Authority's General Fund budget, as illustrated in the table below:

CC Code	Cost Centre Name	Amount £	Recharge to HRA £	Recharge to GF £	Net Effect on GF £
G61000	Housing Administration	55,190	(55,190)		0
G62000	Housing Risk Management	61,300	(61,300)		0
G63000	Supported Housing Services	(24,120)		24,120	0
G63001	Supported Housing Services - Support Services	29,500	(29,500)		0
J41000	Housing Human Resources	45,260	(45,260)		0
J48000	Housing Policy & Communications	19,820	(19,820)		0
L50000	Housing IT	85,610	(85,610)		0
M46000	Housing Finance	87,320	(87,320)		0
	TOTAL MOVEMENTS	359,880	(384,000)	24,120	0

For the first half of the financial year, a monthly Management Fee was paid by the Council to the Company. With effect from October 2016 this fee is no longer paid. The Management Fee budget for the period October 2016 to March 2017 has been reallocated to create the relevant housing budgets within the Council. This is summarised in the table below:

ADC Management Fee Budget	
Agreed Annual Management Fee	11,012,259
Additional Audit Fee	2,800
Additional Homelessness Fee	55,000
TOTAL ANNUAL MANAGEMENT FEE	11,070,059
6 Months Management Fee which would be paid to AHL (Oct to March 2017)	5,535,030
AHL Budget reallocated to Housing Services provided direct by ADC	5,443,263
Difference	91,767
Difference explained as follows:	
Additional AHL Budget utilised for first 6 months due to timing (Apr to Sept 16)	84,701
AHL Budgeted Profit	5,670
Audit Element of Management Fee Full Year Paid	1,396
	91,767

The impact of re-distributing the applicable management fee payable to Ashfield Homes across the Council which has affected the HRA budgets as per the table below:

Cost Centre Name	Management Fee £
General Housing Revenue Account	1,457,896
Housing Services Older Persons & Special Needs	240,092
Lettings & Property Shop	192,455
Planned Maintenance	1,023,170
Responsive Repairs	1,165,550
Tenancy Services	908,275
Void Repairs	455,825
TOTAL MANAGEMENT FEE	5,443,263

It is recommended that Council approve the reallocation of these budgets and be aware that further adjustments may be necessary between Ashfield Homes Limited and Ashfield District Council as the company winds up.

Implications

Corporate Plan:

The Council's financial position has a direct impact on the Corporate Plan.

Legal:

Changes to the budget will require a recommendation to Council in accordance with Financial Regulations.

Finance:

This report is effective from immediate effect and has the following financial implications for 2016/17:

Budget Area	Implication
General Fund – Revenue Budget	No impact.
General Fund – Capital Programme	No impact
Housing Revenue Account – Revenue Budget	No impact. The reduction in the Management Fee budget is compensated by increases in housing expenditure within the Housing – Ashfield Homes Directorate.
Housing Revenue Account – Capital Programme	No impact.

Human Resources / Equality and Diversity:

There are no direct HR & Equality & Diversity implications within this report.

Other Implications:

None

Reason(s) for Urgency (if applicable):

N/A

Background Papers

None

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