

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

20 MARCH 2018

REPORT OF DIRECTOR FOR CORPORATE SERVICES & INTERIM DIRECTOR FOR GROWTH AND REGENERATION

HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2017 – 31 DECEMBER 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 31 December 2017.

2.0 RECOMMENDATION

- 2.1 *It is recommended that the financial position on the HRA to 31 December 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 Director for Growth and Regeneration, 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 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 December 2017 is as follows:

	Approved Budget @ Dec 17 £	April to Dec Budget £	Apr to Dec Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,043,220	3,703,021	3,362,116	-340,905	7,831,220	-212,000
HRA - Total Income	7,983,310	5,973,511	5,973,841	-330	8,001,310	-18,000

- 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)	-230,000
Potential Working Balance Surplus at 31 March 2018	-1,356,109

- 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 £21,000 underspend:

- £16,000 of this relates to the amount included for the expected pension auto-enrolment risk which is no longer required.

Special Services £36,000 underspend:

- £10,000 relates to employee costs, due to vacant posts and staff not in pension scheme,
- £10,000 relates to the Harborough lifeline service which is estimated to be lower than budgeted,
- £12,000 relates to energy costs the invoicing profile for which can be changeable, however it is expected to be below budget.

Repairs and Maintenance £175,000 underspend:

- £40,000 relates to planned maintenance, where the phases for the financial year have all been committed leaving this underspend,
- £95,000 relates to the more responsive maintenance lines such as contract works, asbestos surveys and voids, all of which are demand led and underspent, this is expected to continue,
- £35,000 relates to employee costs, this is due to vacant posts following the property restructure earlier in the year which have not been filled though agency staff.

Bad & Doubtful Debts £20,000 overspend

- Following the move to Universal Credit the rent arrears have significantly increased leaving the expectation of an increased contribution into the bad debt provision at the end of the year.

Excess Income £18,000:

- £10,000 of this is the potential extrapolation of the excess rental income at the end of the quarter, and assumes that the current low void rate continues.
- £6,000 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 December 2017, indicate a year to date underspend of £340,235 which is due to budget profiling, late invoicing and demand led expenditure not being spent. However the current forecast position for the year end is a potential underspend of £230,000. For information these figures at the end of January are an underspend of £454,413 and an underspend of £239,000 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 17 and 23 January 2018.

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:

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Date:

5 February 2018

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/20-03-18/DG-Housing Revenue Account – Budget Monitoring 1 April 2017 – 31 December 2017