

**Meeting: EXECUTIVE**

**Agenda Item:**

Portfolio Area: Resources

**8**

**Date: 13 SEPTEMBER 2016**

**1st QUARTER MONITORING REPORT GENERAL FUND AND HOUSING REVENUE ACCOUNT**

**KEY DECISION**

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**1. PURPOSE**

- 1.1 The Council undertakes a complete review of all revenue and associated budgets on a quarterly basis. This is the 1st quarter budget monitoring report for 2016/17.
- 1.2 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2016/17 net expenditure and to seek approval for the revisions to the 2016/17 revenue budgets.
- 1.3 To update Members on the General Fund and HRA savings and growth items approved for 2016/17 and the New Homes Bonus scheme allocations.
- 1.4 To update Members on the Council's reserves and balances available to support revenue expenditure and to seek approval for revisions to the allocated reserves.

**2. RECOMMENDATIONS**

- 2.1 That the 2016/17 1st quarter General Fund projected net increase in expenditure of £440,590 be approved.
- 2.2 That the cumulative increases made to the General Fund net budget remain within the £400,000 (increase) variation limit delegated to the Executive be noted.
- 2.3 That the progress of the 2016/17 approved General Fund savings and growth bids, the carry forward requests and New Homes Bonus projects be noted.
- 2.4 That the 2017/18 ongoing net savings of £23,320 that will contribute to the General Fund saving target for future years be approved.

- 2.5 That the 2016/17 1st quarter net decrease in HRA surplus of £188,850 be approved.
- 2.6 That it be noted that the cumulative increases to the HRA net budget still remain within the £250,000 (increase) variation limit delegated to the Executive.
- 2.7 That the progress of the 2016/17 approved HRA savings, growth bids and the carry forward requests be noted.
- 2.8 That it be noted that due to the reduction in rental income (para 4.2.8) no net savings have been identified for the HRA for 2017/18 onwards.

### 3. GENERAL FUND - Background

- 3.1 Since the General Fund net revenue budget of £9,130,150 was approved at Council on 24 February 2016 Members have approved the net budget changes as detailed in table one below.

Table One – 2016/17 General Fund Working Budget	Working Budget £
Original Budget	9,130,150
3rd Quarter 2015/16 net decrease	(11,330)
3rd Quarter Carry forwards	177,220
4th Quarter 2015/16 net decrease	(266,620)
4th Quarter Carry forwards	337,530
Town Centre Management / e cars / Garages – Executive Approved 12/7/2016	13,970
Economic Development	32,000
<b>Total Net Budget Approved to Date</b>	<b>9,412,920</b>

Key = (decrease in expenditure/increase in income), increase in expenditure/reduction in income

### 3.2 GENERAL FUND – Budget Review

#### 3.2.1 General Fund Budget 2016/17

- 3.2.2 As a result of the 1st quarter budget monitoring review the General Fund net expenditure is projected to increase by £440,590.

### 3.3 1st Quarter variances

- 3.3.1 **Net Housing Benefit expenditure to Subsidy** - In April 2013 there were a number of changes made to benefit under the welfare reform changes. These included the introduction of the Council Sax Support Scheme and the cap to housing benefit according to bedroom numbers. In preparation for these changes a number of software releases were made in January 2013. To be able to calculate housing benefit claims in the interim a 'work around' in the software was developed in which

the bedroom element was excluded from the claim calculation by giving a 'exemption' indicator to the case.

- 3.3.2 A review of a recent case has shown that this 'exemption' indicator was still attributed to the claim, where it should have been removed. Officers are currently investigating why this has occurred and have identified 511 cases which have been affected.
- 3.3.3 It appears that this change may not have flagged up subsequent cases as over occupied and benefit overpayments have been generated. As most of these errors will be classed as 'Local Authority' error this overpayment cannot be recovered from the claimant. Full housing benefit subsidy, reimbursing the Council for housing benefit expenditure, will exclude expenditure generated from an overpayment. Of the 288 cases checked (as at 30 August) it has been found that 56 overpayments have been created. As these errors also include payments made in prior years the overall impact to the 2016/17 subsidy claim is estimated to be a reduction in subsidy of £198,000. This is a prudent estimation but may change when all of the 511 cases are investigated. Other changes in case load (value £38,800) contribute to the total net increase in housing benefit costs of £236,800 in year.
- 3.3.4 Officers have since found ways to flag cases when system work arounds are to be made so that subsequent changes and software updates can be checked to make sure all amendments have been made correctly and overpayments are not created. In addition Senior Management Board (SMB) have asked for regular update on the progress on the remaining cases and that a briefing note is drafted to explain how the error occurred and its impact on the revenue account.
- 3.3.5 **Building Control** – In October 2015 Members approved the transfer of the Building Control Service to a newly established company – Broste Rivers LA7 ltd and non-delegable services to another local authority within the partnership.
- 3.3.6 On the 15 August 2016 Building Control officers at Stevenage BC transferred to the new company. Costs to facilitate this new company have now been confirmed and are shown in the table two below.

Table Two : Building control	October report £	Q1 Actuals £	Variance to October report £
Transformation set up costs	0	30,000	30,000
Loan agreement (Max approval £110,000)	92,430	107,000	14,570
Anticipated saving in first year	(20,020)	41,080	61,100
	<b>72,410</b>	<b>178,080</b>	<b>105,670</b>
April to 15 August 2016			
Income to SBC above that budgeted for in first 4.5 months	(97,894)	(129,870)	(31,976)
Net in year transition costs			<b>73,694</b>
Dangerous structures call out service	0	10,000	<b>10,000</b>

- 3.3.7 The projected saving in year one has been revised downwards as ongoing costs for the new company are higher than originally budgeted for. It is still anticipated that savings will be delivered in year two with stepped increases in efficiencies for future years. Cumulative savings over the five years are still estimated at £180,000 and the MTFs will be updated for the latest Building Control projections.
- 3.3.8 Stevenage currently does not have an out of hours service for dangerous structures. Senior Management Board have requested that officers investigate the provision of an out of hours service, to be provided by the new building control company, at a maximum costs of £10,000.
- 3.3.9 **Recycling income** - is projected to be lower than budget (£41,320). This is due to a combination of factors including, a lower sale value of high value recyclables such as steel (Budget £125/tonne, actual sale value achieved £65/tonne) and a reduction in tonnage that households are recycling. In addition the recycling baler had mechanical problems during the 1<sup>st</sup> quarter and waste could not be separated. This co-mingled waste can only achieve £15 per tonne (mixed paper and card achieves £58/tonne and plastics £105/tonne).
- 3.3.10 **Vehicle maintenance costs** - including three engine replacements and resulting hire costs were incurred in the first quarter (£50,000). These vehicles are at the end of their economic lives and are scheduled for replacement later on this year. The additional cost is partially offset by lower fuel costs (£20,000) as fuel inflation is lower than budgeted.
- 3.3.11 **Junk collection** - income has increased (£25,000), approximately £10,000 due to the introduction of the new concessions policy and more rigorous eligibility checks of applicants. As part of the 2016/17 budget setting concessions available to customers using SBC services were realigned to bring consistency and fairness across all services. The budget did not make any provision for additional income until the concessions policy was introduced. This has now been included in the savings going forward in 2017/18.
- 3.3.12 **Direct Employee costs** – included within the direct employee cost overspend (£98,580) are staffing pressures identified in legal services (£60,640) due to the volume of work currently associated with commercial properties and compulsory purchase orders.
- 3.3.13 **Indirect employee costs** - include one off costs associated with the Human Resources (HR) restructure which will realign the team to enable the delivery of the Future Town, Future Council objectives including ‘employer of choice’ and ‘partner of choice’. These costs are shared between General Fund (£57,970) and the Housing Revenue Account.
- 3.3.14 **Investment Interest** – Following the European Union (EU) Referendum decision on 23 June 2016 to leave the EU market expectations on interest rate rises have changed and on the 4 August the Bank of England reduced the base rate to 0.25%. This reduction is now reflected in the forecast for interest earned on the Council’s cash balances. Interest is apportioned to the General Fund and HRA based on the cash balances held by each fund, as the HRA has historically held the higher balances the fund received 93% of the investment interest. Forecast HRA average

balances have fallen and their share has been recalculated at 80% so more interest is retained by the General Fund (£40,080).

3.3.15 The 1st quarter review has identified a number of in year pressures and Members will be aware that in setting the General Fund risk assessed level of balances, 1.5% of total General Fund expenditure and income is set aside specifically for unexpected variances such as those identified above.

3.3.16 Pressures and savings identified during the 1st quarter are listed in table three below.

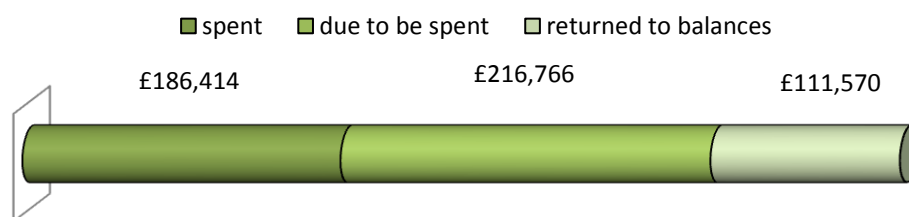
<b>Table Three</b>	<b>£</b>	<b>£</b>
<b>Decrease in spend/ Income increases:</b>		
Net investment interest (para 3.3.14)	(40,080)	
Additional Garage rental	(25,000)	
Development control application fees	(36,000)	
Junk collection income (para 3.3.11)	(25,000)	
Fuel costs (para 3.3.10)	(20,000)	
		(146,080)
<b>Increase in Spend / Income reductions:</b>		
Increase in net cost of Housing Benefit (para 3.3.1 – 3.3.4)	236,800	
Direct Employee Costs (para 3.3.12)	98,580	
Restructure costs (General Fund share) (para 3.3.13)	57,970	
Building Control Service (para 3.3.5-3.3.8)	83,690	
Car park Income	55,240	
Vehicle maintenance (para 3.3.10)	50,000	
Recycling income (para 3.3.9)	41,320	
Business Rate payments for SBC vacant properties	20,790	
		644,390
<b>Returned Carry forward budget</b>		(111,570)
<b>Other - net decrease</b>		53,850
<b>Total General Fund Variance (net increase/(decrease))</b>		<b>440,590</b>

Key = (decrease in expenditure/increase in income), increase in expenditure/reduction in income

### 3.4 **Approved Carry Forwards 2016/17 (General Fund)**

3.4.1 Members approved total carry forwards of £514,750. One carry forward (£103,700) required to support the regeneration team and anticipated agency costs is no longer required and will be returned to balances. £52,500 was requested to support the funding of two capital schemes (Coreys Mill parking scheme and Ridlins play area). The final costs of these schemes were lower than anticipated and £7,870 can be returned to balances. All other carry forward requests are expected to be spent in year.

## General Fund Carryforward requests - £514,750



### 3.5 Savings approved for 2016/17 (General Fund)

3.5.1 Included within the 2016/17 General Fund budgets are savings options totalling £556,040 approved at Council on the 24 February 2016.

3.5.2 The 1st quarter identified three savings where the implementation date has slipped resulting in an in year pressure of £53,000 (S4 – Environmental Health Management review, S5 Environmental Health efficiency savings and S33 Toddler Group Initiatives).

3.5.3 Another saving, S46 – recovery of compliance costs from charity/voluntary sector tenants, has been changed to allow a stepped progression to recover these costs and so reduce the impact on these groups in the first year, (£3,890 shortfall in 2016/17).

3.5.4 All remaining savings options are on target to be met with £503,040 projected to be achieved in 2016/17 (90%). Further updates to these savings option will be given in subsequent budget monitoring reports to Executive.

### 3.6 2016/17 – General Fund Outturn Position

3.6.1 Following the 1st quarter review the General Fund balance as at 31 March 2017 is projected to be £5,727,371 as detailed in table four following.

Table Four: General Fund Balances	£
<b>Original Net General Fund Budget</b>	<b>9,130,150</b>
Carry forwards	514,750
3rd and 4th Quarter (2015/16) changes	(277,950)
Approved budget changes to date	45,970
<b>Total Approved to Date</b>	<b>9,412,920</b>
1st Quarter review	440,590
<b>Total Net Expenditure post Q1</b>	<b>9,853,510</b>
less core resources	(7,693,090)
<b>Transfer (to)/from General Fund balances</b>	<b>2,160,420</b>
<b>General Fund balance 31/3/16</b>	<b>(7,887,791)</b>
Transfer (to)/from General Fund	2,160,420
<b>General Fund balance 31/3/17</b>	<b>(5,727,371)</b>
Allocated Revenue Reserves 31/3/17	(1,790,626)
Allocated Capital Reserves 31/3/17	(0)
<b>Total General Fund balances (estimated 31/3/17)</b>	<b>(7,517,997)</b>

### 3.7 2017/18 – General Fund Budget

3.7.1 The 1st quarter budget review has identified a net on-going saving of £23,320 which will contribute to the savings target for the General Fund.

3.7.2 No new carry forward requests of budget were requested as part of the 1st quarter review.

### 3.8 New Homes Bonus Schemes (NHB)

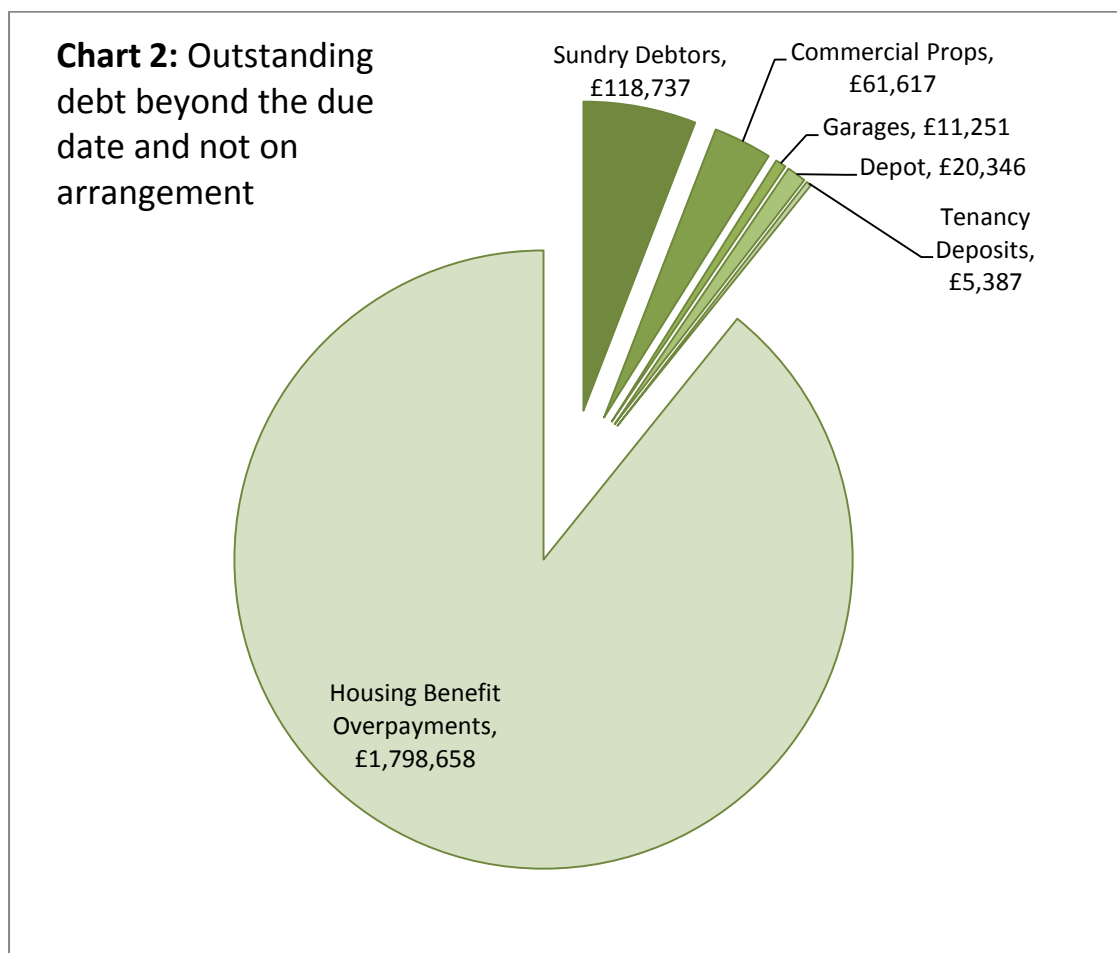
3.8.1 In April 2016 Members approved the allocation of £1,528,540 to the following schemes.

<b>Table Five New Homes Bonus projects approved for 2016/17</b>	<b>£</b>	<b>Project update</b>
Allocated Capital Reserve	250,000	Annual contribution to reserve
Stevenage New Town 70th Birthday celebrations	40,000	Events commenced with Stevenage day in June and will continue through the summer months concluding on 6th November
No More Project	49,520	Officers are in post
Pearl Izumi Tour	70,000	This event took place on 6 June 2016
Play Area Old Town	8,000	On target to be completed by the end of 3rd quarter
Three Neighbourhood Wardens (two wardens for two years and one for one year)	181,070	The recruitment process is currently being conducted with the expectation that wardens will still be on the ground by the end of 3rd quarter
Town wide shrub rejuvenation (2nd Tranche)	150,000	Work on this project is not expected to start until 3rd quarter
Homelessness Initiatives	35,950	Staff in post ongoing commitment from previous year. During quarter 1 4 properties from new landlords and 7 from existing landlords have been let. Also an increasing number of agents are now contacting the council with prospective lets.
Apprenticeship Programme 2016/17	111,000	The recruitment process for 10 Apprentices who will commence in September 2016 has taken place.
Neighbourhood Initiatives Programme	433,000	Playground schemes: Consultation is now completed. Currently anticipate all works starting on site in October. Signage: Quotes for the supply of signs have been requested and anticipate works to be undertaken on site in November.
Supporting General Fund Expenditure	200,000	Included in the General Fund budget setting process
<b>Total</b>	<b>1,528,540</b>	

### 3.9 Review of Balances – General Fund

3.9.1 Officers have reviewed the balance sheet at the 1st quarter including any adjustments required to bad debt provisions.

3.9.2 **Bad Debt Levels (General Fund)** - As at 30 June 2016 sundry debt and housing benefit overpayment debts stood at £4,281,627 an increase of £158,655 from the 31 March 2016 debt position (£4,327,018). Of this debt £2,015,996 (45%) is overdue and not on a payment arrangement, as shown in chart two.



3.9.3 **Bad debt provisions** - The calculated provision for General Fund sundry debtors and housing benefit overpayments is within budgeted levels.

3.9.4 **Insurance provisions (General Fund)** – updates to the Insurance provision requirements will be given in the 2<sup>nd</sup> Quarter budget monitoring report presented to Executive in November.

### 3.10 Allocated Reserves

3.10.1 The total value of allocated reserves available for the Council as at 1 April 2016 was £4,251,311.



3.10.2 Total allocated reserves as at the 31 March 2017 are forecast to be **£1,790,626**;

- Revenue £1,790,626
- Capital £0 (fully allocated to fund 2016/17 capital schemes)

3.10.3 No further request to transfer funds to or from a reserve has been identified at 1st quarter.

3.10.4 Table six shows the approved transfers and anticipated transfers to and from allocated reserves, for 2016/17.

<b>Table Six: Movements to/from Allocated Reserves 2016/17</b>					
<b>Allocated Reserve</b>	<b>Balance as at 1 April 2016</b>	<b>Approved transfers to/from reserves</b>	<b>Quarter 1 requested transfer from reserve</b>	<b>Anticipated transfer to/from reserves but yet to be confirmed</b>	<b>Forecast balance as at 31 March 2017</b>
<b>Revenue Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
New Homes Bonus	(1,365)	638			(727)
Future Town Future Council	(337)	250			(87)
Planning Delivery	(170)				(170)
Regeneration Assets	(968)	395		(4)	(577)
LAMS default	(42)	(14)			(56)
NDR	(172)				(172)
Town Centre	(30)	29			(1)
<b>TOTAL REVENUE RESERVES</b>	<b>(3,084)</b>	<b>1,269</b>	<b>0</b>	<b>(4)</b>	<b>(1,790)</b>
<b>Capital Reserves</b>					
Capital Reserve (Revenue and Capital contributions)	(1,167)	(765)		1,932	0
<b>TOTAL CAPITAL RESERVE</b>	<b>(1,167)</b>	<b>(765)</b>	<b>0</b>	<b>1,932</b>	<b>0</b>
<b>TOTAL ALLOCATED RESERVES</b>	<b>(4,251)</b>	<b>504</b>	<b>0</b>	<b>1,928</b>	<b>(1,790)</b>

### 3.11 Investments and Loans

3.11.1 The Council's investments as at 30 June 2016 were £61.150million. The average investment rate achieved in the 1st quarter was 0.64% (average rate of 0.61% achieved last year). Following the BREXIT vote and the Bank of England base rate cut to 0.25% the forecast average interest rate for the year is 0.58%.

3.11.2 Cash balances are held by the Council to meet financial obligations such as the payment of collection fund surpluses to central government and Hertfordshire Council and the potential NDR refunds following successful appeals (for which a provision is held). Therefore cash balances are expected to fall during the year and are forecast to be £43.164million as at 31 March 2017.

3.11.3 The Council's loan portfolio totals £206.415million with the majority (£208.415million) with the Public Works Loan Board (PWLb).

#### 4. HOUSING REVENUE ACCOUNT (HRA) – Background

- 4.1 The HRA revenue budget of £2,203,710 (surplus) was approved at Council on 26 January 2016. Subsequently Members have approved 2016/17 budget changes as detailed in table seven below.

Table Seven – HRA Working budget	Working Budget £
Original Budget	(2,203,710)
3rd Quarter 2014/15 net decrease	(14,370)
3rd Quarter Carry forwards	226,890
4th Quarter 2014/15 net decrease	(203,740)
4th Quarter Carry forwards	324,370
Future Town Future Council contribution	103,650
<b>Total Working Budget</b>	<b>(1,766,910)</b>

(Key: + = increase in spend / decrease in income, ( ) reduction in spend / increase in income)

#### 4.2 HOUSING REVENUE ACCOUNT (HRA) – Budget Review

- 4.2.1 **1st Quarter variances** - As a result of the 1st quarter budget monitoring review the HRA net surplus is projected to decrease by £188,850.
- 4.2.2 **Repairs and Voids service (Formerly known as the Building Maintenance Organisation)** - In January 2016 Members approved an improvement and associated resourcing plan for the in house repairs service to improve the productivity of the service and reduce the trading deficit so that it could contribute to the costs of corporate overheads.
- 4.2.3 The related staff changes have been implemented and the resulting savings have been achieved ahead of schedule. However, improving productivity continues to be a challenge which is reflected in income levels being below target in the first quarter.
- 4.2.4 IT investments and new software for work scheduling will facilitate detailed analysis of the service's performance. This will enable managers to identify aspects of the service where performance improvements are required to ensure that the benchmarked productivity levels are achieved. The new systems were due to be implemented in June but full functionality and reporting has been delayed due to issues arising during the roll out period therefore the full planned productivity gains have yet to be realised.
- 4.2.5 During the transition period the number of jobs undertaken by the repairs service was forecast to fall as more efficient processes were embedded, such as "first time fix" and a more targeted approach aimed at concentrating on the core business was established. This has been borne out with 8,930 jobs completed in April to July this year compared to 10,100 in the same period last year. To compensate the fall on job numbers the value of each job was expected to increase. However

this is not yet being reflected in the early months of the transition period (current average value - £80 compared to last year - £84).

4.2.6 Job numbers and job values are included within the monthly key performance indicators presented to the housing management team and SMB. In addition SMB has requested a progress report regarding the roll out of the new performance delivery model. Further to this Executive will receive a presentation outlining what has been achieved since the Improvement Plan was signed off. The presentation will also highlight future challenges to address.

4.2.7 The forecast variances for the repairs service are shown below.

Table Eight: Repairs Service	Variance £	Comment
Income	578,580	Productivity gains enabling more income to be generated per operative has yet to be established in the Repairs service.
Direct Employee costs	(394,460)	Staff vacancies and previous use of agency cover has enabled the transition to the new working arrangements to be made quicker than anticipated.
Other direct costs	(171,050)	Transition to new working arrangements achieved earlier than anticipated.
Other costs	47,710	
<b>Total</b>	<b>60,780</b>	<b>Increase in repairs service budgeted deficit for 2016/17 (4.4% variance to original budget)</b>

4.2.8 **Rental Income** – In setting the 2016/17 original budget for HRA rental income assumptions were made as to the number of open market acquisitions and new build properties which would then become available to let. Since then Members, as part of the Future Town Future Council plans, approved plans to re-focus on land acquisitions and new builds rather than open market acquisitions. In light of this policy change the actual number of new properties purchased in 2015/16 on the open market was 18 fewer than anticipated. In addition the new build properties identified in the “pipeline” will be available to rent later than estimated. This has resulted in a shortfall of income (£209,610) against the original budget partially offset by fewer right to buy sales forecast for the year and additional income from homelessness properties.

4.2.9 **Right to buy (RTB) sales** in the previous two years have exceeded the initial business plan assumptions as government legislation changed and discounts were increased. The business plan was updated accordingly and sales for 2016/17 were estimated at 100 in year. Actual sales have fallen compared to recent years (19 to the 22 August) and it is now projected that there will be 50 sales in year. The anticipated loss of income on the 50 RTB’s will not materialise and partially offsets the lost income identified in para 4.3.6. However, included within the 2016/17 original budget was the administration fee for the 100 RTB sale (£1,300 per property) which the Council is able to recoup from the RTB receipt. A fall in sales results in £65,000 reduction in the administration fee.

4.2.10 **Leaseholder income** – The management fee charged to leaseholders in flat blocks was reviewed and increased from £170 to £199 per annum (additional income of £42,000). This charge is set to recover the Council’s management cost

for these flat blocks. This late change was not included in the original budget approved in January.

4.2.11 **Investment Interest** – As mentioned in para 3.11.1 - 3.11.2 interest rate forecasts have been revised downwards. The interest is apportioned to the General Fund and HRA based on the cash balances held by each fund. Forecast HRA average balances have fallen (in part due to fewer RTB sales) and together with the interest rate cut the loss of income to the HRA is forecast to be £88,670.

4.2.12 Major variances are shown in table nine below .

Table Nine HRA Variances 2016/17	£	£
<b>Reduction in expenditure / Income increases:</b>		
Additional homeless rent (para 4.3.2)	(90,780)	
Service charge for flat blocks (para 4.3.8)	(42,000)	
Reduction in contract costs	(11,800)	
		(144,580)
<b>Increased expenditure / Income reductions</b>		
Housing Rents (para 4.2.8)	209,610	
Investment interest (para 4.2.11)	88,670	
Administration fee recoverable for right to buy applications (para 4.2.9)	65,000	
Repairs Service (para 4.2.2 – 4.2.6)	60,780	
Employee related costs	44,410	
		468,470
Returned Carry forward budget		(40,000)
<b>Other - net decrease</b>		(95,040)
<b>Total HRA Variances (reduction in surplus)</b>		<b>188,850</b>

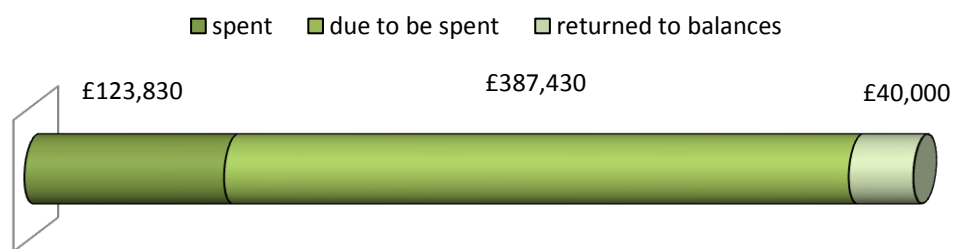
(Key: + = increase in spend / decrease in income, ( ) reduction in spend / increase in income)

### 4.3 **Approved Carry Forwards 2016/17 (HRA)**

4.3.1 Members approved HRA carry forward of budgets totalling £551,260 from 2015/16 to 2016/17.

4.3.2 Since approval of the carry forward requests, £40,000 identified for the housing repairs communal area contract is no longer required as works have been reprioritised and this contract will not be let in 2016/17. All other carry forward requests are expected to be spent in year.

## HRA Carryforward requests - £551,260



### 4.4 Savings and Growth Bids Approved for 2016/17 (HRA)

4.4.1 **Savings:** Included in the 2016/17 HRA budgets are savings options totalling £158,370 and growth bids of £51,070 approved at Council on 26 January 2016.

4.4.2 All HRA savings are currently on target to be met.

4.4.3 **Growth Bids:** All HRA growth bids are currently on target to be spent.

### 4.5 2016/17 – Housing Revenue Account – Year End Position

4.5.1 The projected HRA balance as at 31 March 2017 is summarised below in table ten.

Table Ten – Housing Revenue Account Out-turn Position	£
<b>Original Budget</b>	<b>(2,203,710)</b>
Carry forwards approved	551,260
Approved budgets adjustments to date (increase in surplus)	(114,460)
1st Quarter adjustments	188,850
<b>Projected net surplus post 1st Quarter review</b>	<b>(1,578,060)</b>
HRA balance brought forward 31/3/16	(16,955,084)
Surplus in year	(1,578,060)
<b>Projected HRA balance 31/3/17</b>	<b>(20,111,204)</b>

(Key: + = increase in spend / decrease in income, ( ) reduction in spend / increase in income)

### 4.6 2017/18 – HRA Budget

4.6.1 The 1st quarter budget review identified no net on-going savings for the HRA for 2017/18.

### 4.7 Review of Balances – Housing Revenue Account

4.7.1 **Bad Debt Levels (HRA)** – At the 30 June 2016, rent and service charge arrears plus sundry debts totalled £1,710,054, an increase of £361,924 from the 31 March

2016 (£1,348,130) position, of which £203,476 (of the increase) relates to sundry debtors which includes one invoice for £187,363. Transfers to the bad debt provision remain within budgeted levels. (As at 30 June 2015 debt levels were £1,359,658.)

- 4.7.2 **Insurance provisions (HRA)** – updates to the Insurance provision requirements will be given in the 2<sup>nd</sup> Quarter budget monitoring report presented to Executive in November.

## 5. **IMPLICATIONS**

### 5.1 **Financial Implications**

- 5.1.1 This report is financial in nature and consequently financial implications are included above.

### 5.2 **Legal Implications**

- 5.2.1 The objective of this report is to outline the projected General Fund and HRA net expenditure for 2016/17 and the impact on the General Fund and HRA balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

### 5.3 **Equalities and Diversity Implications**

- 5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

### 5.4 **Risk Implications**

- 5.4.1 A risk based assessment of General Fund balances is undertaken and reported to Council as part of the General Fund Budget setting process. The required level of 2016/17 General Fund balances was calculated at £2,796,985. This report forecasts General Fund balances of £5,727,371 and allocated reserve balances of £1,790,626 which is above the minimum balances required.

- 5.4.2 The HRA balances are projected to be £20,111,204. The level of HRA balances or revenue reserves risk assessed for 2016/17 is £2,784,237. The projected HRA balance is below the risked assessed level. However the HRA holds future balances for future debt repayments and capital programme for throughout the 30 year business plan.

### 5.5 **Policy Implications**

- 5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

## **BACKGROUND DOCUMENTS**

BD1 - HRA final budget proposals and rent setting report (Council 26 January 2016)

<http://www.stevenage.gov.uk/content/committees/139616/139701/139721/155864>

BD2 - 2016/17 Council Tax Setting and General Fund Budget (Council 24 February 2016)

<http://www.stevenage.gov.uk/content/committees/139616/139701/139721/Council-24-Feb-2016-Item5A.pdf>

BD3 - New Homes Bonus – 2016/17 (Executive 5 April 2016)

<http://www.stevenage.gov.uk/content/committees/139616/139705/139725/Executive-5-April-2016-Item-4.pdf>

## **APPENDICES**

Appendix A - Investment and Loans Portfolio