

Committee:	Tenants' and Leaseholders' Consultative Forum
Date:	21 July 2009
Subject:	Housing Revenue Account (HRA) Outturn Report 2008/09
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 Outturn 2008/09

Section 1 – Summary

This report sets out the provisional outturn for the Housing Revenue Account (HRA) for 2008-09 which was reported to Cabinet on 18th June 2009.

RECOMMENDATIONS:

- (a) To note the revenue outturn position for 2008-09 subject to audit [capital outturn reported to TLCF 29 June 2009 Special]
- (b) To note the HRA balance at 31st March 2009
- (c) To note the implications of the outturn for 2009-10 and future years
- (d) To note the timetable for audit committee meetings and external audit review.

REASON:

To confirm the financial position as at 31st March 2009.

FOR INFORMATION**Section 2 – Report****Introduction**

1. The provisional year end financial position for the HRA shows an overspend of £1,217k against a budgeted overspend of £791k. This represents an increased level of expenditure of £426k compared to the budget. Appendix 1 details this position which is subject to audit.
2. The overspend reported to TLCF on 26th February 2009, projected this at £1,295k. The in year overspend reflects variations in both income and expenditure which are detailed below.

Expenditure

3. Expenditure was £435k or 1.75% greater than the budget set for the year. This variation is a result of a number of factors.
4. Employee costs were under spent by £8k. This was achieved mainly as result of savings in relation to various vacant posts in the resident services area.
5. Supplies and services expenditure was £200k less than budgeted and includes £133k of credits brought forward from the previous year. Other variations are as a result of lower levels of expenditure in relation to legal fees, IT and the Locata scheme.
6. Expenditure on utility services for the delivery of heating to sheltered blocks was £119k greater than the budget. This was mainly due to rising prices from mid year. Facility charges are levied to tenants to recover this expenditure, however, the charges approved in February 2008 did not take account of these unexpected price increases and as a result there was a shortfall

of £147k between expenditure and the amount recovered from tenants. Given the volatility in these costs it is likely that there will continue to be a shortfall on facility charge during 2009-10, causing further pressure on the HRA. Further review will be required during 2009-10 to assess the impact on individual facility charges and may require mid year changes to the charges made to tenants.

7. Costs of estate and sheltered services exceeded the budget by £58k. Estate based costs totalled £1.660m a proportion of which will be recovered from leaseholders. This expenditure is analysed in the table below.

Description	Amount (£ 000)
Estates Services Cost	
Caretaking Services	702
Caretaking supplies	144
Leasehold team	165
Grounds maintenance	463
Communal lighting	141
Community halls	45
Sub total	1,660
Sheltered Services Cost	
Warden Services	797
Wardens Services Supplies	233
Supported People Grant	-502
Sub total	528
Total Estates and Sheltered Services	2,188

8. A contingent budget provision for unforeseen items is included within the HRA on an annual basis. Redundancy costs and expenditure associated with the deep clean on estates were charged to this provision leaving an unspent balance of £69k.
9. A contribution of £1m is included in the HRA to support the capital expenditure detailed in paragraph 11 below in relation to the Decent Homes works.
10. The amount of HRA subsidy payable to the Government was broadly in line with the budget. An additional payment of £91k

was made following the audit of the final claim for 2007-08, however this was offset by increased subsidy receivable of £109k in relation to costs of borrowing as detailed in paragraph 11 below.

Charges for Capital

11. Capital expenditure on Council dwellings, mainly on Decent Homes expenditure totalled £15.6m. The interest costs to fund the expenditure were £164k greater than estimated – arising from an increase in interest rates [which will be offset in part by HRA subsidy] and a lower level of interest on HRA balances.
12. The unspent capital expenditure from 2008/09 will be rolled forward in to 2009-10, which together with the proposed increase in capital expenditure to complete the Decent Homes programme [following the stock condition survey], will require additional funding to complete the Decent Homes programme. Cabinet will be asked on 16th July to fund the increased expenditure by increasing borrowing – the revenue costs of which will be funded by the reducing the revenue contribution to capital outlay [RCCO] by £500k.

Repairs

13. The key expenditure variation at the end of the year relates to the repairs budget. The increased costs were estimated at £748k at quarter 3 and reported to TLCF in February 2009. The final position is lower partly as a result of an underspend of £258k on the external decorations programme. This was the subject of a more detailed report to the special Tenants and Leaseholders Consultative Forum on the 29th June 2009.
14. The underspend of £258k on the external decorations programme will be carried forward to 2009-10 to finance the expenditure committed in 2008-09.
15. There is a proposal in 2009-10 to reinstate the non urgent (K4) repair works from 29th July 2009, subject to Cabinet approval. Cabinet will be asked to approve a contingency budget of £500k to fund major revenue replacement costs, if such costs cannot be

contained within the budget for 2009-10. This will be funded by reducing the RCCO budget.

Bad Debt Provisions and Write Offs

16. 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 year end. The total debt outstanding at 31st March 2009 was £1.7m and a bad debt provision of £887k required. During 2008-09 tenant rent debts of £92k [which by statute can no longer be recovered] were written off. This resulted in an increased contribution to the bad debt provision at 31st March of £73k.
17. There is an expectation that the current economic climate will have an adverse impact and reduce our debt collection rates. The HRA budget approved by Council in February 2009 included an increased budget provision for bad debts of £250k annually – an increase of £150k to that budgeted in previous years. Rent collection will be closely monitored and the required increases reported as part of the quarter 1 monitoring report for 2009-10.

Income

18. HRA income was achieved within budget, although there were a number of variations.
19. The key variation from budget was a shortfall of £154k as a result of a lower level of income from commercial premises and garages mainly due to an increased number of vacant garages.
20. Additional income was received following a prior year adjustment in relation to HRA mortgages of £62k, together with increased income from costs awarded to the Council following court action against tenants in breach of tenancy conditions.

HRA Balances

21. The HRA business plan assumes prudent use of balances and estimated a balance of £5,685k to be carried forward into 2009-10. The table below details the movement on balances and a

lower balance is carried forward into 2009-10 arising from the increased overspend.

	£'000
Opening balance as at 1 April 2008	6,259
Budgeted overspend	-791
Increased overspend	-426
Balance at 31 March 2009	5,042

22. The impact of the lower level of balances will significantly shorten the period during which the Council has a viable HRA. This will be reviewed as part of the budget setting process.

Liabilities and Contributions to Provisions

23. The Council must hold adequate provisions, reserves and balances against known and anticipated events and in respect of its statutory duties as appropriate. A fundamental part of the Statement of Accounts external audit process is the examination of the adequacy of these.
24. Provisions for bad debts (see paragraph 16) and disrepair claims are held within the HRA. At the end of 2008-09 a provision for disrepair claims remains at £80k.
25. The terms and cost of the Voluntary Severance Scheme were agreed as part of the 2009-10 council budget strategy and Medium Term Financial Strategy (MTFS). A provision has been made as required by the external auditor for those cases agreed in 2008-09 of £64k, these will be settled in 2009-10.

Implications of the year end financial position for 2009-10 and future years

26. Further work is required to establish the extent to which the reduction in balances brought forward into 2009-10 will impact on the long term viability of the HRA business. Reference has been made within the context of this report to the impact of variations in 2008-09 which may impact the 2009-10 position. The quarter

1 position for 2009-10 will be reported to TLCF in October and will update the position.

Timetable for audit committee meetings and external audit review

27. The draft accounts were considered by Governance, Audit and Risk Management Committee (GARM) on 23 June. The audit will commence in early July. The final accounts will be considered by GARM on 01 September and must be signed off by the Council and the Auditor by the end of September.
28. A summary of the draft accounts will be included in the Council's annual report, as part of Harrow People magazine.

Section 3 – Further Information

None

Section 4 – Financial Implications

29. Financial matters are integral to the report.

Performance Issues

30. The report sets out the comparison of the year end financial position with budget for 2008-09. The annual housing performance report discusses performance and is a separate agenda item.

Risk Management Implications

31. The year end position for 2008-09 has an impact on the deliverability of the 2009-10 budget, Medium Term Financial Plan and the HRA business plan. Risks likely to be carried into 2009-10 resulting from the outturn are referenced in the main body of the report.

Name: Jennifer Hydari

on behalf of the
Chief Financial Officer

Date: 3 July 2009

Section 5 - Contact Details and Background Papers

Contact: Donna Edwards
Finance Business Partner, Adults & Housing Finance
020 8424 1140

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