

HOUSING REVENUE ACCOUNT PORTFOLIO

KEY ISSUES – QTR 3

The Housing Revenue Account is currently forecast to under spend by **£0.07M** at year-end, which represents a percentage under spend against budget of **0.1%**. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Quarter 2 £M	%
Housing Revenue Account	0.07 F	0.1	0.80 F	1.1
Potential Carry Forward Requests	0.00			

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement £M	Ref.
Supervision & Management	0.36 F	0.13 F	0.23 F	HRA 1
Interest & Capital Repayments	1.30 F	0.45 F	0.85 F	HRA 2
Repairs	1.49 A	0.98 A	0.51 A	HRA 3
Tenant Service Charges	0.20 A	0.20 A	0.00	HRA 4
Leaseholder Service Charges	0.31 F	0.00	0.31 F	HRA 5
Other	0.21 A	0.13 A	0.08 A	
Total	0.07 F	0.73 A	0.80 F	

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

HRA 1 – Supervision & Management (£0.36M favourable, £0.23M favourable movement)

There is a reduction in the required contribution to the bad debt provision.

The continuing downward trend in current tenant arrears has led to a reduction of £0.30M in the required yearly contribution to the bad debt provision.

As highlighted in the HRA action plan, budgets previously held for discretionary funding of ad-hoc projects, totalling £0.09M, will not be spent.

HRA 2 – Interest & Capital Repayments (£1.30M favourable, £0.85M favourable movement)

There is a reduction in the borrowing requirement for the funding of the capital programme.

A re-evaluation of the capital programme from 2015/16 to 2016/17 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 by £1.30M. This is a further £0.85M favourable forecast since quarter 2.

HRA 3 – Responsive Repairs (£1.49M adverse, £0.51M adverse movement)

Not all expected efficiencies are to be realised this year.

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 a forecast over spend.

Currently there is a forecasted adverse variance of £1.49M. This is an increase of £0.51M in the adverse variance compared to quarter 2. 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 remainder of the year, compensating in year savings have been found to bring the overall HRA into balance. The full staff and materials savings for 2017/18 onwards are expected to be achieved.

HRA 4 – Tenant Service Charges (£0.20M adverse, no movement)

A revised charging proposal is not deliverable.

A budget proposal to introduce a revised charging model for Community Alarm customers will not now be implemented due to Housing Benefit restrictions and future unknown changes in Supporting People income. There is currently a consultation on the funding for Supported Housing from 2019/20 onwards.

HRA 5 – Leaseholder Service Charges (£0.31M favourable, £0.31M favourable movement)

Recharges to leaseholders higher than budgeted

A review of revenue major works charged to leaseholders has been highlighted as part of the HRA action plan. An increase in income is due to a realignment of budgets in the year increasing the level of major capital works to our blocks with leaseholders. This is a new favourable variance movement from quarter 2.