

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - COMMUNITY
29 MAY 2012

HOUSING REVENUE ACCOUNT
FINAL ACCOUNTS 2011-2012

1. PURPOSE OF REPORT

To advise Members of any major differences, by management unit, between the original budget and the outturn for the financial year to 31 March 2012 in respect of the Housing Revenue Account and the Council's new build schemes.

2. HRA FINAL ACCOUNTS TO 31 MARCH 2012

2.1 HRA WORKING BALANCE

The total budget variances for 2011-2012 have resulted in a net surplus of £1,848,482 which will be transferred to the HRA working balance. This represents an increase of £2,347,872 compared to the budgeted reduction to the working balance of £499,390. The working balance therefore stands at £5,764,423 at 31 March 2012.

2.2 MAJOR REPAIRS RESERVE

The Major Repairs Reserve represents the balance unspent from the Major Repairs Allowance (MRA), which the Council receives annually via its housing subsidy entitlement. In 2011-2012 the Council's MRA was £3,501,524.

In the past the MRA has been fully used to help finance the HRA Capital Programme, however it has only been necessary to use £352,124 during this financial year, as it has been possible to finance the capital programme from capital generated through the introduction of the HRA Self-Financing Scheme. The balance on the Major Repairs Reserve therefore stands at £3,149,400 at 31 March 2012. This will be used to fund future capital investment in the HRA.

2.3 SETTLEMENT PAYMENT TO IMPLEMENT THE HRA SELF-FINANCING SCHEME

From 1 April 2012, local authorities will retain the council house rents raised in their own areas, following the end of the HRA subsidy system.

Under the HRA subsidy system rents were pooled and redistributed by central government. Exeter City Council has always been a net contributor to the central pot, whereby it paid over more rent than it received back in subsidy.

In order to implement the HRA Self-Financing Scheme, each of the 171 councils that own housing stock had to take on a proportion of the national historic council housing debt, based on the affordability of their 30-year business plan. This resulted in Exeter making a one-off debt settlement payment to the Department for Communities and Local Government (DCLG) of £56,884,000 on 28 March.

To recognise the debt settlement payment this transaction has been shown as a material item of expenditure within the net cost of HRA services, in accordance with the Settlement Determinations. However, statute requires this revenue transaction to be written out of revenue and treated as capital expenditure and will therefore be removed via the Movement in the HRA Statement. The Council has borrowed £56,884,000 from the PWLB over fifty years, to finance this payment.

2.4 The main variations by management unit are detailed below, please also refer to Appendix 1:

	£
2011-2012 ESTIMATED TRANSFER FROM THE WORKING BALANCE	499,390
85A1 MANAGEMENT	(84,848)

Savings have been made in respect of employee costs due to vacant posts during the year and a nil pay award for 2011-12. These savings have been partially offset by additional temporary staff costs to cover maternity leave and long term sickness. Additional staff resources were also required to backfill a Technical Officer post, so that their time could be devoted to undertaking stock condition surveys for the Self-Financing 30 year business plan.

Savings have also been made in the cost of procuring new mobile working devices, as implementation of new mobile working systems in Housing Services are not planned to take place until 2012-13.

Further savings have been achieved in the Money Advice Service contract. Following the end of a trial period, the contract has been reduced to reflect a more accurate level of referrals whilst maintaining the same level of service. This contract will be reassessed once the impact of the welfare reforms is better known.

However, savings within this management unit have been partially offset by overspends in other areas, such as the cost of the quarterly Insight newsletter to tenants and leaseholders. It is intended that the contract for the Insight publication will be tendered early in 2012-13 in order to secure improved value for money.

An overspend was also incurred in the cost of providing temporary accommodation for tenants, whilst major repairs following water damage were carried out.

There was also a reduction in Supporting People funding from Devon County Council in respect of the provision of older persons accommodation.

85A3 SUNDRY LANDS MAINTENANCE	(18,284)
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Exceptional weather conditions during 2011-12 resulted in savings in respect of grass cutting. Prolonged periods of cold temperatures meant that grassed housing estate areas required fewer cuts in the Spring and Summer.

There was also a saving in respect of the Gardens Assistance contract. Garden assistance is provided to help the vulnerable, elderly and disabled maintain their gardens.

85A4 REPAIRS FUND CONTRIBUTION

(1,834,077)

It was budgeted that a revenue contribution of £2.24m would need to be made towards financing the HRA Capital Programme. However, this is no longer required due to a significant under spend in the capital programme this financial year. The HRA capital expenditure for 2011-2012 can therefore be fully financed from other capital resources, including capital generated through the introduction of the HRA Self-Financing Scheme, commuted sums and the major repairs allowance.

The under spend in the Capital Programme is mostly attributable to delays in the kitchen and bathroom replacement programmes, as works were delayed whilst a tender process was undertaken to appoint a new contractor. Three new contractors were successfully appointed in January and it is hoped that works will be accelerated in order to catch-up the kitchen and bathroom replacement programmes during 2012-13. For further details of the HRA Capital Programme, please refer to the capital outturn report which will be reported to Scrutiny Committee – Resources on 20 June 2012.

The significant saving in this management unit, has been partially offset by overspends within the Revenue Maintenance and Repairs programme, which include; additional expenditure on repairs to void properties, general maintenance, legionella testing works and the demolition of properties at Chestnut Avenue due to subsidence. For further details of the Housing Repairs and Maintenance budgets, please refer to the Housing and AIM Property Maintenance Outturn Report, which is also being presented to this committee.

85A6 CAPITAL CHARGES

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There are no variances from budget to report in respect of this management unit, which comprises the depreciation of HRA dwellings, garages, IT software, vehicles, plant and equipment.

85A8 RENTS

(522,335)

Over half a million pounds of additional rent has been collected during the financial year from council dwellings. This is due to a combination of factors, which include; a lower than budgeted number of council properties sold under the Right-to-Buy scheme, a higher than budgeted rent increase in accordance with Government guidance and achieving earlier rent convergence on properties that have a change of tenancy.

In accordance with the Government's 'rent convergence' policy, the Council is required to increase its rents to guideline rent levels by 2015-16, so that council tenants and housing association (registered provider) tenants will pay similar rents for similar properties in similar areas. Upon a change of tenancy, the opportunity is therefore taken to amend the rent charged to Government guideline rent levels.

85B1 GOVERNMENT SUBSIDY (3,330)

The subsidy payment for 2011-12 increased by £13k compared to the budget and a further £4k was required to be paid to DCLG in respect of the 2010-11 HRA subsidy.

Within this management unit, these additional payments were offset by a refund of £21k, as the Government agreed to compensate local authorities for the additional interest costs incurred as a result of taking out loans on 28 March to fund the debt settlement payments. This was achieved via an adjustment to the subsidy entitlement for this financial year.

85B2 INTEREST 115,002

There was a £73k reduction in investment interest income due to lower than budgeted interest rates.

The overspend also reflects a one-off arrangement fee of £20k to the Public Works Loan Board in respect of the loan taken out to meet the debt settlement payment of £56,884,000 to DCLG, which was paid to exit the HRA subsidy system.

As the debt settlement payment had to be made on 28 March, the loan attracted interest of £21k up to 31 March, which is reflected within this management unit. However, the Government amended the Council's subsidy entitlement for this financial year in order to take account of these interest costs, as explained above.

2011-2012 TRANSFER TO THE WORKING BALANCE (1,848,482)

3. COUNCIL OWN BUILD (COB) FINAL ACCOUNTS TO 31 MARCH 2012

The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

3.1 COB WORKING BALANCE

The total budget variances for 2011-2012 have resulted in a net surplus of £26,279, which will be transferred to the COB working balance. This represents a reduction of £15,751 compared to the budgeted transfer to the working balance of £42,030. The working balance therefore stands at £28,207 at 31 March 2012.

3.2 The main variations are detailed below, please also refer to Appendix 1:

£

2011-2012 ESTIMATED TRANSFER TO THE WORKING BALANCE (42,030)

85B5 COB INCOME AND EXPENDITURE 15,751

There was a reduction in rental income from the 18 properties at Knights Place, as snagging issues resulted in the properties not being tenanted until July 2011.

The reduction in income was partially offset by a saving in interests costs, which are attributable to the amount borrowed

to finance the capital cost of building the properties.

2011-2012 TRANSFER TO THE WORKING BALANCE

(26,279)

4. RECOMMENDATION

4.1 That the Scrutiny Committee – Community note the content of this report

ASSISTANT DIRECTOR OF FINANCE

S:PA/LP/Cttee/512SCC9
17.5.12

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None