

## Agenda Item: 16

**Housing Review Board**

**25 June 2009**

**Jg**



### **Housing Revenue Account 2008/09 outturn and review**

#### **Summary**

This report presents the outturn income and expenditure for housing landlord activities undertaken during the financial year 2008/09. The report considers the actual income and expenditure against the original budget, and explains any major or significant variances.

The report also includes reference to a piece of work undertaken at the end of the financial year where consultants Tribal were invited to undertake a 'health check' on our HRA subsidy claim and identify how we might optimise our financial position, within the strict subsidy system, for the benefit of our tenants.

#### **Recommendation**

**That the 2008/09 outturn statement for the Housing Revenue Account be approved by the Board.**

#### **a) Reasons for Recommendation**

For the Housing Review Board to monitor budget expenditure and be advised of any changes to budgeted expenditure at the end of the financial year.

#### **b) Alternative Options**

Not to receive and outturn report.

#### **c) Risk Considerations**

That variations to budget are not controlled and monitored.

#### **d) Policy and Budgetary Considerations**

These are set out in the report.

#### **e) Date for Review of Decision**

The outturn report is an annual event.

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## **1 Introduction**

1.1 This report sets out the details of income and expenditure on services to council tenants and repairs and maintenance to council homes. We manage a large budget for this purpose and go through a rigorous budget setting exercise. The Housing Review Board approved the 2008/09 budget at its meeting on 10 January 2008.

1.2 Once the budget has been set we attempt to maintain expenditure within the approved budget and collect the income anticipated at the beginning of the financial year. Inevitably

there will be variations to the budget and the significant variances we report to the Board for approval.

- 1.3 The HRA is set in accordance with the guidelines and the accounting conventions are strictly controlled by the Communities and Local Government (CLG) department.
- 1.4 The 2008/09 outturn statement has been reproduced in **annex 1**. There are a series of notes which explain the main variations from the original budget.
- 1.5 We deliberately overspent on major repairs to compensate for an under spend the previous year and to maintain the HRA surplus close to the advisory minimum level. We are in a position having spent surpluses over the last few years where we simply can not absorb large items of new expenditure without identifying savings to cover the cost.

## **2. HRA subsidy health check**

- 2.1 Our HRA subsidy claim was carefully scrutinised by external auditors last year which caused us to explore whether we were claiming the full amount of subsidy. We appointed Tribal to undertake a 'health check' and they have identified a number of ways in which we can increase our management and maintenance allowance claim and reduce the negative subsidy. This advice was essentially around the categorisation of the housing stock into the archetypes specified by CLG.
- 2.2 We have made the changes suggested, which should result in higher allowances of some £58k.
- 2.3 Tribal's conclusions from the 'health check' are set out below:
  - The base data return for 2009/10, which provides the basis for the 2009/10 HRA subsidy claim, appears to understate the authority's entitlement to HRA subsidy by £58,305.
  - Important improvements have been made to the property analysis supporting the HRA subsidy claim, which mean that much of this understatement should be avoided in the 2010/11 claim. However, the authority needs to introduce additional checks and controls to ensure that the external auditor has confidence in the revised property analysis.
  - The Excel workbook used to record and monitor voids, terminations and re-lets contains all of the information for completing the HRA subsidy claim. However, it has a number of weaknesses that prevent easy reporting of the necessary data. Controls around the spreadsheet also need to be strengthened, particularly concerning reconciliation to the relevant housing management information.
  - Longer term there is scope for the authority to generate efficiency gains and improved reporting from its void management arrangements by replacing the current manual systems and processes with others centred on and operate through Anite.
  - There may also be scope for the authority to optimise its income from rents and service charges, without affecting its entitlement to HRA subsidy.

We are implementing the recommendations to take full advantage of the subsidy scheme.

- 2.4 It is important that we are vigilant in our HRA accounting to optimise our ability to finance repairs, improvements, adaptations and services to tenants when our budgets are under pressure to do more work to homes. The Carbon Management Plan reported to your last meeting requires us to find a further £450k in our budgets if we are to achieve the aspirations set out in the Plan. The review of sheltered housing is identifying schemes where we need to invest in upgrades to meet current and future tenant expectations. We also anticipate changes to Supporting People funding which could result in a reduction of income.
- 2.5 Expenditure on Heath Park estate improvements and on Devon Home Choice will be necessary over the next year.
- 2.6 There will inevitably be a range of new budgets pressures arising over the next few years that are not quantified and we need to ensure that our HRA Business Plan remains accurate and comprehensive. I plan to initiate a review over the next year and likely commission Tribal to assist us updating the Business Plan and report this to you for consideration.
- 2.7 We need to continue to explore income generating activities to ensure we optimise income from rents and other charges. We are considering Service Charges and opportunities for the de-pooling of charges for communal cleaning. We need to ensure that our charges remain fair and offer good value for money.

### **3. Concluding remarks**

- 3.1 We are awaiting an announcement on the reform of the HRA subsidy system. In common with a number of stock retaining housing authorities we lobbied for a change in the system which creates a negative subsidy situation for many rural housing authorities.
- 3.2 Good budget management and forward planning of income and expenditure is an important aspect of our housing management and the Board play a role in budget monitoring and forward planning income and expenditure.

### **Legal Implications**

The legal implications are set out within the report.

### **Financial Implications**

The financial implications are included in the report.

### **Consultation on Reports to the Executive**

The budget outturn report will be reported to the Executive Board.

### **Background Papers**

- 2008/09 budget book.
- Budget monitoring reports to the Executive Board.
- Tribal report on the HRA subsidy claim, May 2009.

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John Golding  
Head of Housing and Social Inclusion

Housing Review Board  
25 June 2009

