

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2019/20**1. Executive Summary**

1.1 The Housing Revenue Account has a net budget of £0.0m for 2019/20. At Outturn, the net surplus for the year is £3.1m, after net transfers to reserves of £4.1m. This surplus results in a net revenue balance of £8.541m (consisting of a brought forward balance of £5.423m plus current year balances of £3.118m).

1.2 The Outturn position is shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net income	(7.225)
Transfers to / (from) Grant Reserves	0.0
Transfers to / (from) Other Reserves	4.107
Net deficit / (surplus)	(3.118)

1.3 The Outturn position is shown in greater detail in Table 2.

Service	Original Budget	Current Budget	Outturn	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement) / Deterioration	
	£m	£m	£m	£m	£m	£m	%
Total Income	(273.754)	(274.075)	(275.136)	(1.061)	(1.890)	0.829	0.30
Repairs	61.697	61.697	58.889	(2.808)	(0.200)	(2.608)	(4.23)
General Management	73.033	72.984	68.195	(4.789)	(0.610)	(4.179)	(5.73)
Estate Services	17.926	18.296	18.358	0.062	1.110	(1.048)	(5.73)
Revenue Funding of Capital	51.249	51.249	58.531	7.282	2.090	5.192	10.13
Capital Financing	69.849	69.849	68.045	(1.804)	(0.500)	(1.304)	(1.87)
Total Expenditure	273.754	274.075	272.018	(2.057)	1.890	(3.947)	(1.44)
Net (Surplus) / Deficit	0.000	0.000	(3.118)	(3.118)	0.000	(3.118)	

Key issues

1.4 The key issues in year are as follows:

- Income – **(£1.1m)** over-recovery as a result of the following factors:
 - Higher average rent per property than budgeted (£0.3m).
 - Good performance on the level of void properties resulting in a higher rental income (£0.4m).
 - Higher than budgeted notional interest due to the level of balances (£0.5m)
 - Various other changes resulting in a net reduction on income of £0.1m.
- Repairs – **(£2.8m)** underspend due to the following factors:
 - Reduced number of properties becoming void in the year (£1.0m).
 - Lower than budgeted performance related payments to contractors (£0.6m)
 - Capitalisation of Housing Liaison Board works and works funded from earmarked arials income (£0.5m).
 - Savings on void council tax due to reduced number of void properties and clarifications on charges due to the HRA (£0.8m).
 - Various other changes resulting in a net overspend of £0.1m.
- General Management – **(£4.8m)** underspend due to the following factors:
 - Savings on bad debt costs (£1.9m) mainly on HRA current arrears which, whilst they have increased to £13.7m, an increase of £1.2m, this was below the target increase of £2.8m due to active management with tenants in arrears.
 - Savings on recharges from the Housing Rent Service and Birmingham Property Services due to underspend on various elements, including employees and legal charges (£1.7m)
 - Savings on employees due to vacancies as a result of ongoing work on the Housing Services redesign (£1.1m)
 - Various other changes resulting in a net underspend of (£0.1m).
- Estates - **£0.1m** overspend due to the following factors:
 - Overspend on utility costs of £0.8m due to transfer of provision to another provider and finalising across various sites.
 - Underspend on employees as a result of vacancies on areas of service with a higher level of turnover (£0.5m).
 - Underspend on caretaker relief room maintenance as a result of work being carried out on the capital programme (£0.2m).
- Revenue Funding of Capital - **£7.3m** overspend due to the following factors:
 - Additional funding of capital programme due to overspend on various elements of the Housing Improvement Programme, including fire protection works.
- Capital Financing – **(£1.8m)** underspend due to the following factors:
 - Saving on capital financing due to improved rate of interest compared to the budgeted value

Key movements since Period 9

1.5 The underspend of £3.1m is an improvement on the balanced position identified at Period 9.

The key changes to the Housing Revenue Account position since Period 9 are :

- Income – a deterioration of 0.8m since period 9 is due to savings identified on the level of voids being lower than forecast due to the number of voids in the last quarter, £0.6m; and various other changes, £0.2m.
- Repairs – an improvement of (£2.6m) since period 9 relates to savings on council tax on void properties (£1.0m); reduced performance payments to contractors (£0.5m); Acivico managed maintenance expenditure on Lifts and Legionella lower than forecast due to the bulk of work being carried out in the earlier part of the year (£0.6m); savings on other main repair contract budgets due to lower number of properties (£0.4m); and other minor changes (£0.1m).
- General Management – an improvement of (£4.2m) due to savings on recharges from the Housing Rent Service and Birmingham Property Services (£1.7m); the improved performance on arrears compared to budget (£2.3m); additional savings on employee budgets (£0.3m); and a net deterioration of other changes £0.1m.
- Revenue Funding of Capital – a deterioration of (£5.2m) due to the funding of additional capital expenditure, particularly fire protection works
- Capital Financing – an improvement of (£1.3m) due to a better than forecast interest rate.

Covid19 costs 2019/20

1.6.1 The financial impact to the Emergency response to COVID19 restrictions the following items have impacted on the financial outturn, £0.018m, due to additional cleaning materials and protective equipment.