

# AGENDA ITEM 8

## COMMUNITY & SOCIAL AFFAIRS COMMITTEE

21 MARCH 2017

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

#### HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2016 – 31 DECEMBER 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 31 December 2016.

#### 2.0 RECOMMENDATION

2.1 It is recommended that the financial position on the HRA to 31 December 2016 and year end 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 31 December 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 December 2016 is as follows:

	Approved Budget @ Dec 2016 £	April to Dec Budget £	Apr to Dec Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,504,280	3,853,818	3,439,013	-414,805	8,465,280	-39,000
HRA - Total Income	8,036,300	6,017,093	6,023,480	-6,387	8,053,300	-17,000
HRA – Total	467,980	-2,163,275	-2,584,467	-421,192	411,980	-56,000

3.4 If the forecast 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 2016	1,459,484
Original Budgeted deficit 2016/17	-247,980
Supplementary Estimates Approved in year	-220,000
Potential underspend (as above)	<u>56,000</u>
Potential Working Balance Surplus at 31 March 2017	1,047,504

3.5 The minimum working balance, as agreed by PFA on 7 October 2013, remains at £750,000 for 2016/17. A deficit of £247,980 was originally 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.

3.6 The following paragraphs outline the reasons for the current potential underspend 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.

### **Forecast 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**

Special Services £10,000 Underspend:

This all relates to employee costs which are due to vacant posts and staff not in pension scheme.

Repairs & Maintenance £23,000 underspend:

£15,000 relates to employees costs which are due to vacant posts.

£10,000 relates to professional fees for the CIH review, which is now expected to not be required during 2016-17 but carried forward into 2017-18 instead.

Excess Income £14,000:

£11,000 relates to admin costs income from the sale of Council Houses, the number of sales is higher in the year than originally budgeted.

#### **Forecast Position**

- There is a current year to date underspend of £421,192 which is mainly due to support service recharges (£110k) which are outside budget holders control and Repairs (£226k) where payments made do not match the budget profile, although committed expenditure in programmed maintenance reverses this position. Details of the remaining smaller variances are shown on the more detailed budget holder returns as mentioned in paragraph 3.1. However the current forecast position for the year end is a potential underspend of £56,000 (Appendix A) on the HRA. For information these underspends at the end of January 2017 are £385,655 and £43,000 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 January 2017.

## **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: 7 February 2017

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/21-03-17/DG-Housing Revenue Account – Budget Monitoring 1 April 2016 – 31 December 2016