



REPORT TO SOCIAL WORK & HOUSING COMMITTEE – 1 September 2016

HOUSING REVENUE ACCOUNT (HRA) – OUTTURN 2015/16

1 Recommendations

1.1 Social Work & Housing Committee is recommended to:-

Consider and comment on the Council's Housing Revenue Account outturn for 2015/16.

2 Background/Discussion

2.1 The Housing Revenue Account (HRA) budget for monitoring purposes for 2015/16 was approved by Council on 12 February 2015. It was agreed that any net surplus on the HRA would be used to fund the HRA Capital Programme. Regular monitoring reports are presented to Social Work and Housing Committee throughout the year, forecasting the final outturn against the approved budget. This monitoring was based on housing budget Managers' service knowledge together with the financial knowledge of the accounting team. The forecasts are reviewed by senior finance officers; the Head of Housing and Director of Infrastructure Services to ensure that any significant year end fluctuations were avoided where possible.

2.2 The draft accounts for the year ended 31 March 2016 were placed before Council on 30 June 2016 but remain provisional pending the completion of the external audit review. The final outturn for the year to 31 March 2016 provided a balance of £14.544m to be used towards funding of the capital programme (CFCR). This was a decrease from budget of £1.292m and a decrease of £1.506m to the January forecast. The final outturn is summarised in the table below and detailed in **Appendix 1**.

	Revised Budget 2015/16 £'000	Forecast at 31 January 2016 2015/16 £'000	Final Outturn for 2015/16 £'000	Variance Final Outturn to Forecast £'000
HRA Revenue	39,007	38,289	39,672	1,383
HRA Revenue Expenditure	(53,643)	(53,606)	(53,483)	123
HRA Revenue Net Surplus For Year	(14,636)	(15,317)	(13,811)	1,506
New Build Funding	(1,200)	(733)	(733)	-
Funding Available for the Capital Programme	(15,836)	(16,050)	(14,544)	1,506

2.3 The outturn expenditure was £1.4m higher than forecast. This was due partly to higher repairs costs as a result of increased voids and costs associated with the flooding in Ballater and Inverurie. In addition, the loans funds cost were higher than forecast due to additional borrowing taken in February to secure favourable borrowing terms and a higher allocation of interest costs due to

relatively low slippage on the HRA capital plan. The HRA bad debt provision was also increased by £557k which is not currently included in budgets or forecasts, and therefore contributing to the higher outturn. **Appendix 2** gives detailed reasons behind the variances between budget and outturn.

- 2.4 The HRA is a statutory earmarked account whereby all income generated from the rent and service charges levied on Council tenants, is to be used to fund the maintenance and management of Council houses to the benefit of the tenants. The income generated from Council tenants is also required to fund the HRA capital programme to ensure that it is self-financing. Any in-year surplus is used to fund the capital programme and therefore reduce the borrowing requirement and associated costs. The Capital programme outturn position for 2015/16 is reported separately to this Committee. The funding of the capital programme is detailed in **Appendix 3**.
- 2.5 There are increasing pressures on the HRA as a result of legislation concerning the standards of housing provided, including the Energy Efficiency Standard for Social Housing (EESH) which is being managed by Service Managers. In addition, there are requirements to keep rents at affordable levels for tenants. To ensure that the service can achieve the necessary quality targets whilst keeping the HRA at a sustainable and affordable level, the HRA Business Plan is monitored throughout the year. A full review of this 30 year plan was carried out in 2015 and was reported to this Committee in December 2015.
- 2.6 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and any comments have been incorporated

3 Equalities, Financial and Staffing Implications

- 3.1 An Equalities Impact Assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously.
- 3.2 The financial implications are inherent in the report.
- 3.3 There are no staffing implications arising from this

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Director of Infrastructure

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Head of Finance

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20 July 2016

	ACTUAL 2014/15 £'000	REVISED BUDGET 2015/16 £'000	ACTUAL TO 31-Mar-16 £'000	%	REVISED FORECAST 2015/16 £'000
HRA SUMMARY					
Staff Costs					
1 Salaries & Wages	7,243	7,778	7,898	101.54%	7,839
2 Superannuation	924	1,378	1,383	100.36%	1,389
3 National Insurance	457	499	484	96.99%	499
4 Supplementary Pensions	33	52	51	98.08%	50
5 Other Staff Costs	304	207	274	132.37%	241
6 Insurance - Non Property	54	56	53	94.64%	53
	9,015	9,970	10,143	101.74%	10,071
Premises Costs					
7 Rent & Rates	199	237	241	101.69%	203
8 Insurances - Property	137	139	157	112.95%	157
9 Heating & Lighting	1,826	1,915	1,367	71.38%	1,745
10 Repairs & Maintenance - Response Repairs	9,260	9,001	9,563	106.24%	8,710
11 Repairs & Maintenance - Planned Maintenance	2,453	2,692	2,772	102.97%	2,758
12 Repairs & Maintenance - Other Maintenance	2,244	2,047	2,123	103.71%	2,167
13 Accommodation Allocation	313	416	263	63.22%	316
14 Cleaning	344	332	374	112.65%	364
	16,776	16,779	16,860	100.48%	16,420
Administration Costs					
15 Printing, Stationery & Postages	185	155	165	106.45%	146
16 Telephone Costs	81	92	67	72.83%	72
17 Course Expenses	41	65	57	87.69%	45
18 Lost Rents	494	445	542	121.80%	527
19 Fees & Charges	150	169	129	76.33%	130
20 Central Administration and Management Charge	2,752	2,695	2,751	102.08%	2,695
	3,704	3,621	3,711	102.49%	3,615
Transport Costs					
21 Travel & Subsistence	184	202	193	95.54%	182
	184	202	193	95.54%	182
Supplies & Services					
22 Furniture & Equipment	138	125	123	98.40%	127
23 Computer Costs	120	221	133	60.18%	141
24 Alarm Systems	229	200	202	101.00%	230
25 Other Supplies & Services	108	124	129	104.03%	137
26 Tenant Participation	59	63	51	80.95%	60
27 Temporary Accommodation Units	341	355	333	93.80%	340
28 Capital Funded from Current Revenue	15,459	15,836	14,544	91.84%	16,050
	16,455	16,924	15,515	630.21%	17,085
Payments to Agencies					
29 Payments to Outside Bodies	387	644	655	101.71%	574
30 Payment to Social Work	56	56	56	100.00%	56
31 Payments to Tenants	61	50	30	60.00%	33
	504	750	741	98.80%	663
Capital Financing Costs					
32 Loans Funds	6,630	6,597	6,496	98.47%	6,303
	6,630	6,597	6,496	98.47%	6,303
Provisions					
33 Increase/(Decrease) in Bad Debt Provision	661	0	557	0.00%	0
	661	0	557	0.00%	0
Gross Expenditure	53,928	54,843	54,216	98.86%	54,339
Income					
34 Council House Rents	(42,218)	(44,123)	(44,150)	100.06%	(44,123)
35 Sheltered Housing Income	(2,839)	(3,683)	(3,591)	97.50%	(3,683)
36 Other Rent & Charges	(1,700)	(1,812)	(1,765)	97.41%	(1,812)
37 Internal Recharges	(2,311)	(2,739)	(2,650)	96.75%	(2,658)
38 Interest on Revenue Balances	(35)	(76)	(45)	59.21%	(45)
39 Other Income	(554)	(421)	(419)	99.52%	(420)
40 Internal Housing Support Recharge	(857)	(149)	(149)	100.00%	(149)
41 Temporary Accommodation Units	(674)	(640)	(714)	111.56%	(716)
42 New Build Funding	(2,740)	(1,200)	(733)	61.08%	(733)
	(53,928)	(54,843)	(54,216)	98.86%	(54,339)
Total Income	(0)	0	0	0.00%	0
Current Year (Surplus)/Deficit	(0)	0	0	0.00%	0

Appendix 2

Significant Variances from Budget (>£100,000)

- Salaries and Wages – these were £120,000 higher than budget following an organisation review within Tenancy Services during the year and the Care and Repair service being brought in-house
- Heat and Light – charges were £548,000 lower than budget. This was partly due to a decrease in energy prices from the previous year. In addition, a number of sheltered housing schemes have been under-charged in the last few years resulting in costs being accrued. This has now been rectified and the energy company has now confirmed these charges will not be backdated, therefore accruals are no longer required.
- Repairs and Maintenance – Response Repairs – these costs were £562,000 higher than budget mainly due to an increase in extreme weather costs associated with the flooding in Ballater and Inverurie. In addition, there has been higher costs relating to gas heating repairs and an increase in void repairs resulting from an increase in the number of voids generally.
- Accommodation Allocation – the recharge for central accommodation was £153,000 lower than budget due to a review of the occupancy of staff in Council buildings carried out at the end of 2014/15 which resulted in a lesser charge to the HRA.
- Capital Funded from Current Revenue – CFCR was £1.292m lower than budget. This is a balancing figure on the HRA so the movement is due to increases in net expenditure as detailed in the other variance notes.
- Loans Fund – borrowing costs were £101,000 lower than budget due to a decrease in the HRA Loans Fund advance principal repayments due to a lower than anticipated capital spend in 2014/15.
- Bad Debt Provision – this is not currently budgeted for. An increase in the provision for rent arrears and other bad debts was £557,000 for 2015/16.
- New Build Funding – Second Homes Council Tax income of £1.2m was allocated to Phase 6 of the HRA new build programme. This phase is still in its early stages and did not require this funding in 2015/16, therefore it has been carried forward to be allocated against the programme's spend in 2016/17. An additional £733,000 funding was approved by Policy and Resources Committee in January to be allocated from reserves to fund the additional costs associated with the Barrasgate development following the contractor going into administration. Therefore, the net decrease in new build funding was £467,000.

Appendix 3

Funding of HRA Capital Programme 2015/16

	Revised Budget £000	Outturn £000	Variance £000
Capital programme expenditure	33,345	23,717	(9,628)
Funding:			
Capital Receipts and other capital income	4,761	5,457	696
Capital Funded from Current Revenue (CFCR)	15,836	14,544	(1,292)
Borrowing	12,748	3,716	(9,032)
	33,345	23,717	(9,628)

The impact of the decrease in the HRA revenue surplus, increase in other capital funding and the decrease in the capital expenditure, is to reduce the level of borrowing required to fund the capital programme from £12.748m to £3.716m. Details of the variances on the capital expenditure and income are detailed in a separate report to this Committee.

