

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 July 2013

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Actual Housing Revenue Account Expenditure and Financing 2012/13</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	
<b>Corporate Objective:</b>	A Balanced Housing Market and A Dynamic, Prudent and Progressive Council

#### **Purpose:**

The purpose of this report is to provide the Executive with the details of the actual expenditure and income for 2012/13 in the Housing Revenue and Repairs Accounts

#### **Executive summary:**

The final figures for 2012/13 show that, overall, the actual deficit on the Housing Revenue Account and Housing Repairs Account is £455,000 compared to a forecast deficit of £220,000. Of this, £554,000 relates to non-capitalised repairs from the capital programme. However, if the requested carry forwards are agreed then the deficit will increase to £751,200.

The briefing paper attached to this report explains the actual financial position for 2012/13, together with the reasons for the significant variances when compared with the revised budget, which was agreed by the Executive in February 2013.

#### **Recommendation:**

- (a) That the balances on the Housing Revenue and Repairs Accounts as at 31 March 2013 be carried over to 2013/14.
- (b) That the following budgets be carried forward:
  - i. £122,900 Asbestos Survey
  - ii. £98,500 Disabled Modifications
  - iii. £45,900 External Decorations
  - iv. £28,900 Gas Servicing

#### **Reason:**

To ensure that the balances on the Housing Revenue and Repairs Accounts at 31 March 2013 will be available in future years, and that 2013/14 budgets are sufficient to meet the level of work programmed.

**Cost of proposals:**

There are no additional costs relating to the recommendations

**Appendix A:** Housing Revenue and Repairs Accounts

**Background papers:** Report to the Executive Housing Revenue Account Spending Plans dated 11 February 2013.

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## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 8 July 2013

**Subject:** Actual Housing Revenue Account Expenditure and Financing 2012/13

**Briefing by:** Director of Finance and Resources

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. On 11<sup>th</sup> February 2013, the Executive considered the revised budget for the Housing Revenue Account (HRA) and Housing Repairs Account for the financial year 2012/13. At this time, the estimated deficit for the revenue account was £220,000.
2. The final figures for 2012/13 show that, overall, the actual deficit is £455,000 for the combined Housing Revenue and Repairs Accounts.
3. The actual position compared with the revised budget is detailed in Appendix A. The tables below summarise the position and indicates the effect of the year's activities on the overall position.

<b>Housing Revenue Account</b>	Revised Budget 2012/13 £000s	Actual 2012/13 £000s	Variance 2012/13 £000s
Income	(11,234)	(11,162)	72
Expenditure	<u>7,483</u>	<u>7,596</u>	<u>113</u>
(Surplus)/Deficit on HRA Services	(3,751)	(3,566)	185
Interest & Premia	1,807	1,798	(9)
Revenue contribution to capital expenditure, Pensions etc	0	59	59
Transfer to reserve	<u>2,164</u>	<u>2,164</u>	<u>0</u>
(Increase)/Decrease in HRA balances in year	220	455	235
Balance brought forward	<u>(4,814)</u>	<u>(4,814)</u>	<u>0</u>
Balance carried forward	<u>(4,594)</u>	<u>(4,359)</u>	<u>235</u>

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<b>Repairs Account</b>	Revised Budget	Actual	Variance
	2012/13	2012/13	2012/13
	£000s	£000s	£000s
Contribution from HRA	(1,971)	(2,183)	(212)
Other Income	(40)	(38)	2
Expenditure	2,011	2,305	294
Transfer from Leaseholder Reserve	0	(84)	(84)
(Increase)/Decrease in Repairs Account balance in year	0	0	0
Balance brought forward	(1,800)	(1,800)	0
Balance carried forward	<u>(1,800)</u>	<u>(1,800)</u>	<u>0</u>

#### **Leaseholder Reserve Account**

	2012/13
	£000s
Transfer to/from Repairs Account	84
Opening Balance	<u>(251)</u>
Closing Balance	<u><u>(167)</u></u>

#### **Capital Development Fund**

	2012/13
	£000s
Transfer from Housing Revenue Account	(2,164)
Opening Balance	<u>0</u>
Closing Balance	<u><u>(2,164)</u></u>

**TOTAL BALANCE (8,490)**

The following paragraphs examine the most significant variances in more detail.

#### **HRA EXPENDITURE**

4. Contributions to the Repairs Account: The most significant variance of £212,000 overspend in the HRA budget, related to:

- an underspend on Responsive & Void Maintenance of (£159,000)
- an underspend on Catch Up Repairs of (£95,000)
- an underspend on Cyclical Repairs/Maintenance of (£88,000)
- capital expenditure that for accounting reasons cannot be capitalised and therefore charged to Revenue £554,000

5. Dwelling Rents: There was a reduction in dwellings rents of £57,000 received during the year. This can be accounted for by:
- the change to the Right-to-Buy rules leading to the sale of 8 properties in the year compared to an estimate of 2 at the time of setting the base budget.
  - Collingwood House flats being vacant earlier than was anticipated when setting the budget.

## HRA REFORMS

6. 2012/13 was the first year we were released from the constraints of the HRA Subsidy System. By way of comparison to 2011/12 when over £3m was paid to the Government; in this year, interest of £1.8m was paid on borrowings.

## REPAIRS EXPENDITURE

7. A total of £2,305,000 was spent on maintaining the housing stock during 2012/13 which included the following types of expenditure plus a small sum on administration.
8. Responsive repairs: £1,040,000 was spent on day-to-day responsive repairs compared to the revised estimate of £1,114,000. The budget for Asbestos Surveys was under spent by £122,900 and it is requested that this is carried forward to 2013/14.
9. Other repair works: £803,000 was spent on repairs that had previously been budgeted within the capital programme compared with the revised estimate of £342,600. This includes expenditure on the upgrading of electrical works, heating systems, window replacements, external works plus other communal works. Whilst they were part of the year's capital programme, the total monies spent did not add to the value of the properties on a like for like basis. Consequently, the part not adding value has been charged to the Repairs Account. For 2012/13, £98,500 of the £308,600 provided for disabled modifications was not utilised and it is requested that this sum be carry forward to 2013/14.
10. Cyclical repairs: £459,000 was spent on cyclical repairs compared with a revised budget of £542,500. This includes external decorating, gas servicing and emergency lighting. The following items were under spent in 2012/13 and have been requested to be carried forward to 2013/14:
- (a) Of the £161,700 provided for external decorating, £45,900 is requested to be carried forward to complete contractual works
  - (b) Of the £277,600 provided for gas servicing, £28,900 is requested to be carried forward to finance invoice queries.

## **CONCLUSION**

11. The report sets out the actual expenditure and income for the HRA and Housing Repairs Account. The combined balance on the HRA, Repairs Account, Leaseholder Reserve and Capital Development Fund at 31 March 2013 is £8,490,000. This compares to the estimated balance of £8,809,000. The difference is primarily due to the capital expenditure that was charged to revenue.
12. Since the date of the February Executive, the Housing Tenancy Board has met to discuss the new charge for Guest Room hire at the sheltered blocks. Following deputation for residents, it is agreed to reduce the charge from £10 per person per night to; £7 per single person per night or £10 per couple per night.
13. The Executive are asked to note the contents of the report, and approve the carry forward balances and budgets, in order that agreed work can be completed in the current year.

### **Reference Papers:**

11 February 2013 Executive Report - Housing Revenue Account Spending Plans including the Capital Programme for 2013/14

## Appendix A

### HOUSING REVENUE ACCOUNT

	Revised Budget 2012/13 £000s	Actual 2012/13 £000s	Variance 2012/13 £000s
<b>Income</b>			
Gross rental income:			
- Dwellings	10,105	10,048	(57)
- Other	232	232	0
Charges for services & facilities	523	510	(13)
Contributions towards expenditure	370	368	(2)
Refund Subsidy from DCLG	4	4	0
<b>Total Income</b>	<b>11,234</b>	<b>11,162</b>	<b>(72)</b>
<b>Expenditure</b>			
Contribution to Repairs Account	1,971	2,183	212
Supervision & Management	2,844	2,789	(55)
Rent, Rates & other Taxes	52	50	(2)
Negative Subsidy to DCLG	0	0	0
Depreciation & Impairment	2,494	2,489	(5)
Debt Management Costs	47	24	(23)
Increase/(Decrease) in HRA Bad Debt Provision	14	74	60
Bad Debts Written Off	0	14	14
HRA Share of Corporate & Democratic Core	61	57	(4)
<b>Total Expenditure</b>	<b>7,483</b>	<b>7,680</b>	<b>197</b>
Net Cost of HRA Services	(3,751)	(3,482)	269
Interest Payable	1,871	1,864	(7)
Amortisation of premia for debt redemption	99	99	0
Pension interest costs and expected return on pension assets	0	185	185
Pension Reserve contributions			0
Movement on Pension Reserve	0	260	260
Interest Receivable	(163)	(165)	(2)
<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>(1,944)</b>	<b>(1,239)</b>	<b>705</b>
<b>Additional amounts required to be debited/ (credited) to HRA balances for the year.</b>			
Pension Reserve Contributions	0	(436)	(436)
Revenue Contribution to Capital Outlay	0	48	48
Depreciation greater than Major Repairs Allowance	0	(1)	(1)
Difference between any other item of income or expenditure determined in accordance with The Code and determined in accordance with statutory requirements	0	3	3
Transfer to Reserves	2,164	2,080	(84)
(Increase)/Decrease in HRA balances for the year.	220	455	235
HRA Surplus brought forward	(4,814)	(4,814)	0
HRA Surplus carried forward	(4,594)	(4,359)	235

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## REPAIRS ACCOUNT

	Revised Budget	Actual	Variance
	2012/13	2012/13	2012/13
	£000s	£000s	£000s
Contribution from HRA	(1,971)	(2,183)	(212)
Other Income	(40)	(38)	2
Expenditure:			0
-Day to day response repairs	1,114	1,040	(74)
-Previous capital works	343	802	459
-Cyclical repairs	543	454	(89)
-Administration and bad debts	11	9	(2)
Transfer to/(from) leaseholder Reserve	<u>0</u>	<u>(84)</u>	<u>(84)</u>
(Increase)/Decrease in Repairs Account balance in year	0	0	0
Balance brought forward	<u>(1,800)</u>	<u>(1,800)</u>	<u>0</u>
Balance carried forward	<u>(1,800)</u>	<u>(1,800)</u>	<u>0</u>