

---

**Meeting:** Social Care, Health and Housing Overview and Scrutiny Committee  
**Date:** 10 September 2012  
**Subject:** Housing Revenue Account Revenue and Capital Budget Management Report for period ended 30 June 2012.  
**Report of:** Cllr Carole Hegley, Executive Member for Social Care, Health & Housing.  
**Summary:** The report provides information on the Housing Revenue Account revenue and capital forecast outturn position as at the end of June 2012.

---

**Advising Officer:** Julie Ogley, Director of Social Care, Health and Housing  
**Contact Officer:** Nick Murley, Assistant Director Business & Performance  
**Public/Exempt:** N/A  
**Wards Affected:** All  
**Function of:** Council

<b>CORPORATE IMPLICATIONS</b>
-------------------------------

<b>Council Priorities:</b>
----------------------------

- |                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Sound financial management contributes to the delivery of the Council's value for money, enabling the Council to successfully deliver its priorities |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|

<b>Financial:</b>
-------------------

- |                                                         |
|---------------------------------------------------------|
| 2. The financial implications are set out in the report |
|---------------------------------------------------------|

<b>Legal:</b>
---------------

- |                    |
|--------------------|
| 3. Not applicable. |
|--------------------|

<b>Risk Management:</b>
-------------------------

- |                    |
|--------------------|
| 4. Not applicable. |
|--------------------|

<b>Staffing (including Trades Unions):</b>
--------------------------------------------

- |                    |
|--------------------|
| 5. Not applicable. |
|--------------------|

<b>Equalities/Human Rights:</b>
---------------------------------

- |                    |
|--------------------|
| 6. Not applicable. |
|--------------------|

<b>Community Safety:</b>
--------------------------

- |                    |
|--------------------|
| 7. Not applicable. |
|--------------------|

<b>Sustainability:</b>
------------------------

- |                    |
|--------------------|
| 8. Not applicable. |
|--------------------|

<b>Procurement:</b>
---------------------

- |                    |
|--------------------|
| 9. Not applicable. |
|--------------------|

**RECOMMENDATION:**

**The Committee is asked to note the forecast outturn position for the Housing Revenue Account as at the end of June 2012.**

**Introduction**

10. The report sets out the financial position to the end of June 2012.

**Executive Summary**

11. On 1 April 2012 the financing arrangements for the Housing Revenue Account (HRA) underwent radical reform. The Council is no longer required to make an annual contribution to a national scheme of redistribution (the Housing Subsidy scheme). This has been replaced by a system of Self-Financing, which has entailed the Council undertaking on debt of £165m.
12. The debt structure chosen has given the Council the flexibility to balance asset management and regeneration priorities against the need to make debt repayments.
13. The change from subsidy to self-financing has released approximately £4m per year, which has initially been allocated to the earmarked reserve for Sheltered Housing Re-provision (SHR) and development of the Asset Management Strategy (£2.8m), and the existing capital programme (£1.2m).
14. The 2012/13 budget for the HRA anticipates a contribution to the Sheltered Housing Re-Provision reserve of £2.750m. The June financial position indicates that a contribution to reserves of £3.550m will be possible. This is due to enhanced rental income following more detailed work around the assumptions made in the budget build as against actual rental increases.
15. Although this is a favourable position it is still necessary to undertake an assessment of the likely impact of small scale regeneration schemes and the challenging investment requirements of existing stock. Until this has been undertaken a final use for this additional revenue is still to be determined.
16. The Housing Revenue Account position indicates that the year end forecast outturn position is on budget for the HRA Capital Programme

**Detailed Commentary**

17. The HRA annual expenditure budget is £23.178m and income budget is £25.928m, which allows a contribution of £2.750m to the Sheltered Housing Re-Provision Reserve (SHR) to present a net budget of zero. A subjective breakdown of this budget and forecast outturn is shown below.

2012/13	Budget	Annual Forecast
	£m	£m
<b>TOTAL Income</b> (Rents & Service Charges)	<b>(25,928)</b>	<b>(26,808)</b>
Staffing Costs	3,379	3,284
Repairs and Maintenance Costs	5,015	5,287
Stock Investment Programme	5,942	5,942
Corporate / Directorate Recharges	1,298	1,298
Supplies & Contracted Services	1,537	1,490
Debt related costs	6,007	5,957
<b>TOTAL Expenditure</b>		
Contribution to / (from) reserve	(2,750)	(3,550)
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>

18. There is a year to date positive variance of £0.057m. The year to date variance is due to increased rental income.
19. It is projected that the additional annual income will be in the region of £0.800m. This has been reflected in the forecast outturn for the year.
20. The overall impact of this will mean that the HRA is forecast to contribute £3.550m to reserves, as opposed to £2.750m anticipated in the original budget.

### Treasury Management

21. The HRA has taken on debt at a time when interest rates are at a historic low, which could release resources that would otherwise have been allocated to debt related expenses. The preferential rates that were offered by the Public Works Loan Board (PWLb) meant that the most economically viable solution was to take the entirety of the debt from the PWLB. The loan profile is shown in the table below:

Loan Type	Amount £m	Maturity Date	Rate %	Annual interest payment £k
Fixed	20.000	2024	2.70	540
Fixed	20.000	2026	2.92	584
Fixed	20.000	2028	3.08	616
Fixed	20.000	2030	3.21	642
Fixed	20.000	2032	3.30	660
Fixed	20.000	2034	3.37	674
Variable	44.995	2022	0.62 (variable)	279
<b>TOTAL</b>	<b>164.995</b>		<b>2.42 (average)</b>	<b>3,995</b>

22. The loans have all been taken on a maturity (interest only) basis. This approach enables money to be released, to invest to save, in capital projects in the early years of the plan.
23. Whilst the majority of the loans have been taken on a fixed rate basis, approximately one quarter is on a variable basis. This allows the Council to benefit from current low interest rates, which are predicted to continue in the short to medium term. However, prudent policy should anticipate higher short term interest rates in the future.

### **Revenue Virement Requests**

24. There are currently no proposed virements over £0.100m to report.

### **Achieving Efficiencies**

25. An efficiencies target of £400k is built into the 2012-13 base budget.
26. To date, £227k of these efficiencies have been itemised, comprised of 2 vacant posts which will not be recruited to, together with enhanced rental income and reduced voids cost.
27. The additional £173k of efficiencies are likely to be found within the Asset Management and Housing Management services. This process has been delayed pending the recruitment of the Head of Asset Management, who joined the Council on 2nd July.

### **Reserves position**

28. The total reserves available as at April 2012 were £3.905m and the current forecast indicates that an additional £3.550m will be transferred to HRA reserves at the year end.

### **Debt Analysis**

29. Total current and former tenant arrears were £0.971m at the end of June compared to £0.886m at the end of the financial year 2011/12. Current arrears are £0.590m or 2.17% of the annual rent debit of £27.209m (£0.571m or 2.28% at the year end). The figure of 2.17% is a 0.12% adverse variance against a target of 2.05%.
30. Performance on former tenant arrears is 1.40% against a target of 1.00%, leaving a balance of £0.381m. (Year end was 1.26% with a balance of £0.315m.)
31. There were £0.034m of tenant write offs in the first quarter of 2012-13.

### **Risks and Upsides**

32. There are no risks or upsides to report.

### **Status of Capital Programme**

33. The following table summarises the position as at the end of June.

Table 1 Capital Programme Summary	Full Year Forecast Variance		
	Budget £m	Forecast £m	Variance £m
General Enhancements	250	250	0
Garage Refurbishment	50	50	0
Paths & Fences Siteworks	60	60	0
Estate Improvements	250	250	0
Energy Conservation	250	250	0
Roof Replacement	240	325	85
Central Heating Installation	1,050	1,050	0
Rewiring	340	340	0
Kitchens and Bathrooms	1,100	1,100	0
Central Heating Communal	176	176	0
Secure Door Entry	350	350	0
Structural Repairs	150	150	0
Aids & Adaptations	450	450	0
Capitalised Salaries	343	343	0
Asbestos Management	58	58	0
Stock Remodelling	450	450	0
Drainage and Water Supply	175	90	(85)
Plasticisation	400	400	0
<b>TOTAL</b>	<b>6,142</b>	<b>6,142</b>	<b>0</b>

34. As a result of the change from the Subsidy system to Self-Financing an additional £1.2m has been allocated to the 2012/13 HRA Capital Programme.
35. This additional budget is partially earmarked to replace wooden fascia boards with plastic boards (Plasticisation), which will create savings within the external decorations budget. The other element is earmarked for stock remodelling projects, which range from replacing flat roofing to solid wall insulation.
36. There is a year to date variance of £0.035m, with an outturn forecast on budget.
37. An over spend is predicted on the roof replacement budget, as the roofs identified for replacement in this year's programme involve a higher than average replacement cost.

38. This overspend is offset by savings in the Drainage and Water Supply programme, partially due to changes in legislation regarding responsibility for waste drains.

**Appendices:** None

**Background papers:** None