

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

21 SEPTEMBER 2010

REPORT OF HEAD OF FINANCIAL SERVICES & HEAD OF SOCIAL AND ECONOMIC DEVELOPMENT

**HOUSING REVENUE ACCOUNT – BUDGET MONITORING
1 APRIL 2010 – 30 JUNE 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 30th June 2010.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 30th June 2010 be noted.*

2.2 *That the Updated HRA Improvement plan at Appendix B 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 Social and Economic Development 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 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 June 2010 is as follows:

	Approved Budget @ Jun 10	April to Jun Budget	Apr to Jun Net Expenditure & Income	Variance Underspend (-)
	£	£	£	£
HRA – Total Expenditure	6,587,340	1,095,602	889,581	-206,021
HRA – Total Income	6,732,530	1,459,885	1,417,201	42,684

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 (subject to audit)	£ 95,213
Budgeted surplus 2010/11	145,190
Potential underspend (as above)	<u>163,337</u>
Potential Working Balance Surplus at 31 March 2011	403,740

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 restored by 31 March 2012.

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 £41,366 underspend:

- Contract works are currently showing as underspent by £20,252, this is due to works not yet completed but planned for later in the year.
- Grounds Maintenance recharges are underspent by £4,827 which is beyond the budget holder's control.
- Energy costs are underspent by £10,059 this is due to irregular billing which does not match the budgeted profile.

Repairs & Maintenance £157,967 underspend:

- £117,866 of this underspend is due to the Contract works, void repairs and schedule of rates budget lines. Due to staffing levels slow progress was made at the start of the year in raising works orders. The backlogs are now being cleared in a programmed way.
- Employee costs are underspent by £10,618 which is due to a vacant inspector post and 0.8FTE cover for the Senior Housing Maintenance Officer.
- The MGAS contract monthly bill for June was not received until July resulting in a £14,890 underspend showing on this budget line.
- The cleansing of communal areas contract has not commenced in the year to date, nor is it now expected to do so within this financial year. The £10,965 year to date shortfall budget will be transferred by budget virement to off-set the related income line.

Income

Dwelling rents £22,127 shortfall for the first quarter: the high level of voids is continuing to impact on the rental income received and is expected to continue to do so. This is being mitigated by ensuring rent levels are reviewed on properties when empty and brought in line with the rent restructuring formula. A meeting of officers to discuss void properties and the policies in place was held in August following which further work and meetings will be held in regard to lean processes.

Communal Cleansing Income shortfall of £10,128: as noted above this contract has not commenced and so charges have not been made to rent accounts. This budget will be transferred as above.

Forecast Position

- The above figures as shown in the Council's accounts indicate a potential underspend of £163,337 (Appendix A) on the HRA.

Updated Position at 31 August 2010

3.6 A new column has been included at Appendix A to show the variance at the end of August 2010 to inform members of the most up to date position on the HRA following the increased monitoring requirements implemented in 2009/10. This now notes a potential underspend of £130,854 as some of the planned works and backlog noted above are being committed.

Since the end of period 3 a number of items of expenditure have come to light which will be spent against the contingency budget of £200,000. As this was budgeted for in 2010/11 this expenditure will not affect the potential working balance surplus. These items are as follows:

- Increased subsidy payable following the reduced interest rate and internal borrowing rate of around £48,000
- The expected full year rental shortfall of around £90,000
- The inclusion of the Fairmead investigation works as revenue following transfer from the Capital Programme of £25,000
- 4% RPI was also applied to the repairs contract at 1 April 2010 which could equate to an increased annual spend of around £40,000

In addition to the above there have been a very high number of void properties which have been identified as requiring a high level of investment in order to bring them back into circulation. Based on committed expenditure and the forecast for current void properties an additional amount of around £150,000 of revenue expenditure is expected to be required in this financial year. There will in addition, be capital expenditure for these voids and this is contained within the Capital Programme. The repairs team is in the process of quantifying these figures further.

During the first quarter of this year there have been no Council houses sales under the Right to Buy Scheme. However 3 properties were sold during July & August so it is expected that the budgeted administration costs will be fully recovered against the annual budget of 4 sales.

Updated Forecast Position

In light of the above points the anticipated working balance at 31 March 2011 is forecast to be in the region of £221,257 as follows:

	£
Working Balance @ 31 Mar 2010 (subject to audit)	95,213
Budgeted surplus 2010/11	145,190
Potential underspend (as above)	<u>130,854</u>
Sub Total	371,257
Additional Voids works as above	<u>-150,000</u>
Updated Potential Working Balance Surplus at 31 March 2011	221,257

It is noted that if the potential underspend as above does not materialise over the full year position, then this will adversely affect the potential working balance surplus and the spending on the revenue voids works will be further robustly monitored to ensure that an overspend does not occur.

Following these adjustments and the current reported spending the working balance will continue to be closely monitored to ensure that the target of £250k set by the Medium Term Financial Strategy is met by March 2012.

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 13 & 19 July 2010.

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: 8 September 2010

Appendices: Appendix A – Summary of Expenditure & Income
Appendix B – HRA Improvement Plan

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

Reference: X: Committees/CSA/21-09-10/DG-Housing Revenue Account – Budget Monitoring 1 April 2010 – 30 June 2010