



## SOCIAL WORK & HOUSING COMMITTEE – 12 September 2013

### HOUSING REVENUE ACCOUNT (HRA) – OUTTURN 2012/13

#### 1 Recommendations

Social Work & Housing Committee is recommended to:-

- 1.1 Consider and comment on the Council's Housing Revenue Account outturn for 2012/13.

#### 2 Background/Discussion

- 2.1 Following the setting of the 2012/13 HRA budget by Aberdeenshire Council, regular monitoring statements have been produced showing actual expenditure against the budget. The accounts for the year ended 31 March 2013 were placed before the Council on 27 June 2013 but remain provisional pending the completion of the external audit review.
- 2.2 A full analysis of the HRA is attached (Appendix 1). The table below summarises the final results compared to the revenue budget for the year, and the forecast to 31 January 2013.

	<b>Revised Budget 2012/13 £'000</b>	<b>Forecast at 31 January 2013 2012/13 £'000</b>	<b>Final Outturn for 2012/13 £'000</b>	<b>Variance Final Outturn to Forecast £'000</b>
HRA Revenue	40,109	36,640	36,718	78
HRA Expenditure	(46,817)	(47,355)	(47,606)	(251)
<b>HRA Revenue Net Surplus For Year</b>	<b>(6,708)</b>	<b>(10,715)</b>	<b>(10,888)</b>	<b>(173)</b>

- 2.3 Appendix 2 gives detailed reasons behind the variances between budget and actual figures.
- 2.4 As can be seen from the table above, the HRA had budgeted to spend £40.109m in 2012/13 (excluding capital expenditure). Actual expenditure of £36.718m was £3.391m lower than budget but £78,000 higher than forecast. The increase in expenditure, from that forecast in January 2013, was mainly due to the net affect of the increase in bad debt provision of £468,000 which is not budgeted or forecast. Further decreases in the Loans Funds charges, of £257,000, resulting from lower borrowing requirements and associated costs helped to reduce expenditure.

2.5 The overall underspend from the budget totalling £3.391m, was a result of the following:

Cost	(Under)/ Overspend £'000	Reason
Staff Costs	(383)	Superannuation costs were low due to a lower take up of the pension scheme. Budgets for 2013/14 have been reduced to reflect this.
Heat and Light	(328)	Energy price increases were not as high as anticipated and inaccurate meter readings in previous years resulted in high levels of credits being received.
Repairs and Maintenance – Other Maintenance	(263)	The majority of this underspend is due to Equipment and Adaptations being funded by Social Work in 2012/13.
Lost Rents	(181)	An underspend has resulted from a budget being provided for Rent write-offs. These are now written off directly to the bad debt provision. In addition there was a reduction in the void rates during the year.
Central Administration and Management Charge	109	Central administration costs were higher than budget due to an increase in costs within Corporate Services and consequently in the recharge of these costs to the HRA.
Computer Costs	(362)	Budget was provided for replacement of the Housing Repairs System (SAVE). This project was delayed with the tender currently being produced and the successful bidder expected to commence in 2013/14.
Temporary Accommodation Units expenditure	(202)	There was a reduction in the amount of replacements of furniture and fittings for temporary accommodation required during the year resulting in an underspend.
Payments to Outside Bodies	(123)	A large number of asbestos and energy performance surveys have now been completed with less budget being required to be paid to contractors resulting in an underspend on this line.
Payments to Tenants	(146)	The underoccupation grant was suspended to August 2012 and was followed by amendments to the eligibility of tenants for these payments, resulting in fewer payments being made.
Loans Fund	(1,993)	The cost of borrowing were lower than budget due to a reduced borrowing requirement resulting from underspends on the capital programme in 2012/13 and higher in-year surpluses. In addition, the costs associated with new borrowing have reduced.
Increase in Bad debt provision	468	The Council do not budget or forecast for bad debts during the year. £212,000 of this charge relates to an increase in the provision for rent arrears, with the remaining £256,000 relating to provisions for bad debts arising from recharges to tenants for repairs.
Other	13	
<b>Net underspend</b>	<b>(3,391)</b>	

2.6 As well as the underspend detailed in the table above, HRA income was £789,000 higher than budget and £251,000 higher than forecast. The increase is partly due to an increase in internal recharges of £327,000. This was in part an output of the review of the allocation of housing staff time and costs following the Housing Organisational Review which resulted in a larger

allocation to the General Fund and HRA Capital as reflected by the current workload. In addition there was an increase in income from Temporary Accommodation Units of £188,000 resulting from an increase in the number of units being used for homelessness and also an increase in 'Other Income' of £178,000 due to an increase in repairs costs being recharged to tenants

- 2.7 Revenue surpluses are used to help fund the Housing Capital Programme. The funding made available in 2012/13 is shown below:-

	<b>Revised Budget 2012/13 £'000</b>	<b>Final Outturn for 2012/13 £'000</b>	<b>Variance Final Outturn to Revised Budget £'000</b>
Earmarked HRA Reserves Brought Forward 31 March 2012	-	-	-
Add: Revenue Surplus for year	6,708	10,888	4,180
Second Homes Council Tax	1,000	981	19
<b>Funding available for the Capital Programme during 2012/13</b>	<b>7,708</b>	<b>11,869</b>	<b>4,161</b>

- 2.8 There were no Earmarked HRA Reserves brought forward from 2011/12 as these were utilised in the previous year to fund the capital programme. Therefore the only funds available to fund the capital programme in 2012/13 were the in the planned year surplus of £11.869m together with capital receipts from sales of council houses, government grants and developer contributions.

	<b>Revised Budget 2012/13 £'000</b>	<b>Final Outturn for 2012/13 £'000</b>	<b>Variance Final Outturn to Revised Budget £'000</b>
Capital Programme Expenditure	23,999	17,529	6,470
Capital Receipts	(4,677)	(4,709)	32
Funding required from Capital Funded from Current Revenue (CFCR) and Borrowing	<b>19,322</b>	<b>12,820</b>	<b>6,502</b>
Revenue Funding available for the Capital Programme during 2012/13	(7,708)	(11,869)	4,161
<b>Additional Funding Required for the Capital Programme</b>	<b>11,614</b>	<b>951</b>	<b>10,663</b>

- 2.9 The funding required to finance the capital programme in 2012/13 was higher than the funding available from the in-year surplus. Additional funding of £951,000 was therefore required to be sought from borrowing. The borrowing required was £10.663m less than budgeted due to underspends and delays on the capital programme and higher in-year surpluses as detailed above. Separate HRA Capital reports to this Committee provide further detail on the capital expenditure in 2012/13 and a review of plans in 2013/14.
- 2.10 As at 31 March 2013, the HRA have no Earmarked reserves to carry forward to future years as all funds have been used to fund capital expenditure reducing the borrowing requirement. Any future capital expenditure will be required to be funded from capital receipts, in-year surpluses and borrowing. The impact of this borrowing will be monitored through the HRA Business Plan to ensure that it remains at an affordable level. Members are reminded that the HRA also carries a working balance of £2m.
- 2.11 The Head of Finance and the Monitoring Officer within Corporate Services have been consulted on this report [and are in agreement with the content.]

### **3 Staffing and Financial Implications**

- 3.1 There are no staffing implications arising from this report
- 3.2 The financial implications are inherent in the report.

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Alan Wood  
Head of Finance

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19 August 2013 v2

**APPENDIX 1 - HOUSING REVENUE ACCOUNT 2012/13**

	<b>ACTUAL 2011/12 £'000</b>	<b>REVISED BUDGET 2012/13 £'000</b>	<b>ACTUAL TO 31-Mar-2013 £'000</b>	<b>%</b>	<b>REVISED FORECAST 2012/13 £'000</b>	<b>NOTES</b>
<b>HRA SUMMARY</b>						
<b>Staff Costs</b>						
1 Salaries & Wages	7,051	6,754	6,702	99.2%	6,810	1.0
2 Superannuation	1,177	1,297	1,136	87.6%	1,136	HRA 1.0
3 National Insurance	456	622	429	69.0%	439	HRA 2.0
4 Supplementary Pensions	28	28	40	142.9%	40	2.0
5 Other Staff Costs	110	104	117	112.5%	98	3.0
6 Insurance - Non Property	66	51	49	96.1%	49	
	<b>8,888</b>	<b>8,856</b>	<b>8,473</b>	<b>95.7%</b>	<b>8,572</b>	
<b>Premises Costs</b>						
7 Rent & Rates	295	244	248	101.6%	244	
8 Insurances - Property	136	137	138	100.7%	138	
9 Heating & Lighting	1,397	1,988	1,660	83.5%	1,609	HRA 3.0
10 Repairs & Maintenance - Response Repairs	9,348	9,520	9,486	99.6%	9,351	
11 Repairs & Maintenance - Planned Maintenance	1,734	1,749	1,711	97.8%	1,853	
12 Repairs & Maintenance - Other Maintenance	1,882	1,639	1,376	84.0%	1,378	HRA 4.0
13 Accommodation Allocation	342	357	401	112.3%	363	4.0
14 Cleaning	163	399	345	86.5%	376	HRA 5.0
	<b>15,297</b>	<b>16,033</b>	<b>15,365</b>	<b>95.8%</b>	<b>15,312</b>	
<b>Administration Costs</b>						
15 Printing, Stationery & Postages	204	171	179	104.7%	163	
16 Telephone Costs	128	133	136	102.3%	143	
17 Course Expenses	32	55	35	63.6%	35	5.0
18 Lost Rents	619	686	505	73.6%	699	HRA 6.0
19 Fees & Charges	170	316	388	122.8%	316	HRA 7.0
20 Central Administration and Management Charge	2,400	2,501	2,610	104.4%	2,501	HRA 8.0
	<b>3,553</b>	<b>3,862</b>	<b>3,853</b>	<b>99.8%</b>	<b>3,857</b>	
<b>Transport Costs</b>						
21 Travel & Subsistence	234	205	230	112.2%	228	6.0
	<b>234</b>	<b>205</b>	<b>230</b>	<b>112.2%</b>	<b>228</b>	
<b>Supplies &amp; Services</b>						
22 Furniture & Equipment	131	129	108	83.7%	93	7.0
23 Computer Costs	119	516	154	29.8%	150	HRA 9.0
24 Alarm Systems	173	181	170	93.9%	181	8.0
25 Other Supplies & Services	62	106	149	140.6%	133	9.0
26 Tenant Participation	70	65	56	86.2%	60	
27 Temporary Accommodation Units	336	551	349	63.3%	378	HRA 10.0
	<b>891</b>	<b>1,548</b>	<b>986</b>	<b>63.7%</b>	<b>995</b>	
<b>Payments to Agencies</b>						
28 Payments to Outside Bodies	479	412	289	70.1%	354	HRA 11.0
29 Payment to Social Work	56	56	56	100.0%	56	
30 Payments to Tenants	200	220	74	33.6%	85	HRA 12.0
	<b>735</b>	<b>688</b>	<b>419</b>	<b>60.9%</b>	<b>495</b>	
<b>Capital Financing Costs</b>						
31 Loans Funds	7,001	8,917	6,924	77.6%	7,181	HRA 13.0
	<b>7,001</b>	<b>8,917</b>	<b>6,924</b>	<b>77.6%</b>	<b>7,181</b>	
<b>Provisions</b>						
32 Increase in Bad Debt Provision	510	0	468	0.0%	0	HRA 14.0
	<b>510</b>	<b>0</b>	<b>468</b>	<b>0.0%</b>	<b>0</b>	
<b>Gross Expenditure</b>	<b>37,109</b>	<b>40,109</b>	<b>36,718</b>	<b>91.5%</b>	<b>36,640</b>	

**APPENDIX 1 - HOUSING REVENUE ACCOUNT 2012/13**

	<b>ACTUAL 2011/12 £'000</b>	<b>REVISED BUDGET 2012/13 £'000</b>	<b>ACTUAL TO 31-Mar-2013 £'000</b>	<b>%</b>	<b>REVISED FORECAST 2012/13 £'000</b>	<b>NOTES</b>
<b>HRA SUMMARY</b>						
<b>Income</b>						
33 Government Grants	0	0	0	0.0%	0	
34 Council House Rents	(37,032)	(38,882)	(38,866)	100.0%	(38,882)	
35 Sheltered Housing Income	(2,538)	(2,762)	(2,755)	99.7%	(2,762)	
36 Other Rent & Charges	(1,651)	(1,572)	(1,668)	106.1%	(1,572)	10.0
37 Internal Recharges	(1,767)	(1,662)	(1,989)	119.7%	(1,662)	HRA 15.0
38 Interest on Revenue Balances	(38)	(10)	(33)	330.0%	(30)	11.0
39 Other Income	(3,176)	(512)	(690)	134.8%	(892)	HRA 16.0
40 Internal Housing Support Recharge	(1,066)	(866)	(866)	100.0%	(866)	
41 Temporary Accommodation Units	(678)	(551)	(739)	134.1%	(689)	HRA 17.0
<b>Total Income</b>	<b>(47,946)</b>	<b>(46,817)</b>	<b>(47,606)</b>	<b>101.7%</b>	<b>(47,355)</b>	
<b>Current Year Surplus</b>	<b>(10,837)</b>	<b>(6,708)</b>	<b>(10,888)</b>	<b>162.3%</b>	<b>(10,715)</b>	
<b>Second Homes Council Tax Funding</b>	<b>0</b>	<b>(1,000)</b>	<b>(981)</b>	<b>98.1%</b>	<b>(1,000)</b>	
<b>Earmarked HRA Reserve b/f</b>	<b>(3,033)</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>Revenue Funding Available to Finance Capital Programme</b>	<b>(13,870)</b>	<b>(7,708)</b>	<b>(11,869)</b>		<b>(11,715)</b>	

APPENDIX 2 - Notes to HRA Outturn 2012/13

Major Variance Note No.	£'000	
HRA 1.0	(161)	Superannuation costs are below budget due to a lower take up of the pension scheme than budgeted for. The budget has been amended for 2013/14 to reflect this.
HRA 2.0	(193)	National Insurance costs are below budget due the National Insurance percentages used being lower than expected. The budget for 2013/14 has been reduced to reflect this.
HRA 3.0	(328)	Heat and Light costs are £328,000 lower than budget due to price increases not being as high as anticipated and difficulties establishing accurate budgets due to issues in previous years in relation to meter readings and high credits received.
HRA 4.0	(263)	Planned maintenance costs are £263,000 lower than budget. This is mainly due to equipment and adaptation costs being funded by social work.
HRA 5.0	(53)	Cleaning costs are £53,000 lower than budget due to the costs of the cleaning contract for sheltered housing schemes being lower than anticipated due to fewer variations.
HRA 6.0	(181)	Lost rents are £181,000 lower than budget due to budget being provided for write-offs which were written off to the bad debt provision. In addition, there has been a reduction in the void rates.
HRA 7.0	72	Fees and Charges are £72,000 higher than budget due to Contact Centre staff recharges being charged to here instead of Salaries and Wages.
HRA 8.0	109	The Central Administration and Management Charge is higher than budget due to an increase in the costs associated with Corporate Services which are recharged to the HRA.
HRA 9.0	(362)	Computer costs are £362,000 lower than budget due the SAVE replacement project being delayed.
HRA 10.0	(202)	Temporary Accommodation Unit costs are lower than budget due to less replacements of furniture and equipment required in these units during the year.
HRA 11.0	(123)	Payments to Outside Bodies are lower than budget due to less work being required by external contractors for asbestos and energy performance surveys than anticipated.
HRA 12.0	(146)	Payments to tenants are £146,000 lower than budget due to an initial suspension of the under occupation grant to August 2012, followed by a revised process for application resulting in fewer tenants being eligible for the grant
HRA 13.0	(1,993)	Loans fund costs are lower than budget due to reduced capital expenditure and an increased revenue surplus resulting in a lower borrowing requirement, combined with lower costs of borrowing
HRA 14.0	468	The bad debt provision is not budgeted or forecast for. £212,000 of the provision relates to rent arrears with the remaining £256,000 relating to other debtors arising from recharges to tenants.
HRA 15.0	(327)	Recharges of housing staff costs to the General Fund and HRA Capital have increased following the housing organisational review which was completed during the year
HRA 16.0	(178)	Other income is £178,000 higher than budget due to more rechargeable repairs during the year.
HRA 17.0	(188)	Income from service charges for Temporary Accommodation Units is higher than budget due to an increase in the number of Council houses being used for temporary accommodation as an alternative to bed and breakfast.
<b>Note</b>	<b>£'000</b>	
1.0	(52)	Salaries and Wages are £52,000 lower than budget due to vacancies within the service pending the completion of the organisational review mid way through the year.
2.0	12	Supplementary Pensions are £12,000 higher than budget due to excess pension costs for Sheltered Housing Officers who received voluntary severance following the Sheltered Housing Review.

APPENDIX 2 - Notes to HRA Outturn 2012/13

Major Variance Note No.	£'000	
3.0	13	Other Staff costs are £13,000 higher than budget due to increased use of agency staff in sheltered housing schemes
4.0	44	Accommodation allocation is £44,000 higher than budget due to higher costs recharged for accommodation occupied by Housing staff.
5.0	(20)	Course expenses are £20,000 lower than budget due to a reduction in the training requests from housing
6.0	25	Travel and Subsistence costs are £25,000 higher than budget due to higher than budgeted costs in the Sheltered Housing Service and Asset Management. This is mainly due to an increase in mileage claimed by sheltered housing officers due to the new mobile working patterns across different schemes.
7.0	(21)	Furniture and Equipment costs are £21,000 lower than budget due to a reduction in the requirement for replacements in sheltered housing schemes.
8.0	(11)	Alarm systems costs are £11,000 lower than budget due to lower repair costs than anticipated
9.0	43	Other supplies and services are £43,000 higher than budget due partly to unforeseen repairs required to some HRA-owned shops and also increased subscription costs for Housemark benchmarking.
10.0	(96)	Other Rents and Charges are £96,000 higher than budget due to income received from the General Fund of £172,000 in respect of housing support provided by staff in hostels, which is not budgeted for.
11.0	(23)	Interest on Revenue Balances is £23,000 higher than budget due to there being higher than anticipated level of reserves