



# Cabinet (Resources) Panel

## 26 November 2013

<b>Report Title</b>	Housing Revenue Account Business Plan Update Quarter Two 2013/14	
<b>Decision designation</b>	Red	
<b>Cabinet Member with Lead Responsibility</b>	Councillor Peter Bilson Economic Regeneration and Prosperity	
<b>Key Decision</b>	Yes	
<b>In Forward Plan</b>	Yes	
<b>Wards Affected</b>	All	
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### **RECOMMENDATIONS**

#### **Recommendation(s) for action or decision:**

Cabinet (Resources) Panel is recommended to:

- (i) Recommend that council adopt the updated business plan set out at appendix A as the approved Housing Revenue Account (HRA) business plan, including the capital programme for 2013/14 to 2017/18 set out in the plan.
- (ii) Approve the actions to address the shortfall in the HRA business plan, namely:
  - a. Subject to consultation with tenants, to implement above-inflationary rent increases, noting that this would mean a rent increase of c.6.25% in April 2014, and 3.5-4% in subsequent years

- b. to put in place an indicative freeze in managing agents' allowances for the next five years;
- c. to review capital expenditure plans, and to resist any further increases in capital expenditure except where that expenditure results in a net contribution to the plan and is affordable in the short-term (for example, new-build housing projects).

**Recommendations for noting:**

Cabinet (Resources) Panel is asked to note:

- (iii) The forecast outturn against the 2013/14 revenue budget is a surplus before allocations of £10.5 million compared to a budgeted surplus of £11.4 million.

## 1 Purpose

- 1.1 This report presents an updated Housing Revenue Account (HRA) Business Plan for approval by full council, which has been revised to reflect information received and changes in assumptions since the last update (25 June 2013).
- 1.2 The report provides, as an integral part of that business plan, an updated recommended HRA capital programme for the period 2013/14 to 2017/18, for recommendation to full council.
- 1.3 The report also provides an update on the forecast position against revenue budgets for 2013/14.

## 2 Executive summary

- 2.1 In performing the quarter two update of assumptions and estimates within the HRA business plan, a forecast shortfall in the 30-year business plan of £248.7 million has been identified. The following table outlines the reasons for this forecast shortfall, whilst further detail is provided at Appendix A1.

	<b>Forecast £000</b>
<b>Headroom at end of year 30 as per Q1 report</b>	44,585
<b>Less:</b>	
Reduction in forecast rents receivable	(66,385)
Increase in forecast management and maintenance expenditure	(4,224)
Increase in net financing costs	(169,692)
<b>Add:</b>	
Forecast increase in required capital expenditure	(52,977)
<b>Resulting shortfall at end of year 30</b>	<b>(248,693)</b>

- 2.2 There are three primary causes of this shortfall, due to events that have occurred since quarter one, as set out in the following paragraphs. These events have been driven by government policy changes, and are not exclusive to Wolverhampton. According to the Local Government Chronicle 19 September 2013, of the 171 self-financing authorities 146 have been adversely affected by these changes, with all 171 being affected adversely by Welfare Reform.
- 2.3 On 26 June 2013, the government announced that rent convergence would end with effect from 2015/16. Prior to this announcement, the business plan assumed a relatively substantial rent increase in 2015/16; this increase, along with the contribution that it would have made to increases in subsequent years by way of an increased income base, can no longer be assumed. This has reduced forecast rents receivable by £13.3 million.
- 2.4 There has been a significant increase in the forecast number of Right to Buy sales, driven by an increase in the level of discount available to tenants. This increase was introduced by the government on 2 April 2012 as part of its reinvigorated right to buy policy, and the effects of that are now being observed in an increasing number of sales.

This has resulted in a decrease in forecast rents receivable of £53.1 million over the next 30 years.

- 2.5 As part of their most recent review of the building cost model, and the assumptions contained within it, Wolverhampton Homes have identified an increased capital expenditure requirement of £53.0 million over the 30-year life of the plan. Whilst a significant figure on the face of it, it should be remembered that this £53.0 million is stated over 30 years, for which period total capital expenditure is £1.8 billion. It should also be noted that the Building Cost Model, whilst based on detailed modeling, is nonetheless a best estimate at a point in time, and may change significantly over the life of the plan.
- 2.6 It is proposed that in order to address this forecast shortfall, a number of actions are taken to bring the plan back into balance, as follows:
- a) to implement above-inflationary rent increases, noting that this would mean a rent increase of c.6.25% in April 2014, and 3.5-4% in subsequent years (and that these are subject to consultation with tenants in due course);
  - b) to put in place an indicative freeze in managing agents' allowances for the next five years noting that this is based on the current forecasts, and should the forecasts change significantly a further review will take place;
  - c) to review capital expenditure plans, and to resist any further increases to capital expenditure except where that expenditure results in a net contribution to the plan and is affordable in the short-term (for example, new-build housing projects).
- 2.7 Assuming that the actions outlined above are delivered successfully, in full, the HRA would then be forecast to have sufficient resources to:
- I. fund the £1.9 billion of capital works that will be required to its houses over the next 30 years to maintain the decent homes standard, as well as meeting its management and maintenance obligations over the same period.
  - II. invest in additional affordable housing stock through new build programmes, mortgage rescue schemes and the bringing back into use of empty properties.
- 2.8 It is also anticipated that, as a result of the overall headroom over the course of the next 30 years, in future iterations of the business plan the HRA will be able to lever in additional monies from bodies like the HCA to fund the building of new affordable rent houses. Further details of the updated business plan can be found at Appendices A2-A6 (again, these appendices assume the successful delivery of the actions outlined in paragraph 2.6)
- 2.9 Appendix A3 presents the forecast debt curve alongside forecast capital expenditure graphically. Where the debt curve rises steeply, for example in 2032/2033, this reflects a step up in capital expenditure for the year compared to the previous year, reflecting a number of components coming to the end of their intended lives and needing to be replaced.
- 2.10 Detailed capital budgets are provided at Appendix A6. The significant changes to capital budgets since the most recent update to Cabinet (June 2013) are the inclusion of a number of new schemes, the largest of which are works at Ellerton Walk (£9.9 million), external works at Heath Town (£3.9 million), insulation installation at Stowlawn High Rise (£3.8 million) and structural repairs to roofs (£2.6 million).

- 2.11 It should be noted that these capital budgets continue to fund the requirements to bring the existing stock to Decent Homes standard and maintain it thereafter, and (with the exception of the funds for new council housing) do not include anything for major developments such as estate re-modelling. Provision for such schemes will be made once the outcome of master planning is known, and subject to the availability of funding within the business plan.
- 2.12 The forecast revenue outturn for 2013/14 is a surplus before allocations of £10.5 million, compared to a budgeted surplus of £11.4 million. There are a number of causes of this adverse forecast which are discussed in the forecast revenue outturn provided at Appendix B1.
- 2.13 Appendix C provides a detailed analysis of the risks associated with the HRA Budget and Capital Programme, along with details of the risk control measures that are in place in order to manage and mitigate the risks as far as possible. The overall risk associated with the budget continues to be quantified as Amber.

### **3 Financial implications**

- 3.1 The financial implications are discussed in the body of the report.

[CF/29102013/V]

### **4 Legal implications**

- 4.1 Part VI of the Local Government and Housing Act 1989 (as amended by the Leasehold Reform Housing and Urban Development Act 1993, the Housing Act 1996 and the Local Government Act 2003) set up the financial regime for local authority housing.
- 4.2 The system requires the ring-fencing of the HRA and introduced a government subsidy scheme and controls on local authority borrowing to meet capital expenditure.
- 4.3 This report embodies those requirements.

[JH/22102013/F]

### **5 Equality implications**

- 5.1 In making decisions on the options set out in the report, the council should be aware of the impact on the public, particularly tenants. There is a difficult balance to be struck in deciding the levels at which to increase income, and thereby seeking to protect services.
- 5.2 The council has always operated a very open and consultative approach to service and rent reviews. This is based upon a thirty-year forecast which sets out indicative levels of future average rent rises and forecast changes to expenditure levels. Consultation with tenants will be carried out on the council's behalf by Wolverhampton Homes. It should also be noted that the Government's limits on individual rent increases (of RPI + ½% + £2 per week) protect tenants from excessive increases.

## 6 Environmental implications

- 6.1 The appropriate maintenance of the housing stock makes an on-going contribution to local environmental standards

## 7 Background papers

- HRA Manual (DCLG)
- Guide to Social Rent Reforms in the Local Authority Sector (DCLG)
- Housing Revenue Account Business Plan (Including 2013/2014 Budget, Rents and Service Charges), Report to Cabinet, 23 January 2013
- Housing Revenue Account Business Plan Update Quarter One 2013/14, Report to Cabinet (Resources) Panel, 25 June 2013

## 8 Schedule of appendices

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## ANALYSIS OF REDUCTION IN RESOURCES

1. The table below analyses the reasons for the shortfall arising in the 30 year business plan since the quarter one report:

	<b>Forecast £000</b>
<b>Headroom at end of year 30 as per Q1 report</b>	44,585
<b>Less:</b>	
Reduction in forecast rents receivable	(66,385)
Increase in forecast management and maintenance expenditure	(4,224)
Increase in net financing costs	(169,692)
<b>Add:</b>	
Forecast increase in required capital expenditure	(52,977)
<b>Resulting shortfall at end of year 30</b>	<b>(248,693)</b>

2. The reduction in the forecast rents receivable is due to a combination of two factors. Firstly, the ending of the policy of rent convergence from 2015/16, a year earlier than had been planned and the subsequent reduction in rental income that had previously been assumed in the model for quarter one. Secondly, there has been a significant increase in the forecast number of house sales, further reducing forecast rental income.
3. The increase in capital expenditure is due to the inclusion of additional capital schemes, the main of which are detailed in the executive summary.
4. These reductions in income and increase in expenditure in turn lead to a decrease in resources available for the redemption of debt, which leads to an increase in net financing costs, which in itself is the single biggest cause of the reduction in resources forecast in the quarter 1 report.

## 30-YEAR HRA BUSINESS PLAN (2013/14 TO 2042/43)

REVENUE ACCOUNT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
Dwelling Rents	(467,510)	(529,377)	(599,455)	(677,258)	(763,065)	(857,304)
Other Rents	(8,257)	(9,037)	(9,943)	(11,019)	(12,296)	(13,812)
Service Charges	(31,150)	(33,645)	(34,493)	(35,546)	(36,836)	(38,399)
	<b>(506,917)</b>	<b>(572,059)</b>	<b>(643,891)</b>	<b>(723,823)</b>	<b>(812,197)</b>	<b>(909,515)</b>
<b>Expenditure</b>						
Management and Maintenance (net of retained surpluses)	237,893	258,828	300,088	348,020	403,649	468,232
Depreciation and Provision for Redemption of Debt	186,413	237,781	281,473	334,886	360,358	379,961
Net Financing Costs	82,611	75,450	62,330	40,917	48,190	61,322
	<b>506,917</b>	<b>572,059</b>	<b>643,891</b>	<b>723,823</b>	<b>812,197</b>	<b>909,515</b>
<b>Balance</b>	-	-	-	-	-	-

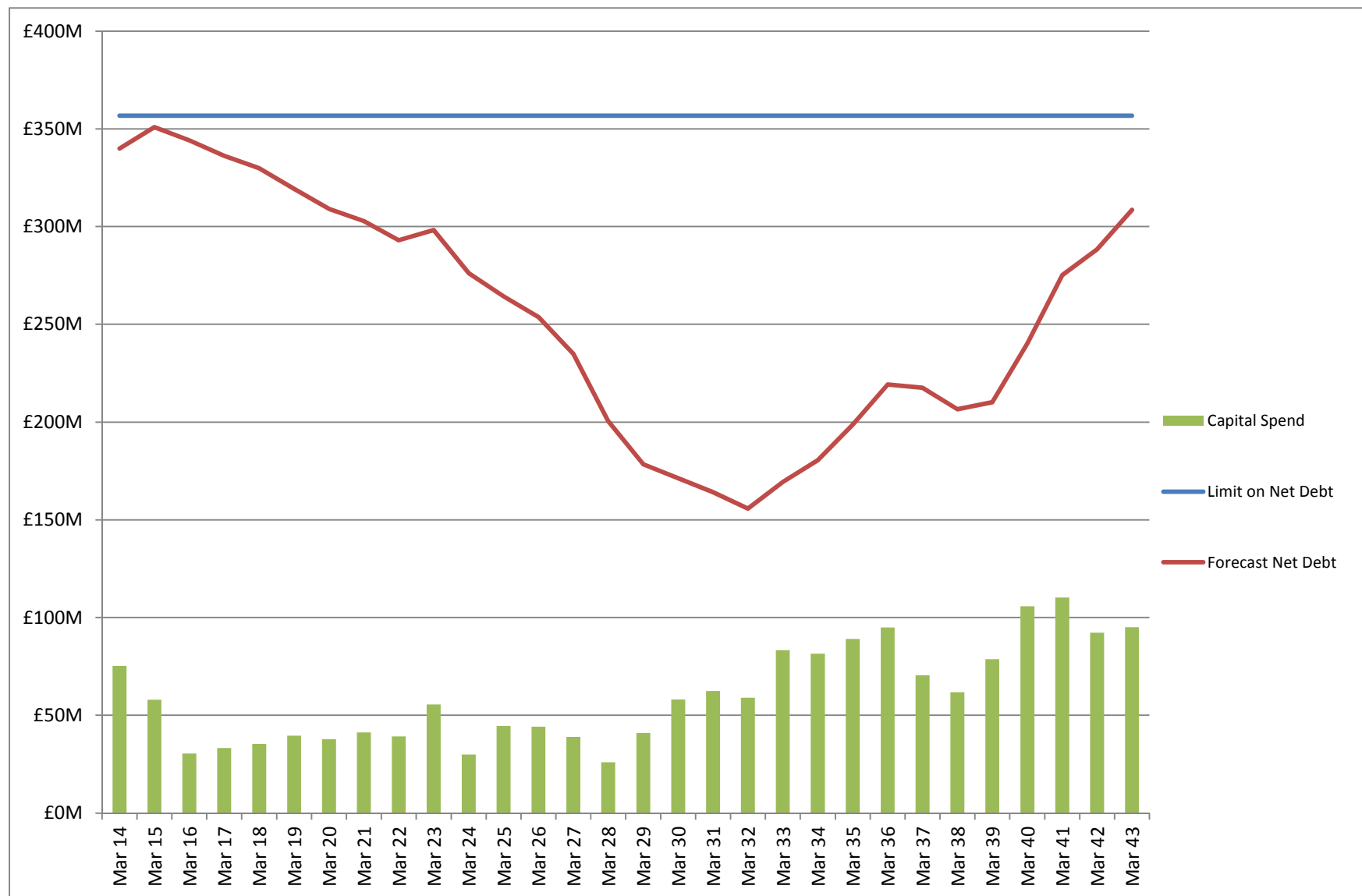
CAPITAL ACCOUNT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Capital Expenditure	232,321	213,243	183,675	303,777	397,645	481,917
	<b>232,321</b>	<b>213,243</b>	<b>183,675</b>	<b>303,777</b>	<b>397,645</b>	<b>481,917</b>
<b>Financing</b>						
Decent Homes Funding	(22,718)	-	-	-	-	-
Major Repairs	(110,850)	(114,603)	(106,123)	(104,556)	(102,910)	(101,178)
Grants, Contributions and Receipts	(6,880)	-	-	-	-	-
Borrowing	(91,873)	(98,640)	(77,552)	(199,221)	(294,735)	(380,739)
	<b>(232,321)</b>	<b>(213,243)</b>	<b>(183,675)</b>	<b>(303,777)</b>	<b>(397,645)</b>	<b>(481,917)</b>
<b>Balance</b>	-	-	-	-	-	-



## 30-YEAR HRA BUSINESS PLAN (2013/14 TO 2042/43)

CAPITAL FINANCING REQUIREMENT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
Capital Expenditure Financed by Borrowing	91,873	98,640	77,552	199,221	294,735	380,739
Provision for Redemption of Debt	(77,390)	(130,166)	(175,350)	(230,330)	(257,448)	(278,783)
Net Movement in Capital Financing Requirement	<b>14,483</b>	<b>(31,526)</b>	<b>(97,798)</b>	<b>(31,109)</b>	<b>37,287</b>	<b>101,956</b>
Closing Capital Financing Requirement	<b>329,777</b>	<b>298,251</b>	<b>200,453</b>	<b>169,344</b>	<b>206,631</b>	<b>308,587</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>26,993</b>	<b>58,519</b>	<b>156,317</b>	<b>187,426</b>	<b>150,139</b>	<b>48,183</b>

FORECAST CAPITAL EXPENDITURE AND DEBT CURVE (2013/2014 TO 2042/2043)



## MEDIUM TERM BUSINESS PLAN

REVENUE ACCOUNT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Income</b>					
Dwelling Rents	(88,985)	(91,431)	(93,541)	(95,686)	(97,867)
Other Rents	(1,581)	(1,627)	(1,654)	(1,683)	(1,712)
Service Charges	(5,002)	(6,422)	(6,524)	(6,580)	(6,622)
	<b>(95,568)</b>	<b>(99,480)</b>	<b>(101,719)</b>	<b>(103,949)</b>	<b>(106,201)</b>
<b>Expenditure</b>					
Management and Maintenance (net of retained surpluses)	47,007	47,418	47,618	47,821	48,029
Depreciation and Provision for Redemption of Debt	32,436	35,158	37,272	39,656	41,891
Net Financing Costs	16,125	16,904	16,829	16,472	16,281
	<b>95,568</b>	<b>99,480</b>	<b>101,719</b>	<b>103,949</b>	<b>106,201</b>
<b>Balance</b>	-	-	-	-	-

CAPITAL ACCOUNT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Expenditure</b>					
Capital Expenditure	75,255	57,928	30,477	33,228	35,433
	<b>75,255</b>	<b>57,928</b>	<b>30,477</b>	<b>33,228</b>	<b>35,433</b>
<b>Financing</b>					
Decent Homes Funding	(11,962)	(10,756)	-	-	-
Major Repairs	(25,857)	(21,861)	(20,575)	(21,994)	(20,563)
Grants, Contributions and Receipts	(2,272)	(1,121)	(1,173)	(1,154)	(1,160)
Borrowing	(35,164)	(24,190)	(8,729)	(10,080)	(13,710)
	<b>(75,255)</b>	<b>(57,928)</b>	<b>(30,477)</b>	<b>(33,228)</b>	<b>(35,433)</b>
<b>Balance</b>	-	-	-	-	-

## MEDIUM TERM BUSINESS PLAN

CAPITAL FINANCING REQUIREMENT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>315,294</b>	<b>339,930</b>	<b>350,823</b>	<b>344,087</b>	<b>336,263</b>
Capital Expenditure Financed by Borrowing	35,164	24,190	8,729	10,080	13,710
Provision for Redemption of Debt	(10,528)	(13,297)	(15,465)	(17,904)	(20,196)
Net Movement in Capital Financing Requirement	<b>24,636</b>	<b>10,893</b>	<b>(6,736)</b>	<b>(7,824)</b>	<b>(6,486)</b>
Closing Capital Financing Requirement	<b>339,930</b>	<b>350,823</b>	<b>344,087</b>	<b>336,263</b>	<b>329,777</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>16,840</b>	<b>5,947</b>	<b>12,683</b>	<b>20,507</b>	<b>26,993</b>

## MANAGEMENT AND MAINTENANCE MEDIUM TERM FORECASTS

	2013/2014 Forecast £000	2014/2015 Forecast £000	2015/2016 Forecast £000	2016/2017 Forecast £000	2017/2018 Forecast £000
Wolverhampton Homes – Basic	37,920	37,920	37,920	37,920	37,920
Wolverhampton Homes - Fencing	123	121	121	121	121
Bushbury Hill EMB	1,261	1,261	1,261	1,261	1,261
New Park Village TMO	375	375	375	375	375
Springfield Horseshoe TMO	353	353	353	353	353
Dovecotes TMO	1,091	1,091	1,091	1,091	1,091
Housing Support	364	376	388	399	411
SLA Charges	1,677	1,677	1,726	1,777	1,830
Pension Contributions	2,284	2,284	2,353	2,424	2,497
Retained Repairs and Maintenance	(372)	(372)	(384)	(396)	(409)
Miscellaneous Items	82	82	85	87	88
<b>Total Management and Maintenance</b>	<b>45,158</b>	<b>45,168</b>	<b>45,289</b>	<b>45,412</b>	<b>45,538</b>

## CAPITAL PROGRAMME – OUTTURN 2012/13 AND FORECAST EXPENDITURE BY YEAR 2013/14 TO 2017/18

	OUTTURN	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	FORECAST
	£000	£000	£000	£000	£000	£000	£000
<b><u>Decent Homes Stock Condition</u></b>							
Scotlands Estate Phase 7	58	-	-	-	-	-	-
Scotlands Estate Phase 8	3	-	-	-	-	-	-
Bushbury Roof Replacement	2,284	87	-	-	-	-	87
New Park Village	386	-	-	-	-	-	-
All Saints Voids	616	619	-	-	-	-	619
Heating and Insulation Programme	(123)	-	-	-	-	-	-
Lincoln and Tremont	859	33	-	-	-	-	33
Sunset Place	22	58	-	-	-	-	58
Merridale Court	-	109	2,731	-	-	-	2,840
Graiseley Repairs	-	250	267	-	-	-	517
Refurbishment of Voids	-	4,905	4,191	4,050	3,814	3,597	20,557
Non Residential Conversion to Residential	292	74	1,282	-	-	-	1,356
External Improvement Programme	1,939	1,800	1,800	2,800	1,800	1,800	10,000
Boiler Replacement Programme	786	900	900	900	900	900	4,500
Capitalised insurance costs	12	-	-	-	-	-	-
Decent Homes Pilot	4	-	-	-	-	-	-
Decent Homes - Stock Improvements	29,041	34,752	27,125	7,853	9,212	10,933	89,875
Decent Homes - Capitalised Salaries	919	1,000	1,000	1,000	1,000	1,000	5,000
<b>Decent Homes Stock Condition</b>	<b>37,098</b>	<b>44,587</b>	<b>39,296</b>	<b>16,603</b>	<b>16,726</b>	<b>18,230</b>	<b>135,442</b>
<b><u>Decent Homes Public Realm</u></b>							
Communal Areas Improvement	-	239	655	2,395	3,034	3,022	9,345
Street-scaping	-	-	328	780	1,103	1,099	3,310
<b>Decent Homes Public Realm</b>	<b>-</b>	<b>239</b>	<b>983</b>	<b>3,175</b>	<b>4,137</b>	<b>4,121</b>	<b>12,655</b>
<b><u>Major Stock Condition Improvements</u></b>							

## CAPITAL PROGRAMME – OUTTURN 2012/13 AND FORECAST EXPENDITURE BY YEAR 2013/14 TO 2017/18

	OUTTURN	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	FORECAST
	£000	£000	£000	£000	£000	£000	£000
Low Hill Residential Repairs	276	10,750	8,840	-	-	-	19,590
<b>Major Stock Condition Improvements</b>	<b>276</b>	<b>10,750</b>	<b>8,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,590</b>
<b><u>Estate Remodelling</u></b>							
Blakenhall Gardens	196	122	-	-	-	-	122
East Park Tarran Bungalows	42	264	-	-	-	-	264
Heath Town	11	-	-	-	-	-	-
New Build programme	-	9,213	-	-	-	-	9,213
RTB Buy back	-	500	-	-	-	-	500
Commercial Conversions	-	370	-	-	-	-	370
<b>Sustainable Communities Estate Remodelling</b>	<b>249</b>	<b>10,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,649</b>
<b><u>Adaptations for People with Disabilities</u></b>							
<b>Disabled Adaptations</b>	<b>1,105</b>	<b>1,088</b>	<b>1,111</b>	<b>1,163</b>	<b>1,144</b>	<b>1,150</b>	<b>5,656</b>
<b><u>Other Stock Condition Improvements</u></b>							
Structural Works	898	864	874	891	883	879	4,391
Purchase of former RTB	3	997	-	-	-	-	997
Lift and DDA Improvements - High Rise	483	1,701	565	574	568	670	4,078
Fire Safety Improvements - High Rise	45	891	382	501	496	494	2,764
Roofing Refurbishment programme	-	1,888	3,521	4,328	5,661	5,980	21,288
Energy Efficiency Works	-	780	1,184	1,610	1,993	2,382	7,949
Door Entry Security Programme	589	428	378	382	379	378	1,945
Communal rewiring programme	-	109	111	116	114	115	565
<b>Other Stock Condition Improvements</b>	<b>2,018</b>	<b>7,658</b>	<b>7,015</b>	<b>8,402</b>	<b>10,094</b>	<b>10,808</b>	<b>43,977</b>
<b><u>Other Improvements to the Public</u></b>							

## CAPITAL PROGRAMME – OUTTURN 2012/13 AND FORECAST EXPENDITURE BY YEAR 2013/14 TO 2017/18

	OUTTURN	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	FORECAST
	£000	£000	£000	£000	£000	£000	£000
<b>Realm</b>							
Pathway Improvement and Safety Programme	207	54	273	724	717	714	2,482
<b>Other Improvements to the Public Realm</b>	<b>207</b>	<b>54</b>	<b>273</b>	<b>724</b>	<b>717</b>	<b>714</b>	<b>2,482</b>
<b>Service Enhancements and Miscellaneous</b>							
Information Technology Developments	(1)	-	-	-	-	-	-
WH Other technology requirements	5	-	-	-	-	-	-
WH document management costs	1	-	-	-	-	-	-
Digital TV Cabling etc	42	-	-	-	-	-	-
Sale of Council House Administration	15	10	10	10	10	10	50
Capitalised Salaries - W'ton Homes	400	400	400	400	400	400	2,000
Heath Town Biomass Contingency	9	-	-	-	-	-	-
<b>Service Enhancements &amp; Miscellaneous</b>	<b>471</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>2,050</b>
<b>GRAND TOTAL</b>	<b>41,424</b>	<b>75,255</b>	<b>57,928</b>	<b>30,477</b>	<b>33,228</b>	<b>35,433</b>	<b>232,321</b>



## FORECAST REVENUE OUTTURN 2013/14

1. The table below sets out the forecast outturn against revenue budgets as at quarter two of 2013/14.

**Forecast Revenue Outturn 2013/14 Compared to Budget**

	2013/14		
	Approved Budget £000	Forecast Outturn £000	Variance £000
<u>Income</u>			
Gross Rents - Dwellings	(88,973)	(88,985)	(12)
Gross Rents - Non Dwellings	(1,614)	(1,581)	33
Charges to Tenants for Services and Facilities	(5,124)	(5,002)	122
<b>Total Income</b>	<b>(95,711)</b>	<b>(95,568)</b>	<b>143</b>
<u>Expenditure</u>			
Repairs and Maintenance	26,184	26,184	-
Supervision and Management	18,794	18,974	180
Rents, Rates and Taxes	229	243	14
Increase in Provision for Bad Debts	1,500	1,607	107
Depreciation of Fixed Assets	21,908	21,908	-
<b>Total Expenditure</b>	<b>68,615</b>	<b>68,916</b>	<b>301</b>
<b>Net Cost of HRA Services</b>	<b>(27,096)</b>	<b>(26,652)</b>	<b>561</b>
Interest Payable	15,743	16,131	388
Interest and Investment Income	(2)	(2)	-
Adjustment for Premiums & Discounts	(4)	(4)	-
<b>(Surplus) / Deficit before Transfers to/from Reserves and Provision for Redemption of Debt</b>	<b>(11,359)</b>	<b>(10,528)</b>	<b>831</b>
<u>Allocation of (Surplus)/Deficit</u>			
Provision for Redemption of Debt	11,359	10,528	(831)
Transfer to/(from) Reserves	-	-	-
<b>Balance for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FORECAST REVENUE OUTTURN 2013/14**

2. The forecast outturn for the year is a surplus before allocations of £10.5 million, compared to a budgeted surplus of £11.4 million. The significant variances forecast at this stage of the year are on rents and service charges receivable, supervision and management, provision for bad debts and interest payable.
3. The rents and service charges receivable are forecast to be lower than budgeted by £143,000. This is due to forecast sales of houses for the year, based on sales for the year to date, being higher than assumed when setting the budget. This is in contrast to the trend of recent years and appears to reflect a genuine and significant increase in the number of houses being sold, which began in 2012/13. The number of houses sold will continue to be monitored on a weekly basis throughout the year, and the implications for the business plan evaluated accordingly.
4. Supervision and Management costs are forecast to be £180,000 greater than budgeted for. This is due to a number of small over spends across supervision and management.
5. There has been an increase in the forecast provision for bad debts of £107,000. This is due to an increase in rent arrears.
6. There has been a significant increase in the amount of interest payable, with it forecast to increase by £388,000. This is being driven by the increase in the amount of capital expenditure forecast, and the borrowing required to support that expenditure.
7. It should be noted that no addition to or use of the HRA general balance was budgeted or is forecast for 2013/14, meaning that the balance is forecast to remain at its current contingency level of £5.0M throughout the year.

## BUDGET RISK MANAGEMENT

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (PxI)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
1	Financial and Budget Management	Ineffective budget management.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	4	8	A	<ul style="list-style-type: none"> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
2	Financial and Budget Management	Non pay inflation increase insufficient.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	2	2	G	<ul style="list-style-type: none"> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
3	Financial and Budget Management	Pay award greater than budgeted (0%).	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	1	2	G	<ul style="list-style-type: none"> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
4	Financial and Budget Management	Staff turnover below assumed levels.	Overspend against budget requiring either in year savings or use of general fund balance.	2	1	2	G	<ul style="list-style-type: none"> <li>As part of the development of 2013/2014 budgets staff turnover levels were reviewed and revised where possible and affordable.</li> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## BUDGET RISK MANAGEMENT

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
5	Financial and Budget Management	The HRA borrowing cap preventing the council from carrying out essential capital works.	Inability to borrow to fund capital projects results in delays or cancellations.	3	3	9	A	<ul style="list-style-type: none"> <li>Close monitoring of capital spend requirements and borrowing limits.</li> </ul>	Assistant Director Finance	Monthly
6	Financial and Budget Management	The 30 year asset management plan is inaccurate.	Capital expenditure is not budgeted correctly.	2	4	8	A	<ul style="list-style-type: none"> <li>Close interrogation of information generated from asset management systems.</li> </ul>	Assistant Director Finance	Monthly
7	Financial and Budget Management	Assumptions which inform decision making regarding the balance of the need to reduce debt, invest in revenue or invest in capital are inaccurate.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	3	6	A	<ul style="list-style-type: none"> <li>A prudent approach to assumptions is taken.</li> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## BUDGET RISK MANAGEMENT

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
8	Financial and Budget Management	Treasury Management Activity, including increases in the cost of borrowing (e.g. LOBO loans being called) and/or reductions in the return on investments.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	4	8	A	<ul style="list-style-type: none"> <li>Robust Treasury Management Strategy.</li> <li>Established and experienced Treasury Management function.</li> <li>Proactive approach to the management of the council's cash flow, on a daily basis, including seeking opportunities to take advantage of borrowing opportunities when interest rates are favourable and seeking to maximise returns on investment whilst effectively managing the risk associated with those investments.</li> <li>External treasury management advisors who provide a proactive and timely service and advice.</li> </ul>	Assistant Director Finance	Daily
9	Financial and Budget Management	Loss of ICT facilities, e.g. due to failure of systems and/or disaster recovery arrangements or key personnel	Lack of robust financial information on which to monitor budgets, leading to in-year budget deficit requiring savings to be identified or the use of housing revenue account balances	2	4	8	A	<ul style="list-style-type: none"> <li>ICT disaster recovery project and arrangements.</li> </ul>	Assistant Director Finance	Monthly
10	Income and Funding	Reduction to other income.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	3	6	A	<ul style="list-style-type: none"> <li>As part of the 2013/2014 budget process income budgets were reviewed and revised accordingly.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## BUDGET RISK MANAGEMENT

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
11	Income and Funding	Higher than anticipated bad debts.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	4	3	12	A	<ul style="list-style-type: none"> <li>Robust debt collection and recovery mechanisms in place.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
12	Income and Funding	Lower than anticipated levels of capital funding.	Capital schemes are cancelled or delayed or have to be funded from revenue budgets and/or prudential borrowing resulting in an over spend against budget requiring either in year savings or use of housing revenue account balance.	1	4	4	A	<ul style="list-style-type: none"> <li>The capital programme is actively and closely managed and when so doing expenditure and income streams are continuously monitored.</li> <li>A Capital Programme Working Group is now established which provides enhanced governance and control in respect of the capital programme</li> <li>Quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
13	Service Demands	Increased demand for services including the impact of social and demographic pressures on demand for services, these pressures can be compounded in an economic downturn.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	3	3	G	<ul style="list-style-type: none"> <li>As part of the 2013/2014 budget process budgets were reviewed and revised accordingly taking account of known and anticipated increases in demand.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> <li>The risks potentially created by demand are mitigated by the fact that supply is limited.</li> </ul>	Budget Holders	Monthly

## BUDGET RISK MANAGEMENT

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
14	Third Parties	Third parties and suppliers / contractors cease to trade or withdraw from the market.	Short term expensive solutions may be necessary. Requirements to undertake tender exercise. Increased ongoing cost due to reduced competition. Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	4	4	A	<ul style="list-style-type: none"> <li>Departments using external service suppliers work closely with them and are kept abreast of their service and business situation. At worst this gives the council notice of emerging problems.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Budget Holders	Monthly
15	Government Policy	There are changes to Government policy that have in year service and budget impact.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	4	8	A	<ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> <li>Close monitoring of developing national position and reporting to Members.</li> </ul>	Budget Holders	Monthly