

## HOUSING REVENUE ACCOUNT PORTFOLIO

### KEY ISSUES – OUTTURN 2016/17

The Portfolio has over spent by **£0.01M** at year-end, which represents a percentage variance against budget of **0.01%**. However, a surplus of £1.00M has been achieved, which was required to partly offset the budgeted loss of income from rents in 2017/18. The Portfolio outturn variance has moved **adversely** by **£0.08M** from the position reported at Quarter 3.

	<b>Outturn Variance £M</b>	<i>Movement from Quarter 3 £M</i>
<b>Final Portfolio Outturn</b>	<b>0.01 A</b>	<i>0.08 A</i>
Carry Forward Requests	0.00	<i>0.00</i>
Unachieved Savings 2016/17	3.05	<i>1.19 A</i>

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

<b>Division / Service Activity</b>	<b>Outturn Variance £M</b>	<i>Forecast Variance Quarter 3 £M</i>	<i>Movement £M</i>	<b>Ref.</b>
Supervision & Management	0.26 F	<i>0.36 F</i>	<i>0.10 A</i>	HRA 1
Interest & Capital Repayments	1.34 F	<i>1.30 F</i>	<i>0.04 F</i>	HRA 2
Housing Investment	0.73 F	<i>0.21 A</i>	<i>0.94 F</i>	HRA 3
Repairs	3.09 A	<i>1.49 A</i>	<i>1.60 A</i>	HRA 4
Tenant Service Charges	0.19 A	<i>0.20 A</i>	<i>0.01 F</i>	HRA 5
Leaseholder Service Charges	0.33 F	<i>0.31 F</i>	<i>0.02 F</i>	HRA 6
Depreciation	1.00 F	<i>0.00</i>	<i>1.00 F</i>	HRA 7
Direct Revenue Financing	0.35 A	<i>0.00</i>	<i>0.35 A</i>	HRA 8
Other	0.04 A	<i>0.00</i>	<i>0.04 A</i>	
<b>Total</b>	<b>0.01 A</b>	<i>0.07 F</i>	<i>0.08 A</i>	

**The SIGNIFICANT issues for the Portfolio are:**

**HRA 1 – Supervision and Management £0.26M favourable (£0.10M adverse movement)**

The continuing downward trend in current tenant arrears has led to a reduction of £0.28M in the required yearly contribution to the bad debt provision. This is an adverse movement of £0.02M compared to quarter 3.

There has been a review of the charging of overheads to our capital programme with our external auditors and as part of this exercise £0.61M of overhead costs have been removed from the capital spend and have become revenue costs. This is a late adjustment to the accounts and is an adverse movement of £0.61M compared to quarter 3. This has been offset by a reduction in the Direct Revenue Funding to the capital programme.

As highlighted in the HRA action plan during the year, budgets previously held for discretionary funding of ad-hoc projects have been removed in order to fund the IWorld upgrade (below), and to contribute to the required year-end surplus. This has realised a saving of £0.40M and has moved favourably since quarter 3 by £0.13M.

The previously reported additional Digital Transformation Housing Management software upgrade of £0.20M will now mostly be incurred in 2017-18 resulting in a favourable movement in 2016/17. The deferred costs will be a pressure in 2017-18.

Within the Support Housing team, savings of £0.07M have been made on staffing due to holding vacant posts and reduced overtime in the year. Additionally, the procurement of a new laundry contract has saved £0.02M. These are favourable movements from quarter 3 of £0.09M.

The previously reported employee related pressures of 0.12M have been offset by vacancies across the teams and this is a favourable movement from quarter 3 of £0.12M.

Due to the higher levels of right to buy sales in 2016-17, the fixed allowable administration expenses per sale have increased income in year by £0.10M.

The transfer of the Concierge Service to our external contractor during the year has delivered staff and supplies and service savings of £0.03M. These savings are limited to 2016-17 as have been replaced with a contract recharge to which the budget has been aligned.

**HRA 2 – Interest and Capital Repayments £1.34M favourable (£0.04M favourable movement)**

A re-evaluation of the capital programme has resulted in a reduction in the borrowing requirement. This short term movement in the borrowing requirement has therefore reduced the financing cost charged to revenue for 2016-17 and a further £0.04M favourable movement since our prudent quarter 3 forecast.

**HRA 3 – Housing Investment £0.73M favourable (£0.94M favourable movement)**

The capital boiler replacement programme as well as a mild winter has meant that there has been fewer breakdowns this year including lower maintenance costs. This has realised a favourable variance at year end of £0.35M.

The new staffing structure for the Housing Operations team was not completed until June 2016 as noted below. This has impacted on the start date of the electrical testing in 2016/17 resulting in a reduction in completed works of £0.13M now the final costs have been consolidated. This will not impact the 2017-18 budget.

Asbestos works during the year are ad-hoc costs due to when Asbestos is found in our dwellings and other buildings. Consequently spend fluctuates each year and in 2016/17 there is a favourable variance due to less works of £0.04M.

The installation of new lifts in blocks across the city have resulted in less maintenance and call outs in 2016/17 leading to a favourable variance of £0.06M.

The move of structural surveys now being completed at the Council rather than our external partner has resulted in less charges this year of £0.06M. The move is still in progress so budgets for the new year will need to be reviewed as part of this development.

The Health & Safety Housing Investment budget is created for smaller ad-hoc jobs around the city that are not part of other planned maintenance programmes. Less jobs have arisen this year and we have realised a favourable variance of £0.05M.

Following the movement of the Concierge team to our external contractor, the CCTV camera ad-hoc budget has not been used in full this year leading to a £0.03M saving as almost all of the maintenance costs are now the responsibility of our contractor.

#### **HRA 4 – Repairs £3.09M adverse (£1.60M adverse movement)**

**Not all expected efficiencies have been realised this year leading to an overspend of £2.12M. In addition, a review of overheads charged to capital has increased costs by a further £0.97M.**

Good progress has been made in restructuring the Housing Operations team across the four elements of trade staff and management restructuring, void efficiencies and reductions in fleet usage. However, the reduced staffing structure was not fully implemented until June 2016 leading to an over spend. The staff savings for 2017/18 are expected to be achieved in full.

In addition, the new materials contract implementation has been delayed until August 2017. However, the majority of materials savings for 2017/18 are still expected to be achieved. Part of the movement in the adverse variance reflects the change of the materials contract implementation date.

This overspend should be seen in the context of a reduction in budget of £2.75M across the Housing Operations and Repairs service since 2015/16. Although management have been working towards reducing this adverse variance through the year, compensating in year savings have been found to bring the overall HRA into balance.

There has been a review of the charging of overheads to the HRA capital programme with our external auditors and as part of this exercise £0.97M of overhead costs have been removed from the capital spend and have become revenue costs. This is a late adjustment to the accounts and is an adverse movement of £0.97M compared to quarter 3. That has been offset by a reduction in the revenue funding of the capital programme?

**HRA 5 – Tenant Service Charges (£0.19M adverse, £0.01M favourable movement)**

A budget proposal to introduce a revised charging model for Community Alarm customers was not implemented due to Housing Benefit restrictions and future unknown changes in Supporting People income. This is not expected to impact 2017-18 budgets as income forecasts and budgets have been aligned.

**HRA 6 – Leaseholder Service Charges £0.33M favourable (£0.02M favourable movement)**

The increased spend on repairs and maintenance has included a larger than planned spend on revenue major works to leaseholder properties. The income recoverable from leaseholders for this work has therefore also increased.

**HRA 7 – Depreciation £1.00M favourable (£1.00M favourable movement)**

A re-assessment of the replacement frequency of some components (kitchens, bathrooms, central heating systems), combined with a higher than anticipated reduction in housing stock due to Right to Buy sales, has led to a reduction in the annual depreciation charge

The £1.00M favourable movement from quarter 3 is due to this being a yearly exercise, going forward this will be reviewed on a quarterly basis

This reduced depreciation charge is used to fund the capital programme and the reduction is mitigated by a corresponding increase in Direct Revenue Financing (DRF) as detailed in HRA 8 below.

**HRA 8 – Direct Revenue Financing £0.35M adverse (£0.35M adverse movement)**

The net underspend has resulted in more revenue financing being available to finance the capital programme resulting in a reduced borrowing requirement.

This £0.35M adverse variance compared to quarter 3 is due to these revenue movements being a year end adjustment in the HRA accounts.

**UNACHIEVED SAVINGS 2016/17**

<b>Saving Reference</b>	<b>Description</b>	<b>Unachieved Savings 2016/17 £M</b>	<b>Explanation of ongoing impact and mitigating actions.</b>
HOU10	Review of customer contact through the Housing Management Assistants	0.02	Post has been budgeted for in 2017/18 estimates.
HOU20	Increase in charge to private careline customers	0.01	Now fully implemented.
HOU21	Introduction of new charging model for Community Alarm customers	0.20	Maintenance and responding charge not included in 2017/18 estimates.
HOU25	Removal of cash collection facility	0.05	Not included in 2017/18 estimates.
HOU31	Deletion of Policy & Projects Manager post	0.02	This post is to remain and savings are to be found in the Housing Policy Team to mitigate this.
HOU6,7,8 & 9	Housing Operations restructure	2.12	Materials contract and electronic ordering and invoicing to start with effect from 1 August 2017.
<b>Total</b>		<b>2.42</b>	