

**CABINET REPORT**

Report Title	HOUSING REVENUE ACCOUNT BUDGET OUTTURN POSITION 2008/09
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	29th June 2009
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins
Ward(s)	N/A

1. Purpose

- 1.1 This report identifies the outturn position for the 2008/2009 Housing Revenue Account (HRA).

2. Recommendations

- 2.1. That Cabinet note the outturn position for the Housing Revenue Account.
- 2.2. That Cabinet approve the increase in the Capital Programme Reserve of £2m to £7m and also, the setting up of a new HRA PFI Reserve of £175k.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council approved the HRA Budget on 28th February 2008. The 2008/09 budget preparation process set a balanced budget which contributed £299k to the HRA reserves. Budget monitoring reports at period 10 had estimated a net underspend on direct costs of £38K. The HRA still suffers from the pressures of reducing stock numbers through Right to Buy sales, although these have fallen off in 2008/09, and the effects of the Government's HRA subsidy regime.
- 3.1.2 The HRA is continually being reviewed in terms of its Asset Management Strategy and long term Business Plan that will provide the Council with options moving forward and provide the backbone to future budgets to help to achieve Decent Homes and a sustainable and deliverable HRA.

3.2. Summary

- 3.2.1. The final outturn position for the HRA for 2008/2009 is net income over expenditure of £493k. This equates to a £319k underspend against budget. This includes prudently setting aside a further £2m for financing the future capital programmes and also setting a new reserve of £175k for the HRA PFI initiative. The Cabinet is asked to approve both of these contributions to reserve levels. Appendix 1 to this report provides a summary of the HRA. The major variations in the income and expenditure side of the account are detailed in the analysis and the notes contained in Appendix 2.
- 3.2.2. The HRA net income over expenditure reported above is inclusive of an overspend on the HRA's controllable budgets. The actual outturn shows a net overspend on Service Controllable budgets of £864k, (Appendix 2 refers). This represents a change to the forecasted outturn underspend of £38k, (reported to Cabinet on 18th March 2009). There were no savings or efficiencies built directly into the 2008/09 budget.
- 3.2.3. The net underspend of £493k will increase the level of working balances on the HRA from £5.6m to £6.1m for 2009/10. This represents an increase to the budgeted balances underpinning the 2009/10 budget which were £6m. This level of reserves supports the current proposals for improvements in delivery of HRA services in the short term.
- 3.2.4. The Council also holds earmarked reserves of £5m for financing the capital programme in light of the anticipated outcome of the Asset Management Strategy review and HRA Business Plan. A further £2m has been transferred to the reserve for the same purpose and approval is sought for this increase to the reserve.
- 3.2.5. All outturn variations identified within the 2008/09 accounts will be investigated to identify if any savings/overspends are ongoing and need to be reflected within the current and future year budgets. The next 2009/2010 budget monitoring report to Cabinet will provide more detail concerning any

recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year.

3.3. Main Variances in Outturn 2008/09 Against Budget

Table 1 - Main Summary of Variances of HRA Outturn

HRA Variance Description	Outturn Variance 31.3.09 £'000
Rent - Dwellings Only	-515
General Management	285
Repairs and Maintenance ** (see para.3.3.3)	2,250
Revenue Contribution to Capital **(see para. 3.3.3)	-2,000
Special Services	-734
Rent Rebate Subsidy deductions	-503
Net Recharges From the General Fund	-1338
Contribution to HRA Reserve Balances	2,175
Other Variations	61
TOTAL OVERSPEND/(UNDERSPEND)	-319

- 3.3.1. **Rents – Dwellings Only.** Additional income of £515k due to the continued downturn in Right to Buy sales and therefore more stock being held in the year than originally budgeted.
- 3.3.2. **General Management.** This overspend largely relates to the compensation payments have been paid to the tenants vacated from Robinson House.
- 3.3.3. **Repairs and Maintenance / Revenue Contributions to Capital.** Repairs expenditure was higher due to increases in void works to implement improvements in void turn around times and to manage the increase in the number of voids over the year. Rules surrounding the capitalisation of expenditure, has meant that costs over those originally budgeted have had to remain in revenue. However, to mitigate the effect of this on the revenue accounts, the planned financing of £2m capital expenditure from revenue has not occurred. Overall, the impact on revenue is £250k overspent for both items.
- 3.3.4. **Special Services.** Call Care charges are now accounted for within General Fund resulting in an under spend against the budget. A corresponding adjustment to the income side of Call Care is reflected in Service charges income. Other general areas had lower upkeep costs in the year e.g. the integrated reception service provided to housing blocks.
- 3.3.5. **Rent Rebate Subsidy deductions.** The contribution to the general fund is reducing in line with rent convergence and when rents are fully restructured no further contributions will be necessary. Lower contributions were required

through government formula that reflects the changing position on convergence.

- 3.3.6. **Net Recharges From the General Fund.** Expenditure attributable to the HRA is £4,882k compared to a budgeted figure of £6,220k resulting in an underspend of £1,338k. The variance partially relates to an underspend on General Fund Services that are recharged to the HRA. In addition, an exercise was undertaken to re-apportion support service costs in 2008/09. This has resulted in a lower level of recharge from the General Fund to the Housing Revenue Account.
- 3.3.7. **Contribution to HRA Working Balances and Reserves.** The resultant under spends on the HRA enable the Council to earmark balances for specific priorities. In previous years unused Revenue Contributions to Capital have been set aside to fund future Capital Programmes, amounting to £5m. The total balance on all HRA reserves at 31/3/2009 is £14.1m. The contributions to earmarked reserves and their resultant balances are summarised in the table below.

Table 2 – HRA Working Balances and Reserves

HRA Balances on Account	Balance 1.4.08 £'000	Movement In Year £'000	Balance 31.3.09 £'000
HRA Working Balance	5,632	493	6,125
HRA Capital Programme Earmarked Reserve	5,000	2,000	7,000
HRA Leaseholders Earmarked Reserve	1,000	0	1,000
HRA PFI Reserve	0	175	175
TOTAL HRA BALANCES	11,632	2,493	14,125

3.4. Choices (Options)

- 3.4.1. Cabinet is invited to note the report and approve the actions being taken to earmark balances for the HRA Capital Programme and PFI Reserve. This will help to ensure funds are available to go towards maximising delivery of the outcomes of the HRA Asset Management Strategy and the HRA Business Plan as well as current Council priorities.
- 3.4.2. Consideration must be given as to whether further management action can be taken to achieve service improvements and deliver future budgets.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The outturn position impacts on the level of reserves.

4.2 Resources and Risk

4.2.1 This report informs the Cabinet of the HRA budget outturn.

4.2.2 There will be an ongoing impact on future year budgets due to increased pressures on level of reserves.

4.2.3 The impact of individual outturn variances needs to be assessed against the current and future year budgets in light of the outcome of the Asset Management Strategy review and the HRA Business Plan.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 Not applicable

4.5 Consultees (Internal and External)

4.5.1 Chief Executive, Directors, Corporate Mgrs, and Budget Managers have been consulted.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Annual outturn reporting relates to improving the CAA Use of Resources score, which contributes to the priorities of continuing to improve our weakest services and continuing to strengthen our financial management.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Cabinet Reports –

- 4 August 2008. HRA Budget Monitoring Position at end of June 2008
- 1 September 2008. HRA Budget Monitoring Position at end of July 2008
- 26 Nov' 2008. HRA Budget Monitoring Report at end of September 2008
- 22 Dec' 2008 HRA Budget Monitoring Position at end of October 2008
- 04 February 09 HRA Budget Monitoring Position at end of November 2008
- 25 Feb 09 HRA Budget Monitoring Position as at end of December 2008
- 18 March 2008. HRA Budget Monitoring as at end of January 2009

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