

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

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| 1. | Meeting: | Cabinet Member for Safe and Attractive Neighbourhoods |
| 2. | Date: | Monday 1st September 2014 |
| 3. | Title: | Housing Revenue Account Budget Monitoring Report 2014/15 |
| 4. | Directorate: | Neighbourhoods and Adult Services |

5. Summary

This budget monitoring report presents the forecast outturn position on the 2014/15 Housing Revenue Account (HRA) based upon actual income and expenditure to the end of June 2014.

The overall forecast is that the HRA will outturn on budget with a transfer from working balance (reserves) of £1.393m which is a reduction of £46k against the approved budget.

6. Recommendations

- **That Cabinet Member receives and notes the latest financial projection against budget for 2014/15.**

7. Proposals and Details

- 7.1 This budget report is based upon actual income, expenditure and known commitments as at the end of June 2014 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 2014/15 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 -£7.049m which, together with Revenue Contribution to Capital (RCCO) costs of £8.513m and interest received (-£70k) will result in an overall deficit of £1.393m 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 £210k) or are subject to external influence and therefore outside direct control (for example cost of capital charges £14.492m).
- 7.4 Budget Monitoring is therefore focussed upon expenditure and income which is within control, i.e. income of £82.509m, the repair and maintenance budget of £19.072m and supervision and management of £20.652m. 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 2014.
- 7.5.2 Overall it can be seen that the net cost of service (before RCCO and interest received) is forecast to be -£7.049m, a surplus of £46k as shown in the table below.

| | Budget £000 | Forecast £000 | Variance £000 |
|----------------------------|------------------------|--------------------------|--------------------------|
| Expenditure | 75,506 | 75,460 | -46 |
| Income | -82,509 | -82,509 | 0 |
| | | | |
| Net Cost of Service | -7,003 | -7,049 | -46 |

- 7.5.3 At this early stage of the financial year most budget lines within income and expenditure are forecasting to budget. Only supervision and management is forecasting a variance 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 £75.460m compared to a budget provision of £75.506m, a decrease in spend of £46k. 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 to budget of £19.072m.

The empty homes budget is difficult to forecast as this is a very responsive service. The original budget has been increased to an estimated 1,700 minor voids in year, an increase of approximately 200 compared with last year. At the end of quarter 1 there were 38 less completions than budgeted. However, the actual number of voids completed is increasing due to the impact of the Welfare Reform as tenants transfer to smaller properties.

There is a slight overspend at this stage on planned works mainly around damp-proofing works and fluctuations in overhead costs due to additional revenue works. This is offset by forecast under spends within Responsive repairs and Empty Homes due to additional income from tenant recharges.

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 £20.606m, a forecast overall under spend of £46k, 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 to budget at £82.509m. There are no variations to report at this stage.

7.8 Summary

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of -£46k when comparing the forecast net cost of service against the budget of £7.003m is due to variances within the Supervision and Management. . **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 £1.439m to £1.393m, a reduction of £46k. The reduction in contribution from reserves is a result of an under spend within supervision and management.

9. Risks and Uncertainties

- **Inflation – Non Contractual** –The 2014/15 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 2.7 % 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 2013-14 the impairment charge was £16k and the revaluation of Fixed Assets was a credit of £482k.

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 (2014/15) to Cabinet February 2014
- Director of Finance and Director of Housing and Neighbourhood Services have been consulted on the preparation of this report.

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