



Cabinet

27 November 2019

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| Report of: | Portfolio Holder Corporate Finance and Resources |
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HOUSING REVENUE ACCOUNT – BUDGET MONITORING – 1 APRIL 2019 to 30 SEPTEMBER 2019

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

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| 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 September 2019. |
| 2.2 As at 30th September budget holders are projecting a forecast outturn overspend for the HRA for 2019/20 of £106k. |
| 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. |

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

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| 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 |

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| 5.0 Alternate Options Considered |
| 5.1 None |

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| 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 September 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 September 2019 is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2019

| | Approved Budget at Sept '19 £'000 | Year End Forecast £'000 | Year End Variance* £'000 |
|--------------------------------|--|-------------------------------|--------------------------------|
| HOUSING REVENUE ACCOUNT | | | |
| Total Expenditure | 8,158 | 8,235 | 77 |
| Income | -7,743 | -7,714 | 29 |
| Net Total HRA | 415 | 521 | 106 |

* Underspending (-), Overspending (+)

This forecast is assuming business as usual and includes the elements of the Housing Improvement plan (HIP) which have been committed as at 30 September 2019 and as outlined in Appendix A results in forecast surplus of £516k before contributions and reserve movements. In line with the original budget this assumes contributions to capital spending of £280k and a budgeted transfer of £756k to the Development and Regeneration Reserve in order to reduce the working balance to its recommended minimum level of £750k and avoid large balances being carried forward in the revenue budget. This results in a deficit in the approved budget and forecast for the year reflecting this planned intention to reduce the working balance. However the approval of the HIP as set out below and the financial implications associated with it will impact on these forecasts moving forward.

The HIP was approved at Council on 4 November and includes £1.366m in additional staffing investment from 1 April 2020 to cover the 3 years to 31 March 2023. It also includes a number of one-off costs of £1.042m over this and the next financial year, however the timing over the 2 financial years is not certain and the final costs not confirmed until surveys and some preparatory works included are completed.

Therefore there will be further spending this financial year, to be funded from the working balance and Regeneration & Development Reserve under the delegated authority rules. It is therefore difficult to predict the final working balance at 31 March 2020 at this time.

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:

Expenditure

Special Services £10k underspend:

- Vacant posts and staff not in pension scheme are contributing to this underspend, which is partially offset by an overspend on energy costs.

Repairs & Maintenance £83k overspend:

- A procurement has been completed for upto £50k for a gap analysis of the housing asset management system to enable the council to have confidence in the information retained, this will allow us to set up an informed capital programme and investment profile, as well as to ensure compliance.
- Agency fees are expected to exceed the savings from vacant posts within the repairs & maintenance team by around £34k by the end of the year. This is due to higher costs overall and the need to resource fire risk assessed works.

Income

Income Shortfall £29k:

- £30k of this is the potential extrapolation of the rental income shortfall at the end of the period, 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.

Forecast Position

The above figures, as shown at Appendix A, as at the end of September 2019, indicate a year to date underspend of £198,917 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 £106,000.

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 14 October 2019.

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

8.0 Next Steps

8.1 As noted the HIP which was approved by Council on 4 November 2019 does contain a number of works and costs which will affect the working balance at the year-end. This

work will be on-going over the next few financial years.

A business plan for the HRA is in progress to further inform future working balances and is expected in January 2020.

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:

Date of Sign-off

Equalities Check & Challenge N/A

N/A

SLT Sign off N/A

N/A

Previously Considered by Cabinet N/A

N/A

Director Approval 4.11.19

04.11.2019

Legal Approval

15.11.2019

Chief Finance Officer Sign Off 5.11.19

5.11.2019

Monitoring Officer Sign Off

15.11.2019

Chief Executive Sign Off

Exempt Reports

N/A

Date of Review to make public

N/A

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