

## ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods</b>
2.	<b>Date:</b>	<b>Monday 2<sup>nd</sup> February 2015</b>
3.	<b>Title:</b>	<b>Housing Revenue Account Budget Monitoring Report 2014/15</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods and Adult Services</b>

### 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 December 2014.

The overall forecast is that the HRA will outturn on budget with a transfer to working balance (reserves) of £0.693m which is a reduction of £2.133m 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 quarter 3, 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 -£9.136m which, together with Revenue Contribution to Capital (RCCO) costs of £8.513m and interest received (-£70k) will result in an overall surplus of £0.693m 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 £210k) or are subject to external influence and therefore outside direct control (for example cost of capital charges £14.492m). These forecasts have been updated for quarter 3.
- 7.4 Budget Monitoring is therefore mainly 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.

### 7.5 Budget Monitoring

- 7.5.1 Appendix A, column B demonstrates the projected outturn based upon activity for quarter 3 for the period ending December 2014.
- 7.5.2 Overall it can be seen that the net cost of service (before RCCO and interest received) is forecast to be -£9.136m, a surplus of £2.133m as shown in the table below.

	<b>Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>
Expenditure	75,506	73,578	-1,928
Income	-82,509	-82,714	-205
<b>Net Cost of Service</b>	<b>-7,003</b>	<b>-9,136</b>	<b>-2,133</b>

### 7.6 Expenditure

Column B of Appendix A demonstrates that based upon expenditure and commitments to date, total expenditure is forecast to outturn at

£73.578m compared to a budget provision of £75.506m, a decrease in spend of £1.928m. 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 now forecasting an underspend of £651k against the 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 November there were 143 less completions than budgeted. Those tenants who requested a transfer due to the spare room supplement have now done so. This together with faster void turnaround times is resulting in a forecast underspend on the empty homes budget.

Also a review of risks and contingencies within planned and responsive repairs budgets is also resulting in an overall forecast underspend.

#### **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 £19.450m, a forecast overall under spend of £1.202m, mainly due to higher than expected staff turnover within Contract & Service Development, Housing Options and Strategic housing teams, savings on utility costs within District Heating schemes and a reduction in supplies and services due to the moratorium on non-essential spend.

#### **7.6.2 Cost of Capital Charge**

The latest forecast cost of capital charge is £80k less than budgeted due to the timing of borrowing and lower than anticipated interest rates.

#### **7.6.3 Debt Management Costs**

The costs incurred in managing the HRA debt is forecast to be slightly higher than budgeted (+£5k).

### **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 £82.714m against a budget of £82.509m, an over recovery of income of £205k.

**7.7.2** Dwelling Rent income is forecast to over recovery by £250k due to fewer Right to Buy sales than anticipated at this stage of the year and a

faster turnaround of void properties is resulting in more income than budgeted.

- 7.7.3** Non Dwelling rent income is forecasting an under recovery of income of £67k in respect of budgeted income for three properties which have subsequently been identified as non HRA properties plus an increase in garage voids resulting in a reduction in income.
- 7.7.4** The over recovery of income on Other Fees and Charges relates to income from the disposal of housing land and an increase in the reimbursement of court costs.

## **7.8 Summary**

In summary it can be seen in foregoing paragraphs 7.6 and 7.7 that the variance to budget of -£2.133m when comparing the forecast net cost of service against the budget of £7.003m is mainly due to variances within the Supervision and Management, housing repairs and an overall increase in 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 and after taking account of interest received and contributions to capital programme, there will be a forecast transfer to reserves of £0.693m, a reduction of £2.133m from the approved budget. This is as a result of an under spend within repairs and supervision and management plus additional income.

## **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 1,700 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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