

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	Monday 15th July 2013
3.	Title:	Housing Revenue Account Budget Monitoring Report 2013/14
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

This budget monitoring report presents the forecast outturn position on the 2013/14 Housing Revenue Account (HRA) based upon actual income and expenditure to the end of May 2013.

The overall forecast is that the HRA will outturn on budget with a transfer from working balance (reserves) of £2.604m which is a minimal increase of £5k above the approved budget.

6. Recommendations

- **That cabinet member receives and notes the latest financial projection against budget for 2013/14.**

7. Proposals and Details

- 7.1 This budget report is based upon actual income, expenditure and known commitments as at the end of May 2013 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 2013/14 which shows the various income and expenditure budget lines which make up the net cost of delivering the service. The latest forecast net cost of service is £5.808m which, together with RCCO costs will result in an overall deficit of £2.604k to be transferred from 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 £14.602m).
- 7.4 Budget Monitoring is therefore focussed upon expenditure and income which is within control, i.e. income of £78.904m, the repair and maintenance budget of £17.996m and supervision and management of £20.065m. 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 May 2013.
- 7.5.2 Overall it can be seen that the net cost of service is forecast to be £5.808m, a slight deficit of £5k as shown in the table below.

	Budget £000	Forecast £000	Variance £000
Expenditure	73,091	73,080	-11
Income	-78,904	-78,888	16
Net Cost of Service	-5,813	-5,808	5

- 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	20,065	20,054	-11
Income	-78,904	-78,888	16
Net Variance			5

7.5.4 It can be seen that the forecast under spend on supervision and management of £11k, is being offset by a decrease in income of £16k.

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 £73.080m compared to a budget provision of £73.091m, a decrease in spend of £11k. The main 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 £17.996m.

7.6.2 The empty homes budget is difficult to forecast as this is a very responsive service. The original budget has been set around an estimated 1,500 minor voids in year and is currently running in line with this. At this early stage in the year, it is considered prudent to forecast on budget.

An overspend is anticipated in Responsive area due to a rebasing of the tendered rates for price per property. However this can be contained within the overall Housing Repairs budget with a reduction to planned works.

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 £20.054m, a forecast overall under spend of £11k.

The main variance is a forecast under spend of £11k within the Sheltered Neighbourhood Centres budget. This is offset by decreased income from clients within the same cost centre (see paragraph 7.7.3). This is due to tenants opting out of the laundry charge due to having their own facilities and increased void loss on sheltered accommodation.

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 £78.888m a decrease of £16k below the approved budget of £78.904m.
- 7.7.2** Dwelling rental income is projected to budget, however, non-dwelling rents are forecasted to under recover against budget by £5k due to lower income on way leaves and garage plots.
- 7.7.3** Income from charges for services and facilities are forecasting an outturn of £3.589m, an under recovery of income of £13k. This is mainly due to reduced income from clients using Sheltered Neighbourhood Centres services offsetting the decrease in expenditure reported above in 7.6.3. This is due to tenants opting out of the laundry charge due to having their own facilities and increased void loss on sheltered accommodation.

7.8 Summary

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of £5k when comparing the forecast net cost of service against the budget of £5.813m is due to variances within supervision and management together with reduced 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 from balances will increase from £2.599m up to £2.604m, an increase of £5k. The increased contribution from reserves is required to fund expenditure due to the lower level of income anticipated.

9. Risks and Uncertainties

- **Inflation – Non Contractual** –The 2013/14 budget was formulated around an inflation assumption of nil (except on utilities); 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 2.6 % 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 1,500 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.

- **Impairment of Fixed Assets**

HRA Self Financing legislation has resulted in the costs of impairment/revaluation of non-dwellings becoming a real charge to be met by the HRA. This figure cannot be calculated until year end after the asset register has been fully updated. In 2012-13 the impairment charge was £646k.

Mitigation: Action is being taken to review the management of expenditure on non-dwellings assets to minimise the risk of impairment charges to the HRA. Advice is also being obtained via CIPFA as this is a real issue affecting many other local authorities.

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 (2013/14) to Cabinet February 2013

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

Contact Name:

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