

Appendices

4



**NORTHAMPTON**  
BOROUGH COUNCIL

Item No.

10

## CABINET REPORT

<b>Report Title</b>	<b>DRAFT HOUSING REVENUE ACCOUNT BUDGET OUTTURN POSITION 2010/11</b>
---------------------	--

**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	27 July 2011
<b>Key Decision:</b>	No
<b>Listed on Forward Plan:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	Cllr A Bottwood
<b>Ward(s)</b>	N/A

### 1. Purpose

---

- 1.1 This report identifies the outturn position, subject to audit, for the 2010/11 Housing Revenue Account (HRA).

### 2. Recommendations

---

- 2.1 That the outturn position for the Housing Revenue Account (HRA) be noted.
- 2.2 That Cabinet note the increase in the HRA Capital Programme Reserve of £3.6m to £12.86m and also, the setting up of a new HRA Self-financing Reserve of £2m and a new HRA Supporting People Reserve of £500k (as shown in **Appendix 4**).

### 3. Issues and Choices

---

#### 3.1 Report Background

- 3.1.1 The Council approved the HRA Budget on 25th February 2010. The 2010/11 budget preparation process set a balanced budget which used £308k of the HRA working balances.
- 3.1.2 The Revised Budget was subsequently adjusted by an amount of £119.5k, being a transfer from the Service Improvement Reserve to support revenue expenditure. The Revised Budget showed a net contribution of £427k from HRA working balances. Budget monitoring reports at period 10 had estimated a net underspend on direct costs of £1,196k (net of technical pensions adjustments). The HRA still suffers from the pressures of reducing stock numbers through Right to Buy sales, although these have reduced in the last two years, and the effects of the Government's HRA subsidy regime.
- 3.1.3 The HRA is continually being reviewed in terms of its Asset Management Strategy and long term Business Plan that will provide the Council with options moving forward and provide the backbone to future budgets to help to achieve Decent Homes and a sustainable and deliverable HRA.
- 3.1.4 The Authority is currently awaiting details of the Governments proposals for Councils to buy-out of the existing HRA Subsidy regime and to move to a self-financing model from April 2012.

#### 3.2 Issues

- 3.2.1. The final outturn position for the HRA for 2010/2011 is a net underspend of £4,032k (a variance of £3,459k compared to the revised budget) prior to contributions to-from earmarked reserves. After contributions to earmarked reserves, this results in a net expenditure over income of £1,962k, equating to a £1,535k overspend against the Revised budget. This includes prudently setting aside a further £3.6m for financing the future capital programmes and also setting new reserves of £2m for HRA Self-financing and £500k for HRA Supporting People. The Cabinet is asked to note these contributions to reserve levels. **Appendix 1** to this report provides a summary of the HRA. The major variations in the income and expenditure side of the account are detailed in the analysis and the notes contained in **Appendix 3**.
- 3.2.2. The HRA net expenditure over income reported above is inclusive of an underspend on the HRA's controllable budgets. The actual outturn shows a net underspend on Service Controllable budgets of £2,282k (see **Appendix 2** for details). This represents a change to the forecasted outturn underspend of £1,196k, (reported to Cabinet on 16th March 2011, net of a pension adjustment).
- 3.2.3. The net overspend of £1,962k will decrease the level of working balances on the HRA from £6.854m to £4.893m for 2010/11, after the net contribution of £5,980k to earmarked reserves. This represents a decrease to the budgeted working balances underpinning the 2010/11 budget which were £6.3m. This level of working balances supports the current proposals for improvements in delivery of HRA services in the short term.

3.2.4. The Council holds earmarked reserves of £9.26m for financing the capital programme in light of the anticipated outcome of the revised Asset Management Strategy review and HRA Business Plan. A further £3.6m has been transferred to the reserve for the same purpose and will increase the reserve to £12.86m. This balance will reduce the future years borrowing requirement to fund the HRA Decent Homes programme and other HRA schemes.

3.2.5. All outturn variations identified within the 2010/11 accounts will be investigated to identify if any savings/overspends are ongoing and need to be reflected within the current and future year budgets. The next 2011/2012 budget monitoring report to Cabinet will provide more detail concerning any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year.

### 3.3. Main Variances in Outturn 2010/11 Against Budget

**Table 1 - Main Summary of Variances of HRA Outturn**

HRA Variance Description	Outturn Variance
	31.3.11 £'000
Other Income	117
Repairs and Maintenance	-1,061
General Management	-233
Special Services	-857
Rent Rebate Subsidy deductions	-103
Net Recharges From the General Fund	-622
Provisions (Insurance)	-335
Interest & Financing	-159
Other Variations	-206
<b>HRA Service Underspend 2010/11</b>	<b>-3,459</b>
Contribution to HRA Capital Reserves	2,600
Net Contributions to Other HRA Reserve Balances	2,394
<b>Net Movement in Working Balance 2010/11</b>	<b>1,535</b>

3.3.1. **Other Income / Repairs & Maintenance.** A restructure of the Repairs and Maintenance service and has led to significant savings being achieved. In addition, management action has been taken to reduce the level of expenditure on repairs and voids. This action has led to a subsequent increase in the level of the contribution to the Capital Reserve.

3.3.2. **Contributions to Capital Reserve.** Savings across the HRA services have enabled an additional £2.6m contribution to the Capital Reserve to fund future costs in relation to the Decent Homes programme and other HRA schemes.

This increase will be fully utilised to reduce the level of borrowing that is required to fund the HRA capital programme in future years.

- 3.3.3. **General Management.** This underspend largely relates to employee cost savings resulting from vacant posts across the service throughout the year.
- 3.3.4. **Special Services.** Various under spends have occurred across the service, including employee cost savings as a result of vacant posts throughout the year and an overprovision of budget following the restructure of the service. In addition, expenditure on utility and repair costs has reduced following the boiler replacement at Cooper Street and the lower than budgeted increases in energy costs. Other general areas had lower upkeep costs in the year e.g. the integrated reception service and the lift maintenance service provided to housing blocks.
- 3.3.5. **Rent Rebate Subsidy deductions.** The contribution to the general fund is reducing annually in line with rent convergence and when rents are fully restructured no further contributions will be necessary.
- 3.3.6. **Net Recharges from the General Fund.** Recharge expenditure attributable to the HRA is £4,785k compared to a budgeted figure of £5,407k resulting in an under spend of £622k. The variance primarily relates to an under spend on General Fund Services that are recharged to the HRA. In addition, there was an increase in the amount of identified employee costs that were attributable to capital works.
- 3.3.7. **Contribution to HRA Working Balances and Reserves.** The resultant under spends on the HRA enable the Council to earmark balances for specific priorities. In previous years unused Revenue Contributions to Capital have been set aside to fund future Capital Programmes, amounting to £9.26m. The total balance on all HRA revenue resources (working balances and earmarked reserves) at 31/03/2011 is £22.074m (Earmarked Reserves shown at **Appendix 4**). The contributions to working balances and earmarked reserves and their resultant balances are summarised in the table below.

**Table 2 – HRA Working Balances and Reserves**

HRA Balances on Account	Balance 1.4.10 £'000	Movement In Year £'000	Balance 31.3.11 £'000
HRA Working Balance	6,854	-1,961	4,893
HRA Capital Programme Earmarked Reserve	9,260	3,600	12,860
HRA Leaseholders Earmarked Reserve	1,000	0	1,000
HRA Service Improvement & Project Reserve	940	-119	821
HRA Self-Financing Reserve	0	2,000	2,000
HRA Supporting People Reserve	0	500	500
<b>TOTAL HRA BALANCES</b>	<b>18,054</b>	<b>4,020</b>	<b>22,074</b>

### **3.4 Choices (Options)**

- 3.4.1 Cabinet is invited to note the report and approve the actions being taken to earmark balances for the HRA Capital Programme, Self-Financing Reserve and Supporting People Reserve. This will help to ensure funds are available to go towards maximising delivery of the outcomes of the HRA Asset Management Strategy and the HRA Business Plan as well as current Council priorities.
- 3.4.2. Consideration must be given as to whether further management action can be taken to achieve service improvements and deliver future budgets.

## **4. Implications (including financial implications)**

---

### **4.1 Policy**

- 4.1.1 The outturn position impacts on the level of reserves.

### **4.2 Resources and Risk**

- 4.2.1 This report informs the Cabinet of the HRA budget outturn.
- 4.2.2 There will be an ongoing impact on future year budgets due to increased pressures on level of reserves.
- 4.2.3 The impact of individual outturn variances needs to be assessed against the current and future year budgets in light of the outcome of the Asset Management Strategy review, the HRA Business Plan and any changes that result from the Government's proposals to introduce a self-financing HRA model.

### **4.3 Legal**

- 4.3.1 There are no specific legal implications arising from this report.

### **4.4 Equality**

- 4.4.1 Not applicable

### **4.5 Consultees (Internal and External)**

- 4.5.1 Chief Executive, Directors, Heads of Service and Budget Managers have been consulted.

## **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Annual outturn reporting contributes to the priorities of delivering value for money services and to sustain effective and prudent financial management.

## **4.7 Other Implications**

4.7.1 Not applicable.

## **5. Background Papers**

---

5.1 Cabinet Reports -

- Monthly Finance Monitoring Dashboard Reports

Bill Lewis, Head of Finance, 01604 837167  
Isabell Procter, Director of Finance, 01604 838757