

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

20 MARCH 2012

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

**HOUSING REVENUE ACCOUNT – BUDGET MONITORING
1 APRIL 2011 – 31 DECEMBER 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 31st December 2011.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 31st December 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 31 December 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 December 2011 is as follows:

	Approved Budget @ Dec 11	April to Dec Budget	Apr to Dec Net Expenditure & Income Including Commitments	Variance Underspend (-)
	£	£	£	£
HRA – Total Expenditure	6,824,870	4,090,674	3,937,469	-153,205
HRA – Total Income	6,825,790	5,017,371	5,044,556	-27,185

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)	180,390
Potential Working Balance Surplus at 31 March 2012	579,241

- 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

General Management £47,732 underspend

- £11,126 is due to the lower than profiled Council Tax Empty rate which is affected by the lower voids rates.
- £4,867 in employee costs is mainly due to a member of staff not being a member of the pension scheme and another staff member taking reduced hours.
- £3,285 is due to the ill health insurance bills not yet received
- £19,213 is due to lower than budgeted CEC charges which are outside the budget holder's control.

Special Services £41,911 underspend:

- £18,174 is due to the lower than budgeted and erratically billed mains gas and electricity costs. The budget is set slightly lower than the previous year's costs and so is expected to be spent over the remainder of the year.
- £7,463 in employee costs is mainly due to a number of vacancies while a review of the service is completed.
- £11,711 is due to lower than budgeted CEC charges which are outside the budget holder's control.

Repairs & Maintenance £63,021 underspend:

- £27,086 overspend on Contract works, void repairs and schedule of rates; there are 2 reporting systems which are used to inform officers of fluctuations in these repairs lines, the Oracle ledger system which is used to inform the budget figures at Appendix A and the Northgate system upon which a further commitment budget is set each month. In December 2011 this commitment budget was £74,818 which does not show at Appendix A. When taking this budget into account these lines are actually underspent by £47,732. (£27,086-£74,818=-£47,732). Reasons for this underspend include; the milder weather towards the end of the year resulted in less repairs associated with the cold snap, the new transfer inspection procedure is resulting in lower void costs on these properties and an assessment is outstanding on 3 void properties for vulnerable families.
- £19,984 overspend on other equipment repairs and maintenance has been caused by MGAS being able to do more inspections during the milder weather of October and November which should mean very few are now due to be completed and the spend for the remainder of the year will balance out to the budget.
- £21,496 excess income on rechargeable works caused by an increase in high cost voids where recharges are being identified.
- £6,000 underspend on third party claim settlement and £4,533 underspend on support service charges, which are outside the budget holders control.
- The planned maintenance underspend of £76,273 is due to a lower cost per property than originally anticipated. The expected fire risk audit works are expected to be funded from this line as per paragraph 3.5.

Income

Dwelling rents £15,062 excess of income for the third 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.

Sales of Meals £5,043 excess of income has been partly off-set by higher food costs and partly by the increased demand on the service over the busy Christmas period.

Forecast Position

- The above figures as shown in the Council's accounts as 31 December 2011 indicate a potential underspend of £180,390 (Appendix A) on the HRA as noted at 3.4.

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 18 January 2012.

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: 1 February 2012

Appendices: Appendix A – Summary of Expenditure & Income

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

Reference: X: Council, C'tees & Sub-C'tees/CSA/20-03-12/DG-Housing Revenue Account – Budget Monitoring 1 April 2011 – 31 Dec 2011