



## CABINET REPORT

<b>Report Title</b>	<b>HOUSING REVENUE ACCOUNT BUDGET MONITORING 2009/10 – POSITION AS AT 30th JUNE 2009</b>
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**AGENDA STATUS:**

**PUBLIC**

<b>Cabinet Meeting Date:</b>	23 September 2009
<b>Key Decision:</b>	NO
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	Cllr D Perkins
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

- 1.1 This report identifies the projected outturn position for the current financial year for the Housing Revenue Account (HRA). Appendix 1 of the report provides further background information. The report also refers to management action being taken in response to the forecast and to minimise the impact on the Council's HRA working balances at the end of the financial year.

### 2. Recommendations

- 2.1 Cabinet to note the report and the forecast overspend of £1,051k on the Net Cost of Services.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Council approved the 2009/10 HRA Budget on 19th February 2009. The 2009/10 budget preparation process delivered a balanced budget.

#### **3.2 Issues**

- 3.2.1 Budget Managers, in conjunction with Finance, have undertaken a review to identify any emerging issues that cannot be contained within the approved budget with appropriate management action. Appendix 1 presents the identified variations from the approved budget that are giving rise to a forecast net overspend of £1,051k for Net Cost of Services.
- 3.2.2 Working Balances - It should be noted that Working Balances carried forward from outturn are higher than the budget by £160k. This variance was detailed in the HRA Budget 2008/09 Outturn Report presented to Cabinet on 29th June 2009. There was an additional £2.493m moved into earmarked reserves.
- 3.2.3 Housing Restructure - A fundamental review of the structure of the Housing Service has been undertaken. It is currently anticipated that there will be no overall net increase in the cost of services.
- 3.2.4 Repairs and Maintenance – forecast overspend of £950k. This forecast reflects the trend of the current level of expenditure on void properties and responsive repairs to housing stock. This forecast will be subject to further ongoing scrutiny to determine the level of capitalisation of costs and any other factors that can mitigate the projected overspend.
- 3.2.5 General Management – forecast overspend of £46k. Additional printing costs (£6k) are anticipated by the Customer Engagement Team to meet the costs of the quarterly “My Homes” newsletter sent to residents. Also reflects prior year costs relating to the Path Trainee Scheme that have not been budgeted for in the current year.
- 3.2.6 Rents Rates Taxes & Other Charges – forecast overspend of £50k. This reflects the estimated increase in Council Tax due on empty properties, This is as a result of a change to the Council Tax rules that no longer allow relief to be claimed on properties that have been vacant for longer than six months.

#### **3.3 Other Areas for Information**

- 3.3.1 An emerging issue has been identified relating to the settlement of equal pay claims. Due to ongoing negotiations, no figures have yet been included in the budget forecasts for this issue.
- 3.3.2 As indicated above, managers are already taking action to minimise the overall net impact on HRA working balances. This includes identifying where there is scope for efficiencies without detriment to public service delivery, and capitalisation of specific costs. Managers must continue to rigorously assess areas in which further efficiencies can be achieved to manage forecast

overspends within the overall budget. Particular attention should be given to management of the employee establishment.

### **3.4 HRA Capital Programme Reserve**

- 3.4.1 The opening balance on the Capital Programme Reserve for 2009/10 is £7m.
- 3.4.2 The Reserve has been set aside to fund future Capital Programmes and is considered prudent in order to support the delivery of the outcomes of the HRA Asset Management Strategy and the HRA Business Plan.

### **3.5 Leaseholder Capital Works Reserve**

- 3.5.1 The opening balance on the Leaseholder Capital Works Reserve for 2009/10 is £1m.
- 3.5.2 The Reserve was set up in 2007/08 (see Cabinet Report 26<sup>th</sup> June 2008), in anticipation of the requirement for a sinking fund or similar mechanism to account for changes made for capital works and the actual costs of Capital repairs. A Leaseholder charging review is being undertaken and will be subject to a separate report when complete.

### **3.6 HRA Working Balances**

- 3.6.1 The opening HRA Balance for 2009/10 is -£6,124k. The forecast Outturn for the year is -£5,156k, showing a net decrease to the Working Balance of £968k. This represents a decrease of £1,051k from the budgeted increase of £83k (see Appendix 1). This is summarised in the table below. The forecast Outturn position will be subject to continued and increasing scrutiny as the financial year progresses and more detailed analysis is possible.

**Table 1 HRA Working Balances**

	<b>Revised £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>
Opening Balance	(6,124)	(6,124)	
Net Trnfer (to) / from wrk balances	(83)	968	1,051
<b>Working Balance C/Fwd</b>	<b>(6,207)</b>	<b>(5,156)</b>	<b>1,051</b>

### **3.7 Choices(Options)**

- 3.7.1 Cabinet is invited to note the report and the actions being taken to contain net expenditure to minimise the impact on the HRA's working balances at the end of the financial year.
- 3.7.2 Options for further constraining expenditure without detriment to front line service delivery must be considered corporately to address the projected net overspend.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 Appendix 1 shows that the controllable revenue budget is forecast to be overspent by £1,051k.

### **4.2 Resources and Risk**

4.2.1 This report informs the Cabinet of the provisional HRA budget outturn as at the end of June 2009.

4.2.2 There will be an ongoing impact on future year budgets of not delivering services or overspending budgets.

### **4.3 Legal**

4.3.1 There are no specific legal implications arising from this report.

### **4.4 Equality**

4.4.1 Not applicable

### **4.5 Consultees (Internal and External)**

4.5.1 Chief Executive, Directors, Corporate Mgrs, and Budget Managers have been consulted.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Monthly budget monitoring relates to improving the CPA Use of Resources score, which contributes to the priorities of continuing to improve our weakest services and continuing to strengthen our financial management.

### **4.7 Other Implications**

4.7.1 Not applicable

## **5. Background Papers**

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### **5.1 Cabinet Reports**

- 29 June 2009 HRA Budget Outturn Position 2008/09
- 05 Aug 2009 HRA Budget Monitoring 2009/10 – Position at 31<sup>st</sup> May 2009

**Isabell Procter, Corporate Director, ext 8757**

## **CABINET REPORT**

### **SIGNATORIES**

<b>Report Title</b>	<b>HRA REVENUE BUDGET MONITORING 2009/10 – POSITION AS AT THE END OF JUNE 2009</b>
<b>Date Of Call-Over</b>	

**Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.**

<b>Name</b>	<b>Signature</b>	<b>Date</b>	<b>Ext.</b>
<b>Monitoring Officer or Deputy</b>			
<b>Section 151 Officer or Deputy</b>			