



CABINET REPORT

Report Title	HOUSING REVENUE ACCOUNT BUDGET MONITORING 2009/10 – POSITION AS AT 31st OCTOBER 2009
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	16 December 2009
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr D Perkins
Ward(s)	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 £160k on the Net Cost of Services.
- 2.2 Cabinet to approve the virement of £1m from the Contribution to Earmarked Reserves to the Property Maintenance Service, to support the current level of service being delivered to tenants.

3. Issues and Choices

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 £160k 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 staffing structure of the Housing Service has been undertaken. There has been no overall net increase in the cost of services.
- 3.2.4 HRA Subsidy & Dwelling Rent Income – net forecast underspend of £41k. The Current Budget figures reflect the Council's decision to reduce the approved rent increase (5.65% average) and implement a lower increase (approx' 2.82% average) from May 2009 in light of the Governments announcements post budget setting. The impact is lower than budgeted rental debits due of £910k, offset by a reduction in the amount of HRA negative subsidy payable to CLG £1,113k. The net difference is also due to Right to Buy sales dropping off and lower void loss than budgeted. The Dwelling Rent income and Void Loss monitoring is attached at Appendix 2 in graphical format.
- 3.2.5 Repairs and Maintenance – forecast overspend of £440k. This forecast assumes that the virement of £1m from the Contribution to Earmarked Reserves is approved. It 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. This issue is currently being considered as part of the future years budget process in order to determine an appropriate level of budget required to deliver the repairs and maintenance service.
- 3.2.6 General Management – forecast overspend of £15k. This represents an increase of £21k to the previously reported forecast underspend of £6k. This forecast includes the additional costs involved in the relocation of Housing staff and the savings that have resulted from vacant posts.
- 3.2.7 Special Services – forecast underspend of £305k. This forecast primarily relates to employee cost savings across the service that have occurred as a result of vacant posts and lower than expected pension contributions. In

addition, there has been a decrease in the running costs in relation to Community Rooms and Brer Court that corresponds to a reduction in the levels of usage.

- 3.2.8 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 Property Maintenance and the management of the employee establishment.
- 3.3.3 Management anticipate a reduction in the Contribution to Earmarked Reserves of £1m in order to maintain a balanced budget in the current year. However, it should be noted that this reduction may impact upon future years capital programmes and could potentially lead to an increase in borrowing to fund the ongoing HRA Capital Programme.

3.4 HRA Working Balances and Reserves

- 3.4.1 The HRA Working Balances and Reserves are summarised in Table 1 below.

Table 1 – HRA Working Balances and Reserves

HRA Balances on Account	Balance 31.3.09 £'000
HRA Working Balance	6,124
HRA Capital Programme Earmarked Reserve	7,000
HRA Leaseholders Earmarked Reserve	1,000
HRA PFI Reserve	175
TOTAL HRA BALANCES	14,299

- 3.4.2 **Capital Programme Reserve:** The opening balance for 2009/10 is £7m. 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. The Cabinet meeting of the 5th August 2009, (Report Item 13), approved a further £100k to

be made available from the HRA Capital Programme Earmarked Reserve to support the next stage of the PFI process. See 3.4.4 below.

- 3.4.3 **Leaseholder Capital Works Reserve:** The opening balance for 2009/10 is £1m. The Reserve was set up in 2007/08 (see Cabinet Report 26th 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.
- 3.4.4 **HRA PFI Reserve:** The opening balance for 2009/10 is £175k. The reserve was set-aside in 2008/09 to support the work towards the PFI bid to Government for PFI credits to enable transformational change to part of the HRA stock. This reserve has been increased to £275k, (see 3.4.2 above).
- 3.4.5 **HRA Working Balance:** The opening balance for 2009/10 is -£6,124k. The forecast Outturn for the year is -£6,250k, showing a net increase to the Working Balance of £126k. This represents an decrease of £160k from the budgeted increase of £286k (see Appendix 1). This is summarised in Table 2 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 2 HRA Working Balances

	Revised £000	Forecast £000	Variance £000
Opening Balance	(6,124)	(6,124)	
Net Transfer (to)/from Working Bal'	(286)	(126)	160
Working Balance C/Fwd	(6,410)	(6,250)	160

3.5 Choices (Options)

- 3.5.1 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.
- 3.5.2 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)

4.1 Policy

- 4.1.1 Appendix 1 shows that the controllable revenue budget for the HRA is forecast to be overspent by £160k.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the provisional HRA budget outturn as at the end of October 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

5.1 Cabinet Reports

- 29 June 2009 HRA Budget Outturn Position 2008/09
- 05 Aug 2009 HRA Budget Monitoring 2009/10 – Position at 31st May 2009
- 23 Sep 2009 HRA Budget Monitoring 2009/10 – Position at 30th June 2009
- 14 Oct 2009 HRA Budget Monitoring 2009/10 – Position at 31st July 2009
- 04 Nov 2009 HRA Budget Monitoring 2009/10 – Position at 31st Aug 2009
- 25 Nov 2009 HRA Budget Monitoring 2009/10 – Position at 31st Oct 2009

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