

CABINET

21 JUNE 2006

HOUSING REVENUE ACCOUNT OUTTURN 2005/06

REPORT OF THE DIRECTOR OF COMMUNITIES

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RECENT REFERENCES:

CAB857 - Housing Strategy & HRA Business Plan 2004 dated 20 April 2004

HO49 – Housing Revenue Account 2005/06 dated 15 December 2004

CAB 1178 – Housing Revenue Account Budget dated 14 December 2005

CAB1231 – Delivering Decent Homes – The HRA Business Plan Update 2006/07 dated 22 March 2006

EXECUTIVE SUMMARY:

This report provides an overview of actual expenditure against the Housing Revenue Account (HRA) budget for 2005/06. The full Statement of Accounts for 2005/06 will be presented to the Statement of Accounts Committee meeting on 27 June 2006. The figures reported here are provisional, as the full work on the Statement has not been completed yet. However, no significant changes are expected.

The budget variance for the HRA totals £86,625 for 2005/06, against a working budget deficit of £266,120. The main reason for this improved position relates to the proposed recharge to the capital programme for staff time spent on capital projects.

RECOMMENDATIONS:

That a further report on the future funding of the Central Control service be brought back to Cabinet in September 2006.

CABINET

21 June 2006

HOUSING REVENUE ACCOUNT SERVICES OUTTURN 2005/06

REPORT OF THE DIRECTOR OF COMMUNITIES

DETAIL:

1 Introduction

- 1.1 This report provides an overview of the actual Housing Revenue Account (HRA) expenditure against budget for 2005/06. Outturn on Housing capital expenditure is included in report CAB1268 elsewhere on the agenda for this meeting.
- 1.2 Appendices 1 and 2 to the report give a summary of actual expenditure showing variances from the working budget. Significant variances are detailed below.
- 1.3 More detail of the services can be found in the Budget Book 2006/07 on pages 6.29 to 6.35.

2 Background

- 2.1 The Housing Revenue Account (HRA) is a ring-fenced budget which funds all the Council's Housing Landlord services. The budget is funded by Housing rents and other income, offset by "negative Subsidy", which is a payment back to government to reflect what they consider to be the difference between the rent we collect and what providing our services should cost. In councils where the level of rent collected is less than the assessed cost of services, the government pay subsidy (funded from the negative subsidy collected from councils such as Winchester). For 2005/06, the City Council will pay over £6 million in negative subsidy, equating to over a third of all rent paid. This is partly offset by the major repairs allowance (MRA) which funds capital repairs as set out in report CAB1268. The MRA, which amounted to £3.25 million for 2005/06 does not directly form part of the HRA, although provision for depreciation included in Capital Financing Costs (line n of Appendix 1) equates to the same amount.
- 2.2 The 2004-34 HRA Business Plan gave long term financial projections for the HRA, taking into account requirements for achieving the Decent Homes standard and maintaining decency and existing service levels. These indicated that whilst the HRA could remain in balance to beyond 2010, the projections were very sensitive to external changes, such as changes to the subsidy system.

3 Actual Expenditure

- 3.1 The actual outturn position for the HRA for 2005/06 is indicated in appendices 1 and 2 to this report.
- 3.2 The HRA had a net deficit of £86,625 for 2005/06, against a working budget deficit of £266,120. The main reason for this improved position relates to the recharge to the capital programme for staff time spent on capital projects as detailed in 3.3 b) below.

3.3 Comments on the variances on the 2005/06 HRA are included in Appendix 1. Further information relating to the significant variances is provided below:

- a) Housing Management General – This budget relates to the general supervisory and management costs of delivering services to tenants. It includes Landlord Services management, administration, estate management, rent accounting and tenant involvement (i.e. services enjoyed by all tenants rather than those special services received by specific tenants such as sheltered housing, sewage works etc). Increased costs for 2005/06 arose from FRS17 accounting rules which required additional pension costs to be charged to salary budgets (offset by the transfer to the pension reserve shown in line w) of appendix 1). Other additional costs included the use agency staff to cover critical posts (significantly less than previous years), recruitment costs, costs relating to the completion of the Housing Options project, payments to assist moving supported tenants and the cost of additional incentives as part of the sheltered housing trial scheme. These were partly offset by the reduced provision to the insurance reserve as detailed in 5.1 below.
- b) Repairs Administration – This budget relates to the costs of delivering the revenue repairs programme. However, traditionally, all Property Services staff costs have been included. In reality, a significant amount of staff time is spent on delivering the capital elements of the Repairs programme and these costs should therefore be charged accordingly. As part of the financial analysis work undertaken by Butlers for the Options Appraisal project, the treatment of these costs was highlighted as giving an inaccurate picture of the HRA financial health, as the Major Repairs Allowance provided through the subsidy system includes provision for management and professional services fees. The 2006/07 budget has been amended to reflect this (CAB1178 dated 14 December refers) and a total recharge of £279,746 has also been made to the Capital programme for 2005/06 (equivalent to 8.6% of the total cost of works). This has been included within the Capital outturn detailed in report CAB1268 elsewhere on this agenda.
- c) Dwelling Rents – The £60,100 variance to this budget relates to empty properties in sheltered schemes. Demand for this service continues to fall and a number of steps have been taken to address this. In the last year, additional incentives have been offered, open days and assisted viewings have been held and the policy to let some units to over 40's has been extended to ground floor units. However, with so many national and local initiatives now aimed at supporting people to stay in their own home for longer, more radical options now need to be considered. The Supported Housing Informal Member/Officer Group will be reviewing options and making recommendations for further longer term changes in the coming months.
- d) Estate Maintenance – The £36,825 variance on this service relates to the significant increase in the cost of essential maintenance to trees on housing land. This has resulted from the more systematic inspection of trees undertaken by the Council's Environment team. 40% of the cost of works to trees on general estates has been recharged to the General Fund in line with the proportion of properties now sold under right to buy.
- e) Sewage Works – The variance of £60,132 has resulted from increased maintenance costs following changes to a number of plants to meet higher

quality standards now demanded by the Environment Agency and also increased costs of cesspool emptying. A proportion of this additional cost will be recovered through charges to private residents connected to schemes and the charges for 2006/07 have taken this increase into account.

4 HRA Balances

- 4.1 The budget outturn has resulted in a net working balance on the account of £1,162,850 (compared to a budgeted balance of £1,056,744). This is made up of £831,677 of general balances and the £331,174 insurance reserve (provision to cover for excess payments for insurance related. The insurance reserve has been reduced this year following actuarial advice based on recent claims history.

5 Central Control

- 5.1 This service charged the HRA £365,000 for emergency call and mobile warden services provided to sheltered housing schemes. The cost of the service is met from a combination of service charges to sheltered tenants and Supporting People (SP) grant received from Hampshire County Council. Included within SP grant for the last three years has been a "windfall" element to cover ongoing pooled costs where traditionally the full cost of services had not been passed onto tenants. However, with effect from April 2006, SP grants can only be based on direct cost of providing support to individual tenants. For City Council sheltered services, these have been set at or very near the maximum grant payable and it is projected that this will result in a shortfall of £70,000 to cover the cost of this service in 2006/07. The County Council regard much of the emergency call service provided to relate to "care" rather than "support" and accounting rules prevent the HRA from funding such services. The City Council will therefore need to consider whether the service changes in the coming months or whether alternative funding can be provided, either from the general fund, from other partners, or from increased charges to private customers. A more detailed report on this issue will be brought to members in September.

6 Definitions

- 6.1 A glossary of financial terms is included on pages 9.5 to 9.8 of the Budget Book 2006/07, but some common expressions used in this report are shown below.
- a) Original Budget – Budget approved by the Council in February 2005 as part of setting the Council Tax for 2005/06.
 - b) Working Budget – Original budget revised to take account of changes that have happened during the year (virements and supplementary estimates).
 - c) Variance – the difference between actual expenditure and income and the working budget, expressed in £s and %.
 - d) Brackets () – around figures indicate credits. This covers variances where expenditure is less than expected or income is greater than expected.
 - e) Service Summary – a list of the services delivered to the public.
 - f) Subjective Summary – the type of expenditure incurred in delivering the services.

OTHER CONSIDERATIONS:7 CORPORATE STRATEGY (RELEVANCE TO):

- 7.1 Preparation of the budget had regard to the Corporate 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.

8 RESOURCE IMPLICATIONS:

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

9 TACT COMMENT

- 9.1 The TACT chairs are meeting with Council staff to discuss this report and provide their comments after the official dispatch deadline. It is therefore requested that TACT be requested to provide a verbal response to the report at the meeting.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Health and Housing Department and the Finance Department

APPENDICES:

Appendix 1 Summary of Service Budgets – Housing Revenue Account 2005/06

Appendix 2 Subjective Analysis – Housing Revenue Account 2005/06

HOUSING REVENUE ACCOUNT OUTTURN 2005/06

<i>Service Summary</i>							
2005/06		2005/06	2005/06	Variance	Variance		
Original Budget	Description	Working Budget	Actual		%	Comments	
£		£	£	£	%		
(1)	(2)	(3)	(4)	(5)	(6)		
a)	2,195,770	Housing Management - General	2,269,040	2,321,043.37	52,003.37	2	Increased pension charges offset by transfer in line w). Also, agency staff, recruitment costs and increased supplies costs
		Housing Management - Special				0	
b)	1,225,980	- Sheltered services	1,196,770	1,180,365.21	(16,404.79)	(1)	Reduced staffing costs following scheme manager reductions
c)	86,370	- Communal services	91,170	98,514.29	7,344.29	8	Additional cleaning (recharged to tenants for 2006/07)
d)	(51,390)	- Homelessness	(230)	29,856.21	30,086.21	13,081	£9k reduced rent. Increased staff costs offset by SP Grant in line r)
e)	170,310	- Estate maintenance	174,620	211,444.84	36,824.84	21	Significant increase in urgent tree work
f)	111,360	- Sewage	78,830	138,962.34	60,132.34	76	Increased maintenance costs + external legal fees
g)	0	- Emergency Central Control	0	0.00	0.00	0	
h)	340,000	- Disabled Adaptations	338,750	323,158.31	(15,591.69)	(5)	Variance due to programming - significant amount of "work in progress"
i)	380	- Itchenstoke Borehole	0	0.00	0.00	0	
j)	<u>1,883,010</u>	Total Housing management Special	<u>1,879,910</u>	<u>1,982,301.20</u>	<u>102,391.20</u>	<u>5</u>	
k)	2,930,000	Repairs works	2,890,000	2,929,936.03	39,936.03	1	£81k overspent on repairs works offset by £41k income from recharges
l)	1,062,190	Repairs administration	1,023,990	777,270.18	(246,719.82)	(24)	Salaries relating to MRA works recharged to capital programme
m)	60,930	Housing benefits	81,800	81,804.00	4.00	0	
n)	3,937,850	Capital financing costs	3,910,120	3,899,628.81	(10,491.19)	(0)	
o)	(16,689,840)	Dwelling Rents	(16,505,000)	(16,444,900.01)	60,099.99	0	Low demand for sheltered hsg resulted in longer void period than budgeted
p)	(442,350)	Garage Rents	(442,350)	(446,900.31)	(4,550.31)	(1)	
q)	(159,300)	Other Rents	(159,300)	(188,822.10)	(29,522.10)	(19)	Relates to non operational assets + rents collected for partners (Makins Ct)
r)	(656,050)	Supporting People	(669,000)	(720,980.71)	(51,980.71)		Increased grant from HCC for additional support provided to tenants
s)	(346,520)	Sheltered Charges	(217,000)	(215,972.86)	1,027.14	0	
t)	(60,000)	Other Income	(25,000)	(26,963.41)	(1,963.41)	0	
u)	<u>(18,354,060)</u>	Total Rents and Other Income	<u>(18,017,650)</u>	<u>(18,044,539.40)</u>	<u>(26,889.40)</u>	<u>(0)</u>	
v)	6,191,380	Housing subsidy	6,228,910	6,219,432.00	(9,478.00)	0	
w)	0	Transfer re Pension Reserve	0	(80,250.77)	(80,250.77)	0	
x)	<u>(92,930)</u>	Net HRA (Surplus)/Deficit	<u>266,120</u>	<u>86,625.42</u>	<u>(179,494.58)</u>	<u>(67)</u>	

HOUSING REVENUE ACCOUNT OUTTURN 2005/06

<i>Subjective Summary</i>						
2005/06			2005/06	2005/06		
Original Budget	Description	Working Budget	Actual	Variance	Variance	
£		£	£	£	%	
(1)	(2)	(3)	(4)	(5)	(6)	
a) 2,415,470	Employees	2,334,260	2,481,340.36	147,080.36	6	
b) 3,950,240	Premises	3,874,200	4,229,882.62	355,682.62	9	
c) 146,980	Transport	135,110	137,258.80	2,148.80	2	
d) 244,180	Supplies and services	170,570	302,264.96	131,694.96	77	
f) 115,750	Third party payments	104,000	36,887.10	(67,112.90)	(65)	
g) 0	Transfer payments	0	3,000.00	3,000.00	0	
h) 4,260,800	Capital financing	4,139,080	4,122,225.81	(16,854.19)	(0)	
l) 1,772,380	Management overheads	1,895,930	1,832,818.59	(63,111.41)	(3)	
j) <u>12,905,800</u>	Total Expenditure	<u>12,653,150</u>	<u>13,145,678.24</u>	<u>492,528.24</u>	<u>4</u>	
k) (12,676,370)	External income	(12,177,810)	(12,405,642.80)	(227,832.80)	(2)	
l) (30,240)	Internal contributions to GF	(30,240)	(30,860.00)	(620.00)	0	
m) (85,620)	Recharges	(81,350)	(374,118.00)	(292,768.00)	(360)	
n) <u>(12,792,230)</u>	Total Income	<u>(12,289,400)</u>	<u>(12,810,620.80)</u>	<u>(521,220.80)</u>	<u>(4)</u>	
o) (206,500)	Transfers	(97,630)	(248,432.02)	(150,802.02)	(154)	
p) <u>(92,930)</u>	Net HRA (Surplus)/Deficit	<u>266,120</u>	<u>86,625.42</u>	<u>(179,494.58)</u>	<u>(67)</u>	

<u>WORKING BALANCE</u>						
q) (1,319,752)	Opening Balance	(918,302)	(918,302.01)	0.00		
r) <u>(92,930)</u>	(Surplus)/Deficit for year	<u>266,120</u>	<u>86,625.42</u>	<u>(179,494.58)</u>		
s) <u>(1,412,682)</u>	Closing Balance	<u>(652,182)</u>	<u>(831,676.59)</u>	<u>(179,494.58)</u>		
t) 0	HRA Insurance Reserve	(404,562)	(331,173.75)	73,388.25		
u) <u>(1,412,682)</u>	Total HRA Reserves	<u>(1,056,744)</u>	<u>(1,162,850.34)</u>	<u>(106,106.33)</u>		