

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	Monday 2nd September 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 July 2013.

The overall forecast is that the HRA will outturn on budget with a transfer from working balance (reserves) of £2.438m which is a reduction of £161k against 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 July 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 £5.974m which, together with Revenue Contribution to Capital (RCCO) costs of £8.437m and interest received (-£25k) will result in an overall deficit of £2.438k 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 July 2013.
- 7.5.2 Overall it can be seen that the net cost of service (before RCCO and interest received) is forecast to be £5.974m, a surplus of £161k as shown in the table below.

	Budget £000	Forecast £000	Variance £000
Expenditure	73,090	73,042	-48
Income	-78,903	-79,016	-113
Net Cost of Service	-5,813	-5,974	-161

- 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
Housing Repairs	17,996	17,940	-56
Supervision and Management	20,065	20,073	8
Income	-78,903	-79,016	-113
Net Variance			-161

7.5.4 It can be seen that the forecast over spend on supervision and management of £8k, is being offset by an increase in income of £113k together with an under spend on the repairs budget.

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 £73.042m compared to a budget provision of £73.090m, a decrease in spend of £48k. 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 forecasting an overall slight under spend of £56k against a budget of £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. At the end of quarter 1 there were 16 more completions than budgeted.

There is an overall forecast overspend at this stage on cyclical works mainly around fixed wire testing and gas servicing. This is offset by forecast under spends within Responsive repairs and Planned works budgets. Fluctuations in overhead costs due to additional capital works during the year is also resulting in a forecast under spend within revenue repairs budgets.

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 £20.073m, a forecast overall over spend of £8k.

The main variance is a minor over spend of £8k mainly due to lower than expected staff turnover..

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 £79.016m an increase of £112k above the approved budget of £78.903m.

7.7.2 Dwelling rental income is projected to over recover by £86k, after allowing for 2% loss of income. 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 £12k. This is mainly due to reduced income from clients using Sheltered Neighbourhood Centres services as tenants opting out of the laundry charge due to having their own facilities.

7.7.4 Other fees and charges is forecasting an over recovery of income of £44k against budget, which relates to additional unbudgeted income in respect of the sale of Tenants contents insurance and from utility companies for use of solar panels.

7.8 Summary

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of £161k when comparing the forecast net cost of service against the budget of £5.813m is due to variances within the Housing repairs budget together with over recovery of 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 reduce from £2.599m up to £2.438m, an reduction of £161k. The reduction in contribution from reserves is a result of an increase in the 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.

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