

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	Monday 30th July 2012
3.	Title:	Housing Revenue Account Budget Monitoring Report 2012/13
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

This report presents the forecast outturn position on the 2012/13 Housing Revenue Account (HRA) based upon activity as at the end of June 2012.

The overall forecast is that the HRA will outturn on budget with a transfer to working balance (reserves) of £1.877m which is a minimal increase of £39k above the approved budget.

6. Recommendations

- **That cabinet member receives and notes the latest financial projection.**

7. Proposals and Details

- 7.1 This budget report is based upon actual income, expenditure and known commitments as at the end of June 2012 forecast to the end of the financial year to give a projected outturn position, compared to budget.
- 7.2 Appendix A of this report provides the Budget Operating Statement for 2012/13 which shows the various income and expenditure budgets lines which make up the net cost of delivering the service. The latest forecast net cost of service is £2.802m which, together with interest received will result in an overall surplus of £39k to be transferred to Working Balance.
- 7.3 Within the Operating Statement are several budget heads which are either year end adjustments (for example debt management costs £222k) or are subject to external influence and therefore outside direct control, (for example cost of capital charges £14.046m).
- 7.4 Budget Monitoring is therefore focussed upon expenditure and income which is within control, i.e. income of £73.327m, the repair and maintenance budget of £17.438m and supervision and management of £19.365m. Other budget heads as seen within Appendix A are currently being forecast to outturn in line with budget.

7.5 Budget Monitoring

- 7.5.1 Appendix A, column B demonstrates the projected outturn based upon activity to the end of June 2012.
- 7.5.2 Overall it can be seen that the net cost of service is forecast to be £2.802m, a slight surplus of £39k as shown in the table below.

	Budget £000	Forecast £000	Variance £000
Expenditure	70,564	70,833	269
Income	-73,327	-73,635	-308
Net Cost of Service	-2,763	-2,802	-39

- 7.5.3 Several of the budget lines within income and expenditure are forecasting to outturn with a variance to budget. The table below highlights these budgets

	Budget £000	Forecast £000	Variance £000
Supervision and Management	19,365	19,633	268

Rent, Rates, Taxes	77	78	1
Income	-73,327	-73,635	-308
Net Variance			-39

7.5.4 It can be seen that the forecast overspend on supervision and management of £268k, is being offset by an increase in income of £308k.

7.5.5 The balance of this report will focus on the main variations to budget.

7.6 Expenditure

Column B of Appendix A demonstrates that based upon expenditure and commitments to date, total expenditure is forecast to outturn at £70.833m compared to a budget provision of £70.564m, an increase in spend of £269k. The major variations are as follows:

7.6.1 Contributions to Housing Repairs

Appendix A demonstrates that the forecast year-end spend on Repairs and Maintenance is currently on budget at £17.438m.

7.6.2 Previous reports have identified that the empty homes budget is difficult to forecast as this is a very responsive service. The original budget has been set around an estimated 1,600 minor voids in year and is currently running slightly behind this. However, it is considered prudent to forecast on budget, as it is known that empty homes tend to increase over the winter period.

Planned works are currently underway to address back log batched repairs and plastering, and in addition, schemes are currently being drawn up to address fencing, boundary walls and associated works within the deprived neighbourhoods. It is anticipated that planned work expenditure will be contained within budget provision.

7.6.3 Supervision and Management

Column B of Appendix A demonstrates that based upon expenditure and commitment to date, total expenditure is forecast to outturn at £19.633m, a forecast overall overspend of £268k.

The main variance is a forecast overspend of £280k on the purchase of furniture within the Furnished Homes Service. However, this is offset by increased income from additional charges generated as more clients take up the option of this service (see paragraph 7.7.3).

7.6.4 There is also a minor overspend on the Rent, Rates and taxes budget (+£1k) in respect of garage rents.

These overspends are being reduced by a number of savings due to vacancies across the service.

7.7 Income

7.7.1 Column B of Appendix A shows that based upon income received to date the total forecast income collectable is £73.635m an increase of £308k over and above the approved budget of £73.327m.

7.7.2 Dwelling rental income is projected to budget, however, non-dwelling rents are forecasted to under recover against budget by £41k due to garage voids. A programme of repair has been started in an effort to reduce the numbers of garages which are void.

7.7.3 Income from charges for services and facilities are forecasting an outturn of £3.650m, an over recovery of income of £345k. This is mainly due to additional income due to the continued growth of the Furnished Homes scheme offsetting the increase in expenditure reported above in 7.6.3.

7.8 Summary

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of £39k when comparing the forecast net cost of service against the budget of £2.763m is due to variances within supervision and management together with additional income.

8. Finance

Impact on Working Balance - The report identifies that any deficit or surplus arising from the net cost of service will be transferred to the Working Balance which is reflected through the Appropriations section of the Operating Statement at Appendix A. Any forecast increase/decrease will be added to the budgeted sum shown under transfer to reserves.

Based upon the current forecast out-turn position on the net cost of service, the forecast transfer to balances will increase from £1.838m up to £1.877m, an increase of £39k. The increased contribution will be utilised to help address budget pressures in the earlier years of the 30 year Business Plan.

9. Risks and Uncertainties

- **Inflation – Non Contractual** –The 2012/13 budget was formulated around an inflation assumption of nil; if inflation rises costs may exceed

budget provision. It should be noted that the inflationary increase on the repair and maintenance contract is locked in for the financial year at 3.8 % and this has been provided for within the budget set.

Mitigation: Ongoing monitoring

- **Vacancy Factor**

Salaries budgets assume various levels of vacancies. If vacancies do not arise this could lead to salary costs in excess of budget.

Mitigation: In depth monitoring and forecasting of salary budgets.

- **Repair and Maintenance Voids.** Whilst the current empty home forecast is considered to be a prudent projection based upon 1,600 minor voids, it should be noted that the final number of voids received and completed in year could change. Any change in numbers or values will impact on expenditure.

Mitigation: Ongoing monitoring and triangulation with contractors. Any forecast increase in expenditure will be offset by a reduction in planned revenue works.

- **Rental Income**

Net rental income has been calculated on the basis of 2% void loss. Any increase / decrease on the actual levels of voids will impact on the level of income achieved.

Mitigation: Ongoing monitoring.

10. Policy and Performance Agenda Implications

10.1 The HRA supports the new Corporate Plan Priorities and is central to the long term strategy:

- Making sure no community is left behind.
- Helping to create safe and healthy communities.
- Improving the environment.

11. Background Papers and Consultation

- Budget and Council Tax Setting Report (2012/13) to Cabinet Member February 2012
- Director of Finance and Director of Housing and Neighbourhood Services have been consulted on the preparation of this report.

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