

HOUSING REVENUE ACCOUNT**KEY ISSUES – OUTTURN 2015/16**

The Portfolio has over spent by **£0.26M** at year-end, which represents a percentage variance against budget of **0.3%**. The Portfolio outturn variance has moved **adversely** by **£0.04M** from the position reported at Quarter 3.

	Outturn Variance £M	%	Movement from Quarter 3 £M	%
Portfolio Outturn	0.26 A	0.3	0.04 A	0.1
Grant Carry Forwards	0.00	0.0	-	-
Final Portfolio Outturn	0.26 A	0.3	0.04 A	0.1
Carry Forward Requests	0.00	0.0	0.0	0.0

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	Outturn Variance £M	Forecast Variance Quarter 3 £M	Movement £M	Ref.
Repairs & Maintenance	2.19 A	0.65 A	1.54 A	HRA 1
Dwelling Rents	0.58 A	0.58 A	0.00	HRA 2
Leaseholder Service Charges	0.40 F	0.46 F	0.06 A	HRA 3
Supervision & Management	0.29 F	0.19 A	0.48 F	HRA 4
Interest & Principal Repayments	0.73 F	0.54 F	0.19 F	HRA 5
Rents / Rates Payable	0.24 F	0.20 F	0.04 F	HRA 6
Other Rents	0.07 A	0.00	0.07 A	HRA 7
Depreciation	0.92 A	0.00	0.92 A	HRA 8
Direct Revenue Financing	1.84 F	0.00	1.84 F	HRA 9
Total	0.26 A	0.22 A	0.04 A	

The SIGNIFICANT issues for the Portfolio are:

HRA 1 – Repairs & Maintenance (£2.19M adverse, £1.54M adverse movement)

Restructure savings have not yet been realised and there has been a continuation of damp reduction works.

The delayed implementation of the restructure has not delivered the envisaged part-year savings (£0.65M). However, the workforce has now been reduced in line with the consultants proposals, and this, along with improved working practices and efficiencies, will contribute towards the required savings in 2016/17.

The completion of the winter related remedial repair work from 2013/14 (£1.35M) has presented significant pressures on the Housing Operations budget this year. Now that this work is completed and the final costs have been paid, Housing Operations can concentrate on driving forward with their efficient workforce, reducing costs for void works and vehicle use along with efficient and targeted Management Support to meet the savings proposals as set out in the Housing Revenue Account (HRA) February 2016 budget report.

The £1.54M adverse movement compared with quarter 3 has arisen due to major further costs becoming apparent during the closedown process as all feeder systems charges and final invoices are paid and adjusted for.

A significant element of the Housing Operations adverse variance is due to additional works required on leasehold dwellings and these costs are charged on to our leaseholders. This extra income is shown in HRA 3 below. In order to alleviate the remaining pressure on the HRA outturn, an earlier comprehensive review of all budgets in the HRA was undertaken in month 10 prior to the year end and other material savings have been identified to offset the Repairs and Maintenance adverse variance. These are detailed below.

HRA 2 – Dwelling Rents / Voids (£0.58M adverse, no movement)

There was a shortfall in rental income.

As part of the estimate process, certain assumptions were made as to the size of the housing stock. A larger number of right-to-buy sales than estimated were made during the last few months of 2014/15, which has led to a reduced income from dwelling rents of £0.44M. This is unchanged from quarter 3.

In addition, dwelling and hostel voids are higher than estimated, which has led to a reduced income of £0.14M. This is unchanged from quarter 3. The recently recruited Empty Properties Manager will aim to continue to improve the void turnaround time to meet the required void savings target in 2016/17.

HRA 3 – Leaseholder Service Charges (£0.40M favourable, £0.06M adverse movement)

There has been an increase in Repair & Maintenance work to leaseholder properties.

The increase in revenue major works to the leaseholder dwellings for DRI works as noted in HRA 1 above has meant that income from charges to our leaseholders has significantly increased by £0.40M.

The £0.06M adverse movement compared to quarter 3 has arisen due to the invoices raised to our leaseholders being lower than the profiled forecast based on charges raised in the previous 3 quarters.

HRA 4 – Supervision and Management (£0.29M favourable, £0.48M favourable movement)

A number of significant variances contribute to this figure.

A sustained improvement in collection rates has meant that the increase in provision for bad debts can be reduced creating a favourable variance of £0.41M. The £0.41M favourable movement compared to quarter 3 is due to the changeable nature of the debt profile from week to week and our provision is based on a snapshot of the debt at year end.

The restructure of the Repairs / Housing Operations divisions has incurred redundancy and pension costs of £0.48M. Whilst funding for these costs was not budgeted in the HRA revenue accounts, Direct Revenue Financing of Capital has been reduced to allow for these costs to be met. The shortfall in Capital financing has been covered by higher capital receipts than expected from asset sales.

In order to restructure the Repairs / Housing Operations divisions, consultants were brought in to complete the exercise in the first half of 2015/16. So that their plan could be fully implemented, their support has continued in a reduced capacity for the whole year, which has incurred additional costs of £0.41M. To mitigate this impact, the recruitment freeze and essential spend directive has contributed a favourable variance of £0.47M across a number of cost centres. This situation is unchanged from quarter 3.

Due to reduced fuel costs, a mild winter and continuing efficiencies there have been overall savings on utility charges across the HRA of £0.14M. The £0.03M favourable movement compared to quarter 3 is due to the large array of different periods that the charges cover and the assessment during the year of the amount of fuel used.

The IT systems maintenance costs for Total Mobile that were originally intended to be paid from the central HRA IT support and maintenance budget were actually paid from the Housing Operations budget, giving a saving of £0.09M. This £0.09M favourable variance compared to quarter 3 has arisen due to aligning the expenditure to the correct team.

There have been lower call-out / repair costs in the concierge service than budgeted due to a program of replacing worn-out components in 2014/15, saving £0.07M. This £0.07M favourable variance has arisen due to the varying nature of call out costs from month to month and our prudent forecasts in the final quarter of the year.

HRA 5 – Interest & Principal Repayments (£0.73M favourable, £0.19 favourable movement)

There is a reduced borrowing requirement for the capital programme.

A re-evaluation of the capital programme during the year has resulted in the reduction in the borrowing requirement, and thus reduced the financing cost charged to revenue. Due to no borrowing being required until year end, a further favourable movement in the financing costs has resulted in a net favourable movement of £0.19M from quarter 3.

HRA 6 – Rents / Rates Payable (£0.24M favourable, £0.04 favourable movement)

There is a reduction in council tax payable on empty properties.

Following an investigation into council tax payable on empty properties set aside for regeneration, an exemption from council tax for a number of Regeneration properties was agreed, resulting in a large prior-year credit and a reduction in the forecast for current year costs. The £0.04M favourable movement from quarter 3 is a result of final outstanding invoices being lower than the prudent forecast.

HRA 7 – Other rents (£0.07M adverse, £0.07M adverse movement)

There is a reduction in income from investment properties, garages and parking spaces.

An increase in the number of unoccupied retail units in the final quarter of the year has led to a reduction in rental income of £0.07M.

HRA 8 – Depreciation (£0.92M adverse, £0.92M adverse movement)

There are increased component lifetime repair costs to housing stock.

The year end process of reviewing the replacement costs of the components in our housing stock has identified increased costs for a number of differing elements (e.g. flat roofs). This has been reflected in an increased depreciation charge. The £0.92M adverse movement from quarter 3 is due to this being a yearly exercise.

This increased Depreciation charge is used to fund the capital programme and the increase is mitigated by a corresponding reduction in Direct Revenue Financing (DRF) as detailed in HRA 9 below.

HRA 9 – Direct Revenue Financing (DRF) (£1.84M favourable, £1.84M favourable movement)

The reduction in capital funding is due to other funding methods.

Due to an increased depreciation charge, as detailed in HRA 8 above, DRF has been reduced by £0.92M to maintain the same total level of revenue financing for capital.

In addition, the HRA policy is to maintain a contingency of £2.0M in revenue balances. In order to achieve this a mixture of alternative funding has been used in the financing of the capital programme (£0.92M).

This £1.84M adverse variance compared to quarter 3 is due to these revenue movements being a year end adjustment in the HRA accounts.