

**Subject: HOUSING REVENUE ACCOUNT – OUTTURN 2018/19
(SUBJECT TO AUDIT)**

Report to: Housing and Neighbourhoods Committee

Report by: HRA Service Accountant

SUBJECT MATTER AND RECOMMENDATIONS

This report presents the following:

- The draft outturn position for the Housing Revenue Account for the 2018/19 financial year which have been used to inform the production of the statutory account for audit and subsequent approval by the Housing and Neighbourhood Committee in June;
- Details of the more significant year-end variances compared to the current budget for 2018/19;

Recommendations:

Members are asked to consider the report and recommend the following:

- 1) The outturn position for the Housing Revenue Account for 2018/19 as included in the report and appendices;
- 2) The updated 2018/19 HRA revenue and expenditure budget as detailed at Appendix C.
- 3) The updated 2018/19 HRA capital programme and associated financing of the as detailed within the report and at Appendix D.

1. Introduction

- 1.1 There is a statutory requirement to maintain a Housing Revenue Account (HRA) and that account must not show a deficit. The HRA is a separate (ring fenced) account of the Council covering income and expenditure relating to its role as landlord. Under the self-financing arrangements for local authorities, the HRA records the costs of management and maintenance of the Council's dwellings and the related income from rents and other charges. The Government provides guidance on what should be included in the HRA to protect Council tenants.
- 1.2 Although there is not a requirement for a similar separation of capital expenditure, the capital programme as it relates to the HRA is separately monitored. This report outlines the full 2018/19 financial year's outturn as well as highlighting the carry forward request of budgets into the 2019/20 financial year.
- 1.3 The position as reported has been used to inform the publication of the draft statement of account which are subject to external audit review ahead of approval by the Audit and Risk Committee by the statutory deadline of July 2019.

2 HRA Outturn 2018/19

- 2.1 The Housing Revenue Accounts annual outturn was a surplus of £1.178m against a forecasted deficit of £1.654m, resulting in a variance of £2.832m.
- 2.2 The 2018/19 £2.832m outturn underspend is largely due to capital variances following procurement programming delays, sourcing of materials, tenant refusals and an increase in capital receipts reducing the revenue required to finance capital spend.
- 2.3 Demand lead annual revenue repair workflows such as responsive repairs, void repairs and cleaning and clearance have reflected a reduction in demand, along with a reduction in cost per job. This is largely due to the increased capital programme completed in years following the stock condition survey, reducing the repairs works required within the stock and increasing stock quality overall.
- 2.4 A summary of the outturn position for the HRA is included at Appendix A, table 1 below provides details of the year end variances of the income & expenditure account.

Table 1 – HRA Income and Expenditure Outturn Variances 2018/19

Table 1	Current Budget £000	Outturn £000	Variance £000	Comments
Dwelling Rents	(21,581)	(21,630)	(49)	Additional income due to additional dwellings being added to the stock from the affordable housing programme.
Other non-dwelling rents - Garage & stores rentals	(249)	(245)	4	No significant variance
Charges for services and facilities	(1,339)	(1,278)	61	Increase in HRA contribution towards supporting the sheltered housing costs following funding changes.
Interest & investment income	(5)	(29)	(24)	Increase in investment income received in year
Income Total	(23,174)	(23,182)	(8)	
Repairs & Maintenance	9,363	8,202	(1,161)	GYN's Electrical Test & Inspect programme is underspent by £219k due to a reduced programme being implemented so that capital programmes can be accelerated. Responsive repairs, void works and cleaning and clearance works have reflected a reduction in demand and lower costs per job partly as a result of

Table 1	Current Budget £000	Outturn £000	Variance £000	Comments
				increased capital work completed in prior years.
Supervision and Management	2,587	3,178	591	Recharges received are higher than originally budgeted partly due to a review of the allocation methodology. Support Services Recharge variances are driven by the variances in direct costs and income identified under those services recharged across the Council.
Supervision and Management (Direct Employee)	2,258	2,128	(130)	The underspend year to date is due to staff vacancies along with the housing management restructure.
Rents Rates & Taxes - e.g. Council tax, utility charges	230	245	15	No significant variance
Depreciation	3,389	3,520	131	Additional dwellings added following the development and purchases within the Affordable housing programme.
HRA revenue contribution to capital expenditure	4,018	2,127	(1,891)	Underspend due to delays within capital works programmes reducing the requirement of revenue to fund capital in year.
HRA Interest Payable on Loans	2,644	2,739	95	Increase in short term borrowing within 2018/19.
Provision for bad and doubtful debts	150	(18)	(168)	Overall the HRA bad debt provision has reduced by £18k (HRA rent provision reduced by £34k, general bad debts increased by £20k). Overall reduction in the debts outstanding therefore this has resulted in a reduction in the provision.
Expenditure Total	24,639	22,121	(2,518)	

3 Capital Programme Financing 2018/19

- 3.1 Appendix B provides details of the outturn on the HRA capital programme 2018/19.
- 3.2 Table 2 below reflects the variances from the current budget to actuals, along with the corresponding impact on the 2018/19 capital financing within the HRA.

Table 2 – Current HRA Capital Programme Financing 2018/19

Table 2	Current Budget £000	Outturn £000	Variance £000
Improvement Programme Kitchen & Bathroom	3,599	3,502	(97)
Improvement Programme Windows & Doors	738	466	(272)
Planned Maintenance	876	624	(252)
Energy Efficiency Improvements	1,070	1,005	(65)
Specific Capital Projects	285	82	(203)
Empty Properties	1,150	839	(311)
Estate Improvements	80	0	(80)
Neighbourhood Plans	1,562	1,032	(530)
New Affordable Housing	1,360	1,360	0
Total Expenditure	10,720	8,910	(1,810)
Capital Receipts	1,933	1,903	(30)
Revenue Depreciation	3,389	3,520	131
Borrowing	1,360	1,360	0
Revenue Funding Capital	4,018	2,127	(1,891)
Leasehold Capital Contributions	20	0	(20)
Total Financing	10,720	8,910	(1,810)

3.3 Revenue funding capital spend was reduced in year by £1,891k, this was due to delays within the 2018/19 capital programme and will therefore be required to be partly carried forward to support ongoing programmes in 2019/20.

3.4 No capital leasehold works have been completed within 2018/19 due to accelerated works within other capital programmes.

4 Right to Buy Receipts Outturn 2018/19

4.1 There were an increased number of RTB sales during 2018/19 in comparison to previous years (2016/17 – 40, 2017/18 – 47). The Council have completed 50 Right to Buy Sales during 2018/19 against an estimated figure of 40.

4.2 The Council is responsible for managing stock of 5,783 dwellings as at the 31 March 2019 (5,829 in 2017/18). Table 3 shows a summary on the movement and breakdown of the Housing Stock during 2018/19.

Table 3 – HRA Housing Stock summary 2018/19

	2017/18	2018/19
<i>Stock as at 1 April</i>	5,863	5,829
Less:		
- Sales	-47	-50
- Conversions	0	0
- Demolished	0	0
Add		
- New dwellings	6	0
- Repurchase/Purchase	7	4
<i>Stock as at 31 March</i>	5,829	5,783

<i>Summary of Housing Stock</i>		
Houses	2,293	2,261
Flats and Maisonettes	2,644	2,633
Bungalows	892	896
	5,833	5,790

- 4.3 Seven dwelling purchases have been completed within 2018/19. These purchases are not currently included within the lettable stock figures for 31st March due to renovation works required.

5 2018/19 Budgets to be Carried Forward into 2019/20

- 5.1 Appendix C and D provide the revised position of both the revenue and capital 2019/20 programmes incorporating the 2018/19 carried forward budgets detailed below.
- 5.2 As highlighted in previous monitoring there have been delays in the capital programmes for 2018/19. The budgets detailed below are required to reach the current and arising demand of HRA dwelling stock, as identified by the stock condition survey.
- 5.3 Table 4 provides a summary of the 2018/19 budgets required to be carried forward to 2019/20.

Table 4 - Carried Forward Requests of Underspent 2018/19 Budgets

Table 4	Carried forward Budget £000	Reasons
Windows & Doors Capital Programme	270	Works on hold pending confirmation of fire door specification.
Capital Inefficient & Partial Heating System Replacements	65	Further works required to complete the planned programme following tenant refusals in prior years.
Capital Major Voids Works	160	Further works required to complete 2018/19 planned programme.

Table 4	Carried forward Budget £000	Reasons
Capital Rewiring	189	To continue scheduled works in 2019/20 following delays in prior periods.
Capital Long term Voids	148	Works have been mobilised and completions expected within 2019/20.
Capital Sewerage Schemes	80	Works postponed due to access issues (Awaiting start date).
Capital Neighbourhood Planned Works	209	Delayed Neighbourhood planned works to council dwellings to be completed in 2019/20.
Capital Roofing including finlock and Insulation	149	Further works required to complete 2018/19 planned programme.
Major Repairs and Maintenance	58	Ongoing major repair works to council dwellings in 2019/20.
Capital Planned Bathrooms	101	Further works required to complete 2018/19 planned programme.
Capital Void Kitchens	95	Further works required to complete 2018/19 planned programme.
Capital Whole House Improvements	193	Works have been mobilised and completions expected within 2019/20.
Total Carried forward Budgets	1,717	

6 HRA Reserves balances

- 6.1 As a result of the 2018/19 surplus in year, the HRA is holding a higher balance moving into 2019/20 than originally anticipated, as shown in Table 5.

Table 5 – HRA Reserves Summary 2018/19

Housing Revenue Account Balances – Movement 2018/19	£000
Opening Balance - 1 April 2018	10,221
Add Expected forecast Surplus/ (Deficit)	(1,654)
Forecast Balance	8,567
Actual Surplus/ (Deficit)	1,178
Balance Carried forward – 1 April 2019 (subject to Audit)	11,399

- 6.2 The budget for 2018/19 was approved in February 2019 and at the time set out the future funding position until 2023/24. The impact of the 2018/19 outturn surplus means that the HRA will carry forward £11.399m of reserves into 2019/20, as a result the original 2019/20 budget has been revised from a deficit of £2.218m to £3.935m. Accelerated capital work programmes are continuing following the stock condition survey to improve the standards of the HRA housing stock in accordance to decent homes. This increased expenditure requirement means that the HRA will need to rely on reserves to fund its capital programmes within 2019/20.
- 6.3 The self-financing HRA remains governed by guidelines on rent setting for tenants. The council has not had flexibility on the approach to rent setting due to the policy announced as part of the Welfare Reform and Work Act 2016. Rents have reduced annually by 1% over the four year period 2016/17 to 2019/20 with 2019/20 being the fourth and final year of reductions. Following the end of the 1% reduction to all social rents in 2019/20, rents will be based on the assumptions of an increase of CPI +1 in the years to follow.
- 6.4 The HRA has continued to rely on reserves to support its programmed works. Previous budget forecasts have displayed that the HRA would be below its minimum reserves balance of £2m by 2022/23. Due to delays within the capital programmes in prior years revenue funding capital has been greatly reduced leaving overall reserves balances higher than expected.
- 6.5 Overall with increasing rents from 2019/20 and higher reserve balances than expected being carried forward into 2019/20, the HRA is now expected to be in surplus by 2022/23.

Departmental reference:

Does this report raise any legal, financial, risk, sustainability, equality, crime and disorder, human rights or every child matters issues and, if so, have they been considered?	Issues	
	Legal	Yes, and taken into account
	Financial	Yes, and taken into account
	Risk	Yes, and taken into account
	Sustainability	Yes, and taken into account
	Equality	No
	Crime and Disorder	No
	Human Rights	No
	Every Child Matters	No

Appendix A – HRA Income and Expenditure 2018/19

	Budget	Outturn	Variance
	£000	£000	£000
Dwelling Rents	(21,581)	(21,630)	(49)
Other non-dwelling rents	(249)	(245)	4
Charges for services and facilities	(1,339)	(1,278)	61
Interest & investment income	(5)	(29)	(24)
Income Total	(23,174)	(23,182)	(8)
Repairs & Maintenance	9,363	8,202	(1,161)
Supervision and Management (Direct Employee)	2,258	2,128	(130)
Supervision and Management	2,587	3,178	591
Rents Rates & Taxes	230	245	15
Depreciation	3,389	3,520	131
Capital expenditure funded by the HRA	4,018	2,127	(1,891)
HRA Interest Payable	2,644	2,739	95
Provision for bad and doubtful debts	150	(18)	(168)
Total Expenditure	24,639	22,121	(2,518)
Transfers (from)/to Earmarked Reserves	(160)	(79)	81
Leasehold Capital Contributions	(20)	0	20
Contribution to Pension Reserves	369	(38)	(407)
Deficit/(Surplus) for the year	1,654	(1,178)	(2,832)
Bfwd HRA Reserves Balance (01 Apr)	10,221	10,221	0
Deficit/(Surplus) for the year	1,654	(1,178)	(2,832)
Cfwd HRA Reserves Balance (31 Mar)	8,567	11,399	2,832

Appendix B - HRA Capital Programme Outturn Variances 2018/19

	Current Budget	Outturn	Variance	Reason
	£000	£000	£000	
Kitchens & Bathrooms	3,599	3,502	(97)	Kitchen and bathroom improvements had experienced delays due to extended procurement timescales at the beginning of the year, but workflows were considerably increased to improve replacement outturn numbers. Planned kitchens and void bathrooms have a cumulative overspend of £197k, with 339 planned kitchens and 48 void bathrooms being completed in year. Void Kitchens and planned bathrooms works have a cumulative underspend of £294k, with 219 planned bathrooms and 91 void kitchens being completed in 2018/19. Underspends will be required to be carried forward in 2019/20 in order to meet the unit demand.
Windows & Doors	738	466	(272)	Programmed windows and doors are experiencing delays due to sourcing fire door replacements to meet the relevant standards required. Workstreams have increased, but programmed works within communal areas and blocks are currently on hold until formal notification is received regarding the required specification of fire doors. Remaining budget will be carried forward into 2019/20.
Planned Maintenance	876	624	(252)	Dwelling rewires have seen a high number of tenant refusals throughout 2018/19, resulting in an underspend of £189k. Remaining budget will be carried forward into 2019/20. Adaptation works have completed 4 extensions and 36 capital adaptations in 2018/19 and have successfully met the budgeted provision
Neighbourhood Plans	1,562	1,032	(530)	Works have focussed on the replacement of concrete canopies and external render works following replacement roofing. Works had been partly affected by the procurement to deliver works at a lower cost, along with the need to supply multiple quotes in line with the section 20 procedure for leaseholders before engaging. Stair enclosure and concrete works have not been completed in year due to contractor time being required in other high demand programmes.
Energy & Efficiency	1,070	1,005	(65)	Boiler replacements: successfully completion of 253 boiler installations within 2018/19 reaching its budgeted provision. Inefficient heating replacements have experienced delays which have resulted in a £83k underspend. This will be marginally offset by the Air Source heat pump replacements which have completed 18 installations in year resulting in an overspend of £49k. Remaining underspent budgets to be carried forward to 2019/20 in order to complete works previously refused in prior schedules.

	Current Budget	Outturn	Variance	Reason
Specific projects	285	82	(203)	Whole house and empty property programmes have experienced delays due to additional time being required to individually prepare and tender each project, ensuring that the best standard of works are delivered and competitive prices are achieved. Underspent budget to be carried forward to 2019/20.
Estate Improvements	80	0	(80)	No Sewerage system works have been completed within 2018/19. Spend is determined on the completion of new mains sewer systems by Anglia Water and depends on the access granted by tenants and owner-occupier to connect mains system. There is currently no revised date for the completion of this project due to access restrictions. The current need is that this budget will be required until the project has been completed and therefore will require being carried forward to 2019/20.
Empty Properties	1,150	839	(311)	Works have been mobilised, but no long-term void works have been completed in 2018/19 although two of the properties West Road and Harbord Cres are underway. Projects are all individually prepared and tendered to receive the most competitive quotes for works which has delayed site starts within 2018/19. Underspent budget to be carried forward to 2019/20.
New Affordable Housing	1,360	1,360	0	No significant variance
Total	10,720	8,910	(1,810)	

Appendix C – Revised 2019/20 HRA Income and Expenditure

	Original Budget	Revised Budget	Variance
	£000	£000	£000
Dwelling Rents	(21,279)	(21,279)	0
Other non-dwelling rents	(263)	(263)	0
Charges for services and facilities	(1,394)	(1,394)	0
Interest & investment income	(5)	(5)	0
Income Total	(22,941)	(22,941)	0
Repairs & Maintenance	9,523	9,523	0
Supervision and Management (Direct Employee)	2,201	2,201	0
Supervision and Management	2,684	2,684	0
Rents Rates & Taxes	261	261	0
Depreciation	3,482	3,482	0
Capital expenditure funded by the HRA	3,869	5,586	1,717
HRA Interest Payable	2,751	2,751	0
Provision for bad and doubtful debts	150	150	0
Employer's Pension Adjustment	392	392	0
Total Expenditure	25,313	27,030	1,717
Transfers (from)/to Earmarked Reserves	(104)	(104)	0
Leasehold Capital Contributions	(50)	(50)	0
Deficit/(Surplus) for the year	2,218	3,935	1,717
Bfwd HRA Reserves Balance (01 Apr)	8,567	11,399	2,832
Deficit/(Surplus) for the year	2,218	3,935	1,717
Cfwd HRA Reserves Balance (31 Mar)	6,349	7,464	1,115

Appendix D - Revised 2019/20 HRA Capital programme

Capital programme	Original Budget	Revised budget	Variance
	£000	£000	£000
Kitchens & Bathrooms	2,700	2,896	196
Windows & Doors	650	920	270
Energy & Efficiency	950	1,015	65
Estate Improvements	0	80	80
Neighbourhood Plans	2,106	2,464	358
New Affordable Housing	2,139	2,139	0
Planned Maintenance	535	782	247
Specific Plan Projects	920	1,113	193
Empty Properties	1,000	1,308	308
Total Expenditure	11,000	12,717	1,717
Borrowing	2,139	2,139	0
Capital Receipts	1,471	1,471	0
Depreciation	3,471	3,471	0
Revenue funding Capital	3,869	5,586	1,717
Leasehold Capital Contributions	50	50	0
Total Financing	11,000	12,717	1,717