

## COMMUNITY AND SOCIAL AFFAIRS COMMITTEE

22 JUNE 2016

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

#### HOUSING REVENUE ACCOUNT (HRA) PROVISIONAL YEAR END POSITION 2015-16

##### 1.0 PURPOSE OF REPORT

- 1.1 To provide Members with information on the provisional year end position for 2015-16, which is subject to external audit certification, and the implications for the working balance on the HRA.

##### 2.0 RECOMMENDATIONS

**It is recommended that:**

- 2.1 **The variations to the 2015-16 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 2015-16 to the original estimate set in January 2015 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 53) 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 £339,504 (line 50); An underspend of £385,244 against the approved budgeted deficit of £45,740 (line 50) and a resulting working balance of £1,460,024. 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 The underspend in the year is significant and includes a single underspend on planned maintenance of £254,224. This was against a very high projected spend of approximately £1m. However, during 2015/16 411 properties benefited from planned maintenance and the 2016/17 programme has already been scheduled, priced and has begun, therefore we are anticipating a near full spend against this budget line. Members are asked to note, however, that we never fully commit all of the planned maintenance budget, as any variations in the reactive budgets i.e. voids and responsive will be met from planned.

3.5 There have been no significant changes to the accounting requirements of the HRA Accounts during 2015-16 following self financing.

3.6 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.

#### 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**

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>			3	
	<b>C</b>	<b>Significant</b>			2	
	<b>D</b>	<b>Low</b>			1	
	<b>E</b>	<b>Very Low</b>				
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
1	Repairs to overspend on budget in future years
2	Performance on collection of current, former and late tenancy arrears is affected by welfare reform changes
3	Economic climate and welfare reform changes cause hardship on tenants causing higher levels of rent arrears

9.1 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 27 April 2016, following meetings between the Service Accountant and Budget Holders.

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 Technical Accountant  
Date: 31 May 2016  
Appendices: Appendix A – Details of variances  
Background Papers: Budget variation analyses  
Oracle general ledger reports  
Reference: X/C'tees, Council & Sub-C'tees/CSA/2016-17/22-06-16/DG - HRA Prov. Yr. End Position  
2015-16