

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES COMMITTEE**

**AGENDA  
ITEM NO**

**13 JUNE 2019**

**6a**

<b>Report Title</b>	<b>HOUSING REVENUE ACCOUNT (HRA) OUTTURN 2018/19 – SUMMARY OF VARIANCES</b>
<b>Purpose of Report</b>	To inform members of the 2018/19 outturn position on the Housing Revenue Account.
<b>Decision(s)</b>	<b>The Committee RESOLVES to:</b> <b>(1) Note the Housing Revenue Account revenue outturn for 2018/19, as shown in Table 1.</b> <b>(2) Approve the transfers to and from earmarked reserves for the year, as set out in Table 2.</b>
<b>Consultation and Feedback</b>	Budget holders have been consulted about the outturn position for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.
<b>Financial Implications and Risk Assessment</b>	The whole report is of a financial nature reporting the Housing Revenue Account capital and revenue position for 2018/19.  Andrew Cummings – Interim Director of Resources Tel: 01453 754115 Email: <a href="mailto:andrew.cummings@stroud.gov.uk">andrew.cummings@stroud.gov.uk</a>
<b>Legal Implications</b>	There are no legal implications arising from this report.  Patrick Arran – Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: <a href="mailto:patrick.arran@stroud.gov.uk">patrick.arran@stroud.gov.uk</a>
<b>Report Author</b>	Lucy Clothier – Principal Accountant Tel: 01453 754343 Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</a>
<b>Options</b>	To not approve the reserve transfers and capital slippage.
<b>Performance Management Follow Up</b>	The outturn position will be taken into account when the budget for 2020/21 is prepared later in the year. The change to balances and reserve levels will be incorporated into an updated Medium Term Financial Plan.
<b>Background Papers/Appendices</b>	Appendix A - HRA Outturn Position

- 1.1 Background
- 1.2 This report sets out the final outturn position for the Housing Revenue Account (HRA) for the 2018/19 financial year.
- 1.3 The purpose of this report is to inform members of the level of balances held by the HRA as a result of closing the accounts for the year.
- 1.4 Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.
- 1.5 HRA Outturn Position Overview
- 1.6 The HRA is a self financing account for the Council's landlord function, which must be budgeted to break even (net of transfers to/from HRA reserves).
- 1.7 The original gross expenditure budget for the HRA was £22,366k. This has been revised to £20,652k with net transfers to reserves of £2,037k, funded by income of £22,689k.
- 1.8 The revenue outturn position of the HRA shows a transfer to HRA General Reserves of £383k. This represents a net overspend of £136k (0.7% of gross expenditure budget). A summary of this variation can be found in Table 1 (following paragraph 1.12).
- 1.9 Housing Revenue Account Revenue Outturn Position
- 1.10 The outturn position for the HRA shows a net overspend of £136k (0.7% of gross expenditure). A breakdown of this variance is included in Table 1 below. This is a change of +£190k (0.9%) from the month 10 forecast reported in April 2019.
- 1.11 It is proposed that this is funded from HRA General Reserves, reducing the amount transferring to general reserves from £519k to £383k. A summary of the position of HRA General Reserves can be found in Section 1.47.
- 1.12 The summary table format has been changed from the previous report. This is to show the true variance within the controllable budgets within the HRA, and split out other charges, such as Support Charges from the General Fund. A copy of the table in the former format has been included in Appendix A for information.

**Table 1 – HRA Revenue Summary**

Revenue Summary	Para Ref	2018/19 Original Budget £k	2018/19 Latest Budget £k	Outturn Position £k	Outturn Variance After Reserve Transfers £k
<b>Income</b>					
Dwelling Rents and Service Charges		(21,826)	(22,144)	(22,195)	(51)
Other Charges and Income		(564)	(625)	(692)	(67)
Provision for Bad Debts		200	80	99	19
<b>Total Income</b>	<b>1.14</b>	<b>(22,190)</b>	<b>(22,689)</b>	<b>(22,788)</b>	<b>(99)</b>
<b>Expenditure</b>					
Supervision and Management	1.17	4,215	3,892	3,863	(29)
Repairs and Maintenance	1.19 - 1.28	3,684	3,652	3,906	254
Sheltered Housing Service	1.31	1,197	1,015	902	(113)
Other Expenditure	1.34	485	459	529	70
Sheltered Housing Modernisation Programme	1.36	579	401	401	0
<b>Total Expenditure</b>		<b>10,160</b>	<b>9,419</b>	<b>9,601</b>	<b>182</b>
<b>Net Income and Expenditure</b>		<b>(12,030)</b>	<b>(13,270)</b>	<b>(13,187)</b>	<b>83</b>
<b>Other HRA Costs and Income</b>					
Support Service Charges from GF	1.39	1,565	1,565	1,687	122
Revenue Funding of Capital Programme (Depreciation and RCCO)		7,153	6,273	6,273	0
Interest Payable/Receivable	1.43	3,488	3,395	3,326	(69)
<b>Total Other Costs and Income</b>		<b>12,206</b>	<b>11,233</b>	<b>11,286</b>	<b>53</b>
<b>Total Housing Revenue Account</b>		<b>176</b>	<b>(2,037)</b>	<b>(1,901)</b>	<b>136</b>
Transfers to/from Earmarked Reserves	1.45	(50)	1,518	1,518	0
Transfers to/from General Reserves	1.47	(126)	519	383	(136)
<b>Total Transfers to Reserves</b>		<b>(176)</b>	<b>2,037</b>	<b>1,901</b>	<b>(136)</b>

1.13 Further details on the variances included in Table 1:

1.14 Income – (£99k) additional income

1.15 Net income is higher than budget by £99k, a variance of 0.4% of the income target. Part of this relates to rents and service charges (£51k), and part relates to other areas such as garage rent (£28k), which because of the

approved policy to dispose/redevelop sites, has been prudently budgeted, and renewable energy income which was over budget by £14k.

- 1.16 This rents and charges lines represent income that has been charged, not income that has been received. Where payment of rent or other charges is overdue and it is not expected that the payment will be received, provision is made under Provision for Bad Debt
- 1.17 Supervision and Management – (£29k) underspend.
- 1.18 There is a small underspend which is made up of a number of small variances across all areas of supervision and management.
- 1.19 Repairs and maintenance - £254k overspend.
- 1.20 Planned maintenance – £74k underspend, £60k carry forward request.
- 1.21 The cyclical decoration programme has completed slightly more works than forecasted (+£27k). There is an underspend of £36k against asbestos surveys. Surveys are only required where there are gaps in information and dependant on programme progress.
- 1.22 There is also an underspend of £60k for Fire Risk Assessments, which have slipped into 2019/20. Therefore, as reported at Month 10, a £60k carry forward is requested to allow the Fire Risk Assessments to be delivered in early 2019/20.
- 1.23 Gas in-house provider – (£28k) underspend.
- 1.24 The provision of gas servicing and remedial works was completed within the operational budget, with a small underspend of £28k.
- 1.25 Voids - £100k overspend.
- 1.26 There was a backlog of properties at the start of the year due to previous contractor issues. Costs have also been higher in the south of the district across voids and responsive maintenance as the shorter term contract means that the contractors upfront costs are being recovered over a shorter period.
- 1.27 Properties have also been returned in a poorer condition, and so additional works have been needed.
- 1.28 Responsive maintenance - £196k overspend.
- 1.29 This overspend relates to general maintenance and electrical remedial works. As reported under Voids, the cost of the contract has been higher in the south in this year, and more work was carried out this year due to catch up.
- 1.30 Whilst, due to their nature, responsive works are difficult to predict, works are monitored for trends and where appropriate re-addressed through planned programmes of works.
- 1.31 Sheltered Housing Service – (£113k) underspend.
- 1.32 Expenditure in Sheltered Housing schemes is lower than budgeted, with lower spend across both salaries and running costs.

- 1.33 The budget required to deliver the service across the schemes will need to be reconsidered as part of the next budget setting round, as the Sheltered Modernisation Programme and the Older Persons Strategy will both further impact on the service provision.
- 1.34 Other expenditure - £70k overspend.
- 1.35 The cost of grounds maintenance is higher than anticipated, with fly tipping an increasing issue in some of our estates.
- 1.36 Sheltered Housing Modernisation - £36k overspend (funded from reserves).
- 1.37 Works at Sherborne House completed in 2018, and planning is underway for works at Concord and George Pearce House which are due to be undertaken in 2019/20. There is a £36k overspend on revenue which represents an offset between revenue and capital works - there were slightly more revenue works, and less capital works than in the budget, but this doesn't affect the programme as a whole.
- 1.38 This has been funded in revenue by an increased contribution from the Sheltered Modernisation earmarked reserve (see Section 1.45). The reduced capital spend will mean that fewer capital receipts are needed to fund the programme in this year.
- 1.39 Support Charges from the General Fund - £122k additional cost.
- 1.40 The HRA pays a share of the running costs of the Council - for the services it receives from Council wide support services such as IT, HR and Finance, as well as the running costs of the Council as a whole, such as Committee meetings.
- 1.41 The cost to the HRA in 2018/19 is higher than the budgeted amount by £122k. This includes a share of any overspends and underspends in shared services, as well as contributions towards one off costs.
- 1.42 The spend in these areas are reported in the General Fund report.
- 1.43 Interest payable/receivable – (£69k) additional income.
- 1.44 The level of investment income has increased significantly, due in part to higher levels of reserves in the HRA, but largely attributable to higher interest rates than last year.
- 1.45 HRA Earmarked Reserves
- 1.46 The transfers to/from Earmarked reserves, including the carry forward (paragraph 1.20), are as follows:

Table 2 - Earmarked reserve transfers

<b>Earmarked Reserve</b>	<b>Opening balance £k</b>	<b>Transfers in £k</b>	<b>Transfers out £k</b>	<b>Closing balance £k</b>	<b>Net transfers £k</b>
Sheltered Modernisation	1,976	1,390	(852)	<b>2,514</b>	538
Estate Redevelopment	350	820	0	<b>1,170</b>	820
Staffing	250	0	0	<b>250</b>	0
HRA General Contingency	0	100	0	<b>100</b>	100
Carry forwards – Fire Risk Assessments	0	60	0	<b>60</b>	60
	<b>2,576</b>	<b>2,370</b>	<b>(852)</b>	<b>4,094</b>	<b>1,518</b>

1.47 HRA General Reserves

1.48 The opening balance of HRA General Reserves at 1 April 2018 was £3,003k. The base budget included a transfer from reserves of £126k, but this was revised to a budgeted transfer to reserves of £519k in January 2019.

1.49 The revenue overspend of £136k reduces this transfer to reserves to £383k, and gives a closing balance on HRA General Reserves of £3,386k.

1.50 Although a slightly lower than the revised budgeted balance, this is still higher than the base budget and continues to allow HRA reserves to remain above the recommended minimum balance of £1,500k.

1.51 The following table gives an update of the forecasted balance of HRA General Reserves over the Medium Term Financial Plan (MTFP) period.

Table 3 – Summary of HRA General Reserves Forecast

	<b>2018/19 £k</b>	<b>2019/20 £k</b>	<b>2020/21 £k</b>	<b>2021/22 £k</b>	<b>2022/23 £k</b>
Opening balance	3,003	3,386	3,436	2,617	3,178
Budgeted transfer to/(from) general reserves – Council Jan 2019	519	103	(687)	561	330
Revenue overspend 2018/19	(136)				
Approved changes (creation of in house maintenance service) – Council April 2019		(53)	(132)		
<b>Closing balance</b>	<b>3,386</b>	<b>3,436</b>	<b>2,617</b>	<b>3,178</b>	<b>3,508</b>

## APPENDIX A

### HRA Outturn Position

	2018/19 Original Budget £k	2018/19 Latest Budget £k	Forecast Outturn £k	Outturn Variance £k
<b>Income</b>				
Dwelling Rents and Service Charges	(21,826)	(22,144)	(22,195)	(51)
Other Charges and Income	(564)	(625)	(692)	(67)
<b>Total Income</b>	<b>(22,390)</b>	<b>(22,769)</b>	<b>(22,887)</b>	<b>(118)</b>
<b>Expenditure</b>				
Supervision and Management	5,222	5,084	5,126	42
Repairs and Maintenance	3,767	3,735	4,055	320
Sheltered Housing Service	1,452	1,270	1,126	(144)
Other Expenditure	519	494	580	86
Sheltered Housing Modernisation	579	401	401	0
Revenue Funding of Capital Programme (Depreciation and RCCO)	7,153	6,273	6,273	0
Provision for Bad Debts	200	80	99	19
<b>Total Expenditure</b>	<b>18,892</b>	<b>17,337</b>	<b>17,660</b>	<b>323</b>
<b>Other Costs and Income</b>				
Interest Payable/Receivable	3,488	3,395	3,326	(69)
Transfers to/(from) Earmarked Reserves	136	1,518	1,458	(60)
Transfers to/(from) General Reserves	(126)	519	519	0
<b>Total Other Costs and Income</b>	<b>3,498</b>	<b>5,408</b>	<b>5,302</b>	<b>(106)</b>
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>0</b>	<b>76</b>	<b>76</b>
Carry Forward Request				60
<b>Net Outturn Forecast</b>				<b>136</b>

Note: Support Service Charges and accounting adjustments (pension adjustments) are included within the Supervision and Management, Repairs and Maintenance, Sheltered Housing Service and Other Expenditure lines.