

To: HOUSING AND SOCIAL WORK SERVICES COMMITTEE	Subject: 2008/09 BUDGET MONITORING REPORT
From: HEAD OF HOUSING AND SOCIAL WORK RESOURCES	1 APRIL – 20 JUNE 2008 (PERIOD 3)
Date: 20 AUGUST 2008	Ref: RP/UC/IP
HOUSING REVENUE ACCOUNT	

1. Introduction

The purpose of this report is to advise Committee on the overall financial position of the Housing Revenue Account for the period 1 April to 20 June 2008. Actual expenditure and income against estimates for the year to date and on the projected outturn are shown, with explanations of the more significant variances. The report also seeks approval for the use of the 2007/08 Housing Revenue Account surplus.

2. Executive Summary of Financial Position

- 2.1 The net expenditure for the year-to-date shows an underspend of £230,591. The projected outturn indicates an underspend of £800,000 at the year-end. This is a favourable movement of £47,000 from the previous report and is mainly due to anticipated savings within void rent loss combined with an over-recovery of rental income.
- 2.2 The projected surplus of £800,000 in the current year provides an opportunity to redirect resources to other service priorities.
- 2.3 It is proposed to reduce budget provision for void rent loss by £400,000 and to use this saving to increase the budget for housing repairs.
- 2.4 The council is currently awaiting the outcome of negotiations for the new energy supply contract, with early indications that costs will rise by around £400,000 during 2008/09. The remaining surplus will provide for this increase.
- 2.5 Budget pressures within housing repairs, predominantly related to void repair costs, are currently under investigation. These pressures, combined with the ongoing risk and uncertainty associated with the new operational arrangements within MPC, including the revised schedule of rates, may require further virement in the coming months.

3. Explanation of Major Outturn Variances

- 3.1 Appendix 1 outlines the Service's performance against budget; however a summary of the major variances within each division is outlined in Table 1 below.
- 3.2 **Service Overview (Table 1)**

Service Division	Outturn Position (£s)	Analysis
Property Costs	£644,000 Underspend	Underspend within void rent loss.
Income	£156,000 Over-recovery	Rental income is forecast to be over-recovered due to a reduction in right to buy sales.
Total	£800,000 Underspend	

4. Service Efficiency Measures

- 4.1 Early indications show a reduction in right to buy applications. Should this trend continue, the lower than budgeted level of house sales could result in additional rental income. This will continue to be kept closely under review.

5. Use of Surplus Balances

5.1 The cumulative surplus as at 31 March 2008 amounted to £4.098m, subject to final audit verification. In accordance with its long-term budget strategy for the Housing Revenue Account, it is the Council's policy to maintain a reserve of £1.2m. When account is taken of this reserve, together with funding previously earmarked for the New Build Programme, the debt recovery process and the development of the Common Housing Register and allocation policy, the level of resources available for consideration amounts to £1.950m.

5.2 Key priorities have been identified for one off additional funding in 2008/09 and Committee approval is sought to allocate the available resources as follows:

- i) Increase the Revenue Contribution to the Capital Programme by £1m, predominantly to fund additional heating installations and electrical rewires. This would enable the Council to continue its programme of replacing obsolete, inefficient electric systems and help bring the age profile of gas central heating systems within their recommended lifespan;
- ii) Increase the budget for housing repairs by £800,000; and
- iii) Provision of £150,000 for the one-off costs associated with the recently approved Housing Services restructure.

6. Financial Concurrence

6.1 The Executive Director of Finance and Customer Services concurs with the financial information contained within this report and has been fully involved in its preparation.

7. Recommendation

It is recommended that the Housing and Social Work Services Committee:

- i) approve virement of £400,000 from the void rent loss budget in the current year to housing repairs (as outlined in paragraph 2.3 of this report);
- ii) approve the use of the surplus brought forward from 2007/08 as detailed in section 5;
- iii) remit these proposals to the Policy and Resources Committee for approval; and
- iv) otherwise note the contents of this report.



R Paul
Head of Housing and Social Work Resources
7 August 2008

Enc.

For further information on this report please contact Ian McCulloch, Housing and Social Work Services Accountant on telephone 01698 332776.

FINANCIAL MONITORING REPORT **DIVISION :** **HOUSING REVENUE ACCOUNT SUMMARY**
1 April 2008 to 20 June 2008 (P3) **Cost Centre:** **HRA (H1)**
COMMITTEE: HOUSING & SOCIAL WORK SERVICES

LINE NO. (1)	DESCRIPTION (2)	BUDGET TO DATE (3)	ACTUAL TO DATE (4)	YEAR TO DATE VARIANCES (5)		ANNUAL BUDGET (6)	PROJECTED OUTTURN (7)	PROJECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)	
		£	£	£		£	£	£				
1.	EMPLOYEE COSTS	3,137,955	3,091,979	45,976	Underspend	14,700,751	14,700,751	0	On Target			
2.	PROPERTY COSTS	9,773,572	9,624,957	148,615	Underspend	44,362,146	43,718,146	644,000	Underspend	1.45%	Void Rent loss saving.	
3.	SUPPLIES AND SERVICES	1,316,411	1,316,411	0	On Target	3,869,580	3,869,580	0	On Target			
4.	TRANSPORT & PLANT	260,708	260,708	0	On Target	1,585,504	1,585,504	0	On Target			
5.	ADMINISTRATION COSTS	229,378	229,378	0	On Target	3,085,187	3,085,187	0	On Target			
6.	PAYMENTS TO OTHER BODIES	82,391	82,391	0	On Target	569,437	569,437	0	On Target			
7.	OTHER COSTS	0	0	0	On Target	0	0	0	On Target			
8.	APPORTIONED EXPENSES	0	0	0	On Target	4,550,555	4,550,555	0	On Target			
9.	CAPITAL FINANCING CHARGES	0	0	0	On Target	18,576,000	18,576,000	0	On Target			
10.	C.F.C.R.	0	0	0	On Target	9,663,000	9,663,000	0	On Target			
11.	TOTAL EXPENDITURE	14,800,415	14,605,824	194,591	Underspend	100,962,160	100,318,160	644,000	Underspend	0.64%		
12.	FEES AND CHARGES	1,011,924	1,012,616	692	Over-recovery	4,400,803	4,403,803	3,000	Over-recovery	0.07%	Court Fees.	
13.	RENTS	14,670,052	14,705,360	35,308	Over-recovery	95,357,080	95,510,080	153,000	Over-recovery	0.16%		Housing Rents.
14.	INTEREST	1,614	1,614	0	On Target	657,000	657,000	0	On Target			
15.	DEPARTMENTAL CHARGES	0	0	0	On Target	547,277	547,277	0	On Target			
16.	SURPLUS	0	0	0	On Target	0	0	0	On Target			
17.	TOTAL INCOME	15,681,976	15,719,590	36,000	Over-recovery	100,962,160	101,118,160	156,000	Over-recovery	0.15%		
18.	NET EXPENDITURE	-883,175	-1,113,766	230,591	Underspend	0	-800,000	800,000	Underspend	0.79%		