

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

Date of Meeting: 8 November 2011

Subject: **INFORMATION REPORT -
Housing Revenue Account
(HRA) Forecast Outturn 2011-12**

Responsible Officer: Julie Alderson, Interim Director of
Finance

Exempt: No

Enclosures: Appendix 1 - HRA Forecast Outturn
2011-12

Section 1 – Summary

This report provides a projected outturn for the Council's Housing Revenue Account (HRA) for the financial year 2011-12 as at the close of September 2011 (Quarter 2).

To note the HRA position at the end of September 2011.

FOR INFORMATION

Section 2 – Report

HRA Forecast outturn 2010-11 (Revenue)

Context

1. The HRA had balances of £3,779k on 1st April 2011. The table below illustrates the anticipated position as at the end of March 2012. Appendix 1 provides further details.

| Description | 2011-12 Deficit /(Surplus) £'000 |
|-------------------------|---|
| Balance brought forward | (3,779) |
| In year deficit | 1,247 |
| Balance carried forward | (2,532) |

Table 1 Forecast Revenue position 2011-12

2. The original budget approved by Cabinet in February 2011 showed that expenditure would be greater than income by £822k. This position has been increased by £522k in respect of the approved carry forward relating to external decorations.

Income

3. HRA income levels are forecast to be £54k lower than expected when the budget was set.
4. This is due mainly to £100k Anti fraud grant, originally assumed receivable in the HRA, now recognised in the Housing General Fund. This has been offset by improved void turnarounds.

Expenditure

5. Voids & response repairs are expected to exceed budget by £145k and £136k respectively due to higher unit costs (Voids unit cost £2,267 year-to-date vs £1,464 budget; Response unit cost £125 year-to-date vs £99 budget).
6. External decorations are substantially complete and it is expected some £170k can be funded from capital in line with latest guidelines.
7. Utility costs have been reviewed using latest consumption levels and it is expected capacity of £146k exists in this area.
8. The HRA is regulated by the Government's Subsidy system and includes an estimated payment of £6,988k. Reduced interest will increase this amount by £301k. This will be however be offset by £462k lower borrowing costs caused mainly by low interest rates.

9. Some costs can however be charged to capital, such as boiler replacements, as referenced in the Asset Management Progress Report. Although the unit cost of response repairs is slightly lower than expected, the volume will be kept under review given the remainder of the winter months.
10. Review of other expenditure indicates salary pressures in respect of the Sheltered Housing Review as well as capacity in the provision for bad debts (improved collection performance).

HRA Forecast outturn 2011-12 (Capital) Context

11. Capital expenditure originally approved for 2010-11 amounted to £6,360k. This has been increased by £4,834k of budgets brought forward from the prior year to £11,194k.
12. The table below shows the expected spend against budget:

| Description of Capital Scheme | Budget | Estimated spend | Estimated variation |
|-------------------------------|---------------|-----------------|---------------------|
| Extensions | 302 | 293 | (9) |
| Aids & Adaptations | 1,100 | 800 | (300) |
| Housing Programme | 9,793 | 9,229 | (564) |
| Total | 11,194 | 10,322 | (873) |

13. Of the revised budget of £11,194k, it is expected some £873k will not be spent this financial year.
14. It is expected some £654k will be carried over to be spent in 2012-13 (£300k of this is Council House adaptations). The remainder relates mainly to costs expected to be lower than originally estimated.

Section 3 – Further Information

15. The period 6 position, which has yet to be reported to Cabinet, has been reported to the Forum given its proximity.
16. An update will be given to the Forum in respect of the Quarter 3 position at the February meeting.

Section 4 – Financial Implications

17. This report, which is financial in nature, is for information only.

Section 5 - Equalities implications

18. There are no equalities implications.

Section 6 – Corporate Priorities

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

| | | |
|---------------------|-------------------------------------|---|
| Name: Roger Hampson | <input checked="" type="checkbox"/> | on behalf of the Chief Financial Officer |
| Date: 19 Oct 2011 | | |

Section 7 - 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 2011-12 to 2013-14

Appendix 1 – HRA forecast outturn 2011-12 (quarter 2)

| | Outturn variation 2010-11 | Revised Budget 2011-12 £000 | YTD Actuals £000 | Forecast Outturn 2011-12 £000 | Variation £000 | Explanation |
|--|---------------------------|-----------------------------|------------------|-------------------------------|----------------|---|
| Operating expenditure : | | | | | | |
| Employee Costs | -134 | 1,988 | 884 | 2,001 | 13 | Recharge from Housing General Fund lower than expected due to vacancies. |
| Supplies & Services | 35 | 630 | 245 | 648 | 18 | Expected £60k relating to Communications Strategy and Printing of tenant statements expected - no budget provision. |
| Utility cost (Water, Gas, Electricity) | -320 | 679 | 252 | 533 | -146 | Review of consumption levels identifies capacity |
| Estate & Sheltered Services | 250 | 2,240 | 892 | 2,267 | 27 | Includes £75k capacity on Supporting People Grant which is maintained at 2010-11 levels. Overspends of £80k on service review and other staff issues. |
| Central Recharges | 52 | 3,028 | 1,290 | 3,028 | 0 | |
| Total Operating Expenditure | -117 | 8,565 | 3,563 | 8,477 | -88 | |
| Repairs expenditure : | | | | | | |
| Repairs – Voids | 156 | 619 | 298 | 764 | 145 | Higher than budgeted unit costs resulting in estimated overspend. |
| Repairs – Responsive | 149 | 2,611 | 815 | 2,747 | 136 | Broadly neutral position assuming volume 17,344 and transfers to capital £183k. |
| Repairs – Other | -489 | 2,496 | 1,535 | 2,327 | -169 | Assumes full spend on cyclical and 20% capitalisation of External Decorations. |
| Total Repairs expenditure | -184 | 5,726 | 2,648 | 5,838 | 112 | |
| Other expenditure: | | | | | | |
| Contingency - general | 140 | 170 | 0 | 200 | 30 | Estimated spend includes repairs procurement, HRA business planning and strategic review. |
| Charges for Capital | -556 | 6,943 | 0 | 6,481 | -462 | Consolidated rate of interest down from 4.59% assumed in budget to 4.00% resulting in underspend, partly offset by additional subsidy payable. |
| RCCO | -500 | 0 | 0 | 0 | 0 | |
| Bad or Doubtful Debts | -102 | 200 | 26 | 159 | -41 | Leaseholder billing completed Aug 2011. Provision based on more accurate ageing of debt. |
| HRA Subsidy | 404 | 6,989 | 2,799 | 7,289 | 300 | Lower interest rate results in higher than expected Subsidy payable. |
| Total Other | -614 | 14,302 | 2,825 | 14,129 | -173 | |

| expenditure | | | | | | |
|------------------------------------|----------------------------------|------------------------------------|-------------------------|--------------------------------------|-----------------------|---|
| Total Expenditure | -915 | 28,593 | 9,036 | -28,444 | -149 | |
| | Outturn variation 2010-11 | Revised Budget 2011-12 £000 | YTD Actuals £000 | Forecast Outturn 2011-12 £000 | Variation £000 | Explanation |
| Income | | | | | | |
| Rent Income – Dwellings | 224 | 24,501 | 8,014 | 24,552 | -51 | Reduced voids turnaround period averaging 26 days against budget assumption of 28 days. |
| Rent Income – Non Dwellings | 47 | 754 | 303 | 714 | 40 | |
| Service Charges - Tenants | -16 | 649 | 213 | 649 | 0 | |
| Service Charges - Leaseholders | 275 | 487 | 464 | 543 | -56 | Income of £520k was assumed for 2010-11 for closure of accounts (to be billed in August 2011), which included £61k relating to Ground Maintenance. It is assumed this income will not materialise as information from Service Manager - Public Realm (Maintenance) is that this is not expected to be received. In year service charges of £487k are expected to be accrued as part of 2011-12 closure and billed in 2012-13. |
| Facility Charges (Water & Gas) | 9 | 507 | 163 | 486 | 21 | |
| Interest | 0 | 6 | 1 | 3 | -3 | |
| Other Income | -145 | 183 | 42 | 87 | 96 | |
| Transfer from General Fund | -1 | 163 | 2 | 163 | 0 | |
| Total Income | 393 | 27,250 | 9,202 | 27,197 | 53 | |
| In Year Deficit / (Surplus) | -522 | 1,343 | 166 | 1,247 | -96 | |
| BALANCE brought forward | | 3,779 | | 3,779 | | |
| BALANCE carried forward | | 2,436 | | 2,532 | | Balances are expected to reduce to £2,532k based on period 6 outturn position. |