

COMMUNITY AND SOCIAL AFFAIRS COMMITTEE

20 JUNE 2012

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

HOUSING REVENUE ACCOUNT (HRA) PROVISIONAL YEAR END POSITION 2011-12

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with information on the provisional year end position for 2011-12, 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 2011-12 original estimates and the latest approved estimates as set out in the attached paper and the effect on the working balance are noted.**

3.0 KEY ISSUES

- 3.1 The report shown in Appendix A compares the provisional year end position for 2011-12 to the original estimate set in January 2011 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 60) 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 £329,139 (line 59); £328,222 above the approved budgeted surplus of £920 (line 57) and a resulting working balance of £727,072. 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 Finance in advance if there are any particular queries.
- 3.4 There have been no changes to the accounting requirements of the HRA Accounts during 2011-12 but a new note to the accounts has been added regarding the Capital Adjustment Charge which will be reported in line with the item 8 Determination 2011/12 and the subsequent amending Determination.

The move to Self financing will not impact on the HRA until 2012/13, so only the accrued interest payable on the loans taken out on 28 March 2012 will show on the account. This is mostly offset by a one-off payment from DCLG to cover the 4 days interest payable on loans taken out on 28 March, being 4 days before the start of self financing.

3.5 The HRA budget is a complex and large budget; as such it is monitored on a monthly basis as a key service. 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 To ensure resources were effectively used during 2011/12 a short term housing repairs and improvement programme was developed based on the 2010 Housing Stock Condition Survey. However, there was always a need to develop a more sustainable and longer term Housing Asset Model and consequent Housing Investment Plan. This has now been completed and members will note in a separate report to this committee the longer term Housing Repairs & Improvement Programme. This will offset most of the underspend from 2011/12 which occurred whilst this critical Housing Asset Model was being developed.

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
↓

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 30 May 2012, following meetings between the Service Accountant and Budget Holders.

11.2 At the Tenants Forum meeting of 18 June 2012 TFEC members were made aware of the current budget position, and the actions that were being taken forward to 2012/13.

12.0 WARDS AFFECTED

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

Contact Officer: Carol King, Senior Accountant – Housing & Special Projects
 Date: 1 June 2012
 Appendices: Appendix A – Details of variances
 Background Papers: Budget variation analyses
 Oracle general ledger reports
 Reference: X/CSA/2012-13/20-06-12/DG - HRA Prov. Yr. End Position 2011-12