

## COMMUNITY AND SOCIAL AFFAIRS COMMITTEE

22 JUNE 2011

### REPORT OF HEAD OF CENTRAL SERVICES AND HEAD OF COMMUNITIES & NEIGHBOURHOODS

#### HOUSING REVENUE ACCOUNT (HRA) PROVISIONAL YEAR END POSITION 2010-11

#### 1.0 PURPOSE OF REPORT

- 1.1 To provide Members with information on the provisional year end position for 2010-11, which is subject to external audit certification and the implications for the working balance on the HRA.

#### 2.0 RECOMMENDATIONS

##### 2.1 It is recommended that:

**(a) The variations to the 2010-11 original estimates and the latest approved estimates as set out in the attached paper and the effect on the working balance be noted and;**

**(b) Members note the updated HRA Improvement Plan**

#### 3.0 KEY ISSUES

- 3.1 The report shown in Appendix A compares the provisional year end position for 2010-11 to the original estimate set in January 2010 and the approved estimate (the original estimate as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year). The approved estimate is the authorised budget for spending purposes. The report also shows the resultant effect on the working balance of the HRA (line 58) and reasons for major budget variations. It should be recognised, however, that the figures are still subject to external audit certification.
- 3.2. The provisional year end position shows an actual surplus of income over expenditure of £302,721 (line 57); £157,534 above the approved budgeted surplus of £145,190 (line 55) and a resulting working balance of £397,931. There are a number of budget variances that make up this underspend; the details for which are outlined in Appendix A attached. Only those in excess of £10k have been commented on in line with financial protocols.
- 3.3 As part of the budget monitoring and review process all budget holders have been requested to provide reasons for significant variations against their latest approved budget on individual service accounts. A full set of the more detailed explanations will be available at the meeting or Members can contact Financial Services in advance if there are any particular queries.
- 3.4 There have been some particular changes to the accounting presentation of the HRA Accounts during 2010-11. The Council is this year required to report under International Financial Reporting Standards (IFRS) for the first time. This has created significant changes across the Statement of Accounts for 2010-11 and required restated accounts for 2009-10; the balance sheet has also been restated at 31 March 2009. Further explanation will be provided to members of the Policy, Finance & Admin Committee when considering

the annual Statement of Accounts in a meeting to be held on 5 July 2011. In relation specifically to the HRA there have been some changes to the classification of assets, specifically in relation to surplus and available for sale assets and the HRA is now required to account for employee benefits as they are earned rather than paid. The net effect to the HRA for the relevant accounting entries required for employee benefits is neutral so it does not affect the working balance. In addition the changes in depreciation methods caused by the reclassification of assets will also have a neutral net effect.

- 3.5 The HRA budget is a complex and large budget; as such it is monitored on a monthly basis as a key service. As reported to this committee on 17 March 2010, the operation of the HRA is governed by the Local Government and Housing Act 1989 and one of the key requirements is that the Council will produce and publish an annual budget for the HRA which avoids a deficit; and the Council has a duty to review, and if necessary revise that budget from time to time. If it appears that the HRA is heading for a deficit then all reasonable and practicable steps must be taken to avoid a deficit position at the year end.
- 3.6 Members are asked to note that whilst we have a favourable end of year position, this has not come at a cost to the service. Officers have phased long-term empty properties and routine repairs so that we continue to effectively maintain our housing stock.
- 3.7 Members are also asked to note that following a recent fire risk audit, a number of works have been identified and a program of works for 2011-12 has been developed to address these issues. The audit was completed after the budget setting process; therefore we intend to use unallocated resources above the minimum working balance to do this.
- 3.8 The analysis of the housing stock condition survey will also enable a more pro-active approach to maintaining and improving the housing stock. This will include more planned works to address future failures which we can now identify early.
- 3.9 On 1 February the coalition government published "Implementing self financing for council housing" setting out the methodology, financial parameters and the time table for the HRA Reform. A separate report to this committee will be presented at this meeting.

#### **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 Policy and corporate implications have been addressed within section 3.0.

#### **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 Financial and resource implications have been addressed within section 3.0.

#### **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

#### **7.0 COMMUNITY SAFETY**

- 7.1 Community safety was addressed in setting the current year's budget. There are no further community safety issues arising from this report.

#### **8.0 EQUALITIES**

- 8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

## 9.0 RISKS

9.1 The risks are considered in the table below:

**Probability**  
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Very High A				
High B				
Significant C				
Low D			1,2,3	
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→  
**Impact**

Risk No.	Description
1	Repairs to overspend on budget in future years
2	Performance on collection of current, former and late tenancy arrears does not improve
3	Economic Climate causes additional hardship on tenants causing higher levels of rent arrears

9.2 The HRA is a high risk service account that the Council has a duty under the Local Government and Housing Act 1989 to ensure that it avoids being in a deficit situation. This requires that effective budget monitoring procedures are set in place to monitor HRA expenditure and income against the budget and careful consideration is given to determining the level of the working balance.

## 10.0 CLIMATE CHANGE

10.1 Climate change was addressed in setting the current year's budget. There are no further climate issues arising from this report.

## 11.0 CONSULTATION

11.1 The Service Accountant and Head of Service discussed the financial performance of the Housing Revenue Account at the provisional year end meeting held on 25 May 2011, following meetings between the Service Accountant and Budget Holders.

11.2 At the Tenants Forum meeting of 6 June 2011, TFEC members were made aware of the current budget position, and the actions that were being taken forward to 2011/12.

## 12.0 WARDS AFFECTED

12.1 To varying degrees, most if not all wards are affected by the Council's Housing Revenue Account.

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Contact Officer: Carol King, Senior Accountant – Housing & Special Projects

Date: 1 June 2011

Appendices: Appendix A – Details of variances  
Appendix B – HRA Improvement Plan

Background Papers: Budget variation analyses  
Oracle general ledger reports

Reference: X/CSA/2011-12/22-06-11/DG - HRA Prov. Yr. End Position 2010-11