

<b>Meeting:</b>	Tenants' and Leaseholders' Consultative Forum
Date:	11 November 2008
Subject:	Quarter 1 Housing Revenue Account (HRA) Monitoring Report as at 30 June 2008
Key Decision: (Executive-side only)	No
Responsible Officer:	Corporate Director of Finance Myfanwy Barrett
Portfolio Holder:	Portfolio Holder for Adults & Housing Councillor Barry Macleod-Cullinane
Exempt:	No
Enclosures:	Appendix 1 – HRA Forecast Outturn as at 30 June 2008

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

This report sets out monitoring of the Housing Revenue Account (HRA) as at 30 June 2008 as reported to Cabinet on 18<sup>th</sup> September 2008.

### **RECOMMENDATIONS:**

To note the HRA position at the end of the first quarter for 2008-09.

### **REASON:**

To monitor effectively the HRA budgets.

## **SECTION 2 – REPORT**

### **Introduction**

1. The provisional forecast outturn as at 30<sup>th</sup> June 2008 for the HRA anticipates an in year deficit of £864k, an increase of £73k from the budgeted deficit of £791k. The increased deficit results from both income and expenditure variations detailed below and in the attached Appendix.

### **Expenditure**

2. Increased expenditure of £488k when compared with the approved budget for the year.
3. There are a number of minor variations across a wide range of budget heads including £51k supplies and services, employee cost of £15k and an increase in the cost of the home ownership service of £15k.
4. It is assumed at this stage that there will be no further unforeseen costs on the contingency provision, after allowing for the deep clean on estates and redundancy costs, enabling the balance to be used to assist in managing the in year HRA variations.
5. The key variation on the HRA expenditure at the end of the quarter arises from pressures on the repairs budget. It is clear that without swift and effective intervention there will be a significant over spend in delivering the response maintenance service during the current financial year, and this is the subject of a more detailed report elsewhere on this agenda.
6. Charges for capital have been assumed to be on budget at this stage, but a year end variation is likely given increases in interest rates.

### **Income**

7. Additional income of £415k is anticipated. This relates in the main to increased rental income from dwellings and a reduction

in the amount of negative subsidy payable to central government, when compared with the approved budget for 2008-09.

8. Dwelling rental income is forecast to be £197k higher than budget. This arises from the variation following the split between rent and service charges in 2007-08, and will be reviewed as part of the budget setting process for 2009-10 to enable accurate monitoring and identification of real variations.
9. Changes in interest rates applied to HRA borrowing result in increased subsidy being paid to Harrow, thereby reducing the negative subsidy payable to central government by £281k.

### **HRA Balances**

10. The balance on the HRA brought forward from 2007-08 was £6,246k. The HRA business plan assumes a balance of £5,685k to be carried forward at the end of 2008-09, however, the position at the end of the first quarter projects this balance at £5,382k – a shortfall of £303k. This will be reviewed as part of the budget setting process.
11. The impact of the lower level of balances will significantly shorten the period during which the Council has a viable HRA. Assuming income and expenditure assumptions remain in line with the business plan, in year 11 [2017-2018] the impact of the reduction in balances will reduce balances to below the recommended level of £750k. By this point, the Council will have considered the options around the future of housing in this respect.

## **SECTION 3 - CONTACT DETAILS AND BACKGROUND PAPERS**

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