

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2015/16

1. Financial Background – 2015/16

- 1.1. The HRA Business Plan and Budget 2015+ formed a part of the overall Council Plan 2015+ that was approved at a full Council meeting on 3 March 2015 and this set out the long term financial strategy, asset management plans including new build, treasury management strategy, future rent projections and performance targets.
- 1.2. This HRA Business Plan and Budget 2015+ established the budget strategy for 2015/16 and a balanced budget was approved for the financial year.
- 1.3. A small number of budget revisions were undertaken during the year, which had the overall effect of retaining a balanced budget for the year. These substantially related to a realignment of staffing resources between Local Housing Management and Estate Services to facilitate the Annual Visits programme.

2. HRA Outturn 2015/16

- 2.1. An in-year break-even position was projected for the HRA (as reported to Cabinet as part of the monthly corporate revenue monitoring reports), maintaining the retained balance at £4.534m (including the recommended minimum balance of £4.000m in accordance with previous External Audit recommendations).
- 2.2. The table below summarises the revised budget and compares this to the actual outturn for all the key services.

Housing Revenue Account

	Revised Budget £'m	Actual Outturn £'m	Variation £'m
Rent Income/Recharged Income	(285.662)	(285.691)	(0.029)
Repairs	67.264	63.717	(3.547)
Local Housing Management Costs	61.946	59.944	(2.002)
Estate Services Costs	18.568	16.841	(1.727)
Revenue Funding of Capital (including MRR)	53.576	57.905	4.329
Capital Financing	54.307	55.570	1.263
Debt Repayment Provision	10.890	19.750	8.860
Equal Pay Costs	19.111	11.814	(7.297)
Net Position	-	(0.150)	(0.150)

- 2.3 The major variations during the year included:

- Lower than budgeted expenditure on repairs to Council dwellings, due to substantial capitalisation of works to bring void properties back into use and environmental works, together with reductions in discretionary expenditure due to winding down of existing contractual arrangements (which expired on 31 March 2016).
- A combined net underspend of £3.729m on local housing management and estate services (primarily due to the retention of staff vacancies in preparation for ongoing reductions in rental income from 2016/17).

- Increased capital financing costs as a result of minor increases in average interest rates charged, together with new borrowing in the year of £4.570m to fund elements of the BMHT new build council housing programme.
- Lower than anticipated costs in relation to equal pay liabilities paid in year as settlements slipped into future years.

2.4 A debt repayment provision of £19.750m is proposed for 2015/16. Taken together with new borrowing of £4.570m as a part of the Local Growth Fund (funding new build council housing, as referred to above), this will reduce total HRA borrowing to £1.095bn at the year-end. This compares to a borrowing cap of £1.140bn. This strategy is proposed as this is considered the most financially efficient option for the HRA and increases its capital financing flexibility. This also affords an option for further new borrowing in the future at lower rates if this is necessary to support the capital expenditure programme.

3. Key Service Highlights for 2015/16

The following service achievements for 2015/16 should be noted:

3.1. Investment (further details are set out in the Capital Section of the Report)

- handover of a further 330 new affordable homes under the BMHT programme
- completion of the programme for the replacement of windows, heating systems, rewires to continue the on-going maintenance of properties
- External funding of £5.514million secured including fuel poverty contributions (£1.515million) and grants from the Homes and Communities Agency (£3.190million)

3.2. Repairs Service

- the annual gas servicing programme was completed for all properties
- emergency repairs were completed in line with agreed timescales
- all responsive and right to repair jobs were issued to and undertaken by repairs contractors for completion in line with agreed timescales
- all empty properties requiring repairs (where the property is to be relet) were issued to and completed by repairs contractors for completion in line with agreed timescales
- procurement of new contracts for Repairs, Gas Servicing and Capital investment in retained HRA properties, to take effect from 1 April 2016 for a minimum period of 4 years, generating savings to the HRA compared to existing contracts of a minimum of £13million over the next 4 years

3.3. Local Housing and Estate Services

- cumulative year end current tenants arrears of £12.046m (or 4.2% of the total rent due) in line with the target
- delivery of key local estate services – concierges, caretaking, older people accommodation
- a reduction in void properties from 701 at the start of the year to 531 at 31 March 2016

3.4 Equal Pay costs

- A total of £11.814m for Equal Pay payments were made during 2015/16 for all HRA funded staff, with future costs anticipated to amount to up to £15.000m. These costs are being funded in their entirety from revenue resources generated from a combination of efficiency savings in service delivery and rephasing of self-financing debt repayments.

4. Housing Revenue Account Balances

- 4.1. The balances on the HRA are also accounted for separately and the position is set out in the table below.

	£'m
Balances at 31 March 2013	(4.542)
Surplus in year (see section 2.2 above)	(0.150)
Balances at 31 March 2014	(4.692)