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| <b>Meeting:</b>                        | Tenants' and Leaseholders' Consultative Forum                                |
| Date:                                  | 29 October 2007  |
| Subject:                               | Quarter 1 Housing Revenue Account (HRA) Monitoring Report as at 30 June 2007 |
| Key Decision:<br>(Executive-side only) | No   |
| Responsible Officer:                   | Myfanwy Barrett<br>Corporate Finance Director                                |
| Portfolio Holder:                      | Camilla Bath<br>Portfolio Holder for Housing                                 |
| Exempt:                                | No   |
| Enclosures:                            | Appendix 1 – HRA Forecast Outturn as at 30 June 2007                         |

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

This report sets out monitoring of the Housing Revenue Account (HRA) as at 30 June 2007.

### **RECOMMENDATIONS:**

To note the HRA position at the end of the first quarter for 2007-08.

### **REASON:**

To monitor effectively the HRA budgets.

## **SECTION 2**

### **Current Position**

1. The report attached at Appendix 1 reflects the anticipated year end position for the HRA as at the end of June 2007, and will be reported to Cabinet on Thursday 11<sup>th</sup> October.
2. The HRA balance brought forward from 2006-07 totalled £5,726,483.
3. The quarter 1 position projects a shortfall in the budgeted in year surplus of £95k, and comprises both income and expenditure variations which are detailed below.
4. Expenditure - increased expenditure of £604,000. This reflects in the main increased energy costs, increased costs of borrowing [which may change following a corporate debt rescheduling exercise], legal fees and pressures in relation to repairs.
5. The increases in the repairs budget reflect the unexpected costs of terminating transport contract hire costs, together with increases in day to day maintenance expenditure. It is expected that the new KIER partnership [which commenced at the beginning of July], together with closer budget monitoring of the commitments and accruals will minimise the continued risk of overspend on repairs.
6. Further expenditure assumptions made in this report are:
  - that the contingency provision of £200k will be fully utilised in connection with DLO staff.
  - that the HRA expects to make a contribution of £1m to support the capital expenditure incurred in relation to the Decent Homes works.
  - that the bad debt provision of £100k will be required.
7. Income – increased income of £509,000. The variations on dwelling rental income of -£174k and service charges of £77k should be consolidated as the budgets stated are not accurately split. The net additional income reflects in the main, the lower level of sales and voids when compared to the assumptions made in the approved budget. Additional subsidy of £410k is anticipated in relation to the rent constraint allowance.

8. Further income assumptions made in this report are that the leasehold service charges and facility charges are recovered in line with the budget.

### **Financial Implications**

1. The financial implications are included within the current position detailed above.
2. Based on the quarter 1 information detailed above, it is anticipated that there will be a balance of £5,850,020 to be carried forward into 2008-09. This deviates slightly from the business plan reflecting the lower in year surplus.
3. Officers will continue to monitor this budget closely and take corrective action where necessary, to bring the position in line with the approved budget and business plan. The quarter 2 position at the end of September should more accurately reflect the anticipated year end position given that this will reflect the half year position.
4. The quarter 2 monitoring information will be reported to TLCF in January 2008 and will be used in setting the HRA budget for 2008-09.

### **SECTION 3 - STATUTORY OFFICER CLEARANCE**

|                        |                          |   |
|------------------------|--------------------------|---|
| Name: ...Donna Edwards | <input type="checkbox"/> | on behalf of the<br>Chief Financial Officer |
| Date: .....            |                          |   |
| Name: Helen White      | <input type="checkbox"/> | on behalf of the<br>Monitoring Officer      |
| Date: .....            |                          |   |

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

**Contact:** Carol Maduka  
Senior Professional, Housing Finance  
020 8424 1672

**Background Papers:** 30 year HRA Business Plan  
HRA Medium Term Budget Strategy

**HOUSING REVENUE ACCOUNT (HRA) - FORECAST OUTTURN 2007-08**

Appendix 1

**QUARTER 1 : APRIL TO JUNE 2007**

|                                    | Approved Budget 2007-08 | Forecast Outturn 2007-08 | Variance £000   | Variance (%) | Comments   |
|------------------------------------|-------------------------|--------------------------|-----------------|--------------|--|
| <b>Expenditure</b>                 |                         |                          |                 |              |  |
| Employee Costs                     | 2,961,797               | 2,883,488                | -78,309         | -3%          |  |
| Supplies & Services                | 1,599,270               | 1,753,937                | 154,667         | 10%          | Higher energy costs  |
| Central Recharges                  | 1,411,180               | 1,431,992                | 20,812          | 1%           | Higher Legal SSC budgets to be realigned                                       |
| Employee Costs - Needs / Strategy  | 354,222                 | 440,000                  | 85,778          | 24%          | Higher contribution to Needs/Strategy costs budgets to be re-aligned           |
| IT Projects                        | 70,000                  | 70,000                   | 0               | 0%           |  |
| Recharge to other services         | -502,528                | -502,528                 | 0               | 0%           |  |
| Home Ownership Service             | 259,170                 | 259,170                  | 0               | 0%           |  |
| <b>Baseline expenditure</b>        | <b>6,153,111</b>        | <b>6,336,060</b>         | <b>182,949</b>  | <b>3%</b>    |  |
| Contingency -general               | 200,000                 | 200,000                  | 0               | 0%           | Oncost on DLO back pay not provided for in prior years                         |
| <b>Operating Expenditure</b>       | <b>6,353,111</b>        | <b>6,536,060</b>         | <b>182,949</b>  | <b>3%</b>    |  |
| Charges for Capital                | 5,338,317               | 5,610,000                | 271,683         | 5%           | Higher borrowing costs to support decent homes                                 |
| Contribution to Repairs Account    | 4,668,490               | 4,818,490                | 150,000         | 3%           | Costs of terminating DLO vehicle hire contract and higher expected void costs  |
| RCCO                               | 1,000,000               | 1,000,000                | 0               | 0%           |  |
| Bad or Doubtful Debts              | 100,000                 | 100,000                  | 0               | 0%           |  |
| <b>Total Expenditure</b>           | <b>17,459,918</b>       | <b>18,064,550</b>        | <b>604,632</b>  | <b>3%</b>    |  |
| <b>Income</b>                      |                         |                          |                 |              |  |
| Rent Income – Dwellings            | -19,979,550             | -20,153,452              | -173,902        | 1%           | Budget split between Rent & Service charge to be realigned following depooling |
| Rent Income – Non Dwellings        | -911,868                | -911,868                 | 0               | 0%           |  |
| Service Charges Tenants            | -1,118,646              | -1,041,610               | 77,036          | -7%          | Budget split between Rent & Service charge to be realigned following depooling |
| Service Charges                    | -255,488                | -255,488                 | 0               | 0%           |  |
| Facility Charges                   | -335,849                | -335,849                 | 0               | 0%           |  |
| Interest                           | -17,000                 | -19,000                  | -2,000          | 12%          |  |
| Other Income                       | -7,820                  | -7,820                   | 0               | 0%           |  |
| Transfer from General Fund         | -83,000                 | -83,000                  | 0               | 0%           |  |
| HRA Subsidy                        | 5,030,240               | 4,620,000                | -410,240        | -8%          | Adjusted for Rent Constraint Allowance   |
| <b>Total Income</b>                | <b>-17,678,981</b>      | <b>-18,188,087</b>       | <b>-509,106</b> |              |  |
| <b>In Year Deficit / (Surplus)</b> | <b>-219,063</b>         | <b>-123,537</b>          | <b>95,526</b>   |              |  |
| <b>BALANCE</b>                     | <b>-5,945,546</b>       | <b>-5,850,020</b>        |                 |              |  |