

**Meeting:** Executive  
Portfolio Area: Resources

**Agenda Item:**

**8**

**Date:** 14 MARCH 2017



### **3rd 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 3rd quarter budget monitoring report for 2016/17. The budget setting process reported to Members in January and February looks in detail at the 2017/18 budget but only reports known variances relating to 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 2016/17 General Fund and HRA Financial Security options, growth items 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**

##### **General Fund**

- 2.1 That the 2016/17 3rd quarter General Fund projected net decrease in expenditure of **£383,130** be approved.
- 2.2 That the cumulative changes 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 Financial Security options and growth bids, the carry forward requests and New Homes Bonus projects be noted.
- 2.4 That the 2017/18 ongoing net savings of **£60,600** that will contribute to the General Fund Financial Security target for future years be approved
- 2.5 That a transfer back to the New Homes Bonus Reserve (£9,940) and a transfer of £8,450 from the Town Centre reserve. (Para 3.10.3 – 3.10.4) be approved.
- 2.6 That a transfer of £35,980 to the Capital allocated reserve be approved.
- 2.7 That the new carry forward requests of £347,150 as listed in para 3.7.2. be approved.

### **Housing Revenue Account (HRA)**

- 2.8 That the 2016/17 3rd quarter net increase in HRA surplus of **£733,960** be approved.
- 2.9 That the cumulative increases to the HRA net budget still remain within the £250,000 (increase) variation limit delegated to the Executive be noted.
- 2.10 That the progress of the 2016/17 approved Financial Security options, growth bids and the carry forward requests be noted.
- 2.11 That the 2017/18 ongoing net Financial Security options of **£62,970** that will contribute to the HRA Financial Security target for future years be approved.
- 2.12 That the new carry forward requests of £317,250 as listed in para 4.3.3. be approved.

## **3. BACKGROUND**

### **General Fund**

- 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 review	440,590

2nd Quarter review	109,760
Budget setting (Executive 24-1-17 & Council 28/2/2017)	176,040
<b>Total Net Budget Approved to Date</b>	<b>10,139,310</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 3rd quarter budget monitoring review the General Fund net expenditure is projected to decrease by £383,130. However after new carry forward requests of (£347,150) the net reduction in General Fund projected expenditure is £35,980. It is proposed that this amount is transferred to the Capital Reserve as part of the £350,000 in year contribution (funded from revenue underspends) previously approved by Members.

3.2.3 In order to meet the statutory deadline of a faster closedown and publication of the annual accounts a number of year end processes have been reviewed. The 31 May publication deadline comes into effect in 2018, however officers are looking to meet this deadline a year earlier. Some of these changes may impact the out turn figures for 2016/17 and are detailed in table two.

Table Two: Process change	Impact		Reason	
	2016/17 Accounts General Fund and HRA	2017/18 Accounts General Fund and HRA		
Do not post back staff expenses paid in the April pay run	UNDERSPEND - Reduces expenditure - only 11 months' worth of staff expenses	Estimate £42,000	NO IMPACT - will have 12 months' worth of expenditure in the financial year	Able to review year end variances before 28th April and finalise internal recharges earlier
Increase de-minimus limit for manual accruals to £1,000	UNDERSPEND - May reduce expenditure as transactions are not posted back	Estimate £81,000	NO/LITTLE IMPACT on expenditure/income as impact reversed in following year.	Reduce the number of manual transactions and speed up the accrual process
Insurance provisions calculated on Mid March estimated claims	NO IMPACT	Estimate Nil	NO IMPACT	Bring forward calculation of year end provision in closedown timetable. Estimates will not be materially different to final outturn.
<b>Total Potential impact General Fund and HRA</b>		<b>£123,000</b>		

3.2.4 The external auditors have been consulted and are in agreement regarding the changes. In addition budget holders have been briefed on the potential impact for 2016/17 and 2017/18 and training has been given. The impact of these changes will be quantified as part of the year end process and reported in the 4<sup>th</sup> quarter report presented to Members in July.

### 3.3 3rd Quarter variances

3.3.1 **Net Salary underspends** – A number of service areas are experiencing difficulties in recruitment. This has had an impact in the ability to complete and/or start a number of initiatives. Where possible temporary appointments are being made, however some capital projects have slipped (see Capital monitoring report to this Executive) and staff time charged to capital has reduced (£67,370) but has been offset by the saving arising from vacant posts (£217,110).

3.3.2 **Commercial Property portfolio** – income from the council's commercial properties is forecast to be higher than budget (£73,110). Commercial property occupancy rates continues to be high (97%). The income for 2017/18 has been reviewed and assuming a 95% occupancy level there is an increase in forecast income of £85,770.

3.3.3 **Revenues service** – The council has received additional government grant (£106,090) for unfunded burdens in 2016/17. This grant has been used to cover additional service costs (£98,720) associated with welfare reform and IT improvements including online benefit applications which are now available for Stevenage residents.

3.3.4 **Development control** – As part of the budget setting the budget process there was a forecast increase of £72,000 in income. As a major planning application for residential development in the north of Stevenage was due to be submitted this year. It is now expected to be received after March, partially reducing the previously reported income forecast by £55,000. Income levels for planning applications still exceed the 2016/17 original budget by £53,000.

3.3.5 Pressures and savings identified during the 3rd quarter are listed in table three below.

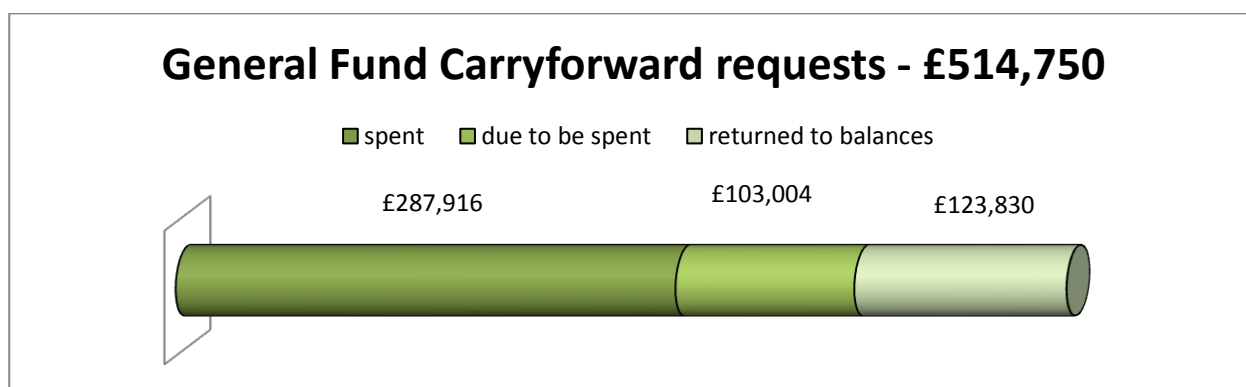
Table Three	£	£
<b>Decrease in spend/ Income increases:</b>		
Net Salary lag arising from vacant posts (para 3.3.1)	(217,110)	
Commercial property rent (para 3.3.2)	(73,110)	
Deminimus land and equipment sales	(30,590)	
Government Grant ( Revenues service) (para 3.3.3)	(106,090)	
Transfer to insurance provision (para 3.9.5)	(35,000)	
		(461,900)
<b>Increase in Spend / Income reductions:</b>		
IT costs	49,500	
Chargeable Business Improvement services	50,610	
Revenues and Benefits contract costs (para	98,720)	

<b>Table Three</b>	<b>£</b>	<b>£</b>
3.3.3)		
Development Control Income (para 3.3.4)	55,000	
Technical Assistance charged to capital (para 3.3.1)	67,370	
Equipment purchases and maintenance	19,040	
Net Housing Benefit	8,050	
(continued)		348,290
<b>Transfers to/(from) reserves</b>		1,490
<b>New carry forward requests</b>		(347,150)
<b>Failed savings option (S41)</b>		3,340
<b>Returned carry forward budget</b>		(12,260)
<b>Other - net increase/(decrease)</b>		85,060
<b>Total General Fund Variance (net increase/(decrease))</b>		<b>(383,130)</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. Previously reported, £111,570 was returned to balances. The 3<sup>rd</sup> quarter review identified a further £12,260 to be returned as scheme costs (capital funding and Landlord incentives relating to the 'next steps') are lower than forecast.



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

- 3.5.1 Included within the 2016/17 General Fund budgets are Financial Security options totalling £556,040 approved at Council on the 24 February 2016.
- 3.5.2 It has previously been reported that the following options had not been achieved in 2016/17:
- S4 - Environmental Health Management review (not implemented)
  - S5 - Environmental Health efficiency savings (not implemented) and
  - S33 - Toddler Group Initiatives (implemented later than planned).
- 3.5.3 Option S41 which anticipated savings across facilities management budgets (£3,340) has also not been achieved.
- 3.5.4 All remaining options are on target to be met with £484,927 projected to be achieved in 2016/17 (87.2%).

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

3.6.1 Following the 3rd quarter review the General Fund balance as at 31 March 2017 is projected to be £5,622,429 as detailed in table four.

<b>Table Four: General Fund Balances</b>	<b>£</b>
<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	772,360
<b>Total Approved to Date</b>	<b>10,139,310</b>
3rd Quarter Review	(383,130)
Transfer to Capital reserve	35,980
<b>Total Net Expenditure post Q3 review</b>	<b>9,792,160</b>
less core resources	(7,526,798)
<b>Transfer (to)/from General Fund balances</b>	<b>2,265,362</b>
<b>General Fund balance 31/3/16</b>	<b>(7,887,791)</b>
Transfer (to)/from General Fund balances	2,265,362
<b>General Fund balance 31/3/17</b>	<b>(5,622,429)</b>
Allocated Revenue Reserves 31/3/17	(1,624,112)
Allocated Capital Reserves 31/3/17	0
<b>Total General Fund balances (estimated 31/3/17)</b>	<b>(7,246,541)</b>

### 3.7 2017/18 – General Fund Budget

3.7.1 The 3rd quarter budget review has identified net on-going Financial Security savings of **£60,600** which will contribute to the Financial Security target for the General Fund. The 2017/18 ongoing net changes are listed in table five.

<b>Table Five Impact on future years</b>	<b>2017/18 and ongoing</b>
<b>Service Pressures</b>	
Facilities equipment and tools	4,000
Microsoft licences for 170 users of the new HR Payroll system	14,000
Subscription for annual maintenance on vehicle fleet software	4,280
Other ongoing pressures identified	2,890
<b>Additional Income</b>	
Commercial Property Rent	(85,770)
<b>Total net Financial Security savings</b>	<b>(60,600)</b>

3.7.2 New carry forward requests totalling £347,150 have been requested as part of the 3rd quarter review and are listed in table six:

<b>Table Six: General Fund carry forward request to 2017/18</b>	<b>£</b>
Senior management development programme	33,930
Support the Interim HR Structure in 2017/18	88,350
Interim post to support Corporate Policy	24,430
Apprentice programme started later than budgeted for	97,130
Graduate programme started later than budgeted for	37,590
Carry forward requested for consultancy, feasibility and legal costs in 2017/18. To match timing of the process for accessing external funding for Stevenage First.	65,720
<b>Total Carry forward requests for 2017/18</b>	<b>347,150</b>

### 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	Three wardens have joined the authority in February. Funding will be profiled accordingly to match the 2 year approval.
Town wide shrub rejuvenation (2nd Tranche)	150,000	Works projected to start quarter 4 at a cost of £100,000 and £50,000 has been returned to the NHB reserve and assumed within the New Homes bonus report to this Executive.
Homelessness Initiatives	35,950	To date 39 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.

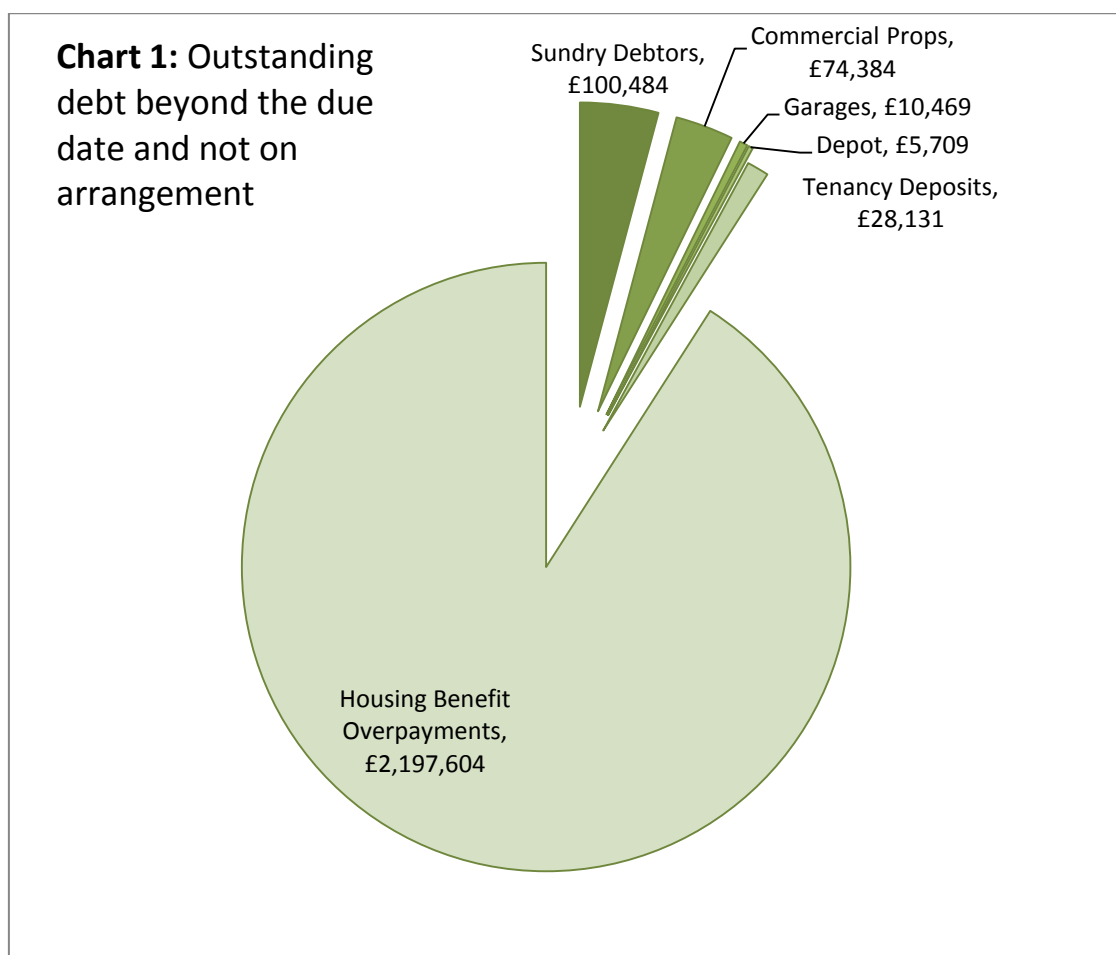
Table Five New Homes Bonus projects approved for 2016/17		Project update
	£	
Apprenticeship Programme 2016/17	111,000	Five apprentices stated in February with two further apprenticeships in the Museum and Planning services in the coming months. A carry forward has been requested to reflect the timing of the second and third tranche of apprenticeship appointments.
Neighbourhood Initiatives Programme	433,000	<p>Works to all six sites has now been completed. Officers are just waiting on the delivery of a memorial plaque (funded by Stevenage Community Trust) to Bedwell Park play area. During the half-term holiday it was noted that the number of children and young people using the sites had grown significantly.</p> <p>Signage (£17,000): Works to supply and install 9 new notice boards to five parks has been completed. Installation of new notice boards to the two cemetery sites will be completed in March 2016.</p> <p>Litter bins (£16,000): 30 Bin replacements in Pin Green and Shephall areas.</p>
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 3rd quarter including any adjustments required to bad debt provisions and insurance provisions.

3.9.2 **Bad Debt Levels (General Fund)** - As at 31 December 2016 sundry debt and housing benefit overpayment debts stood at £4,512,243 an increase of £123,805 from the 30 September 2016 debt position (£4,325,818). Of this debt £2,845,248 (63%) 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, claimant error, late notification of changes in circumstances and/or fraudulent claims and local authority error. Where the overpayment was generated either by claimant error or fraud the authority will seek to recover this overpayment in a number of ways including recovery from ongoing entitlement to housing benefit or other social security benefits or attachment to earnings. In 2016/17 we have recovered £1.2million of benefit overpayments to 31<sup>st</sup> January.
- 3.9.4 **Bad debt provisions** - The calculated provision for General Fund sundry debtors and housing benefit overpayments is within budgeted levels.
- 3.9.5 **Insurance provisions (General Fund)** – Following the 3rd quarter review a £35,000 reduction to the budget transfer to insurance provision can be made based on the level and value of outstanding public liability claims.
- 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 **£1,624,112**
- Revenue £1.624,112
  - Capital £0 (fully allocated to fund 2016/17 capital schemes)
- 3.10.3 The no more project funded from New Homes Bonus has been completed at a lower costs than anticipated and funds of £9,940 have been returned to the

reserve. In addition a saving has been projected on the shrub bed rejuvenation project. Both these underspends are included in the 2017/18 allocation assumptions for new initiatives.

- 3.10.4 Members approved the first year funding for the Town Centre Manager from the town centre reserve. Appointment to this post has now been made and a transfer of £8,450 to cover these costs in 2016/17 is requested.
- 3.10.5 Table seven shows the approved transfers and anticipated transfers to and from allocated reserves for 2016/17 including a transfer of £140,000 from the planning delivery reserve to meet the local plan delivery costs anticipated to be incurred this year.

<b>Table Seven: 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 3 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)	818	(10)	(34)	(591)
Future Town Future Council	(337)	250			(87)
Planning Delivery	(170)			140	(30)
Regeneration Assets	(968)	420		(4)	(552)
LAMS default	(42)	(14)			(56)
NDR	(172)				(172)
Town Centre	(30)	(17)	8		(39)
Insurance	0	(97)			(97)
<b>TOTAL REVENUE RESERVES</b>	<b>(3,084)</b>	<b>1,360</b>	<b>(2)</b>	<b>102</b>	<b>(1,624)</b>
<b>Capital Reserves</b>					
Capital Reserve (Revenue and Capital contributions)	(1,167)	(765)	(35)	1,967	0
<b>TOTAL CAPITAL RESERVE</b>	<b>(1,167)</b>	<b>(765)</b>	<b>(35)</b>	<b>1,967</b>	<b>0</b>
<b>TOTAL ALLOCATED RESERVES</b>	<b>(4,251)</b>	<b>595</b>	<b>(37)</b>	<b>2,069</b>	<b>(1,624)</b>

### 3.11 Investments and Loans

- 3.11.1 The Council's investments as at 31 December 2016 were £62.3million, of which a significant proportion is monies held for third parties, provisions or restricted use receipts. The average investment rate achieved in the 3rd quarter was 0.6% (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 0.58%.

3.11.2 The Council's loan portfolio totals £209.625million with the majority (£208.125million) with the Public Works Loan Board (PWLB) (unchanged from 2<sup>nd</sup> Quarter).

#### 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 eight that follows.

Table Eight – 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
FTFC contribution	103,650
1st Quarter review	188,850
2nd Quarter review	(194,950)
Budget setting (Council 31/1/2017)	149,570
<b>Total Working Budget</b>	<b>(1,623,440)</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 **3rd Quarter variances** - As a result of the 3<sup>rd</sup> quarter budget monitoring review the HRA net surplus is projected to **increase by £733,960**, (includes carry forward requests of £317,250).

4.2.2 **Repairs and Voids service - (£124,570 reduction in deficit)**. The related staff changes have been implemented and the resulting savings have been achieved ahead of schedule. Training for operatives (£30,000) and other budgets associated with the improvement plan (£51,240) are requested to be carry forward, resulting in an overall reduction in deficit of £43,330.

4.2.3 In reviewing the Repairs and Voids service's processes and activity levels a saving has been achieved on materials (£106,740). Further details of the R&V variances identified at 3<sup>rd</sup> Quarter are in table nine below.

<b>Table Nine: Repairs Service</b>	<b>Variance £</b>	<b>Comment</b>
Direct Employee costs	(30,750)	Carry forward request £41,240 to complete implementation project. Vacant Senior Scheduler and Procurement Officer posts saving £16,360. Agency support to clear non-core extended to end March 2017, pressure £28,720.
Indirect Employee costs	(30,000)	Multi skilling training (carry forward request).
Fleet Vehicle Recharges	31,260	Higher repair costs have been incurred and four additional vehicles have been retained to provide cover, due the age of the fleet. Fuel costs are anticipated to be higher in 2017/18.
Contributions to Provisions	(106,330)	Material costs 21% of income compared to previous estimate of 25% as the new Supplier manager introduces new processes and checking procedures.
Consultancy and Agency Fees	(10,000)	Carry forward request £10,000 for Supply Chain Project which has been extended into quarter 1 2017/18.
Other costs	21,250	Various off-setting variances of less than +/- £5,000.
<b>Total</b>	<b>(124,570)</b>	<b>Decrease in repairs service budgeted deficit for 2016/17</b>

4.2.4 **HRA Rental Income** – Rental income has been revised upwards by **£19,270** based on projected profile of new builds, buybacks and lets, this is partially offset by more right to buy (RTB) properties sold.

4.2.5 **HRA Fees and Charges net increase in income (£25,780):**

- Increased Self Funders for Careline services - **£8,330**
- Additional administration fee income due to increasing the RTB sales forecast by 11 dwellings - **£14,300**
- Other net movements (increase in income) **£3,150**.

4.2.6 **Direct Employee Expenses** –The transitional vacancy target (4.5%) has been achieved for the HRA and further salary savings (net of agency cost) arising from vacant posts will contribute to HRA balances (£135,520).

4.2.7 **Careline-** In year we have received a one off reduction for the cost of the Careline service from North Herts District Council who were in receipt of a Housing Related Support (HRS) grant. In addition internal costs for the scheme are forecast to be £8,500 lower for 2016/17.

4.2.8 Major variances are shown in table ten that follows.

Table Ten HRA Variances 2016/17	£	£
<b>Reduction in expenditure / Income increases:</b>		
Net Salary lag arising from vacant posts	(95,520)	
Transfer to insurance provision (see para 4.7.2)	(110,000)	
Rental Income and other fees and charges	(45,050)	
Transfer to Bad debt provision	(18,070)	
Careline	(21,740)	
Repairs and Void service	(124,570)	
		(414,950)
<b>Increased expenditure / Income reductions</b>		0
<b>New Carry forward requests</b>		(228,690)
<b>Prior year Growth Requests - re requested</b>		(88,560)
<b>Failed savings options (HS20 and HS21)</b>		8,120
<b>Returned Carry forward budget</b>		(59,200)
<b>Other - net increase /(decrease)</b>		49,320
<b>Total HRA Variances (reduction/(increase) in surplus)</b>		<b>(733,960)</b>

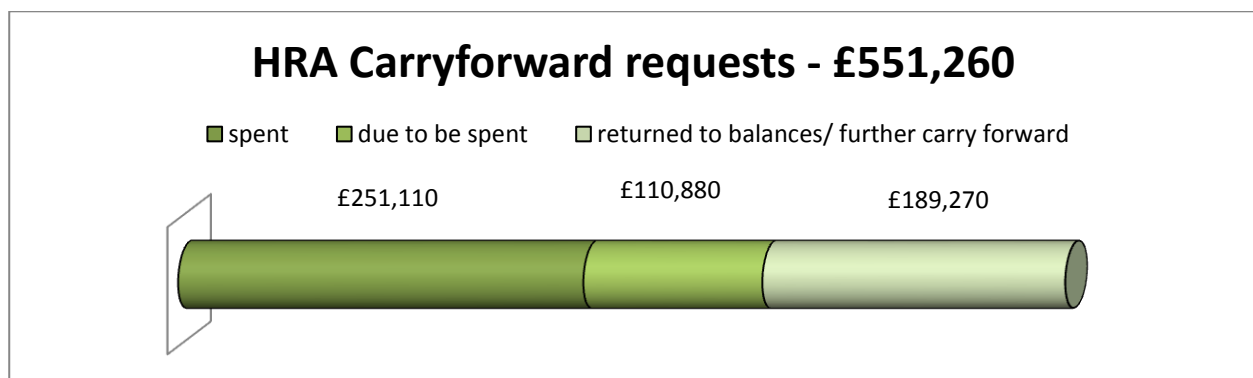
(Key: + = increase in spend / decrease in income, ( ) reduction in spend / increase in income)

### 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, £41,510 has been returned to balances. The 3<sup>rd</sup> quarter review identified a further £59,200 that will not be spent and £88,560 which has been requested for a further carry forward to 2017/18;

- £58,560 relates professional services for delivery of the large scale development programme,
- £30,000 relates to Repairs Service Operative Training.



4.3.3 New carry forward requests totalling £317,250 have been requested as part of the 3<sup>rd</sup> quarter review and are listed in the following table eleven:

<b>Table Eleven</b>	
<b>Housing Revenue Account Carry forward requests</b>	<b>£</b>
New compliance strategy to facilitate landlord lighting tests and periodic testing	90,000
Required to complete implementation project for Repairs and Voids	41,240
Policy Officer post to be filled in 2017/18.	20,000
Required for supply chain project in Repairs and Voids Service	10,000
Opti time and other IT Projects	8,430
Pilot hoarding project	7,500
Consultancy support to finalise service charge review	47,000
To fund Welfare Reform support worker for 6 months	4,520
<b>New Requests</b>	<b>228,690</b>
Required to complete multi-skilled project in Repairs and Voids Service - Slipped	30,000
Development of new projects- Slipped	58,560
<b>Prior year Growth Requests - re requested</b>	<b>88,560</b>
<b>Total Carry forward requests for 2017/18</b>	<b>317,250</b>

4.3.4 Included within the new carry forward request is £90,000 to enable works identified in the Compliance Strategy to be completed in 2017/18.

#### 4.4 **Financial Security Options and Growth Bids Approved for 2016/17 (HRA)**

4.4.1 **Financial Security Options** Included in the 2016/17 HRA budgets total £158,370 and there were growth bids of £51,070 approved at Council on 26 January 2016.

4.4.2 The HRA, anticipate achieving £150,250 of the £158,370 proposed options. Options that have not been successful are two income generating initiatives that were dependant on feasibility studies being conducted;

- HS20 sale of Anti- Social Behaviour services has not gone ahead (£5,000)
- HS21 sale of tenancy training services has underperformed due to a reduction in the number of Housing Associations wanting to take part (£3,120).

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 overleaf in table twelve.

Table Twelve – 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 (decrease in surplus)	29,010
3rd Quarter adjustments	(733,960)
<b>Projected net surplus post 3rd Quarter review</b>	<b>(2,357,400)</b>
HRA balance brought forward 31/3/16	(16,955,084)
Surplus in year	(2,357,400)
<b>Projected HRA balance 31/3/17</b>	<b>(19,312,484)</b>

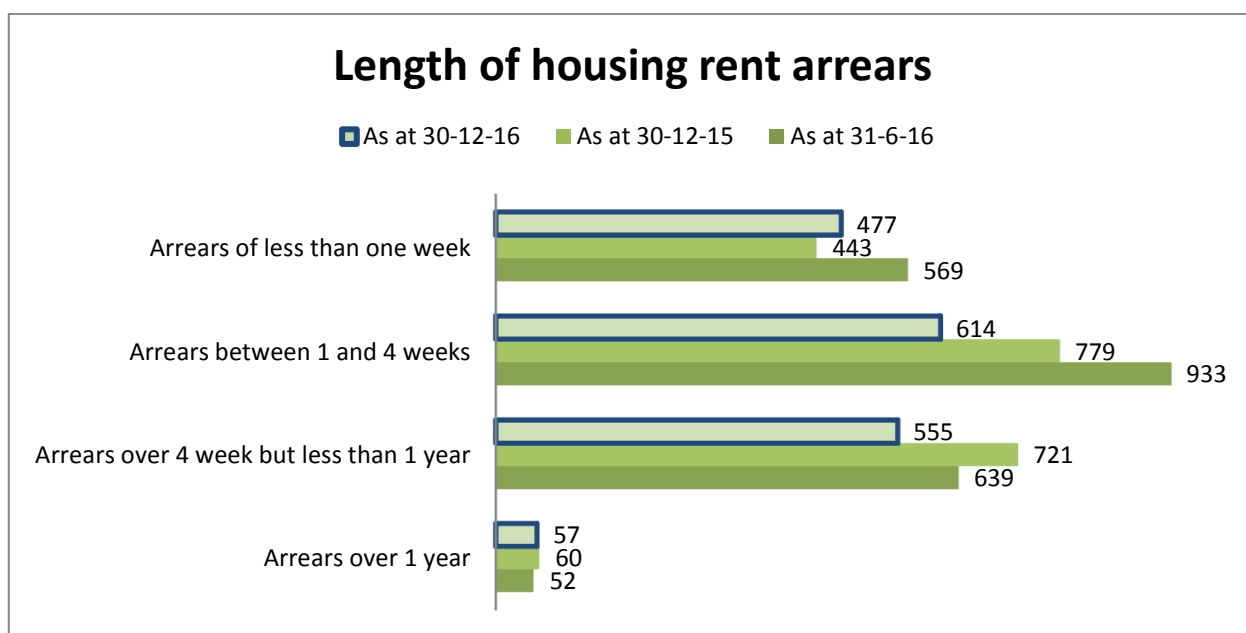
(Key: + = increase in spend / decrease in income, ( ) reduction in spend / increase in income)

#### 4.6 2017/18 – HRA Budget

4.6.1 On-going savings identified at the 3rd quarter budget review total **£62,970** and will contribute towards the HRA’s Financial Security target.

#### 4.7 Review of Balances – Housing Revenue Account

4.7.1 **Bad Debt Levels (HRA)** – At the 31 December 2016, rent and service charge arrears plus sundry debts totalled £1,444,103, a decrease of £156,253 from the 30 September 2016 (£1,600,356) position. In December tenants have a “payment free” week which enables those tenants in arrears to catch up. The budgeted transfer to the bad debt provision can be reduced (£18,070) to reflect changes in the age of arrears within the housing rents system.



4.7.2 **Insurance provisions (HRA).** Offices have reviewed live and anticipated insurance claims relating to the HRA at the 3rd quarter. Claims relating to housing properties have fallen and officers recommend that the budgeted transfer to the

provision can be reduced by **£110,000**. This trend has continued in the last few years and an ongoing reduction of £80,000 to next year's provision is proposed.

## 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 **£5,622,429** and allocated reserve balances of £1,624,112 which is above the minimum balances required.

5.4.2 The **HRA balances** are projected to be **£19,312,484**. The level of HRA balances or revenue reserves risk assessed for 2016/17 is £2,784,237. However the HRA holds future balances for future debt repayments and capital programme for throughout the 30 year business plan

5.4.3 The projected HRA balance is above the HRA Business Plan projection by £416,710. However if RTB's increase by 25 properties in 2017/18, rental income could reduce by £63,000 in 2017/18 and thereafter by £125,000 per year.

5.4.4 Officers are anticipating an announcement on the higher value voids levy and the projections estimated in the HRA Business Plan from 2018/19 could significantly change.

### 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<sup>th</sup> 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<sup>th</sup> 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<sup>th</sup> April 2016)

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

BD 4 - 1st Quarter Monitoring Report General Fund and Housing Revenue Account (13<sup>th</sup> September 2016)

<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/166661>

BD5 - 2nd Quarter Monitoring Report General Fund and Housing Revenue Account (22 November 2016)

<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20161122-Item9.pdf>

BD6 - HRA final budget proposals and rent setting report (Council 31st January 2017)

<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170131-Item3.pdf>

BD7 - 2017/18 Council Tax Setting and General Fund Budget (Council 28<sup>th</sup> February 2017)

<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5A.pdf>

## **APPENDICES**

Appendix A - Investment and Loans Portfolio