

Meeting:	Tenants' and Leaseholders' Consultative Forum (TLCF)
Date:	28 February 2008
Subject:	Quarter 3 Housing Revenue Account (HRA) Monitoring Report as at 31 December 2007
Key Decision: (Executive-side only)	No
Responsible Officer:	Myfanwy Barrett
Portfolio Holder:	Councillor Camilla Bath
Exempt:	No
Enclosures:	Appendix 1 – HRA Forecast Outturn as at 31 December 2007

SECTION 1 – SUMMARY AND RECOMMENDATIONS

This report sets out monitoring of the Housing Revenue Account (HRA) as at 31 December 2007.

RECOMMENDATIONS:

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

REASON:

To monitor effectively the HRA budgets.

SECTION 2

Background

1. The Housing Revenue Account (HRA) budget monitoring report sets out the estimated income and costs of managing and maintaining the Council's housing stock. Income generated mainly from tenants rents are used to manage and maintain the council housing stock of 5074 as at end December 2007. Reported in year surplus or deficit is added to accumulated balances and carried forward to next year.
2. The HRA balances as at 1st April 2007 was £5.726m. The report anticipates an in year surplus of £324k at the end of March 2008 thereby increasing the accumulated balances to £6.050m. The balances are available for the future use of the HRA and attract an annual interest rate already accounted for in the figures reported below. Details of the forecast outturn position are set out at Appendix 1 below.
3. The projected surplus of £324k is £105k more than the £219k budgeted surplus at the start of the year. The increased surplus reflects lower than expected rental loss arising from lower (RTB) sales and voids. Income recovered from leaseholders is estimated to be higher than budget. Areas of key budget variances are highlighted below.

Expenditure

4. Total expenditure is estimated to increase by £547k or 5% from £17.460m to £18.007m. Salary and non-salary staffing costs is anticipated to increase by £232k (7%) reflecting costs of temporary staff and consultancy supporting the delivery of housing priorities.
5. Energy costs are expected to increase by £254k or 79% of the original budget reflecting the fact that budgets were set too low. However compared to last year the energy costs is anticipated to increase by £115k or 25%. The costs of gas heating in mainly sheltered accommodation accounts for £123k (48%) and electricity costs £131k (52%) of the variation from budget The council maintains a fixed price contracts the housing energy suppliers some of which are due for renewal in the course of next financial year.
6. The cost of borrowing to support the delivery of the decent homes programme is expected to increase by £130k (2%). This estimated

increase assumes that the capital programme will be fully delivered. It also assumes that the interest payable on borrowing is likely to be at 5.08% albeit the applicable rate of interest will be subject to market forces at the actual point of borrowing and the council's debt restructuring arrangements.

7. The HRA contribution to the Housing repair budget is expected to be £140k more than budget. This reflects the unexpected costs of terminating transport contract hire costs, together with increases in day to day maintenance expenditure. It is expected that closer liaison and monitoring with KIER, the new property maintenance partner, would help minimize risk of overspend in housing repairs in future years.

Income

8. Total income is estimated to increase by £652k reflecting additional income recoverable or payable to the HRA. Accommodation rental income recovered from tenants is expected to be £288k (1%) more than budgeted. This reflects lower than expected rental loss arising from reduced RTB sales as well as lower void levels.
9. However, the adverse variance reported against the recovery of tenant service charge income reflects the assumed budget split between rent and service charge. This adverse variance is compensated by variations in rental income. The £53k under recovery of service charge income from leaseholders reflects variation to assumptions at the budget setting stage.
10. The reduction in negative subsidy payable to government reflects the net Rental Constraint Allowance (RCA) payable to the authority. The RCA is the mechanism to compensate for limiting rent increases to 5% in 2007-09. Additional net subsidy of £410k is anticipated in relation to this allowance.

Financial Implications

11. The report reflects the financial position of the Council's HRA.

SECTION 3 - STATUTORY OFFICER CLEARANCE

Name: ...Donna Edwards	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: ...5/2/2008.....		
Name: Helen White	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: ...8/2/2008.....		

SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

Contact: Carol Maduka
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020 8424 1672

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

PERIOD 9 : APRIL TO DECEMBER 2007

	Approved Budget 2007-08	Forecast Outturn 2007-08	Variance £000	Variance (%)	Comments
Expenditure					
Employee Costs	2,961,798	3,147,962	186,164	6%	Salaries overspend for Wardens (£110k) and Tenant services (£148k), and consultancy costs (£130k) compensated by underspend from elsewhere.
Supplies & Services	1,669,270	1,936,587	267,317	16%	Higher Gas and Electricity costs.
Central Recharges	1,411,180	1,411,323	143	0%	Support Service Charges.
Employee Costs - Needs / Strategy	354,222	400,000	45,778	13%	HRA contribution to HGF salary costs.
Recharge to other services	-502,530	-502,530	0	0%	Supporting People Grant.
Home Ownership Service	259,170	43,266	-215,904	-83%	Reflects admin costs and insurance premium recovered from Leaseholders.
Baseline expenditure	6,153,110	6,436,608	283,498	5%	
Contingency -general	200,000	194,000	-6,000	-3%	Oncost on DLO back pay (£169k) not provided for in prior years and costs for developing garages
Operating Expenditure	6,353,110	6,630,608	277,498	4%	
Charges for Capital	5,338,315	5,468,124	129,809	2%	Assumes Capital Programme fully spent & reflects higher estimated borrowing costs (CRI @5.08%) with revised discounts resulting from the Council's debt
Contribution to Repairs Account	4,668,490	4,808,665	140,175	3%	Estimated overspend arising from voids, specialist and DLO contract hire termination costs.
RCCO	1,000,000	1,000,000	0	0%	Contribution to Decent Homes expenditure.
Bad or Doubtful Debts	100,000	100,000	0	0%	Increase in provision for tenant rent and service charge arrears.
Total Expenditure	17,459,915	18,007,397	547,482	3%	
Income					
Rent Income – Dwellings	-19,979,550	-20,267,981	-288,431	1%	Higher rent income resulting from lower RTB sales and lower voids.
Rent Income – Non	-911,870	-960,823	-48,953	5%	Higher rental income from shops.
Service Charges Tenants	-1,118,645	-1,042,955	75,690	-7%	Variance compensated by Dwelling Income above.
Service Charges	-255,490	-202,692	52,798	-21%	Leaseholders service charge
Facility Charges	-335,850	-342,087	-6,237	2%	Income from Heating & Water charges.
Interest	-17,000	-19,000	-2,000	12%	Mortgage Interest receivable.
Other Income	-7,820	-11,498	-3,678	47%	Misc income.
Transfer from General Fund	-83,000	-83,000	0	0%	Contribution from the HGF.
HRA Subsidy	5,030,240	4,598,909	-431,331	-9%	Negative subsidy payable to Govt. less defective dwelling grant.
Total Income	-17,678,985	-18,331,127	-652,142	4%	
In Year Deficit / (Surplus)	-219,070	-323,730	-104,660	48%	