

PLACE COMMITTEE

6 MARCH 2019

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

HOUSING REVENUE ACCOUNT – BUDGET MONITORING 1 APRIL 2018 – 31 DECEMBER 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 31 December 2018.

2.0 RECOMMENDATION

2.1 *It is recommended that the financial position on the HRA to 31 December 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 of Growth and Regeneration, the Budget Holders and the Senior Accountant. The service and financial performance are then reported to the Senior Leadership 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 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 December 2018 is as follows:

	Approved Budget @ Dec 18 £	April to Dec Budget £	Apr to Dec Net Expenditure & Income Including Commitments £	Variance Underspend(-) £	Year End Forecast £	Year End Variance Underspend(-) £
HRA - Total Expenditure	8,273,320	3,001,016	2,632,838	-368,178	8,295,900	19,000
HRA - Total Income	7,784,930	5,735,631	5,940,438	-204,807	8,023,510	-235,000

- 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 2018/19	488,390
Potential underspend (as above)	-216,000
Potential Working Balance Surplus at 31 March 2018	<u>-1,394,135</u>

- 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) as at 31 December are also set out below:

Expenditure

General Management £35,000 underspend:

- £24,000 of this relates to employee costs due to vacant posts
- £7,000 relates to un-used professional fees due to a slow-down in Right to Buy applications.

Special Services £19,000 underspend:

- £15,000 relates to employee costs, due to vacant posts and staff not in pension scheme,

Repairs and Maintenance £73,000 overspend:

- £93,000 relates to professional fees following additional works on the new repairs contract, the extension of the interim strategic asset manager, the BARIS (Bespoke Api Repairs Integration Solution) interface for the new repairs contract and the asset valuations, none of which were budgeted for.
- There is an expected £20,000 underspend in employee costs due to vacant posts during the year.

Excess Income £235,000:

- £30,000 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.
- £168,000 follows the final Severn Trent Water bill which was less than the amount estimated at the year end. The differences are in the brought forward credit and other credits which relate to incorrectly applied voids and commission going back some years.
- £30,000 relates to an expected increase in interest due to the increased balances over that budgeted.

Forecast Position

- The above figures, as shown at Appendix A, as at the end of December 2018, indicate a year to date underspend of £572,985 which is due to budget profiling, late invoicing, demand led expenditure not being spent and the Severn Trent credit as noted above. However, the updated forecast position for the end of January 2019 is an underspend of £480,000. The change in the forecast underspend is due to the fire risk assessment works not yet being scheduled and so they are now considered unlikely to be completed in the current financial year.

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 As the report is exclusively concerned with financial matters, there are no direct legal implications arising from the 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 9 and 14 January 2019.

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
7 February 2019
Appendix A – Summary of Expenditure & Income
Oracle Financial Reports & Budget Holder Comments on Performance
X: C'tees, Council & Sub-C'tees/Place/6-03-19/DG-Housing Revenue Account – Budget Monitoring 1 April 2018 – 31 December 2018