

**REPORT FOR: TENANTS' &  
LEASEHOLDERS'  
CONSULTATIVE FORUM**

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<b>Date of Meeting:</b>	5 January 2011
<b>Subject:</b>	Housing Revenue Account (HRA) Forecast Outturn 2010-11
<b>Responsible Officer:</b>	Myfanwy Barrett, Corporate Director of Finance
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix 1 – HRA Forecast Outturn 2010-11

## **Section 1 – Summary**

This report provides a projected outturn for the Council's Housing Revenue Account (HRA) for the financial year 2010-11 as at the close of September 2010 (Quarter 2).

To note the HRA position at the end of September 2010.

### **FOR INFORMATION**

## **Section 2 – Report**

HRA Forecast outturn 2010-11 (Revenue)  
Context

1. The HRA had balances of £4,784k on 1<sup>st</sup> April 2010. The table below illustrates the anticipated position as at the end of March 2011. Appendix 1 provides further details.

<b>Description</b>	<b>2010-11 Deficit /(Surplus) £'000</b>
Balance brought forward	(4,784)
In year deficit	1,501
Balance carried forward	(3,283)

**Table 1 Forecast Revenue position 2010-11**

2. The original budget approved by Cabinet in February 2010 showed that expenditure would be greater than income by £677k. This position has been increased by £354k in respect of the Housing Ambition Plan (approved by Cabinet July 2010), followed by a further £495k to complete the external decorations programme (approved by Cabinet September 2010). Both adjustments were funded from HRA balances
3. Unless corrective action is taken to address increased expenditure not expected as part of the budget setting process, the HRA balances will reduce more quickly than assumed.
4. The Draft HRA Budget 2011-12 to 2015-16 (approved by Cabinet 15 December 2010), reported elsewhere on the agenda, reminds Tenants & Leaseholders of key assumptions and enables discussion of issues facing the HRA. The Budget will then be reported to Cabinet and Council in February 2011.

### **Income**

5. HRA income levels are forecast to be £103k lower than expected when the budget was set. This is due primarily to higher than anticipated void loss originating from long term and routine voids in respect of dwellings and garages.
6. The position is, however, being minimised through improved routine void turnaround, which is now in line with the 28 days target.

### **Expenditure**

7. Repairs expenditure on voids is expected to exceed the budget by £130k due to higher than anticipated unit costs compounded by the impact of asbestos works, not included in the budget.
8. This has been offset by lower than expected unit costs of response repairs, due partly, from implementation of the Council's "Lean" review which is aimed at identifying and exploiting cost efficiencies.
9. Income from section 20 notices associated with the external decorations programme is expected to generate additional income not previously included in the budget of £193k.

10. The HRA is regulated by the Government's Subsidy system and includes an estimate of £6,178k payable to the Government. A reduction in interest rates will mean the Council will have to increase the amount payable by £136k, although this is offset by lower borrowing costs of £187k.
11. Improvements in collection performance indicate a reduction in the bad debt provision requirement of £50k for 2010-11. This will be kept under review.
12. Review of other expenditure indicates pressures in respect of agency costs associated with the review of Leaseholder Service Charges, although it is expected that these costs can be recovered. The results of this review will be reported once completed.

### **HRA Forecast outturn 2010-11 (Capital)**

#### **Context**

13. Capital expenditure originally approved for 2010-11 amounted to £7,610k. This has been increased by £1,891k and £972k for slippage and additional grant funded works to £10,473k.
14. The table below shows how the £10,473k is expected to spent in 2010-11 :

<b>Description of Capital Scheme</b>	<b>2010-11 Budget £'000</b>
Extensions	654
Aids & Adaptations	872
Housing Programme	8,629
Cavity Wall Insulation [Shesp]	318
<b>Total Capital expenditure budgeted for 2010-11</b>	<b>10,473</b>

## **Section 3 – Further Information**

### **Risk Management Implications**

15. The key risk is income and expenditure cannot be brought back into line, resulting in a deficit which will reduce the HRA balances, thereby further reducing the longer term future and flexibility within the HRA.

### **Equalities Implications**

16. There are no equalities implications in this report

## **Section 4 – Financial Implications**

All financial implications have been detailed in the report

## **Section 5 – Corporate Priorities**

The HRA Forecast outturn contribute to the Council's Corporate priorities.

Name: Donna Edwards	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 13 December 2010		

## **Section 6 - Contact Details and Background Papers**

**Contact:** Milan Joshi, Housing Finance Manager, Tel: 020 8416 8662

**Background Papers:** 30 year HRA Business Plan, HRA Budget & Financial Strategy 2010-11 to 2012-13

## Appendix 1 Housing Revenue Account (HRA)

### Forecast Outturn (Quarter 2)

	Outturn variation 2009-10	Approved Budget 2010-11 £000	Forecast Outturn 2010-11 £000	Variation £000	Explanation of variation
<b>Operating expenditure :</b>					
Employee Costs	(82)	1,498	1,578	80	Savings of £120k assumed in the budget to offset additional costs of Access Harrow are expected be realised through reduction bad debt provision (see below).
Supplies & Services	(41)	536	561	25	Higher than anticipated printing costs in respect of Asbestos awareness and legal fees form the majority of the forecast overspend.
Utility cost (Water & Gas)	(84)	186	186	0	Utility costs together with their recharge to tenants and leaseholders are under review and the position will be updated when the review has been completed.
Estate & Sheltered Services	221	2,378	2,577	199	The forecast overspend includes invest to save costs of £155k associated with the Leasehold review, together with £91k increased warden cost arising from backdated impact of job evaluations. These are offset by reduced electricity costs of £81k overaccrued in 2009-10.
Central Recharges	(20)	2,893	2,893	0	Central charges are assumed to equate to the budget
<b>Total Operating Expenditure</b>	<b>(6)</b>	<b>7,491</b>	<b>7,794</b>	<b>303</b>	
<b>Repairs expenditure :</b>					
Repairs - Voids	302	554	684	130	The budget is based on unit cost of £1,181 (excl Capitalisation & overheads and EPC/redecoration allowances) per void and a volume of 318. The forecast spend is based on a reduced volume of 300 but higher cost of £1,497 per void. Additional costs of £56k relating to asbestos works.
Repairs - Responsive	115	2,635	2,383	(252)	The budget is based on an average unit cost of £116.54 and a volume of 17,307 jobs in 2010-11. A review of unit cost data indicates a unit cost of £102 (period 05 £97.00). This has resulted in a forecast underspend. The risk exists of volumes increasing over the Winter months. This could result in significant additional expenditure.

Repairs - Other	(454)	2,092	1,857	(235)	External Decorations assumed to be fully spent, including increased programme funded by virement from balances. Underspend relates to estimated staff savings from the Asset Management Review. £190k Section 20 income relating to the external decorations programme has been assumed.
<b>Total Repairs expenditure</b>	<b>(37)</b>	<b>5,281</b>	<b>4,924</b>	<b>(356)</b>	
<b>Other expenditure:</b>					
Contingency - general	(484)	200	200	0	The General contingency is assumed to be expended.
	<b>Outturn variation 2009-10</b>	<b>Approved Budget 2010-11 £000</b>	<b>Forecast Outturn 2010-11 £000</b>	<b>Variation £000</b>	<b>Explanation of variation</b>
Charges for Capital	(896)	6,916	6,729	(187)	The variation represents a lower level of borrowing and reduction in interest rates. The capital programme is assumed to be fully delivered and spent in 2010-11. Section 20 income of some £900k is assumed to contribute to Capital Financing.
RCCO	0	500	500	0	Revenue Contributions to Capital Outlay (RCCO) have been assumed to be in line with budget
Bad or Doubtful Debts	(114)	250	200	(50)	Rent arrears stood at £1,432k as at 30 September 2010 (Current tenants £664k; Former tenants £768k), a decrease of £69k from the start of the financial year. Improvements in rent collection have been identified and a reduction in the provision has been recognised to partially offset the cost of Access Harrow (see above).
HRA Subsidy	633	6,178	6,314	136	The variation on the Subsidy largely offsets the related variation on Charges for Capital (see above for details) and reflects a reduction in interest rates and finalisation of the 2009/10 subsidy claim.
<b>Total Other expenditure</b>	<b>(860)</b>	<b>14,044</b>	<b>13,944</b>	<b>(101)</b>	
<b>Total Expenditure</b>	<b>(904)</b>	<b>26,816</b>	<b>26,662</b>	<b>(154)</b>	
<b>Income</b>					

Rent Income – Dwellings	190	22,425	22,322	103	Routine void volumes are estimated at 300 (budget assumed 318) with average turnaround of 28 days in line with targets. The adverse variation is attributable to non routine voids (mainly major works & long term voids) which were not assumed in the budget. The position is compounded by the impact of asbestos works.
Rent Income – Non Dwellings	44	841	803	38	This variation comprises and increased void rate on garages [£16k - 0.69% above budget assumptions], rent loss from the demolition of 14 garages [£10k] and lower level of commercial rent income reflecting vacant premises [£12k].
Service Charges - Tenants	14	1,164	1,170	(6)	
Service Charges - Leaseholders	(11)	518	518	0	Service charges are currently under review. Until finalised, a balance position is assumed.
Facility Charges (Water & Gas)	10	497	488	9	Based on current estimates, an under recovery against gross expenditure of some £11k is forecast. The position will be updated once the Lean review of Leaseholder charges has been completed.
Interest	9	6	6	0	
	<b>Outturn variation 2009-10</b>	<b>Approved Budget 2010-11 £000</b>	<b>Forecast Outturn 2010-11 £000</b>	<b>Variation £000</b>	<b>Explanation of variation</b>
Other Income	(49)	80	88	(8)	Outturn forecast include (£15k) projection for recovered court costs in relation to tenant related cases and (£66k) for insurance premiums recovered
Transfer from General Fund	0	163	163	0	The recharge from the General Fund for shared amenities are expected to be in line with budget. This will be confirmed as part of the Leaseholder review.
<b>Total Income</b>	<b>207</b>	<b>25,694</b>	<b>25,559</b>	<b>136</b>	
Housing Ambition Plan ("HAP")	0	354	290	(64)	The Housing Ambition Plan, approved 15 July 2010, is expected to be fully expended in 2010-11 with the exception of the Asset Management posts, the related expenditure for which is accounted for below.
Asset Management	0	51	108	57	In accordance with the Housing Ambition Plan, the new Asset Management function is expected to incur costs of some £57k, the budget for which is held in HAP above.

<b>In Year Deficit / (Surplus)</b>	<b>-697</b>	<b>1,526</b>	<b>1,501</b>	<b>(25)</b>	
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<b>BALANCE brought forward</b>		<b>-4,784</b>	<b>-4,784</b>		
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<b>BALANCE carried forward</b>		<b>-3,258</b>	<b>-3,283</b>		The original HRA Business Plan assumed a balance of £5,319k to be carried forward into 2011/12, which was in accordance with the 2006 Business Plan. The latest position indicates a shortfall of £2,036k. and whilst this is less than planned it represents a healthy balanced position. Housing proactively increasing income to bring income & expenditure into line thus increasing balances in the short term and protecting them in the long term.
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