



Cabinet

4 September 2019

Report of: Portfolio Holder Corporate
Finance and Resources

HOUSING REVENUE ACCOUNT – BUDGET MONITORING – 1 APRIL 2019 - 30 JUNE 2019

1.0 Corporate Priority:	Decision Type:
1.1 OG3 Becoming a more agile and commercial Council; securing our financial future	Non Key Decision

2.0 Summary:
2.1 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 2019 to 30 June 2019.
2.2 As at 30th June budget holders are projecting a forecast outturn for the HRA for 2019/20 is £14k.
2.3 In addition to formal Quarterly reporting to Cabinet, the budget position is reported monthly at the Senior Leadership Team. This is to ensure any early warnings that highlight pressures can be collectively resolved.

3.0 Recommendations
3.1 That the financial position on the HRA to 30 June 2019 and the year end forecast be noted.

4.0 Reason for Recommendation:
4.1 The Council, having set an agreed Budget at the start of the financial year, needs to ensure the delivery of this Budget is achieved. Consequently there is a requirement to regularly monitor progress so corrective action can be taken when required which is enhanced with the regular reporting of the financial position

5.0 Alternate Options Considered
5.1 None

6.0 Report Detail
6.1 The Housing Revenue Account is a high risk service account which is monitored monthly by the Budget Holders and the Senior Accountant. The service and financial performance are then reported to the Senior Leadership Team.

Overall Position at 30 June 2019

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

A summary of the total income and expenditure for the Housing Revenue Account compared to the approved budget at June 2019 is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2019

	Approved Budget at June '19 £'000	Year End Forecast £'000	Year End Variance* £'000
HOUSING REVENUE ACCOUNT			
Total Expenditure	8,158	8,146	-12
Income	(7,743)	(7,717)	26
Net Total HRA	415	429	14

* Underspending (-), Overspending (+)

If the forecast overspend 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 2019	-1,897,045
Net Budget surplus (including Revenue contribution to capital)	(341,160)
Potential overspend (as above)	14,000
Contribution to Development and Regeneration Reserve	755,910
Forecast deficit 2019-20	428,750
Potential Working Balance Surplus at 31 March 2020	<u>1,468,295</u>

The minimum working balance, as recommended by the Medium Term Financial Strategy, remains at £750,000 for 2019-20. The net surplus of the HRA taking into account the in year forecast overspend of £14k is predicted to be £327,160 for 2019-20. In order to reduce the working balance to ensure that large balances are not carried in the revenue account a budgeted transfer of £755,910 was proposed to be transferred into the Regeneration and Development Reserve for use as required by members in the future.

The following paragraphs outline the reasons for the current potential year end overspend 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:

Income

Income Shortfall £26,000:

- £30,000 of this is the potential extrapolation of the rental income shortfall at the end of the first quarter, and assumes that the current void rate continues. However, we have commenced the review of the void processes and through a robust contract management process we will be working with the Councils contractor to reduce the number of voids moving forward.
- -£4,000 of additional income 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 2019, indicate a year to date underspend of £184,388 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 overspend of £14,000. A high level review of the financial position as at the end of July confirmed this position.

7.0 Consultation and Feedback (including Scrutiny Committee)

7.1 The Service Accountant and Budget Holders discussed the financial performance of the Housing Revenue Account at the budget-monitoring meetings held on 2 & 3 July 2019.

7.2 The report has also been reviewed with the Portfolio Holder Corporate Finance and Resources

8.0 Next Steps

8.1 Members should be aware that there may be additional spend against this budget in line with a proposed Housing Improvement Plan which will be considered by Cabinet in the Autumn 2019.

9.0 Financial Implications

9.1 All financial and resource implications have been addressed within sections 6 and 8.

10.0 Legal and Governance Implications:

10.1 The HRA is framed by the Local Government and Housing Act 1989. The Act created the ringfence and the structure within which the HRA operates and provides rules as to its operation.

11.0 Equality and Safeguarding Implications:

11.1 There are no equalities issues arising from the recommendation

12.0 Community Safety Implications:

12.1 . There are no community safety issues arising from the recommendation.

13.0 Other Implications

13.1 None

14.0 Risk & Mitigation:

14.1 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.

Background Papers:

None

Appendices

Appendix A – Summary of Expenditure & Income

Report Timeline:

Equalities Check & Challenge N/A

SLT Sign off N/A

Previously Considered by Cabinet N/A

Director Approval

04.08.19

Chief Finance Officer Sign Off

04.08.19

Monitoring Officer Sign Off

19.08.19

Exempt Reports

N/A

Date of Review to make public

N/A

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