

Leicester
City Council

WARDS AFFECTED :ALL WARDS

CABINET

30 JULY 2001

**HOUSING REVENUE ACCOUNT AND HOUSING DSO
2000/01 OUTTURN**

Report of the Director of Housing

1. SUMMARY

1.1 This report gives the outturn position for the Housing Revenue Account (HRA) and Housing DSO for the financial year 2000/01. The actual level of HRA balances at the end of 2000/01 is £2.492m, which compares to £1.305m when the original budget was set. The Housing DSO profit for the year was £204,000 which has been used for part-repayment of loans relating to the Document Image Processing (DIP) system.

2. RECOMMENDATION

2.1 The Cabinet are recommended to note the HRA and Housing DSO outturns for 2001/02.

2.2 The Cabinet are recommended to agree that HRA balances should be set at £1.5m and any surplus should be earmarked to meet future investment as outlined in paragraph 3.3.

3. FINANCIAL IMPLICATIONS

3.1 Actual HRA balances at the end of 2000/01 are £2.492m, which represents a favourable variance of £1.187m compared to the level assumed in the original 2000/01 budget. The reasons for this variance are detailed in the "Supporting Information and Appendices" section of this report.

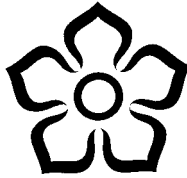
3.2 The actual Housing DSO profit of £204,000 has been applied to repay part of the loan relating to the DIP system.

3.3 Members will be aware that the District Auditor has consistently raised the low level of HRA balances as an issue. It is the view of officers that

the Council should plan to maintain a working balance of £1.5m to meet any unforeseen expenditure or shortfall in income, including subsidy from the Government. Although this figure is not as high as the DA would like (he consistently suggests £3m+), officers believe that this level of resources would adequately meet any unforeseen expenditure that may arise.

3.4 The Council has been advised by the District Auditor that in 1999/00 the Government should have charged the Council less in rent cap penalty and the net effect of £700K has been reflected in the outturn for 2000/01 and the level of balances. There are however significant areas of uncertainty for the HRA next year which may lead to more expenditure or less income which would be a call on balances. These areas of uncertainty include;

- a) Supporting People Initiative
- b) Automation of the Window Manufacturing Unit
- c) Introduction of GPS within the DSO
- d) Rent restructuring



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SUPPORTING INFORMATION/APPENDICES

1. BACKGROUND

- 1.1 The 2000/01 outturn on the HRA shows a favourable variance of £1.187m compared to the original budget. Appendix A shows the accounts in the summarised format and indicates the variances against each of the summary heads.

2. VARIANCES OF OUTTURN AGAINST BUDGET

- 2.1 The significant variances detailed in Appendix A are explained as follows (note that “+” indicates additional expenditure or reduced income, and vice-versa):-

i. Repairs and Maintenance - £1,207,000

£700,000 of this reduced expenditure was due to underspends on the Housing Capital Programme which were identified during the year and allowed the capitalisation of window-fitting costs which were initially included in the revenue budget. This capitalisation was reported to the Scrutiny Committee and the Cabinet in January 2001 and included in the revised Housing Capital Programme for 2000/01. The balance of the saving arose partly due to lower ‘day to day’ repair costs reflecting increased capital investment in the stock (eg new windows, central heating systems, etc) and partly due to the continuation of recruitment difficulties being experienced by the Building Maintenance DSO. This latter problem has resulted in less operatives being available to carry out repairs, and has been reported to a number of previous Committee meetings.

ii. Capital Financing Costs + £532,000

This additional expenditure comprises

(a)	Technical adjustments relating to the calculation of loan charges	+£585,000
(b)	Interest savings from the reduction of interest rates from 7.18% to 7.17% and changes in HRA loans and capital receipts raised during the year	-£53,000

These net additional capital financing costs are exactly offset by compensating adjustments in the Subsidy calculation (see below).

iii. Shortfall of Housing Benefit Reimbursement - £1,226,000

This favourable variance is partly due to the £532,000 extra capital financing costs detailed above which lead directly to additional subsidy of the same amount. The balance of the variance (i.e. £694,000 extra subsidy) is due to amendments to the definition of authority's average rent for calculation of rent-cap penalties which were agreed with the District Auditor for the 1999/2000 subsidy claim. This revised definition of average rent may produce similar savings on the 2000/01 subsidy claim but there is the possibility it may be challenged by the Department of Transport, Local Government and the Regions (DTLR) and it is therefore not considered prudent to bring this into the final accounts at this stage.

3. HRA BALANCES

3.1 The impact of the 2000/01 outturn on HRA balances is that they stand at £2,492m at the end of 2000/01. The budget for the current year provides for a surplus of £51k which would leave reserves of some £2.5m at March 2002. This situation will be reviewed in January 2002 when the HRA budget is considered for 2002/03.

4. HOUSING DSO POSITION

4.1 The original forecast surplus for 2000/01 was £600,000 and the actual surplus of £204,000 therefore represents an adverse variance of £396,000. This is largely accounted for by overspending on agency staff costs and labour overheads, offset by underspending on direct labour costs.

4.2 The surplus of £204,000 has been used to repay part of the loan relating to the DIP system.

5. EQUAL OPPORTUNITIES IMPLICATIONS

5.1 Any reduction or restriction of HRA budgets directly affects the Council's ability to deliver high quality services which meet the needs and aspirations of Council tenants, many of whom come from disadvantaged groups.

6. **POLICY IMPLICATIONS**

6.1 There are no policy implications associated with this report.

7. **LEGAL IMPLICATIONS**

7.1 There are no legal implications associated with this report.

8. **SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS**

8.1 There are no direct sustainable and environmental implications associated with this report.

9. **CRIME AND DISORDER IMPLICATIONS**

9.1 This report has no crime and disorder implications.

10. **CONSULTATIONS**

10.1 This is a joint report of the Director of Housing and Chief Financial Officer. No other departments have been consulted on this report.

11. **AIMS AND OBJECTIVES**

11.1 The overall Quality of Life Aim for the Department is that "a decent home is within the reach of every citizen of Leicester".

11.2 The rent-setting process aims to balance the affordability of rents with the quality of service provided to tenants, especially the living conditions of their homes.

12. **HUMAN RIGHTS ACT**

12.1 The report has no Human Rights Act implications.

13. **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

- a) Budget Book 2000/01 and 2001/02
- b) HRA Closing-down files Ref : F2m/1111
- c) Housing Subsidy claim files Ref : F2m/P813
- d) HRA Budget files Ref : F2m/9999
- e) Report of the Director of Housing and Chief Financial Officer on "Budget Monitoring 2000/01 – HRA and Housing DSO" to Housing Scrutiny Committee 221/3/01.

14. **Authors of Report**

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Other Implications	Yes/NO	Para within supporting papers	References
Equal Opps Policy	Yes	5	
Sustainable & Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		

APPENDIX A

HOUSING REVENUE ACCOUNT 2000/01

	Original Budget	Outturn	Variance*
	£000	£000	£000
INCOME			
Rents	56,992	56,854	138
Other Income	1,908	1,882	26
TOTAL INCOME	58,900	58,736	164
EXPENDITURE			
Repairs and Maintenance	20,433	19,226	(1,207)
Landlord Services	12,221	12,238	17
Capital Financing Costs	17,183	17,715	532
Shortfall of Housing Benefit Reimbursement	9,466	8,240	(1,226)
TOTAL EXPENDITURE	59,303	57,419	(1,884)
Deficit/(Surplus) for Year	403	(1,317)	(1,720)
Balances b/fwd 1/4/00	(1,708)	(1,175)	533
Balances c/fwd 31/3/01	(1,305)	(2,492)	(1,187)

- Note on Variances

Adverse variances (i.e. increased expenditure or reduced income) are denoted by a positive amount, and vice-versa.