

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

19 SEPTEMBER 2012

REPORT OF HEAD OF CENTRAL SERVICES & HEAD OF COMMUNITIES &
NEIGHBOURHOODSHOUSING REVENUE ACCOUNT – BUDGET MONITORING
1 APRIL 2012 – 30 JUNE 2012

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 2012 to 30th June 2012.

2.0 RECOMMENDATION

- 2.1 *It is recommended that the financial position on the HRA to 30th June 2012 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 2012

- 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 2012 is as follows:

	Approved Budget @ Jun 12	April to Jun Budget	Apr to Jun Net Expenditure & Income Including Commitments	Variance Underspend (-)
	£	£	£	£
HRA – Total Expenditure	6,971,510	956,539	972,008	15,469
HRA – Total Income	7,122,480	1,790,755	1,810,957	-20,202

- 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 2012	727,072
Budgeted surplus 2012/13	150,970
Potential underspend (as above)	4,733
Potential Working Balance Surplus at 31 March 2013	882,775

- 3.5 At a meeting of the Policy Finance & Administration Committee on 3 July 2012 a supplementary estimate was approved for £37,000 for the new post of Senior Housing Maintenance Officer who will drive the HRA asset management strategy forward and inform the business plan into the future. As this was not approved until after the end of the period this amount is not included in the figures above.
- 3.6 With the Housing Asset Model and Investment Plan, the officer noted in 3.5 above will be scheduling a number of repairs aligned to the stock condition survey and Savills stock investment needs database, in line with approved budgets. A detailed 5 year capital programme from 2013/14, will be developed and presented to members for approval at the January 2013 Community & Social Affairs Committee meeting.
- 3.7 The following paragraphs attempt to explain the reasons for the current potential underspend and the action currently being taken by officers to ensure that the recommended minimum working balance of £500k is maintained whilst ensuring value for money, efficiency and effectiveness are at the forefront of the service provision.

Budget Variance Exception Reporting +/- £10k

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 £14,500 underspend:

- £9,108 is due to savings on the Council Tax empty rate budget which can be directly linked to the lower voids which also results in increased rental income. The budget should be reduced in this year as the voids rate continues. However, in future years following the government report "Technical Reforms to Council Tax" the exemption from Council Tax for the first 6 months a property is empty is likely to be reviewed and may be removed or reduced.
- £3,650 is due to the underspend on County Court fees relating to rent arrears, which is a demand let budget. There has been no requirement during quarter 1 to spend this budget line but a number of cases are now going through the system.

Special Services £28,289 underspend:

- Energy costs are underspent by £10,515; this is due to irregular billing which does not match the budgeted profile.
- Employee costs are underspent by £7,375 which is mostly due to an adjustment error which will be correct during period 4.
- £3,959 are support cost underspends which are outside the budget holders control.

Repairs & Maintenance £24,627 overspend:

- The planned maintenance line is overspent by £49,574. 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.
- The gas heating maintenance contract line is underspent by £8,860 due to the profiling on the contract; this is expected to be correct at the year end.
- £9,680 of private contractor payments has not yet been invoiced.

Subsidy expenditure is showing an overspend of £33,631; this is due to a reserved debtor entry in 2011/12; the calculation for which being based on the year-end figures available at that time. The final 2011/12 subsidy return due to DCLG by 31 July 2012 now shows that this will be within £1k of the final figure and should be remitted to us by DCLG within the 2nd quarter of 2012/13.

Income

Dwelling rents £4,931 show an 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.

Repairs & Maintenance rechargeable works show £7,222 excess of income over budget due to a high number of rechargeable expenditure repairs on void properties being identified.

Leaseholder service charges show £6,553 income surplus due to programmed maintenance works carried out in the previous year resulting in increased recharges in 2012/13. Whilst there are some queries from leaseholders outstanding the year end position is likely to be a surplus in the region of £15k.

Forecast Position

- The above figures as shown in the Council's accounts indicate a potential underspend of £4,733 (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: 8 August 2012

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/19-09-12/DG-Housing Revenue Account – Budget Monitoring 1 April 2012 – 30 June 2012