HOUSING REVENUE ACCOUNT PORTFOLIO

KEY ISSUES – OUTTURN 2017/18

The Portfolio has broken even at year-end. The Portfolio outturn variance has moved **favourably** by **£0.86M** from the position reported at Quarter 3.

Division / Service Activity	Outturn Variance £M	Forecast Variance Quarter 3 £M	Movement £M	Ref.
Repairs	2.76 A	0.96 A	1.80 A	HRA 1
Supervision and Management	0.21 A	0.18 A	0.03 A	HRA 2
Housing Investment	0.56 F	0.16 F	0.40 F	HRA 3
Service charge income	0.37 F	0.12 F	0.25 F	HRA 4
Interest & loan re-payment	0.64 F	0.00	0.64 F	HRA 5
Miscellanaeous	0.16 A	0.00	0.16 A	HRA 6
Revenue financing of capital	1.56 F	0.00	1.56 F	HRA 7
Total	**0.00**	**0.86 A**	**0.86 F**	

The SIGNIFICANT issues for the Portfolio are:

HRA 1 – Repairs (£2.76M adverse, £1.80M adverse movement)

Various significant variances as a result of the move to Nursling Depot, the delay in signing the Travis Perkins contract and the requirement for a larger staff establishment.

There was a delay in the implementation of the new materials contract, initially due to systems and stock replenishment issues. Although the contract was signed at the end of May 2017, a mobilisation period was needed before operations could commence. The contract started in August 2017, resulting in an £0.09M adverse variance against the savings target. However, a result of the delay in implementation has been additional staffing costs incurred in sourcing and delivering materials to sites around the city.

Spending on sub-contractors was £0.13M adverse – this was as a result of a larger proportion of work requiring a specialism unavailable in-house (e.g scaffolding).

The Housing Operations service is no longer able to charge management overheads on to the capital programme, resulting in an under-recovery of £0.65M. This adverse variance is offset by a part of the £1.17M favourable variance in “Revenue Financing of capital” (below). Analysis of work in progress, undertaken at year end, has led to a higher spend on revenue and lower spend on capital than previously forecast. Changes to current processes will ensure this is undertaken regulary during the year to enable a more accurate forecast. Capital and revenue budgets have been re-aligned in 2018/19 to to meet this pressure.

Costs relating to the Travis Perkins joint venture at Nursling depot were still at pre contract stage when the 2017/18 budget was set – the contract signed in August 2017 agreed an additional annual management fee of £0.57M. This has resulted in a £0.38M adverse variance. This has been resolved for the 2018/19 budget.

Additional costs of £0.10M were incurred on the employment of a Project Manager to implement the Travis Perkins contract.

A review of staffing levels since the implementation of Savills recommendations has resulted in a re-balancing of trades staff, and an increase in the staffing establishment. This has resulted in an adverse variance of £1.21M. The staffing budget for 2018/19 has been amended to reflect the new establishment.

A consequence of the increased staffing has been an increase in the fleet costs, resulting in an adverse variance of £0.20M.

<u>HRA 2 – Supervision & Management (£0.21M favourable, £0.03M adverse movement)</u>

An increase in arrears as a result of the implementation of Universal Credit has required an increase in the provision for bad debt.

An increase in the provision for bad debts (£0.49M adverse) due to the implementation of Universal Credit is significantly less than nationally reported due to tailored support to tenants during the transition period. We have seen a reduction in the numbers of tenants in arrears but an increase in amount of arrears due to timing delays in the payment of benefits. This increase has been offset by a higher than expected saving in staffing costs due to restructure and vacancy management. A higher provision has been budgeted in the years from 2018/19 to 2023/24 to allow for full transition to Universal Credit.

<u>HRA 3 – Housing Investment (£0.56M favourable, £0.40M favourable movement)</u>

Procurement savings have reduced the cost of planned maintenance.

Procurement savings have led to a reduction in some Housing Investment expenditure, and it has also been noted that some Housing Investment budgets remain unused due to the work being coded to Repairs (above).

<u>HRA 4 – Service charge income (£0.37M favourable, £0.25M favourable movement)</u>

Increased charges to leaseholders.

Increased revenue major works by the Housing Operations team (above), and a focused implementation of the Section 20 legislation have resulted in an increased charge to leaseholders. It is expected that the higher level of recovery will continue for 2018/19 onwards.

<u>HRA 5 – Interest & loan re-payments (£0.64M favourable, £0.64M favourable movement)</u>
A reduction in the borrowing requirement has resulted in lower interest charges.

As a result of the slippage and reduction in the capital programme there is a lower borrowing requirement for funding, and thus a reduced interest payment.

<u>HRA 6 – Miscellanaeous (£0.16M adverse, £0.16M adverse movement)</u>
Various small variances.
Sundry small adverse variances consisting of rental income £0.07M, Internal interest and debt management £0.03M and demand for historical Council Tax on void properties £0.05M.

<u>HRA 7 – Revenue financing of capital (£1.56M favourable, £1.56M favourable movement)</u>
Lower HRA surplus available for capital financing.
Due to the net overspend, there has been less revenue financing available to finance the capital programme. However, the capital financing required is also less than originally budgeted due to underspends on the capital programme.