

Meeting: Executive

Agenda Item:

Portfolio Area: Resources

9

Date: 22 November 2016

2nd 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 2nd 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 **General Fund –**
That Members approve the 2016/17 2nd quarter General Fund projected net increase in expenditure of **£109,760**.
- 2.2 That Members note the cumulative increases made to the General Fund net budget remain within the £400,000 (increase) variation limit delegated to the Executive.
- 2.3 That Members note the progress of the 2016/17 approved savings and growth bids, the carry forward requests and New Homes Bonus projects.
- 2.4 That Members approve the 2017/18 ongoing net savings of **£35,190** that will contribute to the General Fund saving target for future years.

- 2.5 That Members approve a transfer of £109,440 to the regeneration asset allocated reserve (para 3.3.1) and a transfer of £17,440 to the town centre allocated reserve (para 3.3.2).
- 2.6 **Housing Revenue Account (HRA) –**
That Members approve the 2016/17 2nd quarter net increase in HRA surplus of **£194,950** be approved.
- 2.7 That Members note the cumulative increases to the HRA net budget still remain within the £250,000 (increase) variation limit delegated to the Executive.
- 2.8 That Members note the progress of the 2016/17 approved savings, growth bids and the carry forward requests.

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
1st Quarter 2016/17	440,590
Total Net Budget Approved to Date	9,853,510

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 2nd quarter budget monitoring review the General Fund net expenditure is projected to **increase by £32,160**. At the time of writing this report implementation costs for the senior management review were not fully known and are not included in the projected outturn.

3.3 2nd Quarter variances

- 3.3.1 **Commercial Property portfolio** – income from the council's commercial properties is forecast to be higher than budget (**£35,000**). Occupancy rates for the properties which are available to let are currently at 99%, the highest levels of occupancy in ten years. The short term let of the town square property (formerly QD) prior to refurbishment has resulted in a saving to the council on business rates (**£109,440**). Members have previously agreed that net surpluses from the town

square assets are ring fenced in an allocated reserve for the repayment of debt and any future works associated with these properties. It is therefore proposed that this net underspend is transferred to the regeneration assets reserve.

- 3.3.2 **Town Centre Management** - Following the return of the town centre management responsibilities to the council in 2016, Executive (July 2016) approved that any surplus income would be ring fenced for the promotion of, and investment in the town centre. Income from street trading is projected to be higher than the budgeted amount (£23,690) and the **surplus of £17,440** will be transferred to the Town Centre allocated reserve.
- 3.3.3 **Indoor Market** – the indoor market has 134 stalls of which 26 are currently vacant. Two long standing traders have given notice to quit and have stated that low footfall as one of the reasons. Officers are working with the traders to try and improve the offer and increase the occupancy rate. Income from the indoor market is projected to **£19,360** lower than budget.
- 3.3.4 **Net Housing Benefit expenditure to Subsidy** – It was reported at the 1st Quarter that an error had been found in the calculation of housing benefit and benefit overpayments had been generated to a number of claimants. At the time of writing that report, officers were still investigating the nature of the error and the impact on the subsidy received by the Council was an estimate. All these cases have now been reviewed and the current subsidy projections and net impact on the Council is **£13,570** (adverse) in addition to the previous increase of £236,800 (of which £198,000 was estimated for the identified error). More information on housing benefit overpayment is given in paragraph 3.9.3-3.9.4
- 3.3.5 **Recycling income** – During the 1st quarter there were a number of mechanical breakdowns of the new recycling baler resulting in recycled waste having to be co-mingled resulting in a lower sale price. During the 2nd quarter a conveyor belt failed and required a bespoke repair which took four weeks to be delivered, which meant waste was again co-mingled. The adverse impact of co-mingled waste has been mitigated by higher price increase on the sale of aluminium (From £750 to £790/tonne) and paper (from £58 to £83/tonne) (overall **adverse variance £17,310**).
- 3.3.6 **Investment Income** – Interest forecasts have been revised since BREXIT and remain largely unchanged. This interest is then apportioned between General Fund and HRA on average cash balances held by each fund based on their capital programme and capital receipts. Following this review average General Fund balances are now forecast to be lower and more interest is due to the HRA. (Apportionment change and minor interest adjustment – net impact **£28,000 adverse**).
- 3.3.7 **Direct Employee costs** – included within the direct employee cost underspend (**£6,290**) are staffing savings in the Street Scene and Refuse teams due to difficulty in recruiting to permanent posts (Street Scene £78,350 – 13 posts and Refuse £84,130 – 5 posts). Agency staff have been used when required to cover service pressures in the interim and the remaining salary savings have been used

to offset the General Fund's transitional vacancy¹ target. Of the original transitional vacancy target (£546,000), £123,000 remains to be identified.

¹ Transitional vacancy. Annual salary, national insurance and pension budgets for certain services are reduced by 4.5% to take into account the natural turnover of staff, the time it takes to recruit and resulting saving on employee costs.

3.3.8 **Individual Electoral registration** – Due to recent changes in legislation local authorities have greater responsibilities for individual registration of voters. Registrations forms are now created in A3 format (larger paper size) and have increased postage and stationary costs. Returned form must now be acknowledged or responded to creating additional budget pressures (**£21,070**).

3.3.9 Pressures and savings identified during the 2nd quarter are listed in table two below.

Table Two	£	£
Decrease in spend/ Income increases:		
Market square business rates (para 3.3.1)	(109,440)	
Commercial property income (para 3.3.1)	(35,000)	
Street trader income in the town centre (para 3.3.2)	(23,690)	
Income from pre application planning advice	(12,150)	
Direct employee costs	(6,210)	
		(186,490)
Increase in Spend / Income reductions:		
Increase in net cost of Housing Benefit (para 3.3.4)	13,570	
Investment income retained by the General Fund (para 3.3.6)	28,000	
Recycling income (para 3.3.5)	17,310	
Financial system upgrade	20,000	
Fewer indoor market stalls let (para 3.3.3)	19,360	
Increased costs for individual electoral registration (para 3.3.8)	21,070	
Additional parking support costs	14,770	
		134,080
Transfers to/(from) reserves		126,880
Returned Carry forward budget		0
Other - net decrease		35,290
Total General Fund Variance (net increase/(decrease))		109,760

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. £111,570 was returned to balances at 1st quarter. No further changes to carry forwards were identified at 2nd quarter.

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 had slipped;
S4 - Environmental Health Management review,
S5 - Environmental Health efficiency savings and
S33 - Toddler Group Initiatives.

The timescale to implement S4 and S5 has slipped further and the in-year pressure is now £63,880 (£53,000 reported at 1st quarter).

3.5.3 All remaining savings options are on target to be met with £488,267 projected to be achieved in 2016/17 (88%). 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 2nd quarter review the General Fund balance as at 31 March 2017 is projected to be £5,663,581* as detailed in table three.

Table Three: General Fund Balances	£
Original Net General Fund Budget	9,130,150
Carry forwards	514,750
3rd and 4th Quarter (2015/16) changes	(277,950)
Approved budget changes to date	0
1st Quarter review	440,590
Total Approved to Date	9,807,540
2nd Quarter review	109,760
Total Net Expenditure post Q2 review	9,917,300
less core resources*	(7,693,090)
Transfer (to)/from General Fund balances	2,224,210
General Fund balance 31/3/16	(7,887,791)
Transfer (to)/from General Fund balances	2,224,210
General Fund balance 31/3/17	(5,663,581)
Allocated Revenue Reserves 31/3/17	(1,747,472)
Allocated Capital Reserves 31/3/17	0
Total General Fund balances (estimated 31/3/17)	(7,411,054)

* Due to the timing and recognition of non domestic rates levies and surpluses actual core resources may change affecting the General Fund balance at year end. Changes to 2016/17 core resources will be included in the updated Medium Term Financial Strategy (MTFS) to be presented to Members as part of the Financial Security Report on this agenda.

3.7 2017/18 – General Fund Budget

3.7.1 The 2nd quarter budget review has identified a net on-going saving of **£35,190** which will contribute to the savings target for the General Fund.

Table Four Impact on future years	2017/18 only	2017/18 and ongoing
Service Pressures		
Electoral Registration		5,640
Income reductions		2,000
Adverts (planning)		5,000
Other ongoing pressures identified		26,800
Additional Income		
Verge maintenance (HCC)	(14,350)	
Office rental income		(60,280)
Total net savings	(14,350)	(20,840)

3.7.2 No new carry forward requests of budget were requested as part of the 2nd quarter review.

3.8 New Homes Bonus Schemes (NHB)

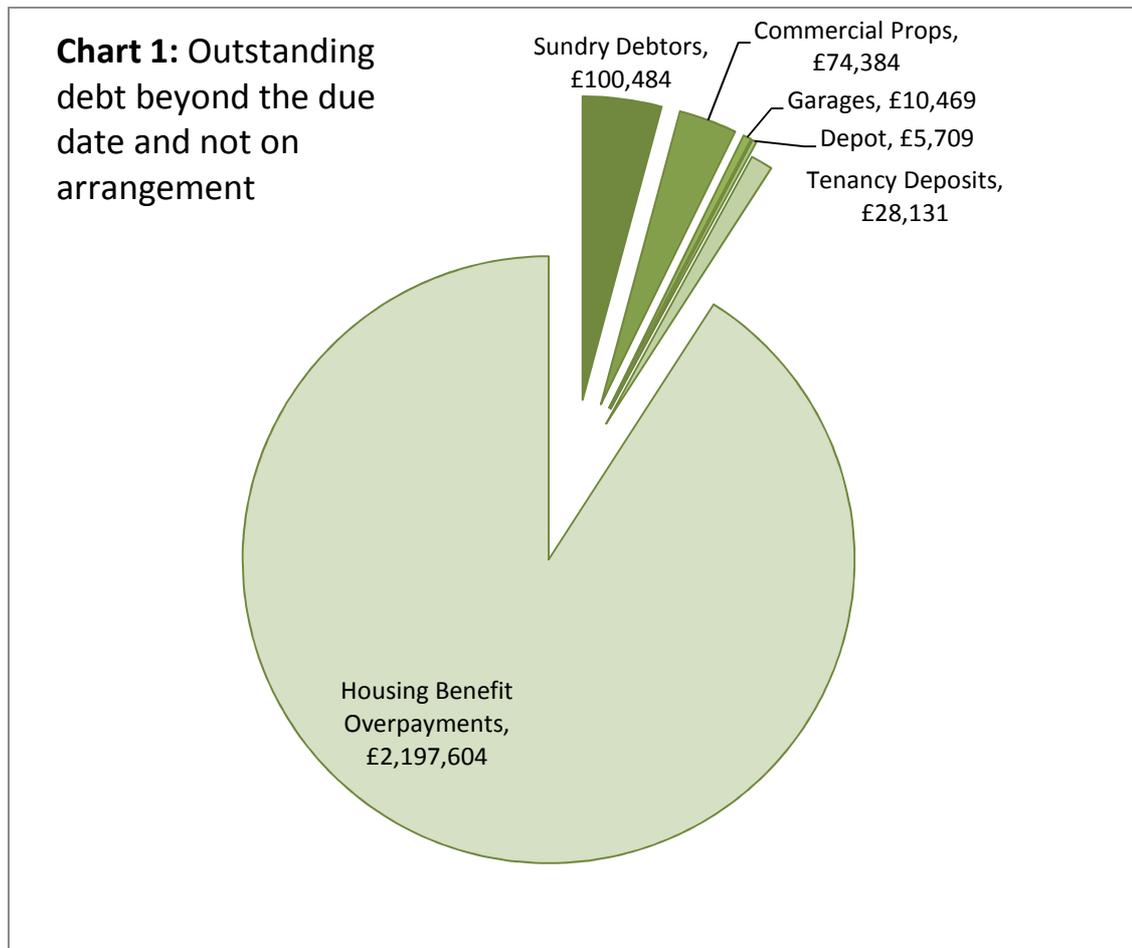
3.8.1 In April 2016 Members approved the allocation of £1,528,540 to the following schemes.

Table Five New Homes Bonus projects approved for 2016/17	£	Project update
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 interviews held week commencing 31 October.
Town wide shrub rejuvenation (2nd Tranche)	150,000	Work on this project is due to start early December.
Homelessness Initiatives	35,950	To date 16 properties from new landlords and 8 from existing landlords have been let. In addition an increasing number of agents are now contacting the council with prospective lets.
Apprenticeship Programme 2016/17	111,000	The recruitment process for eight Apprentices has commenced in September 2016 . Two Graduates will commence in mid-October with a 3 rd potentially coming from HCC.
Neighbourhood Initiatives Programme	433,000	Play schemes (£360,000): Consultation is now completed, 400 responses were received. Currently anticipate all works starting on site in late November with completion anticipated by the end of January. Signage (£17,000): Quotes for the supply of signs have been received and artwork is being finalised for each site with installation anticipated in December. Public Realm (£40,000): Group meetings have been held, with site inspections in November. Pin Green works to be started first following the inspections. Litter bins (£16,000): 30 Bin replacements in Pin Green and Shephall areas.
Supporting General Fund Expenditure	200,000	Included in the General Fund budget setting process
Total	1,528,540	

3.9 Review of Balances – General Fund

3.9.1 Officers have reviewed the balance sheet at the 2nd quarter including any adjustments required to bad debt provisions and insurance provisions.

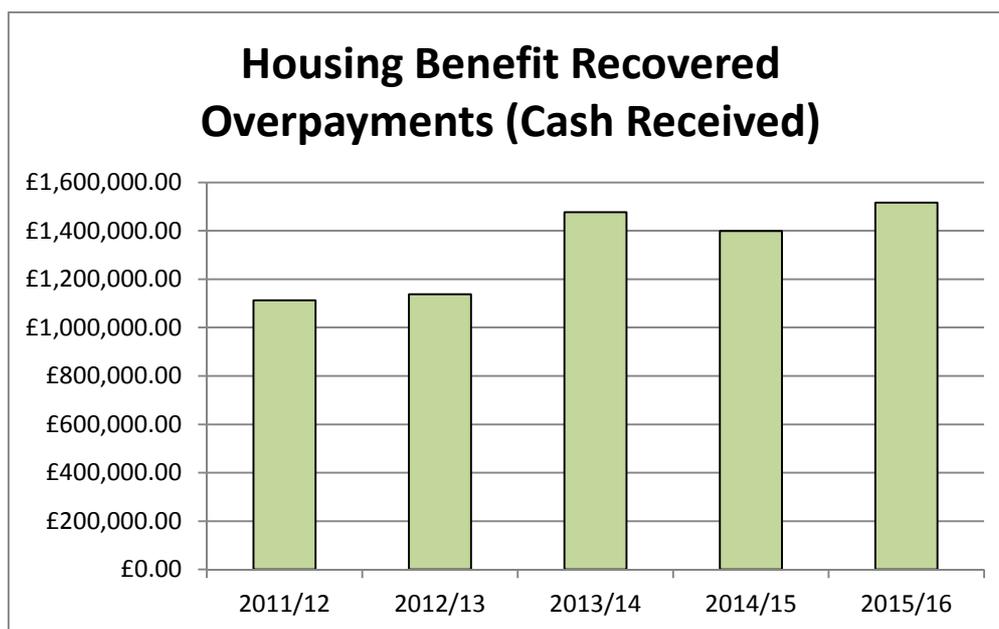
3.9.2 **Bad Debt Levels (General Fund)** - As at 30 September 2016 sundry debt and housing benefit overpayment debts stood at £4,325,818 an increase of £44,191 from the 30 June 2016 debt position (£4,281,627). Of this debt £2,416,781 (56%) is overdue and not on a payment arrangement, as shown in chart one.



3.9.3 Housing benefit overpayments can be generated in a number of ways including, local authority error, claimant error, late notification of changes in circumstances and/or fraudulent claims. Where the overpayment was generated either by claimant error or fraud the authority will seek to recover this overpayment. Of the total number of housing benefit overpayments 6% has arisen due to fraudulent claims, however, in monetary terms this equates to 20% of the value of overpayments generated. The housing benefit overpayment figure shown in the above pie chart is the remaining debt that is not being recovered through ongoing entitlement (to benefit), is not on a payment arrangement and/or a payment has not been received in 2016/17. Due to the nature of the debt, the recovery of the overpayment can take several months.

3.9.4 Officers seek to recover these overpayment in a number of ways including recovery from ongoing entitlement to housing benefit or other social security benefits or attachment to earnings. In 2015/16 £1,517,000 of benefit overpayments were

recovered. The table below shows the amount of recovered overpayments over the last five years.



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

3.9.6 **Insurance provisions (General Fund)** – Following the 2nd quarter review no changes are required to the budgeted transfers to the insurance provisions

3.10 **Allocated Reserves**

3.10.1 The total value of allocated reserves available for the Council to spend 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 **£1,747,472**;

- Revenue £1,747,472
- Capital £0 (fully allocated to fund 2016/17 capital schemes)

3.10.3 There is a projected net surplus on the regeneration assets (para 3.3.1) of £109,440 which is requested to be transferred to the regeneration asset allocated reserve.

3.10.4 The additional net surplus from town centre management is requested to be transferred to the Town Centre reserve to enable the surplus to be reinvested into the town centre (£17,440) (see also para 3.3.2).

3.10.5 Table six shows the approved transfers and anticipated transfers to and from allocated reserves for 2016/17 including a transfer of £170,000 from the planning delivery reserve to meet the local plan delivery costs anticipated to be incurred this year.

Table Six: Movements to/from Allocated Reserves 2016/17

Allocated Reserve	Balance as at 1 April 2016	Approved transfers to/from reserves	Quarter 2 requested transfer from reserve	Anticipated transfer to/from reserves but yet to be confirmed	Forecast balance as at 31 March 2017
Revenue Reserves	0	0	0	0	0
New Homes Bonus	(1,365)	638			(727)
Future Town Future Council	(337)	250			(87)
Planning Delivery	(170)			170	0
Regeneration Assets	(968)	395	(109)	(4)	(686)
LAMS default	(42)	(14)			(56)
NDR	(172)				(172)
Town Centre	(30)	29	(18)		(19)
TOTAL REVENUE RESERVES	(3,084)	1,269	(109)	166	(1,747)
Capital Reserves					
Capital Reserve	(1,167)	(765)		1,932	0
TOTAL CAPITAL RESERVE	(1,167)	(765)	0	1,932	0
TOTAL ALLOCATED RESERVES	(4,251)	504	(109)	2,098	(1,747)

3.11 Investments and Loans

3.11.1 The Council's investments as at 30 September 2016 were £53.73million. The average investment rate achieved in the 2nd quarter was 0.63% (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 has been revised downward to 0.55%.

3.11.2 The Council's loan portfolio totals £209.625million with the majority (£208.125million) 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 that follows.

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
1 st Quarter review	188,850
Total Working Budget	(1,578,060)

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

4.2 HOUSING REVENUE ACCOUNT (HRA) – Budget Review

- 4.2.1 **2nd Quarter variances** - As a result of the 2nd quarter budget monitoring review the HRA net surplus is projected to **increase by £194,950**.
- 4.2.2 **Repairs and Voids service** - (£82,000 favourable variance). 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 some productivity expenditure continues to be a challenge which is reflected in income levels being below target.
- 4.2.4 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. Although 13,817 jobs were completed between April to September this year compared to 13,586 in the same period last year the number of outstanding jobs has reduced from 1,927 at April 2016 to 908 at the end of September. Once this backlog of jobs has been removed the number of new jobs will have reduced by approximately 1,000 in the six month period.
- 4.2.5 To compensate the fall in job numbers the value of each job was expected to increase, and this is now beginning to be seen as the April to September average value (for a responsive repair) has increased from £65.26 in 2015/16 to £68.61 in 2016/17. A revised process for managing “follow on” works has reduced the total number of orders and increases the amount of work completed on each individual order. This is borne out by a 10.8% reduction in repair call volumes and 27.4% reduction in “chase up” calls.

4.2.6 The repairs mobile project, included in the improvement plan, delivered the technology within the original time frame. However a three month delay with the reporting functionality has impacted on the implementation of robust performance arrangements. The original financial plan reported to Executive in January 2016 anticipated that the full financial contributions would be achieved by March 2017. This is now expected to be achieved in July 2017. Members are asked to note that following the completion of the improvement plan there will be a further six month “bedding in” period.

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

Table Eight: Repairs Service	Variance £	Comment
Income	338,170	Productivity gains enabling more income to be generated per operative has yet to be established in the Repairs service
Direct Employee costs	23,500	Transfer of staff from Environmental Services into Repairs and Voids back office has increased staff cost by £45,000 (which is offset with a corresponding decrease in Environmental employee costs). The increases is partially offset by vacancies.
Equipment Tools and Materials	(132,920)	Reduction in materials as result of lower work volumes
Contributions to Provisions	(106,330)	Redundancy costs associated with the reorganisation of the Repairs and Void Service have been lower than the original estimates.
Contract Services	(44,290)	Lower void refuse recycling tonnages reflected in lower recharges
Private Contractors	(101,670)	Reductions due to Decent Homes activity (£49,230) and Aids and Adaptations (£22,540) being carried out within investments, together with lower subcontractor activity (£36,530). These reductions are largely offset by a provision of £106,000 which has been made to cover the set-up costs for stores within the Cavendish Road site associated with the new materials contract
Other costs	(58,460)	
Total	(82,000)	Decrease in repairs service budgeted deficit for 2016/17. (1st quarter reported a £60,780 increase in deficit)

4.2.8 **Rental Income** – Income forecasts for 2016/17 have been revised and updated for the profile of new, buybacks, the scheduled delivery of new builds and right to buy properties sold. Rental income has been revised downwards by **£32,790** based on projected phasing of when new properties will start generating rental income.

4.2.9 **Fees and Charges** –

- Consultancy services were provided to the developer of Vincent Court regarding incorporating ventilation into the properties resulting in a consultancy payment of **£58,000** to the council.
- Users of homelessness accommodation do not have personal utility accounts so these costs plus a contribution towards furnishings are recovered from these customers (**£15,570**)

- Additionally there is a **£10,000** pressure on careline income because the customer base has reduced. Exit interviews of former customers has shown that people are leaving the scheme due to moving to alternative accommodation rather than because of service delivery or price. The number of new customers is not match by those leaving the scheme.

4.2.10 **Brent Court.** In September there were gas and water leaks at Brent Court. Officers offered temporary accommodation for affected residents and undertook emergency repairs. Due to the nature of the leaks the costs were not recoverable through insurance and the full cost of **£20,900** has been borne by the HRA.

4.2.11 **Communal works to flat blocks** – the planned maintenance programme has been reviewed and this element has been deferred (**£40,000**). The contract for these works is due to be let in 2017/18. A carry forward is not required as works can be accommodated within the 2017/18 base budget.

4.2.12 **Investment Interest** – As mentioned in para 3.11.1 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 increased as a proportion of total cash balances resulting in an increased in investment interest of **£28,000**.

4.2.13 Major variances are shown in table nine below .

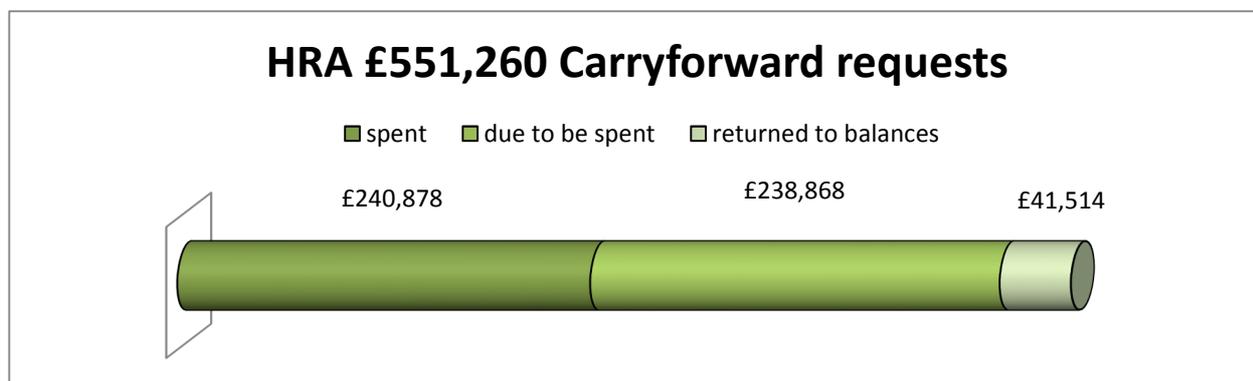
Table Nine HRA Variances 2016/17	£	£
Reduction in expenditure / Income increases:		
Consultancy services provided	(58,000)	
Reduction in insurance provision	(33,700)	
Service charges	(15,570)	
Repairs and Voids service	(82,000)	
Communal works to flat blocks	(40,000)	
Investment Interest	(28,000)	
		(257,270)
Increased expenditure / Income reductions		
Rental income	32,790	
Careline service charge	10,000	
Brent Court - emergency works	20,900	
		63,690
Returned Carry forward budget		(1,510)
Other - net increase /(decrease)		140
Total HRA Variances (reduction in surplus)		(194,950)

(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 was returned to balances at 1st quarter (communal area repairs). One further carry forward for the purchase of laundry equipment has now been spent and the underspend of £1,510 can be returned to balances. All other carry forward requests are expected to be spent in year.



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	£
Original Budget	(2,203,710)
Carry forwards approved	551,260
Approved budgets adjustments to date (decrease in surplus)	74,390
2nd Quarter adjustments	(194,950)
Projected net surplus post 2nd Quarter review	(1,773,010)
HRA balance brought forward 31/3/16	(16,955,084)
Surplus in year	(1,773,010)
Projected HRA balance 31/3/17	(18,728,094)

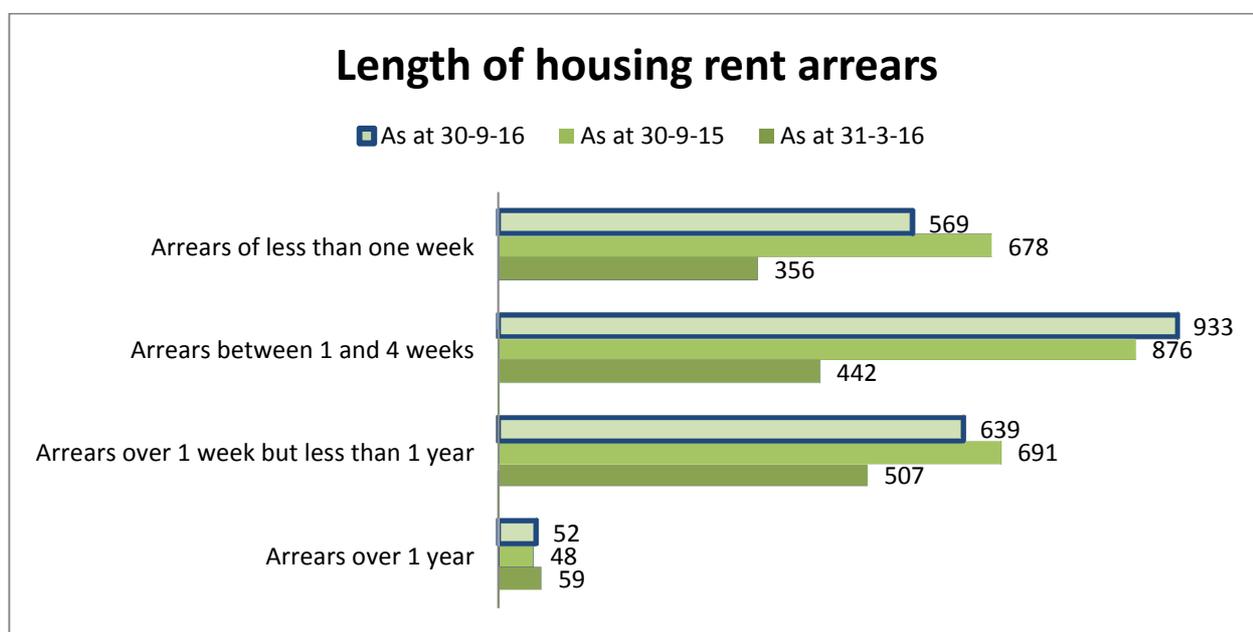
(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.6 2017/18 – HRA Budget

4.6.1 Any on-going savings identified at the 2nd quarter budget review have been incorporated into the updated HRA business plan presented to Executive in November.

4.7 Review of Balances – Housing Revenue Account

4.7.1 **Bad Debt Levels (HRA)** – Bad Debt Levels (HRA) – At the 30 September 2016, rent and service charge arrears plus sundry debts totalled £1,600,356, a decrease of £109,699 from the 30 June 2016 (£1,710,054) position. The projected in year reduction of £9,190 transfer to the bad debt provision reflects changes in the age of arrears within the housing rents system. Rent arrears tend to increase over the financial year but then subsequently reduced in the last quarter due to the two “payment free” weeks in December and March. The following chart details age of rent arrears.



4.7.2 **Insurance provisions (HRA).** Offices have reviewed of live and anticipated public liability claims relating to the HRA at the 2nd quarter and recommend that the budgeted transfer to the provision can be reduced by **£33,700**.

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 **£5,663,581** and allocated reserve balances of £1,747,472 which is above the minimum balances required.
- 5.4.2 The **HRA balances** are projected to be **£18,728,094**. 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

- HRA final budget proposals and rent setting report (Council 26th January 2016)
- 2016/17 Council Tax Setting and General Fund Budget (Council 24th February 2016)
- New Homes Bonus – 2016/17 (Executive 5th April 2016)
- 1st Quarter Monitoring Report General Fund and Housing Revenue Account (13th September 2016)

APPENDICES

- Appendix A - Investment and Loans Portfolio