

PLACE COMMITTEE

5 SEPTEMBER 2018

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

HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2018 – 30 JUNE 2018

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 2018 to 30 June 2018.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 30 June 2018 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 & 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 30 June 2018

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 2018 is as follows:

	Approved Budget @ Jun 18 £	April to June Budget £	Apr to Jun Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,276,900	794,802	705,174	-89,628	8,321,900	45,000
HRA - Total Income	7,788,510	1,907,897	1,899,957	7,940	7,848,510	-60,000

- 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 2018	-1,666,525
Budgeted deficit 2017/18	488,390
Potential underspend (as above)	-15,000
Potential Working Balance Surplus at 31 March 2019	-1,193,135

- 3.5 The minimum working balance, as recommended by the Medium Term Financial Strategy, remains at £750,000 for 2018/19. A deficit of £488,390 has been budgeted for in 2018/19 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

Repairs & Maintenance £53,000 overspend:

- £25,000 underspend is employee costs taking into account the vacant posts in the department which is partly off-set by the use of agency staff,
- £18,000 underspend is the anticipated reduced amount spent on PPP & PPV under the new repairs contract assuming the current maximum allowable variance is maintained at 7.5%, however, this has not yet been finalised,
- £100,000 overspend on professional fees due to the extension of the interim Strategic Asset Manager, additional fees in relation to the new repairs contract, the need for a new interface for the new repairs contract and the year end stock valuation.

Income

Excess Income £60,000:

- £56,000 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.
- £4,000 is due to higher leaseholder service charges partly following an increased insurance premium and the re-charging of some planned maintenance works.

Forecast Position

- The above figures, as shown at Appendix A, as at the end of June 2018, indicate a year to date underspend of £81,688 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 £15,000. For information these figures at the end of July are an underspend of £232,423 and an underspend of £8,000 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 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 4 & 9 July 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:
Date:
Appendices:
Background Papers:
Reference:

Carol King
11 August 2018
Appendix A – Summary of Expenditure & Income
Oracle Financial Reports & Budget Holder Comments on Performance
X: C'tees, Council & Sub-C'tees/Place/05-09-18/DG-Housing Revenue Account – Budget Monitoring 1 April 2018 – 30 June 2018