

ITEM 8

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

13 SEPTEMBER 2017

REPORT OF CORPORATE DIRECTOR & HEAD OF COMMUNITIES & NEIGHBOURHOODS

HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2017 – 30 JUNE 2017

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 2017 to 30 June 2017.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 30 June 2017 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 2017

3.2 A summary of income and expenditure for the Housing Revenue Account is attached at Appendix A, and is split into controllable and uncontrollable costs.

3.3 A summary of the total income and expenditure for the Housing Revenue Account compared to the approved budget at June 2017 is as follows:

	Approved Budget @ Jun 17 £	April to June Budget £	Apr to Jun Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,005,020	1,130,052	690,681	-439,371	8,029,020	24,000
HRA - Total Income	7,945,110	1,977,076	1,987,822	-10,746	7,991,110	-46,000

- 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 2017	-1,186,019
Budgeted deficit 2017/18	59,910
Potential underspend (as above)	-22,000
Potential Working Balance Surplus at 31 March 2018	<u>-1,148,109</u>

- 3.5 The minimum working balance, as recommended by the Medium Term Financial Strategy, remains at £750,000 for 2017/18. A deficit of £59,910 has been budgeted for in 2017/18 to reduce the 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 year end 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.

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 controllable forecast variations +/-£10k (as shown in Appendix A) are also set out below:

Expenditure

General Management £27,000 overspend:

- £30,000 is employee costs following the Communities & Neighbourhoods restructure as agreed at full Council on 8 February 2017, taking into account the vacant posts up to this date,
- £3,000 is for the production of the tenant handbook which was not budgeted for, and;
- A £6,000 underspend due to the renegotiation over the cost of the rental exchange model.

Excess Income £46,000:

- £30,000 of this is the potential extrapolation of the excess rental income at the end of the first quarter, and assumes that the current low void rate continues.
- £8,000 is due to an un-budgeted easement receipt.
- £4,000 is due to higher leaseholder service charges partly following an increased insurance premium.
- £4,000 is due to a higher take up of meals, and 2 tenancies with 2 meals where all tenancies were budgeted with 1 meal.

Forecast Position

- The above figures, as shown at Appendix A, as at the end of June 2017, indicate a year to date underspend of £450,117 which is due to budget profiling, late invoicing and expenditure taking place later in the year. However the current forecast position for the

year end is a potential underspend of £22,000. For information these figures at the end of July are an underspend of £403,546 and an underspend of £2,000 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 10 July 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:

Date:

Appendices:

Background Papers:

Reference:

Carol King

11 August 2017

Appendix A – Summary of Expenditure & Income

Oracle Financial Reports & Budget Holder Comments on Performance

X: C'tees, Council & Sub-C'tees/CSA/13-09-17/DG-Housing Revenue Account – Budget Monitoring 1 April 2017 – 30 June 2017