

<b>Meeting:</b>	Tenants' and Leaseholders' Consultative Forum
<b>Date:</b>	26 March 2007
<b>Subject:</b>	Housing Revenue Account (HRA) 5 year Budget Analysis 2004-05 to 2008-09
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Myfanwy Barrett Director of Financial and Business Strategy
<b>Portfolio Holder:</b>	David Ashton Deputy Leader Portfolio Holder for Finance and Business Matters
<b>Exempt:</b>	No
<b>Enclosures:</b>	None

## **SECTION 1 – SUMMARY AND RECOMMENDATIONS**

This report provides an analysis of the HRA budget over a 5year period from 2004 –05 to 2008-09. It compares the budget as originally set out in the HRA business plan with outturn/revised budgets put to and agreed by Cabinet as part of the medium term budget strategy.

### **RECOMMENDATIONS:**

#### **FOR INFORMATION ONLY**

**REASON:** The information provided was requested by TLCF at its meeting on 24<sup>th</sup> January 2007

## **SECTION 2 – REPORT**

1. A 30 year HRA business plan based on prudential borrowing to finance the decent homes improvement works was submitted to and approved by Government Office for London (GOL) in January 2007. The plan included a detailed 4-yr detailed budget based on a number of stated financial assumptions. When the annual budget is set each year, the budget as set out in approved business plan is reviewed and updated to ensure the medium term budget strategy adequately reflects current and future service requirements.
2. The report below compares detailed budgets as set out in the business plan with outturn/revised budgets in the medium term budget strategy. The annual budget review in January 2007 had regard for the initial financial assumptions that underpinned the business plan, the HRA zero based budget review completed in March 2005, outturn from previous years and current service pressures, priorities and challenges.
3. Highlighted below are key areas of difference between balances set out in the business plan and outturn/revised budgets.

### **Balances**

4. Accumulated balances at the start of year 1 (2004-05) of the business plan were £3m. Accumulated balances as at end of year 3 (2006-07) of the plan, are expected to be £6m reflecting the estimated outturn position in 2006-7 of £1m surplus.
5. In the first three years of the business plan, outturn balance was significantly higher than forecast. In year 4 (2007-08), the business plan estimated annual surplus of £853k has been revised downward to make adequate provision for service requirements.

### **Year 1 - 2004-05**

6. Business Plan £18k surplus, Outturn £1.6m surplus. Key areas of change:
  - £750k - lower than expected contribution to repairs arising from significant capitalisation of major repairs costs and implementation of cost reviews,
  - £431k - lower than expected supervision & management costs
  - £257k - unrealised Almo set up costs
  - £170k – lower cost of borrowing

### **Year 2 - 2005-06**

7. Business Plan £145k deficit, Outturn £253k surplus. Key areas of change:
  - £788k – lower supervision & management costs
  - £153k – higher dwelling income recovered
  - £542k – higher bad debt provision

### Year 3 - 2006-07

8. Business Plan £233k surplus, estimated Outturn £1.2m surplus. Key areas of change:
- £310k – lower contingency and bad debt provisions,
  - £544k – lower than expected costs of capital borrowing, and
  - £153k – lower supervision & management costs

### Year 4 - 2007-08

9. Business Plan £853k surplus, revised budget £219k surplus, a reduction of £634k. Key areas of change:
- £687k – higher contribution to repairs
  - £313k – higher rental garage and other rental income
  - £1m – higher revenue contribution to capital investment
  - £521k – realignment of cost of borrowing
  - £219k – lower supervision & management costs

### Year 5 - 2008-09

10. Detailed business plan budget not available for comparison. The medium term budget strategy estimated a budget surplus of £235k in 2008-09.

### Use of HRA Balances

11. The HRA is a ringfenced account and surplus or expenditure cannot be transferred to or from the General Fund. Central service costs can be transferred between the two to cover the costs to be borne by the HRA. The HRA retains the surplus and funds any in year deficit should that arise. Any surplus or deficit is carried forward and forms part of the accumulated retained balance.
12. The HRA position continues to be robust with projected balances at end March 2006-07 of £7m. The balances are generally available to meet long term pressures such as investing in the improvement in tenants homes to support the achievement of decent homes.

### SECTION 3 - STATUTORY OFFICER CLEARANCE

Chief Finance Officer	<input checked="" type="checkbox"/>	Name: Anil Nagpal Date: 7 February 2007
Monitoring Officer	<input checked="" type="checkbox"/>	Name: David Galpin Date: 19 February 2007

## **SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS**

**Contact:** Carol Maduka  
Service Manager, Urban Living Finance  
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**Background Papers:** 30 year HRA Business Plan  
HRA Medium Term Budget Strategy

**HOUSING REVENUE ACCOUNT (HRA) - 5 YEAR BUDGET SUMMARY**

	Year 1		Year 2		Year 3		Year 4		Year 5	
	Original Budget 2004-05 (Option Appraisal)	Final Outturn 2004-05	Original Budget 2005-06 (Option Appraisal)	Final Outturn 2005-06	Original Budget 2006-07 (Option Appraisal)	Forecast Outturn 2006-07	Original Budget 2007-08 (Option Appraisal)	Approved Budget 2007-08 (Cabinet)	Original Budget 2008-09 (Option Appraisal)	Approved Budget 2008-09 (Cabinet)
Expenditure	£	£	£	£	£	£	£	£	£	£
Employee Costs	3,258,185	3,416,504	3,151,725	2,814,652	2,901,725	2,925,531	2,661,530	2,961,797	n/a	3,050,651
Supplies & Services	1,562,040	1,473,043	1,589,628	1,399,797	1,564,628	1,561,490	1,539,628	1,599,270		1,599,270
Central Recharges	1,855,140	1,760,753	1,829,580	1,511,389	1,829,580	1,411,180	1,829,580	1,411,180		1,411,180
Employee Costs - Needs/Strategy			182,018		134,544	343,905	134,544	354,222		364,849
IT Projects	74,890		70,000	74,091	70,000	70,000	70,000	70,000		70,000
Miscellaneous	119,780		110,240	64,876	110,240	0	110,240	0		0
Option appraisals	168,000		145,000	150,716	45,000	0	45,000	0		0
Recharge to other services	-1,053,380	-896,640	-1,026,090	-461,133	-1,058,616	-548,195	-1,143,616	-502,528		-502,528
Home Ownership Service	109,710		109,710	179,074	109,710	239,170	109,710	259,170		259,170
Rent	66,300	61,000	3,850	1,000	3,850	3,850	3,850	0		0
Rebates/Rent/Agency/Payments		-3000								
Baseline expenditure	6,160,665	5,811,660	6,165,661	5,734,442	5,710,661	6,003,081	5,360,466	6,153,111	0	6,252,592
Inflation			296,242		519,220		784,495			
Contingency	300,000	182,400	237,500		243,529	259,499	427,450	200,000		200,000
<b>Operating Expenditure</b>	<b>6,460,665</b>	<b>5,994,060</b>	<b>6,699,403</b>	<b>5,734,442</b>	<b>6,473,410</b>	<b>6,262,580</b>	<b>6,572,411</b>	<b>6,353,111</b>	<b>0</b>	<b>6,452,592</b>
Charges for Capital	5,183,444	5,010,270	5,021,858	5,274,000	4,790,800	4,958,504	4,706,196	5,338,317		5,767,990
Contribution to Repairs Account	6,194,985	5,443,000	5,893,077	6,070,000	4,744,470	4,593,490	3,980,815	4,668,490		4,568,490
RCCO	0	0	0	0	0	0	0	1,000,000		1,500,000
Prudential Borrowing	190,000	253,000	252,000	642,000	712,000	0	1,153,000	100,000		100,000
Bad or Doubtful Debts	257,200	0	100,000		100,000	0	100,000	100,000		100,000
ALMO set up cost										
<b>Total Expenditure</b>	<b>18,286,294</b>	<b>16,700,330</b>	<b>17,966,338</b>	<b>17,966,338</b>	<b>16,820,680</b>	<b>15,814,574</b>	<b>16,512,422</b>	<b>17,459,918</b>	<b>0</b>	<b>18,389,072</b>
Income										
Rent Income – Dwellings	-20,473,521	-20,497,000	-20,231,721	-20,232,000	-19,989,920	-20,320,000	-19,753,631	-19,979,550		-20,912,705
Rent Income – Non Dwellings	-598,762	-692,761	-598,762	-757,000	-598,760	-610,220	-598,762	-911,868		-911,868
Service Charges – Tenants								-1,118,646		-1,174,578
Service Charges – Leaseholders	-240,190	-231,010	-319,190	-328,490	-363,190	-375,060	-393,190	-255,488		-268,262
Facility Charges	-157,510	-157,510	-157,510	-157,510	-157,510	-206,260	-157,510	-335,849		-363,201
Interest and Other Income	-92,450	-300190	-87,450	-36,442	-82,450	-24,820	-82,450	-24,820		-24,820
Transfer from General Fund	-113,030	-113,030	-113,030	-107,000	-113,030	-183,061	-113,030	-83,000		-83,000
HRA Subsidy	3,370,955	3,395,000	3,687,179	3,734,000	4,250,310	4,663,943	4,666,788	5,030,240		5,113,943
Rent Convergence							-934,000			
<b>Total Income</b>	<b>-18,304,508</b>	<b>-18,326,330</b>	<b>-17,820,484</b>	<b>-17,973,442</b>	<b>-17,054,550</b>	<b>-17,055,478</b>	<b>-17,365,785</b>	<b>-17,678,982</b>		<b>-18,624,492</b>
<b>In Year Deficit / (Surplus)</b>	<b>-18,214</b>	<b>-1,626,00</b>	<b>145,854</b>	<b>-253,000</b>	<b>-233,870</b>	<b>-1,240,904</b>	<b>-853,363</b>	<b>-219,063</b>		<b>-235,420</b>
<b>BALANCE</b>	<b>-3,331,764</b>	<b>-4,939,550</b>	<b>-3,185,910</b>	<b>-5,193,000</b>	<b>-3,419,780</b>	<b>-6,433,904</b>	<b>-4,273,143</b>	<b>-6,652,967</b>		<b>-6,888,388</b>

