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|--|---|
| <b>Meeting:</b>                        | Tenants' and Leaseholders' Consultative Forum                                 |
| Date:                                  | 22 July 2008  |
| Subject:                               | Housing Revenue Account (HRA) Outturn Report 2007-2008                        |
| Key Decision:<br>(Executive-side only) | No  |
| Responsible Officer:                   | Corporate Director of Finance - Myfanwy Barrett                               |
| Portfolio Holder:                      | Portfolio Holder for Adults & Housing –<br>Councillor Barry Macleod-Cullinane |
| Exempt:                                | No  |
| Enclosures:                            | Appendix 1 – HRA Outturn  |

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

This report sets out the outturn for the Housing Revenue Account (HRA) for 2007-2008.

### **RECOMMENDATIONS:**

- (a) Note the revenue outturn position for 2007-2008 subject to audit and HRA capital outturn reported elsewhere on this agenda
- (b) Note the position for HRA balances
- (c) Note the implications of the outturn for 2008-09 and beyond
- (d) Note the timetable for audit committee meetings and external audit review

### **REASON:**

To confirm the financial position as at 31 March 2008

## **SECTION 2**

### **Introduction**

1. The provisional forecast outturn for the HRA is an in year surplus of £518k against a budgeted surplus of £219k, which represents an increase in the surplus of £299k. Appendix 1 details the outturn position subject to audit.
2. The in year surplus has increased by £195k when compared with that reported to TLCF on 28<sup>th</sup> February 2008. The increase in surplus reflects variations in both income and expenditure which are detailed below.

### **Expenditure**

3. Expenditure is £746k or 4% greater than the budget for the year. This relates, in the main, to increased salary and non salary staffing costs including consultancy supporting the delivery of housing priorities, increased energy costs, increased contribution to the bad debt provision and various one off costs in relation to repairs.
4. The increases in the repairs expenditure relates to the one off cost the maintenance contracts in addition to terminating transport contract hire costs as a result of transferring the directly managed repairs staff team to Kier, together with increases in day to day maintenance expenditure and the inclusion of a provision in relation to disrepair claims.
5. The increased contribution to the bad debt provision reflects a slight increase in rent arrears during the year and also the increased level of debt written off in relation to those debts which by statute can no longer be recovered, these write offs amounted to £142k
6. The increased costs are offset by an under utilisation of the contingency provision and additional income relating to the recovery of prior year leaseholder service charges which were greater than anticipated.

7. A contribution of £1m is included to support the capital expenditure in relation to the Decent Homes works.

## Income

8. Increased income is £1,046k or 6% compared to budget for the year. The increase relates largely to additional rental income and HRA subsidy, offset by a lower level of non dwelling rent income and service charges. This variance is significant and relates to the fact that the rental year was 53 weeks in 2007/8.
9. Dwelling rental income was higher than budget by £600k. This relates largely to the combination of lower levels of property sales through right to buy, improved efficiency in void turn around times and a 53 week rental year. The budget assumed 52 weeks. The increased income also relates to service charges and the variation now evident following the split between rent and service charge with effect from 1<sup>st</sup> April 2007.
10. The difference between budget and out turn in relation to negative subsidy relates to the rent constraint allowance. This is the mechanism used by government to compensate for limiting rent increases to 5%. This is the last year in which this allowance applies under guidance received from central government.
11. Non dwelling rental income including garages, carports and leasehold shops underachieved by £39k, mainly due to higher than expected void levels.

## HRA Balances

12. The Housing Revenue Account (HRA) Business plan assumes prudent use of balances and estimated an in year surplus of £648k for 2007/8 together with a carry forward balance of £6,377k into 2008/09. The table below details a lower level of balance as at 31<sup>st</sup> March 2008, reflecting the fact that the in year surplus of £518k was delivered at a level below assumption in the HRA business plan approved by Government Office for London in 2007.

|                                    |       |
|------------------------------------|-------|
|                                    | £'000 |
| Opening balance as at 1 April 2007 | 5,728 |
| Budgeted in year surplus           | 219   |
| Outturn variance                   | 299   |

|                                 |              |
|---------------------------------|--------------|
| <b>Balance at 31 March 2008</b> | <b>6,246</b> |
|---------------------------------|--------------|

### **Liabilities and Contributions to Provisions**

13. As a necessary part of good accounting practice all provisions are reviewed on a regular basis and the appropriate contributions to or from provisions are made at year end. During the year a risk was identified in relation disrepair claims and as part of the closure of accounts process this risk was addressed by the inclusion of a provision.
14. The HRA has debt relating to housing rents and service charges. There is an agreed recovery policy for determining the appropriate bad debt provision. As part of the closure of accounts process, the policy is applied to all debt outstanding at the year end. The total debt outstanding in was £1.6m and the provision is £0.8m.

### **Implications of the outturn for 2008-09 and beyond**

15. Further work is required to establish the extent to which the reduction in balances brought forward into 2008-09 will impact on the long term viability of the HRA business plan. This will be captured as part of the first quarter monitoring to the Cabinet in September and will be reported to TLCF with the first quarter report for 2008/9.

### **Timetable for audit committee meetings and external audit review**

16. The draft accounts were considered by the Audit Committee 24 June 2008 and the external audit will commence in early July. The final accounts will be considered by the Audit Committee on 22 September 2008 and must be signed off by the Council and the Auditor by the end of September.
17. A summary of the draft accounts for the Council will be included in the Council's annual report, as part of the July edition of Harrow People.

### **Financial Implications**

18. Financial matters are fully reported in the report.

## Performance Issues

19. The report sets out the comparison of out turn with budget for the year

## Risk Management Implications

20. The outturn position for 2007/08 has an impact on the deliverability of the 2008/09 budget, Medium Term Financial Plan and the HRA business plan.

## SECTION 3 - STATUTORY OFFICER CLEARANCE

|                                 |                                     |   |
|---------------------------------|-------------------------------------|---|
| Name: Donna Edwards             | <input checked="" type="checkbox"/> | on behalf of the<br>Chief Financial Officer |
| Date: 7 <sup>th</sup> July 2008 |                                     |   |
| Name: Paresh Mehta              | <input checked="" type="checkbox"/> | on behalf of the<br>Monitoring Officer      |
| Date: 7 <sup>th</sup> July 2008 |                                     |   |

## SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

**Contact:** Rakesh Kotecha  
Senior Professional [Acting], Housing Finance  
020 8424 1672

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

## Appendix 1

### HOUSING REVENUE ACCOUNT (HRA): PROVISIONAL OUTTURN 2007-2008

|                                   | Approved Budget | Forecast Outturn | Variance   |          | Comments   |
|-----------------------------------|-----------------|------------------|------------|----------|--|
|                                   | £000            | £000             | £000       | %        |  |
| <b>Expenditure</b>                |                 |                  |            |          |  |
| Employee Costs                    | 2,934           | 3,023            | 89         | 3        | Various Salary overspends compensated for by under spends in other areas   |
| Supplies & Services               | 1,705           | 1,935            | 229        | 13       | Higher cost mainly attributable to large price increases in gas and electricity supplies                             |
| Central Recharges                 | 1,215           | 1,220            | 5          | 0        | Revised internal service support charges   |
| Employee Costs - Needs / Strategy | 354             | 405              | 51         | 14       | Revision and update of salary allocation   |
| Recharge to other services        | -503            | -503             | 0          | 0        | Supporting People Grant.   |
| Home Ownership Service            | 274             | 64               | -210       | -77      | Income includes recovery of additional income over and above that accrued for prior years leasehold service charges. |
| Baseline expenditure              | 5,980           | 6,144            | 164        | 3        |  |
| Contingency -general              | 200             | 145              | -55        | -28      | On cost on DLO back pay £144k not provided for in prior years.   |
| <b>Operating Expenditure</b>      | <b>6,180</b>    | <b>6,288</b>     | <b>109</b> | <b>2</b> |  |
| Charges for Capital               | 5,338           | 5,410            | 72         | 1        | Reflects higher borrowing cost coupled with lower levels of useable capital receipts from right to buy sales.        |
| Contribution to Repairs Account   | 4,842           | 5,343            | 500        | 10       | Increased cost of £500k includes £172k one off non recurring cost relating to contract termination,                  |

|                                    | Approved Budget<br>£000 | Forecast Outturn<br>£000 | Variance      |             | Comments  |
|------------------------------------|-------------------------|--------------------------|---------------|-------------|---|
|                                    |                         |                          | £000          | %           |   |
| RCCO                               | 1,000                   | 1,000                    | 0             | 0           | £80k provision for disrepair claims and £250k additional spend on the in year repairs service                       |
| Bad or Doubtful Debts              | 100                     | 164                      | 64            | 65          | Contribution to Decent Homes expenditure.<br>Increase in provision for tenant rent and service charge arrears       |
| <b>Total Expenditure</b>           | <b>17,460</b>           | <b>18,206</b>            | <b>746</b>    | <b>4</b>    |   |
| <b>Income</b>                      |                         |                          |               |             |   |
| Rent Income – Dwellings            | -19,980                 | -20,578                  | -600          | 3           | Higher rental income resulting from lower right to buy sales and improved efficiency in voids and 53 week rent year |
| Rent Income – Non Dwellings        | -912                    | -872                     | 39            | -4          |   |
| Service Charges Tenants            | -1,119                  | -1,062                   | 56            | -5          | Variance compensated by dwelling income above   |
| Service Charges                    | -255                    | -203                     | 53            | -21         | Leaseholders service charge income  |
| Facility Charges                   | -336                    | -355                     | -18           | 6           | Income from heating & water charges   |
| Interest                           | -17                     | -15                      | 2             | -14         | Mortgage Interest receivable.   |
| Other Income                       | -8                      | -23                      | -15           | 198         | Represents recovery of court cost from tenant rent arrears court cases  |
| Transfer from General Fund         | -83                     | -88                      | -5            | 6           |   |
| HRA Subsidy                        | 5,030                   | 4,472                    | -558          | -11         | Negative subsidy payable to Government less defective dwelling grant  |
| <b>Total Income</b>                | <b>-17,679</b>          | <b>-18,724</b>           | <b>-1,046</b> | <b>6</b>    |   |
| <b>In Year Deficit / (Surplus)</b> | <b>-219</b>             | <b>-518</b>              | <b>-299</b>   | <b>-137</b> |   |
| <b>BALANCE</b>                     | <b>-5,946</b>           | <b>-6,245</b>            |               |             |   |
|                                    |                         |                          |               |             |   |