

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2016/17

1. Financial Background – 2016/17

- 1.1. The HRA Self Financing Business Plan and Budget 2016+ formed a part of the overall Council Plan 2016+ that was approved at a full Council meeting on 1 March 2016 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 Self Financing Business Plan and Budget 2016+ established the budget strategy for 2016/17 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 budgets between direct expenditure and recharges.

2. HRA Outturn 2016/17

- 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 £4.691m (including the minimum balance of £4.000m in accordance with previous External Audit recommendations).
- 2.2. The table below summarises the final approved budget for the year and compares this to the actual outturn (of a net in-year surplus of £0.043m) for all the key services.

Housing Revenue Account

	Revised Budget £'m	Actual Outturn £'m	Variation £'m
Rent Income/Recharge Income	(283.445)	(283.191)	0.254
Repairs	65.571	61.690	(3.881)
Local Housing Management Costs	61.094	63.036	1.942
Estate Services Costs	18.502	16.234	(2.268)
Revenue Funding of Capital (including MRR)	75.143	75.359	0.216
Capital Financing	53.669	53.335	(0.334)
Debt Repayment Provision	1.166	2.887	1.721
Equal Pay Costs	8.300	10.607	2.307
Net Position	0.000	(0.043)	(0.043)

- 2.3 The major variations during the year included:

- Lower than budgeted expenditure on repairs to Council dwellings, due to lower than budgeted performance related payments to contractors following the letting of new contracts effective from 1 April 2016.
- Increased local housing management costs, primarily as a result of a realignment of recharges from the General Fund (£2.000m)
- Reduced Estate Services costs, substantially due to a significant number of vacancies not filled as service redesigns are progressed.

- Higher than anticipated costs in relation to equal pay liabilities paid in year as settlements slipped from prior years.

2.4 A debt repayment provision of £2.887m is proposed for 2016/17. Taken together with new borrowing of £10.250m as a part of the Local Growth Fund (funding new build council housing, as referred to above) and short term borrowing to fund new build housing for market sale of £11.769m, this will increase total HRA borrowing to £1.122bn at the year-end. This compares to a borrowing cap of £1.150bn. This strategy is proposed as this is considered the most financially efficient option for the HRA and maximises its capital financing flexibility. This also affords a future 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 2016/17

The following service achievements for 2016/17 should be noted:

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

- handover of a further 208 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 £1.408m secured including DCLG (£0.154m) and grants from the Homes and Communities Agency (£0.956m)

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 undertaken or issued to repairs contractors for completion in line with agreed timescales
- all empty properties requiring repairs (where the property is to be relet) were completed or issued to repairs contractors for completion in line with agreed timescales
- commencement of new integrated contracts for Repairs, Gas Servicing and Capital investment in retained HRA properties from 1 April 2016 for a minimum period of 4 years, generating savings to the HRA compared to previous contracts of a minimum of £13million over the next 4 years

3.3. Local Housing and Estate Services

- year end current tenants arrears of £12.277m (or 4.4% of the total rent due) in line with the target
- delivery of key local estate services – concierges, caretaking, older people accommodation
- continuation of a low level of voids (531 at 31 March 2017 – equivalent to 0.8% of total dwellings) compared to a budget of 700 properties.

3.4 Equal Pay costs

- A total of £10.607m for Equal Pay payments were made during 2016/17 for all HRA funded staff, with future costs (including taxation liabilities) anticipated to amount to

a further £3.816m. 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 2016	(4.691)
Surplus in year (see section 2.2 above)	(0.043)
Balances at 31 March 2017	(4.734)