



**NORTHAMPTON**  
BOROUGH COUNCIL

<b>Name of Committee</b>	<b>CABINET</b>
<b>Directorate:</b>	<b>Citizens, Finance, and Governance</b>
<b>Corporate Manager / Director:</b>	<b>Isabell Procter</b>
<b>Date:</b>	<b>2<sup>nd</sup> July 2007</b>

<b>Report Title</b>	2006/2007 Budget Outturn Housing Revenue Account
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<b>Key Decision</b>	<b>Yes</b>
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## 1. Recommendations

- 1.1 That the report be noted.
- 1.2 That the earmarked reserve be agreed.

## 2. Summary

- 2.1 The final outturn position for the Housing Revenue Account for 2006/2007 is an underspend of £1. This is significantly better than the previously reported forecast overspend of £1.4m. After a net contribution to Housing Revenue Account earmarked reserves, the level of working balances carried forward to underpin the 2007/08 budget is £5.8m.
- 2.2 The Council holds an earmarked reserve of £3m to finance the capital programme.
- 2.3 All outturn variations identified within the 2006/07 accounts will be investigated to identify if any savings are ongoing and can be reflected within the current and future year budgets. The next 2007/2008 budget monitoring report to Cabinet will provide more detail on any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year and provides a robust basis for the Medium Term Financial strategy and service delivery planning.

### 3. Report Background

- 3.1 During the course of 2006/07 Budget Managers reported a forecast overspend within the Housing Revenue Account of £1.4m. Following the closure of accounts, the final outturn position is an underspend of £1.2m.
- 3.2 Appendix 1 to this report provides an analysis of the final outturn position by Service.
- 3.3 The most significant variations in financial terms were as follows: -
- Communal Heating & Lighting: The change from gas to oil heating in Cooper Street created savings.
  - Improvement Fund: The majority of this budget is required to finance the HRA capital programme. This will actually be used in future years and has been transferred to an earmarked reserve.
  - Sheltered Housing: A review of accounting controls for this service has resulted in no recharge from General Fund to this service. Additionally there has been a reduction in charges from Tunstal Maintenance.
  - HRA Subsidy: A reduced payment to the Government other than budgeted was required, which was previously forecast.
- 3.4 The final outturn position differs considerably to the previously reported forecast. Appendix 2 to the report provides an analysis of key variations between the forecast and final outturn position.
- 3.5 The most significant individual changes from the forecast to were as follows:
- Communal Heating & Lighting: The savings from the Cooper Street change to oil from gas were not forecast.
  - Housing Repairs: The use of recharging accounts made it difficult to accurately forecast in this area. This situation has been rectified in 2007/08.
  - Improvement Fund: Most of this budget is required to finance the HRA capital programme. The variation from forecast is due to the incidence of capital financing between years not fully quantified until year-end.
  - Sheltered Housing: A review of the accounting controls resulted in no recharge from General Fund to this service not quantified until year-end. A lower level of charges from Tunstal was not anticipated and therefore not forecast.
- 3.6 Investigations into the reasons for the changes between the forecast and actual outturn position have identified key issues concerning the flow of management information within the organisation. The lack of information is restricting the ability of the council to forecast accurately and must be

addressed as a matter of urgency in 2007/08. All issues identified on Appendix 4, that indicate that management information needs to improve to assist forecasting, need to be addressed as a matter of priority in 2007/08.

3.7 The overall effect of the net improvement in the year-end position is that the level of HRA Working Balances available to support the 2007/08 budgets is £5.8m. This level of reserves is acceptable for an authority the size of Northampton Borough Council; whilst considering the level of risk that the council is exposed to and the improvement agenda at hand. There are earmarked reserves of £3m, which mitigate specific risks that the Council may be exposed to.

3.8 As identified above work is underway to establish if there is likely to be a continuing impact of 2006/07 underspends in the current and future financial years.

#### **4. Options and Evaluation of Options**

4.1 N/A

#### **5. Resource Implications (including Financial Implications)**

This is covered in section 3. However, it is worth restating that the level of available reserves remains at a minimum level acceptable given the degree of risk to which the Council is exposed in a number of key service areas and in relation to the vast improvement agenda that the Council is required to deliver.

#### **6. Risk and Opportunity Issues**

6.1 This is covered in section 5.

#### **7. Consultees (Internal and External)**

<b>Internal</b>	<b>Chief Executive, Directors, Corporate Mgrs, Budget Mgrs</b>
<b>External</b>	<b>N/A</b>

## 8. Compliance Issues

### A: How Proposals Deliver Priority Outcomes

<b>Recovery Plan</b>
N/a
<b>Corporate Plan</b>
N/a

### B: Other Implications

<b>Other Strategies</b>
N/a

<b>Finance Comments</b>
None additional to the above.

<b>Legal Comments</b>

## 9. Background Papers

Title	Description	Source

Name	Signature	Date	Ext.
<b>Author</b>	Ann Davies Finance Manager – Financial Management and Planning	02/07/2007	7168
<b>Corporate Manager</b>	N/a		
<b>Director</b>	Isabell Procter	02/07/2007	8757
<b>Monitoring Officer or Deputy (Key decision only)</b>			
<b>Section 151 Officer or Deputy (Key decision only)</b>	Isabell Procter Technical Finance Manager	02/07/2007	8757