

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Joint Report of the Director of Finance, Assets
and IS and the Executive Director Place

PROVISIONAL REVENUE FINAL ACCOUNTS 2015/16 HOUSING REVENUE ACCOUNT

1. Purpose of the Report

1.1 This report provides a summary of the provisional final accounts position on the Housing Revenue Account for 2015/16.

2. Recommendations

2.1 It is recommended :

- (i) That the 2015/16 final accounts be noted;
- (ii) That the Director of Finance, Assets and IS submits a further report on the overall outturn position if there are significant adjustments to the accounts arising from External Audit or other factors;
- (iii) That any unallocated working balance is earmarked to fund the Government's 'sale of higher value properties' levy;

3. Introduction/Background

3.1 There is a net improvement in the 2015/16 HRA financial position of £0.278M. Actual expenditure shows a surplus of £4.506M compared to an approved budget surplus of £1.542M an increase of £2.964M. However, of this increase £2.686M is due to rephasing of costs between financial years as shown in the table below.

	Approved Budget £M	Actual £M	Variance £M
Surplus(-)/Deficit (per Appendix A line 20)	-1.542	-4.506	-2.964
Contribution to/ from (-) Working Balance	1.542	4.506	2.964
Less Rephasing of Revenue Contributions to capital into future years			-2.686
Net Improvement in the financial position			0.278

- 3.2 A more detailed analysis is given in the Appendix A. The accounts are still subject to External Audit scrutiny, although it is not anticipated that major changes will occur.
- 3.3 Details of the significant variations in expenditure and income are given in Appendix B, the main items of which are:-

Reduced Costs/Increased Income

- A reduction of £0.423M, (2.5% of the approved budget) in the cost of repairs and maintenance due to successfully controlling the release of certain types of larger non urgent planned repairs and lower demand for responsive repairs due to milder winter weather conditions.
- Stock Condition Survey tender price lower than anticipated resulting in a reduction in expenditure of £0.327M.
- £0.932M reduction in impairment costs.
- £0.057M increase in Renewable Heating Incentive Income and Solar PV above the budget estimates.
- Reduced cost of £0.044M for unoccupied Council Tax due to a reduction in the number of voids and the excellent turnaround time of void properties.
- £0.153M reduction in interest paid against budget, a prudent view was taken at revised budget stage to cover the risk in changes in interest rates on two large variable interest loans.
- £0.078M additional income from the HRA's NPS profit share.

Increased Costs/Reduced Income

- Due to mild weather conditions district heating income has reduced by £0.145M.
- As part of the 2016/17 budget setting process the Council have reviewed the HRA debt repayment policy, it was agreed to implement a 50 year annuity method which became effective from 2015/16, resulting in a debt repayment of £1.875M.

Impairment charges

- 3.4 Prior to April 2012 all impairment charges to both the Housing Revenue Account (HRA) and General Fund were reversed out of the accounts so they had no impact on the rent or Council Tax. As part of Self Financing the Government changed the approach in respect of HRA non dwelling assets so these are now a true cost to the HRA. There is no funding in the self financing settlement for this cost and there are technical issues around the accounting entries. The Council and Berneslai Homes therefore continue to actively lobby both the Chartered Institute of Public Finance (CIPFA) and the Department for Communities (CLG) to find a solution to treatment of impairment charges on Housing Revenue Account non dwelling assets.

Berneslai Homes Management Fee

- 3.5 The Berneslai Homes Management Fee for 2015/16 is £12.602M this is in line with the approved budget.

3.6 Berneslai Homes has made a 2015/16 revenue surplus of £1.578M. Previously approved priorities for investing the Company's retained surplus include the following:-

- Acquisitions Programme to increase the supply of affordable housing in the borough and support the Council's empty homes strategy.
- Service impacts of Welfare Reform,
- Financial risk including risks around the PRIP contract, in particular the financial impact of the PRIP review with reduced caps, increased numbers of apprentices and membership of the premier supplier scheme.
- Further modernisation of the service which may be around mobile working, digital inclusion, e-access and aligning to the Council's Customer Services Programme, together with improvements to Carlton depot.
- Support to the 2016/17 Berneslai Homes budget (time limited Development Proposals),

Approval for any investment proposals funded from the surplus will be in consultation with, and the agreement of the Service Director Culture, Housing, Regulation and Place.

Use of Working Balance

3.7 The overall financial improvement in the HRA is £3.203M (£2.925M at the revised budget stage and £0.278M at the final accounts position). Of this sum £0.400M was approved by Cabinet (cab.16.12.2015/8) to carry forward into 2016/17 to fund revenue repair works leaving a £2.803M unallocated working balance.

3.8 It is proposed that the unallocated working balance is earmarked to be used to fund the Government's sale of higher value properties' levy. The Housing and Planning Bill enacts proposals to introduce the 'Right to Buy' for Housing Association tenants. To fund this scheme and compensate Housing Associations for the loss of their housing stock the government propose to introduce an annual levy on Local Authority HRA's starting during 2016/17. The levy is payable regardless of any high value stock actually becoming vacant or being sold.

3.9 The extent of the levy is no yet known, earmarking this sum will reduce the immediate pressure on the HRA as there will be a time delay in selling properties and receiving the income and will also avoid the need to sell around 30 dwellings. A disposal policy approved by Cabinet will be required but this cannot be finalised for recommendation until Government guidelines are published.

4. Proposal and Justification

4.1 It is proposed to earmark the un- allocated working balance of £2.803M arising from the improvement in the financial position to fund the Government's sale of higher value properties' levy.

5. Consideration of Alternative Approaches

- 5.1 The un-allocated working balance of £2.803M could be reinvested in services. However this is **not** recommended at this stage due to the financial implications of the Government's high value sales policy.

6. Local Area Implications

- 6.1 Utilising £2.8M of working balance to contribute towards paying the Government levy will delay and reduce the need to sell higher value property which is primarily located in the West of the Borough.

7. Compatibility with European Convention on Human Rights

- 7.1 There are no issues around possible contravention's arising from this report.

8. Promoting Equality and Diversity and Social Inclusion

- 8.1 There are no issues arising directly from this report.

9. Reduction of Crime and Disorder

- 9.1 There are no issues arising directly from this report.

10. Conservation of Biodiversity

- 10.1 There are no issues arising directly from this report.

11. Risk Management Issues, including Health and Safety

- 11.1 Retaining adequate earmarked working balances will help to manage the risk of potential future budget shortfalls.

12. Financial Implications

- 12.1 There is an overall financial improvement of £3.203M of which £2.803M is available to help manage the risk around the Governments sale of high vaule properties levy.

13. Employee Implications

- 13.1 There are no implications arising directly from this report.

14. Glossary

HRA - Housing Revenue Account

PRIP – Property Improvement and Repair Partnership

Working Balance - the accumulated surplus (excess of income over expenditure) on the Housing Revenue Account

Earmarked Working Balance - Working Balance which is set aside to meet planned future expenditure

Unallocated Working Balance - Working balance which is **not** set aside and is potentially available to fund priority additional expenditure items

15. Appendices

Appendix A - Housing Revenue Account 2015/16

Appendix B - Major Variations

16. Background Papers

Final Accounts working papers and tabulations available for inspection in Berneslai Homes Finance, Gateway Plaza, Off Sackville Street, Barnsley

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Date: 3rd May 2016

Financial Implications/Consultations
