

**TITLE: HOUSING REVENUE ACCOUNT - BUDGET MONITORING – JULY 2006 (PERIOD 4)**

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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.

**3.0 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.

**.4.0 Report – Revenue**

4.1 Projected income and expenditure for 2006/07 against budget is shown at Appendix A. The current forecast as at Period 4 (July) is for income to exceed budget by £60k, and for expenditure to be less than budget by £27k. The net result of forecast against budget being a positive of £87k. The main areas which are forecast to vary from the budget are noted below:-

- i) Income – reduction of £20k in rent income, due to higher voids; increase of £77k in Leaseholder Service Charges due to more accurate method of forecasting.
  - ii) Expenditure -
    - General Management - a reduction of £62k, the main element being legal costs. The need for the service is less, due to greater emphasis on pre-court procedures.
    - Subsidy Payable - increase of £238k, Debt Charges - a reduction of £220k. Both these areas are based on interest rates and the government rules surrounding subsidy payments.
- 4.2 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.
- 4.3 Repairs and Maintenance is currently forecast as coming in on budget. The forecast is based on the information received to date from MITIE and may need to be revised as the partnership progresses through the year.
- 4.4 Transfer to Capital Reserves - £2.796m. This is the level of contribution needed from revenue to aid the funding of this years' planned capital programme.

## **5.0 Report - Capital**

- 5.1 A detailed review of all HRA capital projects was carried out in July 2006 with Capital Project Managers. Ongoing reviews are carried out monthly.
- 5.2 The review considered both the current and the forecast spend positions on each scheme, taking into account contract payments made to date, committed payments, current contract completion dates, contractor performance and any recently agreed tenders.
- 5.2 As a result of the review it is forecast that the capital programme for 2006/07 will be spent by the end of the financial year. The exception is the Community Alarms project, which will be completed much earlier. This project shows an under-spend against budget of £250k. A decision will be made regarding the best use of this saving as part of a detailed review of budgets and funding currently being carried out as part of this years budget setting process.
- 5.3 Analysis by project is attached at Appendix B.

## **6.0 Conclusion**

The HRA is currently projected to achieve a revenue deficit at the end of March 2007 of £826k, which means that the level of the reserve will reduce to £4.5m, from £5.4m at the start of the year. It should be noted that this deficit includes the revenue contribution to capital of £2.796m.

The revenue reserve needs to be maintained at a prudent level of around £2m (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. An increase in the level of contribution to 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.