

**HOUSING REVENUE ACCOUNT - BUDGET MONITORING – FEBRUARY 2007 (PERIOD 11)**

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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 currently 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 11 (February) is for income to be less than budget by £178k, and for expenditure to be less than budget by £1,174k. The net forecast against budget is a positive of £996k. The main areas which are forecast to vary from the budget are noted below:-

i) Income

- Dwelling Rents are forecast to be £214k less than budgeted due to higher voids and disposal of properties than budgeted. RTB sales are forecast at 125 units sold by year end compared to budget of 130 units.
- Garage rents are projected to be £32k less than budgeted as are Heating Charges which are forecast at £21k below budget. This is due to a higher level of voids than budgeted.
- Income from Leaseholder Service Charges is expected to be £147k more than budgeted due to more accurate methods of forecasting now being in place.
- Other Charges for Services and Facilities- service charges – overall projected to be under budget by £9k. The reasons for this difference are being investigated.
- Other Charges for Services and Facilities - Other – overall projected to be under budget by £140k. The reasons for this are mainly due to:
  - a) reduction of £64k Court Cost income to reflect reduced court activity due to improved methods of rent collection
  - b) reduced recovery of £46k utilities income due to voids
  - c) reduction of £80k Rechargeable Repairs
  - d) additional expected income £50k re radio masts not previously budgeted for
- Interest receivable is projected to be higher than budget by £92k, the main reasons for this is that there was a higher HRA reserve brought forward compared to budget and less expenditure than budgeted has occurred to date.

Expenditure

- Repairs and Maintenance – overall projected to be under budget by £476k, the main elements of this are:
  - a) release of part of the contingency of £867k 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 £140k 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 £600k 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.
- General Management costs are expected to be lower than budgeted by £1,311k. The main elements are:
  - a) release of £997k of budgets which were required last year but are forecast not to be used this year
  - b) reduction of £174k in legal costs due to improved rent collection methods
  - c) anticipated increase of £158k in respect of volumetric payment for additional repairs undertaken net of costs transferred from revenue to capital of £158k for Surveyors time spent on Capital work.
  - d) anticipated reduction of £70k re less money required for Quantity Surveyors Philip Pank.
  - e) reduction of £226k as the insurance charged to the HRA was less than budget.
  - f) Smaller savings on various budgets of £2k
- Special Services are those provided direct to tenants. These costs are forecast to be £256k below budget largely due to:
  - a) reduction of £28k in cost of wardens services
  - b) reduction of £52k re payments for protected tenancies.
  - c) reduction of £100k in anticipated spend on electricity compared to budget.
  - d) Reduction of £60k re Eurobins service not implemented in 2006-07 net of an increase in cleaning costs compared to budget.

- e) Reduction of £16k re lower landscaping costs compared to budget net of smaller overspends on other special services budgets.
- Subsidy Payable - increase of £230k which also relates to the Debt Charges line where there is a decrease of £222k. Both of these areas are based on interest rates and the government rules surrounding subsidy payments.
- Housing Benefit Transfers – decrease of £72k re a revised calculation in the amount of benefit due to be paid back to the HRA.
- Bad and Doubtful Debts provision is projected to be £140k below budget as less uncollectable 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. An additional amount of £130k may be required to fund the Asbestos Management project which is forecast to be overspent by year end.
- Appendix C provides an update on the Tenants Budgets, specifically the Tenant's Participation budget, Tenant's Resource Centre and Housing Forum grants budgets.

## 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 Adaptations and a £75k contribution to refurbish St Georges Hostel.
- 5.4 Asbestos Management is projected to overspend by £130k. There is no funding left in the HRA capital programme so an additional transfer from the Housing Revenue Account may be required to fund this.
- 5.5 A transfer back to the General Fund of £50k will be carried out from Disabled Adaptations in the HRA due to an overspend on Disabled Adaptations in the General Fund capital programme.

- 5.6 The IT Projects are forecast to be under spent by £53k due to the work not starting until later than originally planned. The project will be carried over into 2007-08.
- 5.7 The Sheltered Improvements project is forecast to be under spent by £100k. The work has been ordered but will not be completed by year end so this project will be carried on in 2007-08.
- 5.8 All other Capital Projects have been forecasted to spend to budget by year end.
- 5.9 The HRA may potentially have to repay DCLG capital receipts of £321k relating to Shared Ownership sales. The outcome of this is unknown but if payment is required then the HRA will have to fund the shortfall of capital funding from the Revenue account.

## **6.0 Conclusion**

The HRA is currently projected to achieve a revenue surplus at the end of March 2007 of £84k, which means that the level of the reserve will increase to £5.46m, from £5.37m at the start of the year. It should be noted that this includes the revenue contribution to capital of £3.864m.

The revenue reserve needs to be maintained at a prudent level of around £200 per property i.e. around £2.4m, for unforeseen events and circumstances etc. The level of reserves that should be maintained is not specified by Government but benchmarked against what other local authorities do this is seen to be a prudent level. However, there is also a need to build upon the current reserve level over the next few years, to allow future significant contributions towards the capital programme, in order to achieve the Decent Homes standard. A contribution from the Revenue Account of around £3m per year is budgeted for in the medium term to fund the capital programme. It is therefore important that revenue expenditure as well as capital expenditure should be effectively controlled.