

<b>Meeting:</b>	Tenants' and Leaseholders' Consultative Forum
Date:	6 January 2009
Subject:	INFORMATION REPORT – Quarter 2 Housing Revenue Account (HRA) Monitoring Report as at 30 September 2008
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 September 2008

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

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

### **FOR INFORMATION:**

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

## **SECTION 2 – REPORT**

### **Introduction**

1. The provisional forecast outturn as at 30<sup>th</sup> September 2008 for the HRA anticipates an in year deficit of £1,170k, an increase of £379k from the budgeted deficit of £791k and further increase on the outturn reported at the end of the first quarter of £306k. The increased deficit results from both income and expenditure variations detailed below and in the attached Appendix.

### **Expenditure**

2. Increased expenditure of £781k when compared with the approved budget for the year.
3. In relation to day to day running expenditure there are a number of variations across the range of budget heads which result in a lower level of expenditure of £120k. These variations reflect in the main staffing and supplies and service costs.
4. It is assumed at this stage that there will be no further call on the contingency provision for unforeseen costs, 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. Charges for capital are projected to increase in the current year as a result of an increase in the interest rates, reflecting the average rate of interest payable on the HRA element of Council borrowing, together with the re-phasing of the Decent Homes expenditure from 2009-10 into 2008-09 of £3.6m. The increase in capital financing costs will be partly offset by increased HRA subsidy.
6. The key variation on the HRA expenditure arises from pressures on the repairs budget as previously reported. Without intervention the overspend was projected at £1.2m, however, management action has reduced this to £650k. The repairs position is the subject of a more detailed report elsewhere on this agenda.
7. An increase is required in the level of bad debt provision for rent and service charge arrears, based on the amounts anticipated for write off by 31<sup>st</sup> March 2009 and arrears at the end of the second quarter.

The increased provision totals £879k and represents 49% of the total debt outstanding of £1,802k.

## **Income**

7. Additional income of £401k is anticipated. This relates in the main to 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 £185k higher than budget, and offsets a lower level of income from garages and commercial premises of £161k.
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 £423k. This is offset by an adjustment of £91k following the audit of the 2007-08 subsidy claim.

## **HRA Balances**

10. The balance on the HRA brought forward from 2007-08 was £6,246k. The HRA business plan assumed a balance of £5,685k to be carried forward at the end of 2008-09, however, the position at the end of the second quarter projects this balance at £5,070k – a shortfall of £615k.
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 10 [2016-2017] 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 – FURTHER INFORMATION**

None.

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

**Contact:** Donna Edwards, Adults & Housing Finance Manager  
Telephone: 020 8424 1140

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