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| Joint Report of: | Head of Finance Head of Housing & Partnerships |
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| Portfolio Leader: | Housing |
| Key Decision: | No |
| Report Track: | Cabinet: 08/08/19 |

**CABINET
8 AUGUST 2019
HOUSING REVENUE ACCOUNT – FINAL ACCOUNTS 2018-19**

1 Purpose of Report

- 1.1 To present to the Cabinet the final accounts position for the Housing Revenue Account (HRA) 2018/19.

2 Recommendations

- 2.1 That the final accounts position of the HRA for the year ending 31 March 2019 be noted.
- 2.2 That the financing of the capital programme as outlined in the report be approved.

3 Key Issues and Reasons for Recommendation

- 3.1 The overall revenue account position shows net expenditure reducing by £0.042 million when compared with the budget agreed by Council.
- 3.2 Income at 31 March, 2019 was £19.681 million, broadly in line with the revised budget position of £19.714 million reported to Cabinet in February 2019.
- 3.3 Expenditure at 31 March 2019 was £19.847 million compared to the revised budget position of £19.922 million reported to Cabinet in February 2019. The £0.0750 million decrease in expenditure relates primarily to savings in supervision and management, repairs and maintenance, provision for bad debts partly offset by net additional capital financing costs.

- 3.4 The final accounts therefore show a use of working balances of £0.166 million compared with a planned use of £0.208 million, a reduction of £0.042 million.
- 3.5 Working balances at 31 March 2019 are now £1.573 million compared to the £1.531 million reported to Cabinet in February 2019.
- 3.6 The report sets out the capital outturn of £6.349 million compared to a budget of £7.682 million a reduction of £1.333 million. Details of financing for the current year and resources available are also included.

4 Relationship to Corporate Priorities

- 4.1 The implementation of the 2018-19 HRA budget contributed to a number of the service aims within the Housing section of the 2018-19 Promoting Prosperity Priority Delivery Plan.

5 Report Detail

- 5.1 This report provides an analysis of the final accounts position for 2018-19. It covers the following accounts:-
- Housing Revenue Account – which bears the revenue cost of providing day-to-day services to housing tenants;
 - Housing Revenue Account Capital expenditure and how it is financed.
- 5.2 The Council's statutory Statement of Accounts was drafted and presented to the Grant Thornton team to complete the financial statements audit during June and July 2019. The audited Statement of Accounts was then presented to and approved by the Audit and Governance Committee 29 July, 2019.

Housing Revenue Account Outturn

- 5.3 The table below summarises the provisional outturn position of the Housing Revenue Account for the year compared with the budget position.

| Housing Revenue Account Outturn 2018-19 | | | |
|--|-----------------------|-----------------------|-----------------|
| | Revised Budget | Actual Outturn | Variance |
| | 2018-19 | 2018-19 | 2018-19 |
| | £'000 | £'000 | £'000 |
| Income | | | |
| Dwelling Rent | (19,308) | (19,282) | 26 |
| Non Dwelling Rent | (355) | (346) | 9 |
| Interest | (2) | (0) | 2 |
| Other | (12) | (15) | (3) |
| General Fund Contribution | (37) | (38) | (1) |
| Total Income | (19,714) | (19,681) | 33 |
| Expenditure | | | |
| Repairs and Maintenance | 4,638 | 4,545 | (93) |
| Bad Debt Provision | 75 | 15 | (60) |
| Supervision & Management | | | |
| General | 3,380 | 3,289 | (91) |
| Special | 915 | 831 | (84) |
| Total Management | 4,295 | 4,120 | (175) |
| Capital Financing | 6,299 | 7,051 | 752 |
| RCCO | 4,615 | 4,116 | (499) |
| Total Expenditure | 19,922 | 19,847 | (75) |
| Working Balance Transfer | (208) | (166) | 42 |

- 5.4 The Housing Revenue Account Net Expenditure for the 2018/19 financial year was set by the Cabinet in February 2018 with a transfer from Working Balances of £0.030 million. In determining the 2019/20 Budget in February 2019 Council approved the Revised Budget transfer from working balances for 2018/19 of **£0.208 million**.
- 5.5 The table shows that net expenditure was (£0.166 million), (£0.042 million) less than anticipated.
- 5.6 The principal variations (greater than £10,000) are as follows ((+) is an unfavourable variance (-) is a favourable variance):

Repairs and Maintenance

- Level of responsive repairs £93,000(-)

Bad Debts Provision

- Review of requirement

Supervision and Management General

- Staff vacancies £19,000(-)
- Level of repairs £10,000(-)
- Supplies and Services General underspends £52,000(-)
- Other (9,000)-

Supervision and Management Special

- Lower decorations spend £63,000(-)
- Lower minor works spend on sheltered schemes £25,000(-)
- Reduced income Leasehold flats £14,000
- Other underspends £10,000(-)

Capital financing

- Additional depreciation arising from revaluation of plant & machinery – sheltered schemes

RCCO

- Balancing transfer following calculation of minimum working balance

5.7 As a result of the changes in income and expenditure outlined above, the net deficit, which was estimated in respect of the 2018-19 HRA, has reduced by £0.042 million.

5.8 This has resulted in a change to working balances, which at 31 March 2019 are now £1.573 million compared to the £1.531 million reported to Council in February 2019.

Capital Outturn

5.9 The 2018-19 HRA Capital Programme was determined by Council in February 2018 and was reviewed as part of the 2019/20 Budget in February 2019.

5.10 Details of the outturn expenditure in relation to the 2018-19 HRA capital programme is outlined in Appendix 1. This shows that total spend was £6,349 million in 2018/19 which was £1.333 million less than the revised budget set in February 2019 of £7.682 million.

5.11 The main items of capital slippage are;

- £0.444 million External Envelope Works
- £0.194 million Housing Service Vehicles
- £0.198 million Kitchen Replacement
- £0.132 million Moss Road Estate New Build

5.12 Details of the achievements against the targets in respect of dwelling improvements which resulted from the implementation of the 2018-19 HRA capital programme are detailed below.

| Improvements | Target Outputs 2018-19 | Actual Outputs (31 March) | Variance |
|---|-------------------------------|----------------------------------|-----------------|
| External and Environmental Works | 725 | 725 | - |
| Kitchen Improvements | 45 | 30 | -15 |
| Bathroom Improvements | 120 | 174 | 54 |
| Central Heating Improvements | 400 | 411 | 11 |
| Electrical Upgrades | 500 | 540 | 40 |
| Window Refurbishment and Double Glazing | 20 | 4 | -16 |
| Provision of Council Dwellings | 28 | 28 | - |

5.13 The capital programme of £6.349 million was financed in the following way.

| Capital Financing | £'000 |
|----------------------------------|--------------|
| Capital grants and contributions | 407 |
| Major Repairs Reserve | 2,273 |
| Capital receipts | 405 |
| Direct Revenue Financing | 693 |
| Borrowing | 2,571 |
| Total | 6,349 |

5.14 After financing the HRA capital programme, the HRA has £6.914 million of capital resources as at 31 March, 2019 to finance the programme up to 2022/23.

5.15 The uncommitted resources as at 31 March, 2023 are now estimated to be £1.081 million, a £0.209 million increase on the forecast as included in the Approved Budget. This is primarily due to additional affordable housing and 1-4-1 receipts, partly offset by a reduction in RCCO together with resources released as part of the 2018/19 outturn.

6 Implications

6.1 Financial

The financial implications have been referred to throughout the report.

6.2 Legal

The legal implications are set out throughout the report.

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

There are a number of risks associated with the management of the Housing Revenue Account.

These risks are managed through a prudent approach to budgeting and regular monitoring of actual and forecast income and expenditure.

An adequate level of working balances is also maintained which comprises 10% of net operating expenditure.

6.8 Equality & Diversity

This report presents the outturn position in respect of the 2015-16 Housing Revenue Account budget and as such does not require an Equality Impact Assessment as this was undertaken when the agreed budget was determined.

6.9 Best Value

None

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| 7 Appendices to the Report |
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Appendix 1: HRA Capital Outturn 2018-19

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| Previous Consideration |
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| Housing Revenue Account Budgets 2018-19 to 2020-21 | Cabinet | 25 January 2018 |
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| Housing Revenue Account Budgets 2018-19 to 2020-21 | Cabinet | 7 February 2019 |
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| Background Papers |
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| None |
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Housing Revenue Account Capital Programme 2018-19 Outturn

| Scheme | Revised Budget £000 | Outturn £000 | Variance £000 | Explanation |
|---|------------------------------------|-------------------------|--------------------------|--|
| Demolition of Garages | 89 | 0 | (89) | Delays in works, budget to slip to 2019-20 |
| Moss Rd Estate New Build | 411 | 219 | (192) | Reflects works delivered, £132k of budget to slip to 2019-20 |
| Former Garage Sites Development | 1,240 | 1,457 | 217 | Planned spend brought forward from 2019-20 reflecting delivery |
| DFG Public Grants | 539 | 519 | (20) | Reflects activity |
| Kitchen Replacement | 458 | 260 | (198) | Reflects tenant take up, balance of budget to slip to future years |
| Bathroom Replacement | 574 | 804 | 230 | Planned spend brought forward from 2019-20, additional units delivered |
| Central Heating Upgrades | 1,335 | 1,171 | (164) | Replacement numbers achieved, balance of £65k to slip to 2019-20 |
| Void Properties-Decent Homes | 344 | - | (344) | Budget and costs transferred to revenue |
| External Envelope Works | 1,711 | 1,267 | (444) | Balance carried forward to 2019-20 |
| Provision of Double Glazing | 50 | - | (50) | Reflects tenant take up, balance of budget to slip to future years |
| New Alarms - HRA Stock | 40 | - | (40) | Budget to be slipped to 2019-20 |
| Upgrading of Electrical Systems | 597 | 537 | (60) | Balance carried forward to 2019-20 |
| Asbestos Testing and Removal | 86 | 106 | 20 | Reflects activity |
| Provision of Dropped Kerbs | 9 | 5 | (4) | Reflects tenant take up and SCC approval |
| Replacement of Housing Service Vehicles | 194 | - | (194) | Delay in delivery by service provider, budget carried forward to 2019/20 |
| Fire Assessments | 5 | 4 | (1) | |
| TOTAL | 7,682 | 6,349 | (1,333) | |