

**Subject: HOUSING REVENUE ACCOUNT – OUTTURN 2016-17
(SUBJECT TO AUDIT)**

**Report to: EMT (18 May 2017), Policy and Resources (13 June 2017),
Housing and Neighbourhoods Committee (22 June 2017)
Full Council (13 July 2017)**

Report by: Housing Business and Finance Manager

SUBJECT MATTER AND RECOMMENDATION / DECISION REQUIRED:

This report sets out the outturn position of the Housing Revenue Account 2016-17 (subject to Audit review – completion September 2017)

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.

2 HRA Outturn 2016/17

- 2.1 The Housing Revenue Accounts annual outturn was a deficit of £1,377m against a Forecasted deficit of £939k, resulting in a variance of £438k.
- 2.2 The reason for the additional overspend was a higher contribution required from revenue to capital, largely in order to support the rolling programme of estate investment and improvement known as Neighbourhood Plans. The Neighbourhood Plan programme is a rolling programme and so delivery is not contained within single financial years. Spread over a number of estates, these Neighbourhood Plans have, in part, been able to deliver ahead of schedule due to the mild winter meaning less time lost on site than was originally assumed. In addition, final costs can increase or decrease depending on further exploratory works once on site. The works in 2016/17 have largely been carried out in blocks of flats and once scaffolding has gone up, additional works have been carried out due to, for example: existing tile-hangs being decayed and unsafe; and the existing elevation treatments having poor insulation, contributing to internal damp through water penetration and condensation build-up. Funding was allocated for new insulation panels, enabling cleaning and repairs to the external envelope.

- 2.3 The additional works are to be funded from a re-profiling of the 2017/18 Capital Programme and a reduction to the revenue contribution to capital for the financing of the capital programme in 17/18. This will be further reviewed as part of the reassessment of future capital programmes following analysis of the recent stock condition survey.
- 2.4 Table 1 shows a summary of the HRA Income and Expenditure Outturn variances (Full statement in Appendix 1). The Statements of Accounts for Great Yarmouth Borough Council which include the HRA will be presented to the Audit and Risk for approval in September 2017 following the completion of the external audit of the statement.
- 2.5 Table 2 shows the HRA Capital Programme Outturn variance for 2016/17 (Full Capital programme outturn in Appendix 2).
- 2.6 Table 3 details the revised financing of the HRA 2016/17 capital programme.
- 2.7 Table 4 details requested underspent budgets to be cfwd into 2017/18 programmes.
- 2.8 Table 5 shows the revised 2017/18 summary of the HRA 2017/18 Capital programme after the carry forward requests from 2016/17.

Table 1 - HRA Revenue Outturn Variances 2016/17

Income/ Expenditure	2016/17 Forecast Budgets	2016/17 Outturn	2016/17 Variance	Details	Financed from
	£000	£000	£000		
Rents income	(22,090)	(22,160)	(70)	Small increase in actual rent received compared to the rental income budget for the year.	n/a
Non Dwelling income	(1,687)	(1,680)	7	Yare care, sewerage & communal heating below estimated budgets in year.	n/a
Revenue contribution. to capital	4,509	5,485	976	See explanation at 2.2 and 2.3	HRA Revenue Reserves
Depreciation	3,304	3,304	0		n/a
Interest	2,660	2,620	(40)	Saving in year due to interest payments being less than budgeted.	n/a
Repairs & Maintenance	9,105	8,995	(110)	Overall the repairs and maintenance budget is underspent in the year. Responsive repairs and gas repairs works did overspend due to the stock condition survey increasing jobs in the demand led service. Savings in year include payback to the HRA on the GYN contract and fewer adaptations repairs works. The car parks maintenance and electrical remedial budgets were not spent in year. The electrical budget is cyclical and the same budget will be required in 2017/18. The car parks budget has been included in 1718 and will be reviewed at the end of qtr. 1 to ensure this is still needed in 2017/18.	n/a
Supervision, Management, recharges & Pensions	4,817	4,526	(291)	Tenancy Services IT upgrades budget was underspent in year and therefore the unspent budget for IT costs has been requested to be carried forward into 17/18 for £46k. Staff vacancies created savings of £39k in year. Utilities (Energy /Gas/Phone Landlines) estimated budgets were based on 15/16 outturns and the 16/17 outturn has resulted in a £62k saving in year. Savings in year also include an underspend of £64k on consultancy/contingency costs, £18k savings on legal costs recovered from tenant recharges and an extra £7k recovered for Right to	n/a

Income/ Expenditure	2016/17 Forecast Budgets	2016/17 Outturn	2016/17 Variance	Details	Financed from
				Buy Administration costs as sale were over the expected levels in year.	
Rents, rates & Other Charges	321	287	(34)	Overspend of £7k on Empty property rates in year, (dependent on tenants leaving properties), General rates for council buildings were overspend by £7k in year due to 1516 liability charges being paid late in 16/17 financial year. Insurance building costs saw a slight increase in year for the HRA of £5kBad debt provision estimate came in under budget by £54k.	HRA Revenue Reserves
Total	939	1,377	438		

Table 2 - HRA Capital Programme Outturn Variances 2016/17

HRA Capital Programme 2016-17	2016-17 Forecast Budget	2016-17 Outturn	2016-17 Variance	Reason	Financed from
	£000	£000	£000		
Kitchens & Bathrooms	2,081	2,254	173	Of the variance, £155k relates to the final invoice in respect of £255k for works completed at the of the Fosters kitchen contract in 2015/16, for which the accrual in the prior year's accounts was not sufficient. A dispute over the final account was not resolved in time for the final accounts in 2015/16 so an estimate was provided based on the information we had at the time. There was a £90k saving on the Fosters kitchen budget reported in 15/16 outturn. Further £18k overspends on kitchens as a whole.	HRA Revenue reserves

HRA Capital Programme 2016-17	2016-17 Forecast Budget	2016-17 Outturn	2016-17 Variance	Reason	Financed from
Windows & Doors	185	114	(71)	The unused budget into has been carried forward to 2017/18.	n/a
Planned Maintenance	520	828	308	<p>Both the volume and location of work undertaken for rewires in year reflects changes to Electrical (EICR) Tests regulations. Increasing the frequency of EICR electrical test and certification activities from 10 to 5 years resulted in a greater number of defective electrical systems being identified both within individual properties and to communal areas. GYN are obliged to undertake remedial works, and where identified/practicable, these have been combined with other programmes (kitchen/void/neighbourhood plan) to satisfy GYBC's legal obligation, reduce prolonged disruption to tenants and to spread/reduce site administration (prelims etc.) costs – altogether ensuring value for GYBC. Revenue and capital programmes.</p> <p>Adaptations capital works were higher than anticipated - however there was a counter under spend in revenue works to cover this overspend. The remainder £161k underspend has been requested to be cfwd to cover housing extension capital works in 17/18.</p> <p>Lastly an overspend was seen on major revenue works that resulted in being capital works due to the nature of the job, this is estimated budget for the year.</p>	<p>£123k underspend on Electrical revenue remedial works.</p> <p>£48k underspend to cover Adaptation works in year.</p> <p>HRA Reserves used for remaining £136k overspend in year.</p>
Neighbourhood Plans	3,823	4,824	1,001	Capital category's re-evaluated due to the spending of various budgets within the neighbourhood plans estate areas - all budgets involved contribute to the neighbourhood plans works. March saw a higher than forecast spend of £1m in neighbourhood plans works. £400k is due to accelerated 17/18 preparation works and £600k of additional works required in 16/17 programme. The overspend will be funded from Reserves and 2017/18 budgets reduced accordingly. See further explanation at 2.2 and 2.3.	HRA Revenue Reserves (17/18 budgets reduced)
Energy & Efficiency	1,073	856	(216)	On budget for most of the Heating programmes. Dodd major capital works underspend - however revenue works were overspend in year - this is demand led service contract. Budgets are set as estimates at the beginning of the year and also a profit share element (for overall	n/a

HRA Capital Programme 2016-17	2016-17 Forecast Budget	2016-17 Outturn	2016-17 Variance	Reason	Financed from
				savings) is applied at year end. Communal Heating budget was not spent in year and this has been requested to be carried forward to 2017/18.	
Specific projects	339	289	(50)	Wherry Way office refurbishment retention payment was an unknown extra spend in year (£10k). GYN management fee is underspent due to the transfer of 3rd party works in year to GYN - savings of £46k. Stock condition survey is on budget in year with slight savings of £5k. Replacement of one off oil tanks is underspend due to the preferred option of replacing properties with other heating system programmes were applicable.(£5k)	n/a
Estate Improvements	5	5	0		n/a
Empty Properties	1,003	1,051	48	Over the past year, GYN have seen both an increase in number of properties made void as well as an increased level of property dilapidation. The volume of work required has increased considerably reflecting the need to; undertake investment that was previously refused, would be required within two years, is identified as Housing Health Safety Rating System failure' and to achieve 'decency' levels. GYN and GYBC are unable to predict either the number or condition of properties that become Void, so it should be expected that budgets established at the beginning of the year come with the aforementioned caution.	HRA Revenue Reserves
New Affordable Housing	2,100	1,486	(614)	On budget, £614k has been committed for 2016/17 year works. This will to be carried forward to 2017/18 and financed from borrowing in 2017/18.	n/a
Total	11,129	11,708	579		

Table 3 - Financing of the Capital Programme

Capital Programme Financing 2016/17	Forecast Budget	Outturn	Variance	Notes
	£000	£000	£000	
Capital Receipts	1,216	1,216	0	On budget
HRA revenue reserves	7,813	8,790	977	Overspend on Capital Programme (as detailed above)
Borrowing	2,100	1,316	(784)	£784 Cfwd to committed spend in 17/18 (£170k to relates to Equinox contribution included below)
Capital Contributions	0	386	386	Leaseholder recharges for 2016/17 Capital Works in year £216k. Equinox contribution owed to the HRA £170k
Total Financing	11,129	11,708	579	

Table 4 - Requests to Carry forward unspent budgets into 2017-18

HRA Programme	CFwd. budget	Reasons
	£000	
Adaptations Capital programme	161	Proposed extensions to adapt to the needs of tenants in council dwellings in 2017-18.
Windows & Doors programme	71	Ongoing one off works to Council Dwellings in 2017-18
Communal Heating programme	160	Works postponed to 2017/18.
New affordable Housing	784	Committed spend in 2016/17 to be financed from borrowing
Tenancy Services Revenue IT Upgrade budget	46	Tenancy service delays in 16/17 to IT upgrades works to carry on into 17/18.
Total Cfwd Budgets	1,222	

Table 5 - Updated 2017-18 Summary Capital programme

Capital programme	2017-18 Budget	Revised 2017-18 budget	Variance
	£000	£000	£000
Kitchens & Bathrooms	1,934	1,934	0
Windows & Doors	225	296	71
Energy & Efficiency	1,168	1,328	160
Estate Improvements	80	80	0
Neighbourhood Plans	3,980	2,980	(1,000)
New Affordable Housing	2,052	2,666	614
Planned Maintenance	200	361	161
Specific Plan Projects	65	65	0
Empty Properties	850	850	0
Revised Programme Total	10,554	10,560	6

3 The significant variances for 2016-17 are set out below in the table by Housing Revenue Service.

Table 6 - Major revenue variances by HRA Service.

HRA Service	Budget 2016-17	Variance Forecast Budget	Comments
<u>Housing Services</u>	<u>£000</u>	<u>£000</u>	
GYN Repairs & Maintenance	3,420	329	Demand led service on Responsive Repairs. Impact from Stock condition survey.
GYN Empty Properties	1,185	0	Demand led service
GYN Planned Maintenance	1,726	(242)	Planned maintenance services to dwelling stock and council buildings. Unspent & underspends on planned maintenance budgets in year.
GYN Services	2,200	(286)	Unspent budgets returned from GYN. Overestimated recharge budget.
Environmental Services	538	28	Tree cutting, fly tipping clearance works.
Estate management	22	(311)	Housing area offices Grant income received for Middlegate Sustainability review.
Tenancy Services	2,374	31	Tenancy services & staff costs. Decant costs, subscriptions, training and

			internal recharges all overspent in year.
Tenant Participation	34	(15)	Tenant Group and tenant magazine publication savings.
Landlord Services	469	(59)	Utilities, Rents and Rates Communal Areas savings.
Housing Income	(22,618)	(73)	Housing Rental Income, charges for services & contribution to income.
Capital Finance	10,565	3,264	Financing of Capital Exp. & Loan interest payments. Asset revaluations & depreciation estimates
Year-end adjustments	91	(1,956)	Year-end accounting adjustments - Asset revaluation reversals.
Total	6	710	
<u>Housing Health & Wellbeing</u>	£000	£000	
Adaptations	433	(211)	Savings on revenue adaptation works – used for capital works and cfwd to 1718.
Landlord services	122	(22)	Sheltered housing General costs – Rates, Insurance & Utility costs.
Outreach Services	11	(7)	Sheltered Housing Support
Supporting people	220	(45)	Management, Staff and associated costs savings in year to vacancies.
Yare care Alarms Service	147	13	Yare care alarm Scheme & out of hours Service.
Total	933	(272)	
Overall HRA Total	939	438	

4 HRA Reserves balances

As a result of the 2016-17 deficit in year, the HRA is holding a lower balance moving into 2017-18 than originally anticipated, as shown in Table 7.

Table 7 – Housing Revenue Account - Reserves Summary.

Housing Revenue Account Balances – Movement 2016-17	£000
Opening Balance - 1 April 2016	9,435
Add Expected forecast Surplus/ (Deficit)	(939)
Forecast Balance	8,496
Actual Surplus/ (Deficit)	(1,397)
Balance Carried forward – 1 April 2017 (subject to Audit)	8,038

5 Right to Buy Receipts Outturn 2016-17

5.4 There were a similar number of RTB sales during 2016-17 compared to the last two years (2015/16 – 39, 2014/15 – 40).

5.5 The Council had 40 Right to Buy Sales during 2016-17 against an estimated figure of 35.

5.6 The Council was responsible for managing stock of 5,863 dwellings as at the 31 March 2017 (5,903 in 2015-16).

5.7 Table 5 shows a summary on the movement and breakdown of the Housing Stock during 2016-17.

Table 8 – Housing Stock summary 2016-17

	2015-16	2016-17
<i>Stock as at 1 April</i>	5943	5903
Less:		
- Sales	-40	-40
- Conversions	0	0
- Demolished	0	0
Add		
- New dwellings	0	0
- Repurchase/Purchase	0	0
<i>Stock as at 31 March</i>	5903	5863

<i>Summary of Housing Stock</i>		
Houses	2352	2325
Flats and Maisonettes	2661	2649
Bungalows	890	889
	5903	5,863

Departmental reference: <G:\HRA\2016-2017\201617 Year end\Year end Outturn reports\HRA Outturn Report 16-17.docx>

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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 1 – HRA Income and Expenditure 2016-17 (subject to Audit)

Income / Expenditure		1617 Forecast	1617 Outturn	Variance
Income	Charges for Services and Facilities	(1,316,664)	(1,284,647)	32,017
	Contributions towards Expenditure	(133,207)	(138,320)	(5,113)
	Dwelling Rents	(22,090,000)	(22,160,575)	(70,575)
	Interest and Investment Income	(5,000)	(20,605)	(15,605)
	Non Dwelling Rents	(232,503)	(237,614)	(5,111)
Income Total		(23,777,374)	(23,841,761)	(64,388)
Expenditure	Depreciation and Impairment of Fixed Assets: Dwellings	3,169,896	5,498,712	2,328,816
	Depreciation and Impairment of Fixed Assets: Non - Dwellings	134,323	134,323	0
	Provision for bad and doubtful debts	150,000	96,340	(53,660)
	Rents, Rates, Taxes and Other Charges	170,579	190,844	20,265
	Repairs & Maintenance	9,145,470	8,994,264	(151,207)
	Supervision and Management	4,686,579	4,383,316	(303,263)
Expenditure Total		17,456,847	19,297,799	1,840,952
Operating income and expenditure	(Gain) / Loss on Sale of HRA non-current Assets	0	(370,724)	(370,724)
	Interest Payable and Similar Charges	2,659,979	2,620,418	(39,561)
	Revenue Grants & Contributions receivable	0.00	(320,000)	(320,000)
	Capital Grants & Contributions receivable	0.00	(386,678)	(386,678)
Operating income and expenditure Total		2,659,979	1,543,017	(1,116,963)
Movement on the HRA	Employer's Contributions Payable to or from Norfolk County.	716,039	529,834	(186,205)
	HRA Earmarked reserves	0	320,000	320,000
	Impairment of Fixed Assets	0	(2,328,816)	(2,328,816)
	Net Charges made for Retirement Benefits in accordance with IAS 19	(625,495)	(386,164)	239,331
	Reversal on gain of sale of HRA non-current Assets	0	370,724	370,724
	Capital Grants & Contributions applied	0	386,678	0
	Capital Expenditure funded by Revenue	4,509,241	5,485,408	1,362,845
Movement on the HRA Total		4,599,786	4,377,664	(222,122)
Grand Total		939,239	1,376,718	437,479

Appendix 2 – HRA Capital Expenditure 2016-17 (subject to audit)

Capital Programme 2016/17	Project description	1617 Forecast Budgets	1617 Expenditure Outturn	1617 variance
Kitchen & Bathrooms Improv.	Bathroom Planned replacements	380,000	257,737	(122,263)
	Bathroom Void Replacements	90,000	72,203	(17,797)
	Kitchen Planned replacements	1,160,000	1,205,242	45,242
	Kitchen Void replacements	451,000	718,898	267,898
Kitchen & Bathrooms Improv. Total		2,081,000	2,254,080	173,080
Improvement Window & Doors	Windows & Doors	185,000	113,689	(71,311)
Improvement Window & Doors Total		185,000	113,689	(71,311)
Energy & Efficiency Improvements	Replacement VOKERA Boilers	300,000	292,761	(7,239)
	Air Source Heat Pumps	40,000	40,379	379
	Communal Heating 1415 & 1516	160,000	0	(160,000)
	Dodds Major Capital works	315,000	268,261	(46,739)
	Inefficient and Partial Heating	225,000	220,062	(4,938)
	Open Flue Boilers	33,000	34,976	1,976
Energy & Efficiency Improvements Total		1,073,000	856,438	(216,562)
Estate Improvements	New Sewerage Schemes	5,000	5,466	466
Estate Improvements Total		5,000	5,466	466
Neighbourhood plans	Neighbourhood planned works	2,000,000	3,403,398	1,403,398
	Neighbourhood plans - car parking	50,000	3,332	(46,668)
	Neighbourhood plans - Concrete works	100,000	99,419	(581)
	Neighbourhood plans - Finlock gutters	50,000	5,677	(44,323)
	Neighbourhood plans - Firewalls in roofs	18,000	0	(18,000)
	Neighbourhood plans - Loft insulation	100,000	0	(100,000)
	Neighbourhood plans - Roofing	805,000	567,606	(237,394)
	Neighbourhood plans - Stair enclosures	300,000	357,989	57,989
	Neighbourhood plans - Whole house refurb	400,000	386,559	(13,441)
Neighbourhood plans Total		3,823,000	4,823,980	1,000,980
New Affordable Housing	New Affordable Housing	2,100,000	1,486,198	(613,802)
New Affordable Housing Total		2,100,000	1,486,198	(613,802)
Planned Maintenance	Adaptation works	150,000	198,262	48,262
	GYN MRA Works	50,000	81,736	31,736
	Rewiring Properties	320,000	547,833	227,833
Planned Maintenance Total		520,000	827,831	307,831
Specific Planned Projects	Management Fee	73,460	27,721	(45,739)
	Oil Tanks	16,000	6,150	(9,850)
	Stock Condition Survey	250,000	245,407	(4,593)
	Wherry Way extension	0	10,251	10,251
Specific Planned Projects Total		339,460	289,530	(49,930)
Empty Properties	Major Voids	1,003,000	1,051,105	48,105
Empty Properties Total		1,003,000	1,051,105	48,105
Grand Total		11,129,460	11,708,317	578,857