

Housing Revenue Account - 2010/11 Outturn

1. Introduction

This report sets out the 2010/11 outturn position for the Housing Revenue Account (HRA) and provides an explanation of significant budget variations.

2. Overall position

As shown in the following table the outturn position on the HRA is an in year surplus of **£113k**. This **£113k** has been added to the HRA General Reserve.

A number of factors have contributed to the year end position. These are as detailed in sections 3 and 4 below.

	Latest Estimate 2010/11 £000	Actual Expenditure 2010/11 £000	Variance £000
<u>Income</u>			
Dwelling Rents	165,514	168,260	-2,746
Other Rents	2,740	2,849	-109
Service Charges	3,943	4,068	-125
Housing subsidy	29,778	25,739	4,039
Recharges	5,512	2,684	2,828
ALMO recharges to capital	18,710	15,380	3,330
Other Income	3,858	5,080	-1,222
Total Income	230,055	224,061	5,994
<u>Expenditure</u>			
Salaries and Wages	4,524	4,129	-395
Premises & repairs	1,314	1,350	36
Supplies & Services	13,370	8,833	-4,537
Transport	111	102	-9
Recharges	15,466	16,736	1,270
ALMO Management Fees	112,696	114,122	1,427
Provisions	2,280	1,807	-473
Revenue Contribution to Capital	4,640	2,769	-1,871
Capital	75,654	72,267	-3,387
Total Expenditure	230,055	222,116	-7,939
Net Expenditure	0	-1,945	-1,945
<u>Appropriation</u>			
Sinking Fund - PFI		573	573
Swarcliffe Access Refusals		348	348
Swarcliffe Environmental Works		-52	-52
Transfer from Reserves - Lifetime Homes PFI		-650	-650
Transfer from ELI reserve		-51	-51
Transfer from General Reserve (Care ring)		-733	-733
Transfer to Care ring Replacement Reserve		657	657
Transfer to HRA/ALMO Capital Reserve		1,740	1,740
Net position HRA	0	-113	-113

3. Key variances - Income

Rental income from dwellings has exceeded the budget by **£2,746k**. This reflects improved void levels, higher levels of stock than anticipated due to the decline in Right to Buy (RTB) sales and improved collection rates. Of this additional income **£2,130k** has been paid to the ALMOs as additional void incentive payments.

Housing subsidy is **£4,039k** less than budget. Of this **£3.3m** is due to the Council's CRI rate reducing from 4.53% when the budget was agreed to 3.75%. This reduction in subsidy is offset by a reduction in capital charges. The balance of **£710k** relates to a repayment to CLG for Housing subsidy overpaid in relation to 2009/10.

Of the net reduction of **£2,828k** in recharges, **£2,931k** is due to the fact that procurement costs associated with the Little London, Beeston Hill and Holbeck and the Lifetime Homes PFI project will not be capitalised.

The allowance to fund the borrowing costs associated with Decent Homes has been passported in full to the ALMOs. At year end the HRA is charged for all HRA/ALMO borrowing and the ALMOs pay back to the HRA the interest charges associated with the borrowing undertaken to fund works in their area. The reduction in the Council's average rate of interest has led to the ALMOs being charged a lower rate of interest than budgeted and is the reason for the shortfall of **£3,330k**.

Other income has increased by **£1,222k** from budget due to a number of key variances. These include additional income from City Development for Telecomm backdated leases (**£370k**), income from Leaseholders (**£200k**) and **£598k** for access refusals in relation to the Swarcliffe PFI scheme. This is transferred to a reserve earmarked for this purpose.

4. Key variances - Expenditure

Savings on salaries and wages (**£395k**) are mainly due to a number of officers taking early retirement during the year and vacancies not being filled. In addition there are savings on training (**£98k**) and Occupational Health (**£12k**).

The position on the supplies and services budget (saving of **£4,537k**) reflects the requirement to show the capital element of the unitary charge payable to the Swarcliffe PFI contractor (**£4,507k**) within the capital expenditure line.

There are however, a number of key variances within the supplies and services budget which contribute to the net saving of **£30k**. These include net savings on PFI consultancy contracts (**£294k**), savings on IT software, office expenses and consumables (**£214k**) savings agreed with the Leeds Tenants Federation (**£44k**) and savings on conferences and catering (**£43k**). Key overspends include increased expenditure on valuations (**£132k**) and insurance (**£477k**) arising from the requirement to fully provide for large claims.

The overspend on recharges (**£1,270k**) can largely be accounted for by the identification of expenditure in the General Fund for which it is more appropriate to recharge the HRA. These areas include mobile CCTV, Community Centres and Housing related support.

Payments to the ALMOs have increased by **£1,427k** due to the ALMOs receiving additional payments for improved performance on voids when compared to budgeted assumptions.

Contribution to provisions is **£473k** less than budgeted with the main variation (**£398k**) relating to the contribution to the bad debt provision

Council on 14th July 2010 agreed that £4.6m should be earmarked for essential asset management work and strategic housing initiatives. Of this **£2,769k** has been utilised in 2010/11. The balance has been transferred to a new ALMO/HRA Capital Reserve (see below).

The **£3.6m** reduction in the cost of capital is due to a combination of a reduction in the Council's average rate of interest on debt and notional cash interest on HRA working balances.

5. HRA Reserves

The table below shows the movement on reserves in year together with the closing HRA General Reserve position of **£4,019k**. Key points to note are as follows:-

- The in year surplus of **£113k** will be transferred to the HRA General Reserve.
- A reserve of **£657k** for the replacement of Care ring equipment is required. This will be funded from the HRA General Reserve.
- The ALMO/HRA Capital Reserve is the balance of the £4.6m subsidy refund which Council on 14th July 2010 agreed should be earmarked for essential asset management work and strategic housing initiatives.
- The contribution to the Swarcliffe PFI Sinking Fund (**£573k**) is required to ensure that the project remains affordable throughout its life and can meet future contractor payments.
- A Swarcliffe Access Refusals reserve has been created. This is to fund future capital works to properties where the current tenant has refused access for works to be carried out. This reserve has been funded via savings on the unitary charge paid to the contractor. It will be used to fund required works once the property becomes void prior to a new tenancy being granted.

Reserves	Opening Reserves 1/4/2010 £000	Transfers out 2010/11 £000	Transfers In 2010/11 £000	Closing Reserves 31/3/2011 £000
HRA General Reserve	4,639	-733	113	4,019
Care Ring Replacement	0	0	657	657
Future of Council Housing in Leeds	90	0	0	90
Contribution to WNWHL Decency Targets	73	0	0	73
ALMO/HRA Capital Reserve	0	0	1,740	1,740
PFI Set up Costs (Structural Surveys)	150	-150	0	0
PFI Set up costs - Lifetime Homes	500	-500	0	0
Affordable Social Housing	800	0	0	800
Underoccupancy	98	0	0	98
Workforce Change (Property Management Services)	480	-51	0	429
Holdsworth Place - land purchase	64			64
Sub Total	6,894	-1,434	2,510	7,970
Swarcliffe PFI Access Refusals	0	0	348	348
Swarcliffe PFI Environmentals	292	-63	11	240
Swarcliffe PFI Sinking Fund	10,946	0	573	11,519
Total	18,132	-1,497	3,442	20,077