

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

21 SEPTEMBER 2011

REPORT OF HEAD OF CENTRAL SERVICES & HEAD OF COMMUNITIES & NEIGHBOURHOODS

**HOUSING REVENUE ACCOUNT – BUDGET MONITORING
1 APRIL 2011 – 30 JUNE 2011**

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 2011 to 30th June 2011.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 30th June 2011 be noted.*

3.0 KEY ISSUES

3.1 The Housing Revenue Account is a high risk service account which is monitored monthly by the Strategic Director, the Head of Communities & Neighbourhoods, the Budget Holders and the Housing 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 30 June 2011

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 June 2011 is as follows:

	Approved Budget @ Jun 11	April to Jun Budget	Apr to Jun Net Expenditure & Income Including Commitments	Variance Underspend (-)
	£	£	£	£
HRA – Total Expenditure	6,769,320	1,199,056	1,213,954	14,898
HRA – Total Income	6,770,240	1,661,994	1,679,127	-17,133

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 2011	397,931
Budgeted surplus 2011/12	920
Potential underspend (as above)	2,235
Potential Working Balance Surplus at 31 March 2011	401,086

3.5 Members are asked to note that following a recent fire risk audit, a number of works have been identified and a program of works for 2011-12 has been developed to address these issues. The audit was completed after the budget setting process; therefore we intend to use unallocated resources above the minimum working balance to do this.

3.6 The analysis of the housing stock condition survey will also enable a more pro-active approach to maintaining and improving the housing stock. This will include more planned works to address future failures which we can now identify early.

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.

Budget Variance Exception Reporting +/- £10k

3.7 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 £14,103 underspend:

- Contract works are currently showing as underspent by £9,493, this is due to works not yet completed but planned for later in the year.
- Energy costs are underspent by £7,664 this is due to irregular billing which does not match the budgeted profile.

Repairs & Maintenance £56,974 overspend:

- The planned maintenance line is overspent by £103,054. This is due to programmed maintenance committed in order that works can be undertaken over the summer months. The actual spend is expected to more closely follow the budget profile.
- Voids & the schedule of rates lines are showing as underspent by £37,535. This amount does not include the commitments on the Northgate repairs system which results in an overspend for the period of £8,891. The overspend is caused by increasing voids and clearances. If the current level of new voids and clearances continue the budget will be significantly overspent at the year end.

Income

Dwelling rents £15,137 excess of income for the first quarter: while new voids levels are high the turn-around period is considerably shorter resulting in more properties let and a lower void level than budgeted. In addition rent levels are reviewed on properties when empty and brought in line with the rent restructuring formula.

There is an evident link between the higher voids turnaround and the increase in income, however the continued re-profiling of the voids budget in order to keep any overspend to a

minimum results in lower budget available for use later in the year. This situation is being addressed by pre-transfer inspections and increased enforcement of tenancy conditions to assist in reducing high cost transfers. Close monitoring of these budget lines will continue with the possible need to use some contingency in order that back-logs do not re-form towards the end of the year. A virement from the income budget has been completed during period 4.

Forecast Position

- The above figures as shown in the Council's accounts indicate a potential underspend of £2,235 (Appendix A) on the HRA.

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 is 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 14 July 2011.

12.0 WARDS AFFECTED

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

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Date: 1 August 2011

Appendices: Appendix A – Summary of Expenditure & Income

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

Reference: X: Committees/CSA/21-09-11/DG-Housing Revenue Account – Budget Monitoring 1 April 2011 – 30 June 2011