

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

9 MARCH 2011

REPORT OF HEAD OF CENTRAL SERVICES & HEAD OF COMMUNITIES

**HOUSING REVENUE ACCOUNT – BUDGET MONITORING
1 APRIL – 31 DECEMBER 2010**

1.0 PURPOSE OF REPORT

1.1 To provide information on actual expenditure and income incurred on the Housing Revenue Account (HRA), compared to the latest approved budget for the period 1st April 2010 to 31st December 2010.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 31st December 2010 be noted.*

3.0 KEY ISSUES

3.1 The Housing Revenue Account is a high risk service account which is monitored monthly by the Head of Communities, Corporate Director and the Senior Accountant. The service and financial performance are then reported to the Management Team. Copies of the more detailed budget holders returns can be made available to Members for further information and will be available at the meeting.

Overall Position at 31 December 2010

3.2 A summary of income and expenditure for the Housing Revenue Account is attached at Appendix A.

3.3 A summary of the income and expenditure for the Housing Revenue Account compared to the approved budget at December 2010 is as follows:

	Approved Budget @ Dec 10	April to Dec Budget	Apr to Dec Net Expenditure & Income	Variance Underspend (-)
	£	£	£	£
HRA – Total Expenditure	6,453,850	3,640,268	3,549,059	-91,209
HRA – Total Income	6,609,040	4,643,971	4,648,527	-4,556

- 3.4 If the underspend to date as shown above was to continue to the year end it would have the following effect on the working balance:

	£
Working Balance @ 31 Mar 2010	95,213
Budgeted surplus 2010/11	155,190
Potential underspend (as above)	<u>95,765</u>
Potential Working Balance Surplus at 31 March 2011	346,168

The following paragraphs attempt to explain the reasons for the potential underspend and the action currently being taken by officers to ensure that the recommended minimum working balance of £250k is maintained to 31 March 2011.

Budget Variance Exception Reporting +/- £10k

- 3.5 As part of the budget monitoring process, variances are being promptly and proactively managed, facilitating more detailed reporting. Details of the more significant variations +/-£10k (as shown in Appendix A) are also set out below:

Expenditure

Special Services £36,875 underspend:

- Grounds Maintenance recharges are underspent by £13,649 due to the pattern of expenditure not matching the budget profile which is beyond the budget holder's control.
- Energy costs are underspent by £16,393 this is due to irregular billing which does not match the budgeted profile.

General Management £49,750 underspend:

- £5,591 of this underspend is due to the Tenant Participation budget which currently has a temporary member of staff on timesheets which are paid later than salaried staff and lower photocopying charges
- £5,744 of this underspend is due to the Rents, Rates, Taxes & Other Charges budget having a lower council tax empty rate charge due to the backlog of voids properties being cleared. This is consistent with both tenants and Members desire to see void properties promptly re-let.
- Support cost recharges are £29,923 underspent which is generally due to the pattern of expenditure not matching the budget profile and is beyond the budget holder's control.

Forecast Position

- The above figures as shown in the Council's accounts indicate a potential underspend of £95,765 (Appendix A) on the HRA. However due to the budget holder's forecast spend for the remainder of the year and possible year end adjustments this amount of underspend is not expected to continue to the year end.

- The estimated budgeted surplus as reported to CSA on the 25th January 2011 in the 2011/12 estimates report of £161,520 is considered to be more realistic.

Updated Position at 31 January 2011

- 3.6 An additional column has been included at Appendix A to show the variance at the end of January 2011 to inform members of the more up to date position on the HRA following the increased monitoring requirements implemented in 2009/10. This now notes a potential underspend of £147,054 however, as noted above this is not expected to be the final position.

Updated Forecast Position

	£
Working Balance @ 31 March 2010	95,213
Budgeted Surplus 2010/11	155,190
Potential Underspend (as above)	<u>147,054</u>
Potential Working Balance Surplus @ 31 March 2011	397,457

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 Policy and corporate implications were addressed in setting the current year's budget. There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATION

- 5.1 All financial and resource implications have been addressed within section 3.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 COMMUNITY SAFETY

- 7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

8.0 EQUALITIES

- 8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

9.0 RISKS

- 9.1 The HRA is a high risk service account that the Council has a duty under the Local Government and Housing Act 1989 to ensure avoids being in a deficit situation. This requires that effective budget monitoring procedures are set in place to monitor HRA expenditure and income against the budget and careful consideration is given to determining the level of the working balance.

10.0 **CLIMATE CHANGE**

10.1 The Repairs and Maintenance budget could be further adversely affected if the winter weather continues to be severe.

11.0 **CONSULTATION**

11.1 The Service Accountant and Budget Holders discussed the financial performance of the Housing Revenue Account at the budget-monitoring meetings held on 17 January 2011.

12.0 **WARDS AFFECTED**

12.1 To varying degrees, most if not all wards are affected by the Council's Housing Revenue Account.

Contact Officer: Carol King

Date: 21 March 2011

Appendices: Appendix A – Summary of Expenditure & Income

Background Papers: Oracle Financial Reports & Budget Holder Comments on Performance

Reference: X: C'tees, Council & Sub-C'tees/CSA/09-03-11/DG-Housing Revenue Account – Budget Monitoring 1 April 2010 – 31 Dec 2010