

CABINET (HOUSING) COMMITTEE

19 June 2013

HOUSING REVENUE ACCOUNT 2012/13 OUTTURN

REPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)

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RECENT REFERENCES:

Cab2287 (HSG) – Housing Revenue Account Budget 2012/13 and Business Plan – 2012/13 to 2042/43 dated 1 February 2012

CAB2354 (HSG) – Housing Revenue Account 2011/12 Outturn dated 20 June 2012

CAB2386 (HSG) – Housing Revenue Account Revised 2012/13 Budget dated 19 September 2012

CAB2445(HSG) – Housing Revenue Account Budget 2012/14 and Business Plan 2013/14 to 2043/44 dated 30 January 2013

EXECUTIVE SUMMARY:

This report details the outturn for the Housing Revenue Account (HRA) for 2012/13. The final outturn results in a net surplus on the account of £0.725m, against a budgeted net deficit of £0.055m and an increase in the Major Repairs Reserve of £0.355m against a nil budget. Overall, this has resulted in an increase in “useable reserves of £1,135m. Significant variances are detailed in the report.

The report also recommends carry forwards totalling £1,114m to cover the costs of work where funds have been committed but works not yet completed. .

RECOMMENDATIONS:

That Cabinet (Housing) Committee:

- 1 Notes the financial performance information and considers whether further actions are required to address any areas of concern.
- 2 Recommend that Council approves the revenue carry forwards amounting to £0.414m as set out in paragraph 4.
- 3 Recommends that Council approves the Capital carry forwards amounting to £0.700m as detailed in paragraph 4

That The Overview & Scrutiny Committee:

- 4 Considers whether there are any matters of significance that it wants to draw to the attention of Cabinet, the Portfolio Holder or the Council.

CABINET (HOUSING) COMMITTEE

19 June 2013

HOUSING REVENUE ACCOUNT 2012/13 OUTTURN

REPORT OF HEAD OF HOUSING SERVICES

DETAIL:

1 Introduction

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced budget which funds all the Council's Housing Landlord services. The budget is funded directly by Housing rents and other income.
- 1.2 With effect from April 2012, the national subsidy system has been replaced by the new "Self Financing" regime. As part of "dissolving" the old system the City Council had to take on new external borrowing of £157million to fund the payment it had to make to Government. CAB2287 (HSG) dated 1 February 2012 provides the detailed background on this.
- 1.3 The 2012/13 budget included significant increased provision for property repairs and established a New Build programme providing sufficient funding to build 150 properties within 5 years. Year one has focussed on establishing a programme. In accordance with the HRA budget report to this Committee on 30 January 2013 (CAB2445 refers) £3.5M of internal debt was repaid on 31 March 2013. This is a temporary position and the updated new build programme which was considered by Cabinet (Housing Delivery) Committee assumed that £3.5M is "reborrowed" in 2014/15.
- 1.4 It should be noted that the figures in this report are the best available at the time the report was prepared. It is possible that some revisions might be possible until the accounts are fully closed and audited. Any material changes will be brought to Members' attention as soon as possible.

2 HRA 2012/13 Outturn

- 2.1 The HRA outturn shows a surplus of £0.725m (against a revised budgeted deficit of £0.055m). In addition, there is £0.355m in the Major Repairs reserve, compared to a nil budget. Overall, this results in an increase in "useable reserves" of £1.135m. Reasons for this are detailed below.
- 2.2 Actual expenditure and variances by service are detailed in Appendix 1. The key service summary variances include:

- a) Housing Management (General) – (£0.152m) – Reduced support service charges from other Council services. This is offset by an increase in these charges to other HRA services.
- b) HRA Contribution to Non Distributed Costs – (£0.082m) – Reduced audit fees and corporate expenses previously charged to the HRA to reflect work on the old subsidy returns which are no longer required following the introduction of “self-financing”.
- c) Rent Accounting – (£0.052m) - Reduced support service charges from other Council services. This is offset by an increase in these charges to other HRA services.
- d) New Build Programme Support - £0.045k – Increased charges for New Homes Delivery team staffing offset by a lower than budgeted spend on consultancy services.
- e) Central Control – (£0.027m) – Lower than budgeted spend on supplies and services and transport costs.
- f) Communal Services - £0.157m – Increased utility and other premises related costs which are partly offset by reduced premises costs to sheltered housing. This relates to a number of previous sheltered schemes now being classed as “general needs”.
- g) Extra Care - £0.078m – Increased staffing and reduced income, again partly offset by sheltered housing variances.
- h) Homelessness - £0.046m – Increased staffing costs and supplies costs resulting from an increase in the number of units of temporary accommodation.
- i) Sheltered Housing – (£0.340m) – Reduced premises costs offset by increased communal services costs set out in f) above. Also reduced staffing and support service costs. £0.080m provision for home loss payments to residents moving from Victoria House were not processed by the end of March and so provision needs to be carried forward to 2013/14 as set out in paragraph 4 below.
- j) Repairs Administration – There was an increase in support service charges from other Council services. This is offset by a reduction in these charges to other HRA services. Also, £0.334m provision to fund a stock condition survey of all properties needs to be carried forward to 2013/14 budget. Consultants have now been appointed, work will commence in July 2013.
- k) Repairs Works - £0.052m – Cost of responsive repairs slightly over budget, offset by a similar underspend on capital repairs. Overall, £12m repairs programme was on target and delivered as planned.

- l) Depreciation of Fixed Assets - £0.356m – The depreciation charge for 2012/13 is based on the updated Major Repairs Allowance (MRA) that was included in the self-financing settlement. This is part of the transition from the old subsidy system to the new self-financing arrangements. The depreciation charge has been increased because it now includes that part of the MRA which relates to disabled adaptations costs. These were not included in the original budget. This has resulted in a corresponding increase to the Major Repairs Reserve and does not impact on the overall useable reserves available.
- m) Other Income – (£0.038m) –. Increased charges in relation to leasehold repairs
- n) Capital Expenditure funded by HRA – (£0.513m) – Whilst the Major Repairs Capital programme was on target there was an overall underspend on the capital programme of £0.548m (6.7%). After taking account of other changes in resources available to pay for the capital programme there was a reduction of £0.513m in the level of capital expenditure funded directly from the HRA. Carry forwards for Estate Improvements, New Build, and IT totalling £0.700m are recommended in paragraph 4 below. These can be funded from this saving in 2012/13 and the increase in Major Repairs Reserve.

2.3 With regard to the Subjective Summary detailed in Appendix 2, significant variances include:

- a) Employees – (£0.043m) – Relates to vacancy management.
- b) Premises – (£0.159m) –Reduced grounds maintenance contract costs and reduced sewage treatment maintenance costs as a result of Street Care team costs being charged to support services. rather than premises.
- c) Supplies and Services – (£0.485m) – Carry forwards for the Stock survey and provision for Home loss payments are recommended in paragraph 4.1 below.
- d) Support Services - £0.250m – Increased charges from some internal services and costs of Street Care team now charged here rather than to “premises”.
- e) Net Interest – (£0.088m) – There were lower interest costs as variable borrowing rates were less than expected and interest received was higher than expected as balances and the interest rate received on those balances were higher than expected.

3 HRA Capital Programme

- 3.1 The HRA Capital Programme was increased significantly for 2012/13 following the implementation of Self Financing. The final outturn was a spend of £7.268m against a budget of £8.206m. Key variances included:
- a) Major Repairs - £0.201m – Programme fully committed with demand for some essential repairs higher than predicted.
 - b) New Build – (£0.316m) – There was lower than predicted spend on first year schemes. A full report was submitted to Cabinet (Housing Delivery) Committee on 22 May 2013 (CAB 2486 refers). It is proposed to carry forward the full £0.316m to fund future schemes. It is expected that £0.063m will be required in 2013/14 with the balance of £0.253m being required in 2014/15.
 - c) Whitewings - £0.050m – Conversion costs of bringing vacant wing back into use higher than predicted, partly due to additional works requested by existing tenants. 14 new units now completed and occupation is underway.
 - d) Estate Improvements – (£0.368m) – Stanmore proposals are now scheduled for completion in mid-2013 as detailed in CAB2426(HSG) dated 10 December 2012.
 - e) Disabled Adaptations – (£0.057m) – Demand for adaptations was lower than predicted in the first half of 2012/13.
 - f) Orchard Upgrade - £0.024m – Major upgrade completed, although works delayed by corporate infrastructure changes. One module still outstanding, although works will commence as soon as corporate developments are completed.
 - g) Asset Management Solution – (£0.009m) – New system developed and tested. However, final developments to allow direct access from site have been delayed for similar reasons to f) above.

4 Proposals for Carry Forwards

- 4.1 As stated in paragraphs 2 and 3 above, a number of “carry forwards totalling £1,114m are recommended to fund those programmes which were not completed as originally planned in 2012/13. These programmes can be funded from the reduced spend on “Capital Expenditure funded by the HRA” and remaining provision in the Major Repairs Reserve. Details of all carry forward proposals are summarised in the tables below:

Revenue Carry Forward Proposals	Carry Forward	Reason
Stock Condition Survey	£334,000	See 2.2 j) above
Revenue Home loss payments	£80,000	Residents moved late in the year and final payments still being processed
Total:	£414,000	

Capital Carry Forward Proposals	Carry Forward	Reason
Stanmore Estate Improvements	£350,000	See 3.1 d) above
New Build Programme	£316,000	See 3.1 b) above
Orchard Upgrade	£24,000	See 3.1 f) above
Keystone Asset Mgt System	£10,000	See 3.1 g) above
Total:	£700,000	

OTHER CONSIDERATIONS:

5 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 5.1 Preparation of the budget had regard to the Community Strategy. Monitoring of income and expenditure and review of the final position is an intrinsic part of measuring whether the Strategy's objectives have been achieved.

6 RESOURCE IMPLICATIONS:

- 6.1 These are contained in the detail of the report.

7 RISK MANAGEMENT ISSUES

- 7.1 The potential risks associated with the operation of the HRA are assessed in detail through a formal risk assessment process to determine targets for retained balances. The HRA outturn set out in this report complies with the targets set through that risk assessment.

8 TACT COMMENT

- 8.1 TACT has reviewed the report and is pleased to note the additional spend on tenants properties has been delivered as promised. There is some concern that the Council was not able to commit its new build budget in the first year, although TACT is really excited to note the progress now being made with schemes in Otterbourne, Itchen Abbas and Micheldever and proposed schemes in Weeke and the town centre.

BACKGROUND DOCUMENTS:

Documents held in the Finance and Housing Services teams.

APPENDICES:

Appendix 1 Summary of Service Budgets – Housing Revenue Account 2012/13

Appendix 2 Subjective Analysis – Housing Revenue Account 2012/13

Appendix 3 HRA 2012/13 Capital Programme Outturn

Housing Revenue Account Outturn 2012/13 - Service Summary

Service Summary	2012/13 Revised Budget	2012/13 Actual to date	Variance	Notes
Housing Management General	£	£	£	
Estate Management	785,316	786,586	1,270	
HRA General	1,237,439	1,085,016	(152,423)	See para 2.2 a)
HRA Contribution to Non-Distributed Costs	176,807	176,134	(673)	
Employees-IAS19 Adjustment	(166,130)	(166,130)	0	Reversed below
HRA Contribution to Democratic Core	142,427	60,372	(82,055)	See para 2.2 b)
Joint Housing Register	64,000	64,620	620	
Removal Incentive Scheme	6,000	1,500	(4,500)	
Rent Accounting	258,331	205,681	(52,650)	See para 2.2 c)
Tenants Information	93,219	93,372	153	
Vacant Dwellings	33,292	44,873	11,581	
New Build Programme Support	335,597	380,657	45,060	See para 2.2 d)
	2,966,298	2,732,681	(233,617)	
Housing Management Special				
Central Control	115,806	89,015	(26,791)	See para 2.2 e)
Communal Services	(23,772)	133,645	157,417	See para 2.2 f)
Disabled Adaptations	130,141	117,380	(12,761)	
Estate Maintenance	358,286	374,160	15,874	
Extra Care	1,827	79,535	77,708	See para 2.2 g)
Homelessness	(81,224)	(35,015)	46,209	See para 2.2 h)
Sewage Works	178,622	168,753	(9,869)	
Sheltered Housing	1,242,289	902,194	(340,095)	See para 2.2 i)
	1,921,975	1,829,667	(92,308)	
Repairs				
Repairs Administration	1,505,255	1,277,759	(227,496)	See para 2.2 j)
Repairs Works	3,770,000	3,822,176	52,176	See para 2.2 k)
	5,275,255	5,099,935	(175,320)	
Debt Management Expenses	43,029	56,015	12,986	
External Interest Payable	5,167,946	5,167,926	(20)	
Depreciation of Fixed Assets	5,297,232	5,652,978	355,746	See para 2.2 l)
Amortisation of Intangibles	0	16,739	16,739	
Revaluation Losses	3,839,645	3,839,645	(0)	Reversed below
Capital Grants and Contributions	(50,024)	(50,024)	0	Reversed below
	14,297,828	14,683,278	385,450	
Housing Subsidy	0	(14,891)	(14,891)	
Rents and Other Income				
Dwelling Rents	(23,630,000)	(23,591,412)	38,588	
Garage Rents	(813,000)	(817,022)	(4,022)	
Other Income	(239,000)	(277,182)	(38,182)	See para 2.2 m)
Sheltered Charges	(512,305)	(510,316)	1,989	
Supporting People	(608,620)	(592,426)	16,194	
Net Sale of Assets Proceeds	(753,190)	(753,190)	0	Reversed below
	(26,556,115)	(26,541,548)	14,567	
Surplus for year on HRA Services	(2,094,759)	(2,210,877)	(116,118)	

SEE next page for "Adjustments, Transfers and Balances"

Housing Revenue Account Outturn 2012/13 - Service Summary (cont)

	2012/13 Revised Budget	2012/13 Actual to date	Variance	Notes
	£	£	£	
Surplus for year on HRA Services	(2,094,759)	(2,210,877)	(116,118)	
Adjustments between accounting basis and funding basis under statute and transfers between reserves:				
Capital Expenditure funded by HRA	1,461,000	948,288	(512,712)	See para 2.2 n)
Asset Disposal Administration	(22,100)	(19,500)	2,600	Balance Sheet
HRA Interpool Interest Payable	139,808	123,191	(16,617)	See para 2.3 f)
HRA Interpool Interest Receivable	(20,416)	(91,321)	(70,905)	See para 2.3 f)
Reversal of Capital Grants and Contributions	50,024	50,024	(0)	Balance Sheet
Reversal of Sale Proceeds	1,702,150	1,702,150	0	Balance Sheet
Reversal of Cost of Disposals	(948,960)	(948,960)	0	Balance Sheet
Reversal of Retirement Benefits	(373,680)	(373,680)	0	Balance Sheet
Reversal of Employers Contributions in Year	435,000	435,000	0	Balance Sheet
Reversal of Depreciation and Impairment	(5,652,978)	(5,652,978)	0	Balance Sheet
Reversal of Intangibles	(16,739)	(16,739)	0	Balance Sheet
Reversal of MRA	5,669,717	5,669,717	(0)	Balance Sheet
Reversal of Revaluations	(3,839,645)	(3,839,645)	0	Balance Sheet
	(1,416,819)	(2,014,452)	(597,633)	
Net (increase)/decrease in HRA Balance before transfers to or from reserves	(3,511,578)	(4,225,329)	(713,751)	
Transfer to Capital Adjustment a/c re: Debt Repayment	3,500,000	3,500,000	0	
Transfer re Insurance Reserve	66,300	0	(66,300)	
(Increase)/ decrease in HRA Balance	54,722	(725,329)	(780,051)	
HRA Working Balance				
Opening Balance	(1,957,358)	(1,957,358)	0	
Add Projected Deficit/(Surplus)	54,722	(725,329)	(780,051)	
Projected Balance at Year End	(1,902,636)	(2,682,687)	(780,051)	
Reserves				
HRA Working Balance as at 31/3/13	(1,902,636)	(2,682,687)	(780,051)	
Major Repairs Reserve as at 31/3/13	0	(354,551)	(354,551)	
	(1,902,636)	(3,037,238)	(1,134,602)	

Housing Revenue Account 2012/13 Outturn - Subjective Summary

Subjective Summary	2012/13		Variance	Notes
	Revised Budget	Actual to date		
	£	£	£	
Employees	3,122,663	3,079,767	(42,896)	See para 2.3 a)
Employees-IAS19 Pension Adjustment	(61,320)	(61,320)	0	Reversed below
Premises	5,164,092	5,004,709	(159,383)	See para 2.3 b)
Transport	270,194	268,111	(2,083)	
Supplies & services	972,900	487,875	(485,026)	See para 2.3 c)
Third party payments	61,000	41,586	(19,414)	
Support Services	1,772,258	2,022,079	249,821	See para 2.3 d)
External Interest Payable	5,167,946	5,167,926	(20)	
Depreciation on Fixed Assets	5,297,232	5,652,978	355,746	See para 2.2 l)
Amortisation of Intangibles	0	16,739	16,739	
Revaluation Losses	3,839,645	3,839,645	(0)	Reversed below
External income	(26,898,155)	(26,927,757)	(29,602)	See para 2.2 m)
Net Sale of Assets Proceeds	(753,190)	(753,190)	0	Reversed below
Capital Grants and Contributions	(50,024)	(50,024)	0	Reversed below
Surplus for year on HRA Services	(2,094,759)	(2,210,877.32)	(116,118)	
Adjustments between accounting basis and funding basis under statute and transfers between reserves:				
Capital Expenditure funded by HRA	1,461,000	948,288	(512,712)	See para 2.2 n)
Asset Disposal Administration	(22,100)	(19,500)	2,600	Balance Sheet
HRA Interpool Interest Payable	139,808	123,191	(16,617)	See para 2.3 f)
HRA Interpool Interest Receivable	(20,416)	(91,321)	(70,905)	See para 2.3 f)
Reversal of Capital Grants and Contributions	50,024	50,024	(0)	Balance Sheet
Reversal of Sale Proceeds	1,702,150	1,702,150	0	Balance Sheet
Reversal of Cost of Disposals	(948,960)	(948,960)	0	Balance Sheet
Reversal of Retirement Benefits	(373,680)	(373,680)	0	Balance Sheet
Reversal of Employers Contributions in Year	435,000	435,000	0	Balance Sheet
Reversal of Depreciation and Impairment	(5,652,978)	(5,652,978)	0	Balance Sheet
Reversal of Intangibles	(16,739)	(16,739)	0	Balance Sheet
Reversal of MRA	5,669,717	5,669,717	(0)	Balance Sheet
Reversal of Revaluations	(3,839,645)	(3,839,645)	0	Balance Sheet
	(1,416,819)	(2,014,452)	(597,633)	
Net (increase)/decrease in HRA Balance before transfers to or from reserves	(3,511,578)	(4,225,329)	(713,751)	
Transfer to Capital Adjustment a/c re: Debt Repayment	3,500,000	3,500,000	0	
Transfer re Insurance Reserve	66,300	0	(66,300)	
(Increase)/ decrease in HRA Balance	54,722	(725,329)	(780,051)	
HRA Working Balance				
Opening Balance	(1,957,358)	(1,957,358)	0	
Add Projected Deficit/(Surplus)	54,722	(725,329)	(780,051)	
Projected Balance at Year End	(1,902,636)	(2,682,687)	(780,051)	
Reserves				
HRA Working Balance as at 31/3/13	(1,902,636)	(2,682,687)	(780,051)	
Major Repairs Reserve as at 31/3/13	0	(354,551)	(354,551)	
	(1,902,636)	(3,037,238)	(1,134,602)	

HRA Capital Programme - 2012/13 Outturn

<u>Capital Programme - 2012/13</u>	FAV/(ADV)			Full Year Budget Underspend £000s	Carry Forward Requested £000s	VARIANCE EXPLANATIONS
	Full Year Budget 2012/13 £000s	Year to Date Actual £000s	% FY Budget Spent / Committed %			
	<u>Housing Revenue Account</u>					
<u>ACTIVE COMMUNITIES</u>						
Major repairs	5,970	6,171	103%	-201		Offset by reduced spend on revenue repairs and disabled adapts
New Build / Stock Adaptation	657	341	54%	316	316	Programme revised at Cabinet (New Homes) Ctte in May 2013
Sheltered Housing Improvements	260	310	127%	-50		Additional works required at Whitewings
Estate Improvements	550	182	33%	368	350	Stanmore schemes now scheduled for completion mid 2013
Disabled Adaptations	610	553	91%	57		Reduced demand in first half of year
Orchard Upgrade	40	16	40%	24	24	Tenants Self service module still to be procured
Asset Management Solution	51	42	82%	9	10	System operational - Hand held terminals still required
Sewage Treatment Works	68	43	63%	25		
TOTAL HOUSING REVENUE ACCOUNT	8,206	7,657	94%	549	700	