

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	Monday, 12th November, 2012
3.	Title:	Housing Revenue Account Budget Monitoring 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 September 2012.

The overall forecast is that the HRA will outturn on budget with a transfer to Working Balance (reserves) of £2.501m which is an increase of £663k above the approved budget.

6. Recommendations

- **That the 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 September 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 an underspend of £3.426m which, together with interest received will result in a surplus over the approved budget of £2.763m which will result in an additional sum of £663k 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 September 2012.

7.5.2 Overall it can be seen that the net cost of service is forecast to be -£3.426m, a surplus of £663k as shown in the table below.

	Budget £000	Forecast £000	Variance £000
Expenditure	70,564	70,692	128
Income	-73,327	-74,118	-791
Net Cost of Service	-2,763	-3,426	-663

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	19,532	167
Rent, Rates, Taxes	77	38	-39
Income	-73,327	-74,118	-791
Net Variance			-663

7.5.4 It can be seen that the forecast overspend on supervision and management of £167k, is being offset by an increase in income of £791k.

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 £70.692m compared to a budget provision of £70.564m, an increase in spend of £128k. 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.

Previous reports have highlighted the difficulty in forecasting the empty homes budget given the responsive nature of the service. The original budget was based on an estimated 1,600 minor voids in year. The actual number of voids to quarter 2 was 72 below the sum budgeted. This equates to 3.3 per week on average. As a result the forecast spend would be below budget. However, this is a responsive budget, and in the light of the out turn for 2011/12, and a recent surge in numbers, the forecast is currently to budget. Close monitoring is ongoing and alternative works are being prepared which can be released at short notice to take up savings on this head.

Negotiations are almost complete on the rebasing of the Price Per Property (PPP) for 2012/13 within Repairs and Maintenance contract. As a result of efficiencies delivered by both contractors in 2011/12, it is anticipated that savings in the region of £500k will be delivered.

Work is now being scoped to take up the likely additional budget now available. This work will focus on external works such as paths, boundary walls and estate led works. However, the completion of these works is very weather dependent, and there is a risk that they will not be completed within this financial year. This position is being monitored and an update will be provided on an ongoing basis.

In addition a bad weather contingency of £200k is in place, and will be reviewed on an ongoing basis.

Any under spend which may occur within the repair and maintenance budget will be carried forward into 2013/14 through the Working Balance to address investment issues identified within the investment requirements in the 30 Year Business Plan.

7.6.2 Supervision and Management

Column B of Appendix A demonstrates that based upon expenditure and commitment to date, total expenditure is forecast to outturn at £19.533m, a forecast overall overspend of £167k.

The main variance is a forecast overspend of £462k 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. As income increases, this allows us to make provision to provide additional furniture in the future. The scheme currently has 2,451 customers, an increase of 534 since the beginning of the year. (see paragraph 7.7.3).

The increase in spend on additional furniture has been offset by savings elsewhere within Supervision and Management. A robust review of centrally held budgets has been undertaken, and savings released where it is apparent that full budget spend will not be achieved.

These savings, together with salary savings arising due to vacancies, has offset the increased spending on additional furniture, resulting in the net overspend of £167kS

- 7.6.3** There is also a forecast underspend on the Rent, Rates and taxes budget (-£39k) in respect of lower Council Tax charges on Void properties.

The overspend is being further reduced by a number of savings due to vacancies across the service and an ongoing review with budget holders of current budget provisions

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 £74.118m an increase of £791k over and above the approved budget of £73.327m.

- 7.7.2** Dwelling rental income is projecting a slight over recovery of £269k due to an improvement in void turnaround rates, however, non-dwelling rents are forecasted to under recover against budget by £36k 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 £3.828m, an over recovery of income of £522k. 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 7.6.2.

7.8 Summary

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of £663k 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 to £2.501m, an increase of £663k. The increased contribution will be utilised to help address budget pressures in the earlier years of the 30 year Business Plan.

HRA Business Plan

Previous reports have identified the establishment of the HRA 30 Year Business Plan which has been formulated in line with requirements set out in the Self Financing Initiative implemented on the 1st April 2012. The current financial year is Year 1 of the Business Plan. Any changes in income and/or expenditure during 2012-13 will have a bearing on the Business Plan, as will any changes in interest rates on loans, and void levels.

All savings/increased costs identified during this financial year are assessed to determine if they will have an ongoing impact across the whole 30 years, or just a one off impact in year.

Based upon activity to date, whilst some of the savings identified are of an ongoing nature, it is anticipated that increased costs arising in future years as a result of the introduction of welfare reform could offset any long term benefit to the Business Plan.

Accordingly, the £663k forecast increase in Working Balance will be treated as a one off gain, and will be utilised to address the funding pressures which occur in the early years of the 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

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
- Housing Rents Increase 2012-13
- Director of Finance and Director of Housing and Neighbourhood Services have been consulted on the preparation of this report.

Contact Name:

Maureen Gatt, Finance Director, Neighbourhoods & Adult Services, RMBC (ext: 2288, email Maureen.gatt@rotherham.gov.uk)

Mark Scarrott, Finance Manager, Neighbourhoods and Adult Services, Financial Services, Business Partnering, ext: 22007, email mark.scarrott@rotherham.gov.uk