

## COMMUNITY AND SOCIAL AFFAIRS COMMITTEE

23 JUNE 2010

### REPORT OF HEAD OF FINANCIAL SERVICES and HEAD OF SOCIAL AND ECONOMIC DEVELOPMENT

#### HOUSING REVENUE ACCOUNT (HRA) PROVISIONAL YEAR END POSITION 2009-10

#### 1.0 PURPOSE OF REPORT

- 1.1 To provide Members with information on the provisional year end position for 2009-10, 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 2009-10 original estimates and the latest approved estimates as set out in the attached paper and the effect on the working balance be noted.**

**(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 2009-10 to the original estimate set in January 2009 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 55) 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 £52,396 (line 54); £158,064 below the approved budgeted surplus of £210,460 (line 54) and a resulting working balance of £95,212 which is £154,788 below the approved working balance of £250,000. There are a number of budget variances that make up this overspend; 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 The main issue for the year has been the overspend on repairs and maintenance.
- 3.4 The repairs & Maintenance budget for 2009-10 has been difficult to manage due to a number of factors:
- **The drive to deliver decent homes** – There has been significant work carried out to Council Homes, both from revenue and capital expenditure. This has enabled the Council to meet the decent homes target before the Government target date of December 2010.
  - **Number of voids** – This year has seen the high number of voids in 2008/09 continue. Some of these voids were in a very bad state and needed significant improvements to

them. Officers will present a disposal report to Members to consider, for some of the extremely high cost voids at a later committee meeting.

- **Repair Reporting** – Repairs calls are now taken through a dedicated resource based within the Housing Repairs team, this has enabled correct diagnosis and appointments being made at the first point of contact this should allow the further planning of repairs where calls are not urgent or an emergency.
- **Demand led** – Some elements of the housing repairs budget is demand led. There has been a more programmed approach to repairs implemented during the year which will continue into the new year especially when dealing with the backlog of works from 2009/10 and empty properties.
- **Budgets within our control** – Some elements of the budget can be controlled and this year officer recommendations were implemented by Members to prioritise urgent and emergency repairs and to review voids standards whilst ensuring all properties remain decent.

3.5 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 the Financial Services Section in advance if there are any particular queries.

3.6 The working balance now stands at £95,212 (line 55) as at 31 March 2010. This is now £154,788 below the minimum working balance of £250,000 as recommended in the Medium Term Financial Strategy (MTFS) for 2010-11, which was approved by the Policy, Finance & Administration Committee (PFA) on 3 December 2009. As part of the 2010/11 budget setting report presented to this committee on 26 January it was agreed to restore this working balance over a maximum of 2 years.

### 3.7 Budget Management & Actions

The HRA budget is a complex and large budget; as such it is monitored on a monthly basis rather than the normal quarterly. The issue around the high number of voids, repairs reporting and an overall high expenditure (due to demand led responsive repairs) was identified in July 2009, and from early September weekly reports were circulated to the budget holders and Corporate Management Team.

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.

The following actions were taken over the 2009/10 period:

- September 2009 – weekly monitoring reports start and a weekly spending cap on repairs is agreed, allowing only urgent, emergency and ‘right to repair’ repairs to be completed.
- October 2009 – Meeting held with whole repairs team to ensure all staff are aware of budget situation and temporary appointment made for Senior Improvements Officer.
- November 2009 - All HRA budget lines were reviewed and stripped to stop all unnecessary non-urgent spending. Briefing note on budget situation and possible implications of a budgeted deficit sent to members

- January 2010 – PWC undertake audit of HRA. From this audit report the HRA Improvement plan has been implemented and the updated version of this is attached at Appendix B.

3.8 The provisional year end position of £52,396 has the following affect on the 2010/11 budget for the HRA:

Working Balance Brought Forward	£ 42,816
Provisional Year End 2009/10	<u>£ 52,396</u>
Provisional Working Balance C/Forward	£ 95,212
Add Budgeted Surplus for 2010/11	<u>£145,190</u>
Provisional Working Balance at 31/3/11	£240,402

3.9 The Government Issued the Offer for the HRA Reform on 25 March 2010. This offer will have a significant impact on the HRA and so a paper will be presented to Members at a Special Meeting of this Committee before the Council is required to respond by 6 July 2010.

#### 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			5	
Significant C			1	
Low D			2,3,4	
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→ **Impact**

Risk No.	Description
1	Repairs continue to overspend on budget
2	Performance on collection of current, former and late tenancy arrears does not improve
3	Stock deterioration due to reduced funds available for programmed maintenance
4	Economic Climate causes additional hardship on tenants causing higher levels of rent arrears
5	Measures taken to reduce risk of overspend has a negative affect on level and quality of repairs work achievable

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 21 May 2010, following meetings between the Service Accountant and Budget Holders.

11.2 At the Tenants Forum meeting of 7 June 2010, TFEC members were made aware of the current budget position, and the actions that were being taken forward to 2010/11.

## 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: 8 June 2010

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

Background Papers: Budget variation analyses  
Oracle general ledger reports

Reference: X/CSA/2010/11-23-06-10/DG - HRA Prov. Yr. End Position 2009-10