

AGENDA ITEM 7

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

14 SEPTEMBER 2016

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

HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2016 – 30 JUNE 2016

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 1 April 2016 to 30 June 2016.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 30 June 2016 and the yearend forecast 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 & Neighbourhoods, the Budget Holders 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 30 June 2016

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 2016 is as follows:

	Approved Budget @ Jun 16 £	April to June Budget £	Apr to Jun Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,266,900	1,067,716	864,640	-203,076	8,314,700	47,800
HRA - Total Income	8,018,920	2,000,584	2,005,538	-4,954	8,054,920	-36,000
TOTAL	247,980	-932,868	-1,140,898	-208,030	259,780	11,800

- 3.4 If the forecast overspend 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 2016	-1,460,024
Budgeted deficit 2016/17	247,980
Supplementary Estimates agreed in year	45,000
Potential overspend (as above)	11,800
Potential Working Balance Surplus at 31 March 2017	<u>1,155,244</u>

- 3.5 The minimum working balance, as recommended by the Medium Term Financial Strategy, remains at £750,000 for 2016/17. A deficit of £247,980 has been budgeted for in 2016/17 to reduce this working balance to ensure that large balances are not carried in the revenue account and surpluses are transferred into the Regeneration and Development Reserve for use as required by members in the future. In addition supplementary estimates were agreed by this committee on 12 July for £45,000.
- 3.6 The following paragraphs outline the reasons for the current potential year end overspend and the action currently being taken by officers to ensure that 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 year end forecast variations +/-£10k (as shown in Appendix A) are also set out below:

Expenditure

General Management £13,000 overspend:

- £9,000 is professional fees and is due to increased Right to Buy applications and the use of a higher cost surveyor, in order to maximise sales values to the market value. In addition some valuation office invoices from a previous year were paid this year following cheque cancellation in that previous year with no accrual being made.

Special Services £24,200 underspend:

- £8,200 is for safety equipment, the original purchase orders for the solo-protect units for the IHMS staff were considerably higher than the actual costs now coming through so this amount is available to the service to offset any overspends.
- £16,000 is the expected underspend in staffing if the current vacant posts are maintained this year as is expected. £4,000 of this will be transferred to the General Management Service to support targeted housing related work with Me and My Learning housing partners over the summer.

Repairs & Maintenance £59,000 overspend:

- £60,000 is due to the programmed maintenance which has been planned for the year. This line has in previous years remained significantly underspent resulting in a need to catch up with these repairs, which is higher than originally anticipated. The programme for future years is being considered.

Income

Excess Income £36,000:

- £32,000 of this is the potential extrapolation of the excess income at the end of the first quarter, but assumes that the current low void rate continues.

Forecast Position

- The above figures as shown in the Council's accounts as at the end of June 2016 indicate a year to date underspend of £208,030 which is due to budget profiling and additional expenditure taking place later in the year. However the current forecast position for the year end is a potential overspend of £11,800 (Appendix A) on the HRA. For information these figures at the end of July are an underspend of £163,573 and an overspend of £29,800 respectively.

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 & 19 July 2016.

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: 15 August 2016
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/14-09-16/DG-Housing Revenue Account – Budget Monitoring 1 April 2016 – 30 June 2016