

CANNOCK CHASE COUNCIL

CABINET

21 JULY, 2011

JOINT REPORT OF THE CORPORATE DIRECTOR AND THE HEAD OF FINANCIAL MANAGEMENT

RESPONSIBLE PORTFOLIO LEADER: HOUSING

HOUSING REVENUE ACCOUNT PROVISIONAL OUTTURN 2010 - 11

KEY DECISION – NO

1. Purpose of Report

- 1.1 To report the provisional outturn for the 2010-11 Housing Revenue Account budget, as part of the performance review element of the Council's agreed financial cycle.

2. Recommendations

- 2.1 That the provisional outturn for the 2010-11 Housing Revenue Account Budget is noted.

3. Summary (inc. brief overview of relevant background history)

- 3.1 The HRA budget 2010-11 was determined by Council on 24 February, 2010 and has reviewed (as part of the 2011-12 budget process) by Cabinet on 3 February, 2011.
- 3.2 The accounts for 2010-11 are now closed and the informal statement of Accounts was approved by The Head of Financial Management on 30th June, 2011. It should however, be noted that the Accounts are subject to External Audit and may therefore, be subject to change.
- 3.3 A summary of provisional income and expenditure in relation to the 2010-11 HRA is presented as Annex 1, which also provides a comparison with the original and revised budgets.
- 3.4 Income at 31 March, 2011 was £17,586,626 compared to the revised budget position of £17,454,380 reported to Cabinet on 3 February, 2011. The £132,246 increase in income relates primarily to the generation of additional rent income as a result of a lower rate of voids and a reduction in anticipated Right to Buy sales.
- 3.5 Expenditure at 31 March, 2011 was £17,105,526 compared to the revised budget position of £17,332,660 reported to Cabinet on 3 February, 2011. The £227,134 decrease in expenditure relates primarily to savings in recharges, hardware maintenance, grounds maintenance and bad debts, offset by an increase in negative subsidy.
- 3.6 As a result of these changes, the net surplus has increased from £121,720 (as reported to Cabinet on 3 February, 2011) to £481,101 at 31 March, 2011.
- 3.7 Working balances at 31 March, 2011 were £2.214 million compared to the £1.854 million forecast reported to Cabinet on 3 February, 2011.

4. Key Issues and Implications

4.1 A summary of provisional income and expenditure in relation to the original 2010-11 HRA budget (as approved by Council on 24 February, 2010) the revised 2010-11 HRA budget (as reviewed by Cabinet on 3 February, 2011) and the provisional outturn for the 2010-11 HRA budget is presented as Annex 1.

4.2 The changes in income and expenditure since the last report to Cabinet (on February, 2011) are detailed below:-

Estimated Position Reported - 3 February 2011

	£	£
Estimated Income		17,454,380
Estimated Expenditure		<u>17,332,660</u>
Net Surplus		(i) <u>121,720</u>

Net changes in income

(a) Dwelling Rent	122,790 (+)
(b) Shop and garage income	9,814 (+)
(c) Interest	18 (+)
(d) Other	2,130 (+)
(e) Transfer from the General Fund	2,506 (-)

(ii) 132,246

Net changes in Expenditure

(a) Housing subsidy	210,028 (-)
(b) Repairs and maintenance	12,416 (+)
(c) Supervision and management (General)	252,591 (+)
(d) Supervision and management (Special)	83,764 (+)
(e) Provision for Bad Debts	76,091 (+)
(f) Rent Rebates	21,706 (-)
(g) Capital Financing	34,008 (+)

(iii) 227,135

Estimated Provisional outturn position (July 2010)

(i) + (ii) + (iii) Net Surplus

481,101

4.3 The reasons for the variances are summarised in Annex 2.

4.4 The implications of the above changes on HRA working balances are summarised below:-

	<u>HRA</u> <u>Working Balances</u> £
Estimated (Cabinet 3 February, 2011)	£1,854,345
Actual (Provisional Outturn 2010)	£2,213,726
Increase in Working Balances	£359,381

5. Conclusion(s) and Reason(s) for the Recommendation(s)

5.1 This report presents the provisional outturn position in respect of the 2010-11 HRA as part of the performance review element of the Council's agreed financial cycle.

6. Other Options Considered

6.1 There are no other options in respect of this report.

7. Report Author Details

Ian Tennant (Head of Housing), extension 4210

SCHEDULE OF ADDITIONAL INFORMATION

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Section 1

Contribution to Council Priorities

The implementation of the 2010-11 HRA budget contributed towards a number of the outcomes within the 2010-11 Housing Priority Delivery Plan.

Section 2

Contribution to Promoting Community Engagement

The implementation of the 2010-11 HRA budget included a specific budget for consultation and participation activities with Council tenants.

Section 3

Financial Implications

The financial implications have been referred to throughout the report.

Section 4

Legal Implications

The legal implications are set out throughout the report.

Section 5

Human Resource Implications

There are no human resource implications arising from this report.

Section 6

Section 17 (Crime Prevention)

Actions to combat anti-social behaviour on the Council's estates were funded through specific budgets within the 2010-11 HRA.

Section 7

Human Rights Act Implications

There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

Section 8

Data Protection Act Implications

There are no identified implications in respect of the Data Protection Act arising from this report.

Section 9

Risk Management Implications

A potential risk arising from inadequate management of the Housing Revenue Account has been identified in the Council's risk register. The potential problems include:-

- (a) Increases in interest rates, material costs and pay awards above those provided within the agreed budget.
- (b) Further adverse changes to the Council's position of negative subsidy.
- (c) The volatile nature of property sales under the Right to Buy.
- (d) The Government's rent restructuring and convergence policies which prescribes rent changes and prohibits rent increases to fund net expenditure shortfalls.
- (e) Over or under-spending (when agreed service standards are not being met).
- (f) A failure to collect or generate income.
- (g) Unforeseen events, including for example, structural problems associated with landfill.

The score rating for gross risk is 20 which falls within the high risk category. It is, however, considered that the Council can undertake a number of actions to mitigate a number of the identified risks which include:-

- (a) The adoption of a prudent approach to budgeting.
- (b) The maintenance of an adequate level of working balances, comprising a minimum of 5% of net operating expenditure.
- (c) Housing Revenue Account business plan projections together with associated sensitivity analysis.
- (d) Firm budgetary control through regular monitoring of actual and forecast income and expenditure.
- (e) The implementation of an annual internal Audit Plan and scrutiny from the External Auditor.

It is considered that these actions will reduce the risk score to 4, placing it within the tolerable risk category.

Section 10

Equality and Diversity Implications

The implementation of the 2010-11 HRA budget resulted in a number of actions which had positive equality and diversity implications.

Section 11

List of Background Papers

None

Section 12

Report History

Housing Revenue Account Budgets 2010-11 to 2012-13 – Cabinet 11 February, 2010

Housing Revenue Account Budgets 2010-11 to 2012-13 – Cabinet 3 February, 2010

Annexes

Annex 1 HRA Outturn 2010-11

Annex 2 2010-11 HRA – Income and Expenditure Variations

ANNEX 1**HRA OUTTURN 2010-11**

	Original Budget 2010-11 £	Revised Budget 2010-11 £	Outturn 2010-11 £	Variance 2010-11 £
Income				
Dwelling Rent	(16,935,090)	(16,918,430)	(17,041,220)	(122,790)
Non Dwelling Rent	(378,520)	(395,500)	(405,314)	(9,814)
Interest	(3,210)	(1,980)	(1,998)	(18)
Other	(92,780)	(92,780)	(94,910)	(2,130)
General Fund Cont.	(45,690)	(45,690)	(43,184)	2,506
Total Income	(17,455,290)	(17,454,380)	(17,586,626)	(132,246)
Expenditure				
Housing Subsidy	3,618,080	3,620,950	3,830,978	210,028
Repairs and Maintenance	3,940,740	3,940,740	3,928,324	(12,416)
Supervision & Management - General	2,957,080	2,932,680	2,680,089	(252,591)
Supervision & Management - Special	628,840	498,690	414,926	(83,764)
Increased provision for bad debts	96,550	96,550	20,459	(76,091)
Rent Rebates			21,706	21,706
Capital Financing	4,665,880	4,697,050	4,663,042	(34,008)
RCCO	1,596,000	1,546,000	1,546,000	0
Total Expenditure	17,503,170	17,332,660	17,105,525	(227,135)
(Surplus)/Deficit	47,880	(121,720)	(481,101)	(359,381)
Additional / (Reduced) RCCO				
Revised (Surplus)/ Deficit	47,880	(121,720)	(481,101)	(359,381)
Working Balance				
B/fwd	(1,596,719)	(1,732,625)	(1,732,625)	0
In Year	47,880	(121,720)	(481,101)	(359,381)
C/fwd	(1,548,839)	(1,854,345)	(2,213,726)	(359,381)
Minimum Working Balance	875,160	866,630	855,280	

ANNEX 2

2010-11 HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE VARIATION

1. Increased Income

<u>Income</u>	<u>Increase</u>	<u>Reason</u>
1.1 Dwelling Rent	£122,790	Generation of additional rent income as a result of a lower rate of voids and a reduction in anticipated Right to Buy Sales.
1.2 Other Income (shops and garages)	£9,814	Increase income from garage rents.
1.3 Interest	£18	Marginal change in income received.
1.4 Other Income	£2,130	Additional income from miscellaneous rents and licences.
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	£134,752	
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2. Decreased Income

<u>Income</u>	<u>Increase</u>	<u>Reason</u>
2.1 General Fund Contribution	£2,506	Reduction in resources transferred from the General Fund for strategic housing.
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£2,506

3. Increased Expenditure

	<u>Income</u>	<u>Increase</u>	<u>Reason</u>
3.1	Housing Subsidy	£210,028	Increase in the Council's payment of negative subsidy to the Department for Communities and Local Government as a result of lower interest rates.
3.2	Rent Rebates	£21,706	Contribution to the General Fund for rent rebates as a result of the Council's average rent exceeding the Department for Works and Pensions housing benefit limit.

£231,734

4. **Expenditure Savings**

	<u>Income</u>	<u>Increase</u>	<u>Reason</u>
4.1 Repairs and Maintenance		£12,416	Budget savings following the transfer of the Housing Maintenance Trading Account Surplus to the 2010-11 Repairs and Maintenance budget.
4.2 Supervision and Management (General)		£252,591	Savings in respect of recharges, hardware maintenance, minor works and employee costs.
4.3 Supervision and Management (Special)		£83,764	Savings in respect of grounds maintenance.
4.4 Provision for Bad Debts		£76,091	Lower than anticipated provision for bad debts.
4.5 Capital Financing		£34,008	Savings as a result of the reduction in interest rates.
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		£458,870	
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