

18 January 2007

**TITLE: HOUSING REVENUE ACCOUNT - BUDGET MONITORING –  
November 2006 (PERIOD 8)**

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**1. Purpose**

To update tenants on the current financial position of the Housing Revenue Account (HRA).

**2. Recommendation**

That members of the Forum note the report.

**3. Background**

The account operates in a healthy way, generating reserves that have allowed substantial extra funds to be transferred to the Capital programme, ultimately improving the condition of our homes.

There are close working relationships between budget managers and finance colleagues, allowing any potential problem areas to be highlighted quickly, therefore enabling the Director to take appropriate action through management action plans and contingency arrangements.

Ongoing regular monitoring of income and expenditure is undertaken to ensure that a prudent level of reserves is maintained on the account.

**4. Revenue Expenditure and Income**

4.1 Projected income and expenditure for 2006/07 against budget is shown at Appendix A. The current forecast as at Period 8 (November) is for income to be less than budget by £336k, and for expenditure to be less than budget by £636k. The net result of forecast against budget being a positive of £300k. The main areas which are forecast to vary from the budget are noted below:-

i) Income

- Dwelling Rents are forecast to be £239k less than budgeted due to higher voids and disposal of properties than budgeted. RTB sales are forecast at 130 units sold by year end.
- Garage rents are projected to be £39k less than budgeted as are Heating Charges which are forecast at £31k below budget. This is due to a higher level of voids than budgeted.
- Income from Leaseholder Service Charges is expected to be £107k more than budgeted due to more accurate method of forecasting now in place.
- Other Charges for Services and Facilities – overall projected to be under budget by £130k. This is mainly due to:
  - a) reduction of £60k Court Cost income to reflect reduced court activity due to improved methods of rent collection
  - b) reduced recovery of £42k utilities income due to voids
  - c) reduction of £78k Rechargeable Repairs
  - d) additional expected income £50k re radio masts not previously budgeted for
- Interest receivable is projected to be on budget at this time. However, it should be noted that the value will generally decline over the next few years, as the reserve is used to contribute to the Decent Homes programme.

ii) Expenditure

- Repairs and Maintenance – overall projected to be under budget by £286k, the main elements of this are:
  - a) release of part of the contingency of £617k as it is anticipated this will not to be required
  - b) release of £69k Procurement saving budget which will remain within the HRA for legal reasons
  - c) reduction of £100k following a review of orders on I-World by the Repairs team, the findings of this identified orders which were Work in Progress status at year end, accrued in the accounts, but not required now as they had been duplicated or paid for separately

- d) a forecast overspend of £500k on the MITIE contract, current indications suggest this is due to increased volume of work but we are looking into it to make sure this is the case. A full review is currently being carried out by MITE and the Repairs Team which will identify the root cause and give options for reducing spend. However it is known that current spend is focused on the delivery of responsive repairs to address Health and Safety issues and bringing void properties up to a lettable standard. This limits the potential for reducing spend. All concerned are working to bring year end costs in line with the ATC.
- General Management costs are expected to be lower than budgeted by £1,309k. The main elements are:
  - a) release of £892k of budgets which were required last year but are forecast not to be used this year
  - b) reduction of £150k in legal costs due to improved rent collection methods
  - c) transfer of costs from revenue to capital of £267k re the capitalisation of surveyors costs not originally budgeted.
- Special Services are those provided direct to tenants. These costs are forecast to be £54k below budget largely due to:
  - a) reduction of £28k in cost of wardens services
  - b) reduction of £25k re payments for protected tenancies.
- Subsidy Payable - increase of £222k which also relates to the Debt Charges line where there is a decrease of £223k. Both of these areas are based on interest rates and the government rules surrounding subsidy payments.
- Bad and Doubtful Debts provision is projected to be £70k below budget as less uncollected debt has been forecast.
- Transfer to Capital Reserves – an increase of £1,068k to enable additional Capital work to be carried out to improve homes.

## 5.0 Capital Expenditure

5.1 A review of all HRA capital projects is carried out monthly with Capital Project Managers.

5.2 Analysis by project is attached at Appendix B.

- 5.3 The original Capital Budget of £12,876k has been increased to £14,269k following additional contributions from the revenue account totaling £1,068, £250k from General Fund for Disabled Adaptation and a £75k hostel contribution to refurbish St Georges Hostel.
- 5.4 All Capital Projects are forecast to spend the revised budget by year end. The report shows a forecast overspend of £308k which relates to the Shared Ownership receipts as per Appendix B.

## **6.0 Conclusion**

The HRA is currently projected to achieve a revenue deficit at the end of March 2007 of £613k, which means that the level of the reserve will reduce to £4.8m, from £5.4m at the start of the year. It should be noted that this deficit includes the revenue contribution to capital of £3.864m.

The revenue reserve needs to be maintained at a prudent level of around £2.4m (for unforeseen events etc), but there is also a need to build upon the current reserve over the next few years, to allow future significant contributions towards the capital programme, in order to achieve the Decent Homes standard. A contribution of circa £3m per year is thought to be appropriate at this time. It is therefore important that revenue expenditure as well as capital expenditure should be effectively controlled.